寶業集團股份有限公司
BAOYE GROUP COMPANY LIMITED*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 2355)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the "Board") of Baoye Group Company Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007, which is prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2006. The following financial information is extracted from the audited consolidated financial statements as set out in the Group's 2007 Annual Report.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2007	**2006**
	Note	*RMB'000*	*RMB'000*
Revenue	2	7,657,066	6,227,853
Cost of sales		(7,120,136)	(5,734,191)
Gross profit		536,930	493,662
Other gains – net	3	164,121	416,038
Selling and marketing costs		(22,363)	(15,388)
Administrative expenses		(259,259)	(218,069)
Operating profit		419,429	676,243
Finance costs		(68,288)	(50,722)
Share of losses of associates		(1,226)	(21)
Profit before income tax		349,915	625,500
Income tax expense	4	(114,277)	(143,479)
Profit for the year		235,638	482,021
Attributable to:			
Equity holders of the Company		225,795	476,032
Minority interest		9,843	5,989
		235,638	482,021
Earnings per share for profit attributable to the equity holders of the Company during the year – basic and diluted (expressed in RMB per share)	5	RMB0.343	RMB0.779
Dividends	9	46,407	46,407

* *For identification and reference purposes only*

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2007	**2006**
	Note	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		760,593	677,386
Investment properties		43,533	40,515
Land use rights		2,008,189	792,261
Goodwill		16,534	16,534
Properties under development		135,541	442,076
Investments in associates		31,175	32,401
Deferred income tax assets		16,314	15,496
		3,011,879	2,016,669
Current assets			
Inventories		116,291	79,802
Land use rights		292,236	269,136
Properties under development		620,424	292,283
Completed properties held for sale		130,757	61,604
Due from customers on construction contracts		866,751	738,909
Trade receivables	*6*	656,635	682,864
Other receivables		931,352	721,651
Restricted bank deposits		248,067	125,702
Cash and cash equivalents		818,474	782,699
		4,680,987	3,754,650
Total assets		7,692,866	5,771,319

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital and premium		1,510,259	953,735
Other reserves		146,746	227,951
Retained earnings			
– Proposed dividend		46,407	46,407
– Others		1,155,225	915,970
		2,858,637	2,144,063
Minority interest		37,771	45,191
Total equity		2,896,408	2,189,254
LIABILITIES			
Non-current liabilities			
Borrowings		120,000	–
Deferred income tax liabilities		88,775	133,434
		208,775	133,434
Current liabilities			
Trade payables	*7*	706,462	791,212
Other payables		618,872	608,999
Receipts in advance		689,268	262,657
Current income tax liabilities		175,790	129,143
Due to customers on construction contracts		541,640	429,591
Borrowings		1,851,151	1,222,779
Provision for warranty		4,500	4,250
		4,587,683	3,448,631
Total liabilities		4,796,458	3,582,065
Total equity and liabilities		7,692,866	5,771,319
Net current assets		93,304	306,019
Total assets less current liabilities		3,105,183	2,322,688

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

Standards, amendments and interpretations effective in 2007 and relevant to the operations of the Group are analyzed as follows:

HKFRS 7 , "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements – Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

Hong Kong (International Financial Reporting Interpretation Committee) – Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investment in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

2. SEGMENT INFORMATION

The Group is principally engaged in the following three main business segments:

- Construction – provision of construction services
- Building materials – manufacture and distribution of building materials
- Property development – development and sale of properties

The revenue attributable from these three segments is approximately RMB7,597,133,000 and RMB6,166,234,000 for the years ended 31 December 2007 and 2006 respectively.

The Group's other operations mainly comprise the provision of architectural and interior design services, provision of construction equipment rental services. Not any one of these constitutes a separately reportable segment.

The business segment results for the year ended 31 December 2007 are as follows:

	Year ended 31 December 2007				
	Construction	Building materials	Property development	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	6,445,621	1,223,995	373,737	65,402	8,108,755
Inter-segment revenue	(320,298)	(125,922)	–	(5,469)	(451,689)
External revenue	6,125,323	1,098,073	373,737	59,933	7,657,066
Operating profits/segment results	218,880	80,024	117,176	3,349	419,429
Finance costs					(68,288)
Share of losses of associates					(1,226)
Profit before income tax					349,915
Income tax expense					(114,277)
Profit for the year					235,638
Other information					
Depreciation	42,875	30,827	1,362	3,454	78,518
Amortisation	8,252	2,549	252	–	11,053
Provision for doubtful debts, net	5,086	3,036	68	183	8,373

The business segment results for the year ended 31 December 2006 are as follows:

	Year ended 31 December 2006				
	Construction	Building materials	Property development	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	4,824,604	1,226,416	445,215	80,744	6,576,979
Inter-segment revenue	(180,025)	(149,976)	–	(19,125)	(349,126)
External revenue	4,644,579	1,076,440	445,215	61,619	6,227,853
Operating profits/segment results	468,845	50,610	153,561	3,227	676,243
Finance costs					(50,722)
Share of losses of associates					(21)
Profit before income tax					625,500
Income tax expense					(143,479)
Profit for the year					482,021
Other information					
Depreciation	24,661	27,498	2,047	2,666	56,872
Amortisation	7,381	1,114	–	–	8,495
Provision for doubtful debts, net	1,137	3,847	62	54	5,100

The segment assets and liabilities as at 31 December 2007 and capital expenditure for the year then ended are as follows:

	As at 31 December 2007					
	Construction	**Building materials**	**Property development**	**Others**	**Unallocated**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets	3,398,731	1,141,889	2,794,231	266,993	59,847	7,661,691
Associates	–	–	31,175	–	–	31,175
Total assets	3,398,731	1,141,889	2,825,406	266,993	59,847	7,692,866
Liabilities	2,558,231	579,886	943,696	40,855	673,790	4,796,458
Capital expenditure	157,089	69,280	3,795	2,970	–	233,134

The segment assets and liabilities as at 31 December 2006 and capital expenditure for the year then ended are as follows:

	As at 31 December 2006					
	Construction	**Building materials**	**Property development**	**Others**	**Unallocated**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets	3,245,158	1,102,301	1,162,918	172,530	56,011	5,738,918
Associates	–	–	32,401	–	–	32,401
Total assets	3,245,158	1,102,301	1,195,319	172,530	56,011	5,771,319
Liabilities	1,806,254	681,125	613,797	45,746	435,143	3,582,065
Capital expenditure	110,930	170,321	8,704	24,520	–	314,475

The Group's business activities were mainly carried out in the PRC where the vast majority of the Group's assets are located. During the year, the Group had also undertaken construction businesses in three countries in Africa, namely The Republic of Djibouti ("Djibouti"), The Republic of Botswana ("Botswana") and The Republic of Seychelles ("Seychelles"), and had procured certain operating assets for use in these countries. However, no geographical segment information is required to be separately disclosed as these overseas business activities were less than 10% of the Group's consolidated revenue and results as well as the Group's total assets.

3. OTHER GAINS – NET

	Note	**2007** *RMB'000*	**2006** *RMB'000*
Interest income		66,100	47,406
Rental income		11,530	6,657
(Losses)/gains on disposals of property, plant and equipment and land use rights	*(i)*	(40,752)	31,178
Government compensation	*(ii)*	80,801	9,254
Write-back of other payables	*(iii)*	24,001	–
Gains on debts restructuring		9,141	7,950
Excess of interest in the acquired net assets from minority shareholders over cost		7,584	575
Excess of the fair value of the net assets of subsidiaries acquired over cost		–	288,358
Fair value gains on investment properties		3,018	4,534
Gain on disposal of a subsidiary		–	15,259
Others		2,698	4,867
		164,121	416,038

(i) The gross losses on disposals of property, plant and equipment and land use rights during the year (before the government compensation as detailed in Note (ii) below) were mainly attributable to relocation of certain plant facilities at the request of the local government authorities according to the relevant town redevelopment plans.

(ii) Government compensation during the year mainly represented the compensations received from the local government authorities, in aggregate of approximately RMB62,259,000 for the resulting losses on disposals of the property, plant and equipment and land use rights arising from relocation of the plant facilities as mentioned in Note (i) above.

(iii) The amount represented the write-back of over-provision of other payables brought forward in respect of redundancy pays and government levies resulting from a business combination in the year of 2006, upon receipt of confirmation or waiver documents from the relevant government authorities or the concerned parties.

4. INCOME TAX EXPENSE

(i) Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit in Hong Kong for the year (2006: Nil).

(ii) PRC Enterprise Income Tax

The Company and its subsidiaries are subject to PRC Enterprise Income Tax ("EIT") at a rate of 33% (2006: 33%).

Pursuant to the PRC Enterprise Income Tax Law passed by the tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, which will be effective from 1 January 2008. As a result, the enterprise income tax rate of the Company and its subsidiaries incorporated in the PRC will change from 33% to 25% with effective from 1 January 2008. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, has been reflected in the consolidated financial statements of the Group for year ended 31 December 2007.

(iii) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The amount of income tax expenses charged to the consolidated income statement represents:

	2007	**2006**
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	132,835	128,507
– PRC land appreciation tax	26,919	27,098
Deferred income taxes relating to the origination and reversal of temporary differences	(16,886)	(12,126)
Deferred income taxes resulting from change in the tax rates	(28,591)	–
	114,277	143,479

5. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	**2006**
Profit attributable to equity holders of the Company (RMB'000)	225,795	476,032
Weighted average number of ordinary shares in issue (thousands shares)	658,628	610,927
Basic earnings per share (RMB)	RMB0.343	RMB0.779

The Company had no potential dilutive effect in shares in both 2007 and 2006, thus the diluted earnings per share is the same as basic earnings per share.

6. TRADE RECEIVABLES

	2007	**2006**
	RMB'000	*RMB'000*
Trade receivables	680,185	698,041
Less: provision for doubtful debts	(23,550)	(15,177)
	656,635	682,864

The provision for doubtful debts has been included in administrative expenses in the income statement.

As at 31 December 2007, the ageing analysis of the trade receivables is as follows:

	2007	2006
	RMB'000	*RMB'000*
Within 3 months	347,340	321,703
3 months to 1 year	241,457	231,379
1 to 2 years	39,710	89,397
2 to 3 years	26,988	29,776
Over 3 years	24,690	25,786
	680,185	698,041

Customers are generally granted credit terms of 1 to 3 months for construction business, 1 to 12 months for building materials business and no credit terms for property development business.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

7. TRADE PAYABLES

As at 31 December 2007, the ageing analysis of the trade payables is as follows:

	Group	
	2007	2006
	RMB'000	*RMB'000*
Within 3 months	298,742	427,430
3 months to 1 year	256,086	196,935
1 to 2 years	99,053	58,220
2 to 3 years	17,747	22,829
Over 3 years	34,834	85,798
	706,462	791,212

8. PRESENTATION OF LAND APPRECIATION TAX AND RECLASSIFICATION OF COMPARATIVE FIGURES

Within the comparative figures stated in the consolidated financial statements, land appreciation tax expenses of RMB27,098,000 previously included in cost of sales for the year ended 31 December 2006 was reclassified as income tax expenses in the consolidated income statement, and provision for land appreciation tax of RMB52,667,000 previously included in other payable as at 31 December 2006 was reclassified as income tax payable in the consolidated balance sheet. For the year ended 31 December 2007, land appreciation tax expenses of RMB26,919,000 and provision for land appreciation tax of RMB74,378,000 were classified as income tax expenses and income tax payable respectively.

The above reclassifications were made so as to conform to the current year presentation, as the Company's directors are of the view that it would be more appropriate to reflect land appreciation tax as income tax expense and the outstanding provision as income tax payable, after a reassessment of the nature of the land appreciation tax and a study of the market practices.

9. **DIVIDENDS**

	2007	2006
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.07 (2006: RMB0.07) per ordinary share	46,407	46,407

The directors recommend the payment of a final dividend of RMB0.07 per ordinary share, totaling RMB46,407,000. Such dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 15 June 2008. These financial statements do not reflect this dividend payable. The final dividend of RMB0.07 per ordinary share in the amount of RMB46,407,000 in 2006 was declared and paid in 2007.

10. **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 15 May 2008 to 15 June 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned final dividend, all transfers, accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Center, 28 Queen's Road East, Hong Kong (for holders of the Company's H Share) no later than 4:00 p.m. on 14 May 2008.

11. **ANNUAL GENERAL MEETING**

The 2007 Annual General Meeting of the Company will be held on 15 June 2008, notice of the Annual General Meeting will be issued and circulated to the shareholders of the Company and posted on the websites of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2007, the Group achieved a consolidated revenue of RMB7,657,066,000 (2006: RMB6,227,853,000), an increase of approximately 23% compared to the previous year; operating profit reached RMB419,429,000 (2006: RMB676,243,000), a slip of approximately 38% over last year; profit attributable to equity holders of the Company amounted to RMB225,795,000 (2006: RMB476,032,000), a slip of approximately 53% from last year; earnings per share was RMB0.343 (2006: RMB0.779), a slip of approximately 56% from last year; and net assets value per share was RMB4.31 (2006: RMB3.51), up approximately 23% over last year.

Revenue

	2007		2006		Change
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Construction	6,125,323	80%	4,644,579	75%	+32%
Property Development	373,737	5%	445,215	7%	-16%
Building Materials	1,098,073	14%	1,076,440	17%	+2%
Others	59,933	1%	61,619	1%	-3%
Total	7,657,066	100%	6,227,853	100%	+23%

Operating Profit

	2007		2006		Change
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Construction	218,880	52%	468,845	69%	-53%
Property Development	117,176	28%	153,561	23%	-24%
Building Materials	80,024	19%	50,610	7%	+58%
Others	3,349	1%	3,227	1%	+4%
Total	419,429	100%	676,243	100%	-38%

Construction Business

For the year ended 31 December 2007, the Group's construction business recorded a revenue of RMB6,125,323,000, up approximately 31.9% over last year; operating profit amounted to RMB218,880,000, representing a decline of approximately 53.3% over last year. The reduction in operating profit during the year was primary attributable to the inclusion of a one-off gain of RMB288,358,000 resulting from the acquisition of the Hubei Construction Group by the Group accounted for in 2006. Excluding such one-off gain in 2006, the operating profit during the year of 2007 would have been increased by approximately 21% over last year.

Since the acquisition of the entire interest of the Hubei Construction Group in February 2006, the post-acquisition re-organization, business restructuring, and discharging of manpower of the Hubei Construction Group had been completed during the year. As at 31 December 2007, Baoye Group Hubei Company Limited ("Hubei Baoye") achieved approximately a revenue of RMB1,033,859,000, and an operating profit of RMB32,195,000. These compared to a revenue of RMB580,288,000 and operating loss of RMB28,262,000 registered in 2006, showing a marked improvement. This improvement was primarily the results of effective re-organization and re-structuring as well as implementation of incentive schemes; together with the contributions from the Group's overseas business in Africa, from which it attained a revenue of RMB91,696,000 and a profit contribution of RMB16,248,000 during the year.

At present, most of the industrial use land held by the former Hubei Construction Group has been converted into commercial and residential use (details of which are shown in the "Business Prospect" under section headed "Property Development Business"), whereas the property development business in Wuhan has begun. Besides this, construction of the Wuhan Housing Industrial Park is underway. In the coming three to five years, the Group will base on its construction business to start its building materials and property development business in Hubei. It will replicate its "three-in-one" business model in Hubei, in developing "Hubei Baoye" as the Group's extension in Central China with its similar scale comparable to that of the current Group's base in Yangtze Delta region.

For the year ended 31 December 2007, the total contract value for construction-in-progress of the Group's construction business was RMB23,334,823, representing an increase of approximately 37% over last year. Details of which are analysed below:

By project nature

	2007		**2006**		**Change**
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Government and Public Buildings	8,167,188	35%	7,338,700	43%	+11%
Urban Infrastructure	7,467,143	32%	4,437,354	26%	+68%
Residential Projects	4,666,965	20%	2,389,344	14%	+95%
Industrial Projects	3,033,527	13%	2,901,347	17%	+5%
Total	23,334,823	100%	17,066,745	100%	+37%

By region

	2007		**2006**		**Change**
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Zhejiang Province	8,167,188	35%	6,656,901	39%	+23%
Shanghai	7,933,840	34%	5,972,911	35%	+33%
Central China Region	6,143,023	26%	3,924,941	23%	+57%
Northern China Region	933,393	4%	511,992	3%	+82%
Overseas	157,379	1%	–	–	
Total	23,334,823	100%	17,066,745	100%	+37%

Overseas construction business was principally carried out in three African countries including Djibouti, Botswana and Seychelles.

In 2007, the construction projects undertaken by the Group have won numerous industry awards and recognitions, these principal awards and recognitions include:

	Projects	Awards
1	Suzhou Xiandai Building	China Luban Award/Yangzi Cup/Gusu Cup
2	Wanghu Times Square	Outstanding National Construction Award/ Qianjiang Cup/West Lake Cup
3	Lishui Administration Center	Qianjiang Cup
4	Electricity Deployment Building of Zhejiang Province	Qianjiang Cup
5	Cangnan Administration Center	Outstanding Provincial Out-fitting Award
6	Main Lecture Building, Lingang Campus, Shanghai Maritime University	Baiyulan Cup
7	Shanghai Commercial Center, Chemical Engineering District	Baiyulan Cup
8	Shanghai Xuyuan Phase I	Baiyulan Cup
9	Beiganshan International Art Center, Qingpu, Shanghai	Premier Provincial Cup/Jinshi Cup
10	Wuhan Headquarters Office Building, Dongfeng Motor Corporation	Chutian Cup/Huanghe Cup
11	Green Town Baihe Apartment	Silver Structural Award, Great Wall Cup
12	Shanghai Representative Office Building, Zhejiang Provincial Government	Jinshi Cup
13	Shanghai Times Financial Center	Jin’gang Cup

The Group has received the “China Luban Award”, the highest ranking of its kind, in respect of the construction of Suzhou Xiandai Building. It was the tenth time the Group has been granted this award.

Property Development Business

Property Sales

For the year ended 31 December 2007, the revenue of the Group's property development business amounted to RMB373,737,000, a decrease of approximately 16.1% from last year; operating profit amounted to RMB117,176,000, a decrease of approximately 23.7% from last year. The Group adopts the completion method in recognising revenue of its property development business.

Decrease in revenue and operating profit of the property development business was primarily due to the reduction in recognized sale areas from 111,743 square meters in 2006 to 94,298 square meters in 2007. During the year, the revenue of the Group's property development business was mainly derived from the sale of City Green Garden and Zhejiang Commercial City in Hefei, Anhui; and the low cost residential property units and the remaining commercial units that were not sold before 2006 in Shaoxing County. The total gross floor area of City Green Garden sold was approximately 46,079 square meters, achieving a revenue of approximately RMB142,580,000, with an average selling price of approximately RMB3,094 per square metre. The total gross floor area of Zhejiang Commercial City sold was approximately 16,547 square meters, achieving a revenue of approximately RMB93,978,000, with an average selling price of approximately RMB5,679 per square metre. The total floor area of the low cost residential property unit sold in Shaoxing was approximately 30,000 square metres, achieving a revenue of RMB62,592,000, with an average selling price of approximately RMB2,086 per square metre; and the revenue from sale of the remaining commercial units amounted to approximately RMB74,587,000.

Projects under development

As at 31 December 2007, the projects under development of the Group are tabulated below:

Project Name	**Location**	**Gross Floor Area (square metres)**	**Equity Interest of the Group**
Linjiang Green Garden	Shaoxing	56,000	100%
City Green Garden Phase II	Hefei	170,000	100%
Zhejiang Commercial City	Hefei	67,000	75%
Jing'an Ziyuan	Shanghai	51,000	70%
Baoye Four Seasons Garden	Shaoxing	525,000	100%
Tongchenglu Project	Hefei	164,000	100%
Baoye Yuelianghu Garden	Hubei Jingzhou	82,000	100%
Daban Fengqing	Shaoxing	250,000	100%
Yangminglu Project	Shaoxing	180,000	49%

Linjiang Green Garden is located in Yangxunqiao, Shaoxing. The total gross floor area is 56,000 square metres. It is a pure residential property development alongside of Xixiao River, comprising multi-storey buildings, low rise buildings, detached houses and a club house. Approximately 80% of the sale units had been pre-sold. It is expected that revenue from this project will be recognised in 2008 after the delivery of the sale units to purchasers.

City Green Garden II, with a total gross floor area of 170,000 square metres in a prime developing zone in Hefei City, Anhui, is located in Yaohai District with convenient transportation. It comprises mainly high-end properties with a small portion of retail shops and offices. Approximately 80% of the sale units had been pre-sold. It is expected that approximately 120,000 square metres in equivalent sale units will be recognised in 2008 after the delivery of the sale units to purchasers.

Zhejiang Commercial City is situated at a prime location east of Hefei Railway Station. Buzzing with intense commercial activity, the area is one of the most prominent commercial districts in Hefei City. Zhejiang Commercial City has a gross floor area of approximately 100,000 square metres, which is mainly developed as up-scale service apartments and shopping malls. Approximately 25,290 square metres in equivalent sale units were recognised as revenue in 2007, realizing a total revenue of RMB141,379,000. At present, approximately 60% of the sale units had been pre-sold and will be recognised as revenue in 2008 after the delivery of the sale unit to purchasers.

Jing'an Ziyuan is located on Jiangning Road in Jing'an District of Shanghai, close to the downtown prominent area, "Golden Delta", of Nanjing Road West, which is truly a prime location. The project has a gross floor area of approximately 51,344 square metres, which is being developed as luxurious service apartments. The construction work has been completed and fitting-out work is underway. Impacted by the macroeconomic control measures, the Group was unable to obtain the pre-sale permit until April 2008. Hence, pre-sale is expected to commence in April 2008 and revenue is expected to be recognised in 2008.

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a "province-rank" resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilization flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 10 minutes drive from downtown Shaoxing County, "away from the dust yet close to the city", it is known as the "natural treasure in the heart of a city". Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres and gross floor area of approximately 525,000 square metres for development of luxurious condominiums, town houses and detached houses. The plot ratio is only 0.5. The project also consists of development of a golf club with four 18 holes capacity, the golf facility is now under trial operation; and a five-star hotel, which is now under construction. Planning of Baoye Four Seasons Garden has been completed and construction will begin in the middle of 2008. It is expected that pre-sale will be commenced in the second half of 2008.

Tongchenglu Project is located in the central business district of Hefei, with a land area of 58,570 square metres and 2.8 times plot ratio for property development, having a total build-up area of 164,000 square metres. The land is located at the city center of Hefei with adequate and well-developed community facilities and will be developed for commercial and residential use. At present, the project is under planning stage. It is expected that the construction and pre-sale will start in June and in the second half of 2008 respectively.

Baoye Yuelianghu Garden Project is located at the East of Jingzhou City, Hubei, with well-developed community facilities and convenient transportation, having a 1.8 times plot ratio for commercial and residential properties development and a total gross floor area of approximately 82,000 square metres. At present, the project is under planning stage and will comprise of 22 buildings, 13 of which will be designated as high-rise buildings, 9 of which will be designated as low-rise buildings, and those buildings alongside Yuelianghu Road will have commercial-residential units. Currently planning of this project was completed. It is expected that the construction will be commenced in the first half of 2008 and pre-sale of these units will start in 2009.

Daban Fengqing is located in Keqiao, Shaoxing County, having a total site area of approximately 100,000 square metres with 2.5 times plot ratio for development of residential properties of 250,000 square metres. The land is in the development zone of the future central business district of Keqiao, alongside the "dual lake" district, east of Dabanhu, with adequate and well-developed community facilities. The project is being positioned as a premier residential property in Keqiao, Shaoxing County. The construction of Daban Fengqing has been commenced in March 2008. It is expected that pre-sale will begin before the end of 2008.

Yangminglu Project is located at No.1 Yangming Road, Shaoxing City, having a total site area of approximately 180,000 square metres with a plot ratio of 1 time for development of 180,000 square metres up-scale residential properties. The Group and the Greentown China Holdings Limited, a listed company on HKEx (stock code: 3900), jointly and successfully bid for the land in which the Group is interested in 49%. The land area is of close proximity to the resort district of Kuaijishan where the Group's golf club and Baoye Four Seasons Garden project are located, 8 kilometres from the central business district, and will be developed as low rise premium residential properties and deluxe service apartments. At present, the project planning stage has been completed and construction will begin in the middle of 2008.

Building Materials Business

For the year ended 31 December 2007, the revenue of the Group's building materials business was RMB1,098,073,000, up approximately 2% over last year; operating profit was RMB80,024,000, representing an increase of approximately 58% from last year.

The Group is focusing on manufacture of high end premium products, which would require longer time and more effort in promotion and sale. Because building materials is a highly competitive industry, it is expected that the Group will not see immediate improvement in sale in the short term. However, profit margin saw a healthy improvement from 4.7% in 2006 to 7.3% in 2007, primarily due to higher technology requirements and recognition of customers for energy saving and environmental friendly products.

During the year ended 31 December 2007, the revenue of the Group's building materials is analyzed below:

	2007	**2006**	**Change**
	RMB '000	*RMB '000*	
Building materials			
Ready-mixed concrete	302,560	258,685	+17%
Glass curtain wall	340,269	323,124	+5%
Wood products and Interior decoration	200,128	265,137	-25%
Steel structure	150,333	149,230	+1%
Concrete pipes	54,978	39,944	+38%
Concrete ducts	7,052	3,570	+98%
Large roof sheathings	12,768	7,898	+62%
Fireproof materials	20,807	24,102	-14%
Others	9,178	4,750	+93%
Total	1,098,073	1,076,440	+2%

Through years of development in pre-fabricated building materials and the co-operation with Daiwa Japan, the Group endeavors to build "low energy consumption, high degree of comfort and back to nature" residential properties for its customers that meet the requirements for China market. During the year, the Group has built a quality and competent research and development team and has increased its investments in it. We also see the demand for advancement of technologies and qualities in the construction and building industries. Customers' preference for sizeable units have somewhat shifted to energy saving and comfort. The new policy implemented by the Central Government on construction of new agricultural communities has provided enormous market opportunities for the construction and building industries, with the capability to produce pre-fabricated building materials in a mass scale, quality assurance, shortened installation time, reduced pollution, and energy saving for the products it produces. These have set a solid foundation for the Group in capturing the growing market demand in this sector.

Business Prospect

Construction Business

- China's rapid economic development and increasing urbanization have provided unprecedented growth opportunity for the Group. The Group has basically laid down the foundation by adopting the strategy of "Expanding into areas beyond Zhejiang Province and Yangtze Delta and covering the whole of China". The Group will continue to adopt this growth and expansion strategy, consolidating its market share in the existing markets and, at appropriate times, to explore new emerging markets on a nationwide basis by setting up regional management centers.

- Using the "three-in-one" business model, the Group will continue to develop its construction business in new markets on increased urbanization. On one hand, the Group will increase its efforts in developing new markets. On the other hand, it will advance its capability in construction technologies and qualities to extend its market share in high end infrastructure construction projects including railways, water supplies and facilities, transportation and bridges, and increase the profit margin of the construction business.

- Reaping from the development of new markets and the setting up of regional management centers, the total contract value for construction-in-progress during the year amounted to approximately RMB23,300,000,000, an increase of 37% over the same period last year. These new core construction projects included the contracts awarded by the National Defense Bureau, Non-core Press Release Centre for Olympic Games, and Hangzhou Airport Building; enhancing the Group's construction reputation in these areas.

- 2007 was the year Hubei Baoye has begun to develop its markets in Central China after re-organization, re-structuring, and discharging of employees. With increased sales and adopting effective incentive schemes, Hubei Baoye has turned into a profit position during the year from a loss position in 2006, contributing an operating profit of RMB32,195,000. New construction contracts that have been contracted for during the year approximated to RMB2,300,000,000. The Group will benefit from the growth in profit contribution of "Hubei Baoye" and its increasing market share in Central China.

- Resulting from the Group's continuous expansion into major cities, start-up and administrative costs have increased substantially. In order to maintain competitiveness in securing new construction projects in new markets, the Group's operating profit margin saw a slight decline. The Group believes that this trend is inevitable in the short term. However, in the mid and longer term, followed by an increased market share, together with a better understanding of the new markets, our established reputation and brand building, it is expected that healthy profit returns will be generated by the Group.

Property Development

- The macroeconomic austerity measures will no doubt continue to impact the real estate market in 2008. The Group will focus on market-lead demand, interior design, and cost control of the existing property projects under development to preserve quality of our products.

- 2008 will see a rapid development of the Group's business in property development. Linjiang Green Garden in Shaoxing, City Green Garden Phase II and Zhejiang Commercial City in Hefei; and Jing'an Ziyuan in Shanghai have been completed and its results will be accounted for in 2008. The pre-sale for Daban Fengqing, Yangminglu project in Shaoxing and Tongchenglu Project in Hefei will start in 2008, it is expected that the cash inflow from the sales proceeds arising from these projects would be significant.

- Approximately 500,000 square meters of industrial use land was obtained from the acquisition of Hubei Construction Group, of which approximately 350,000 square meters have been approved by the relevant government authorities for change of use. The relevant application is underway. It is expected that these approvals and the respective land use right certificates will be obtained in the year of 2008.

- During the year, the Group had acquired a total of land reserve of approximately 600,000 square meters, in which 430,000 square meters in Shaoxing, and 170,000 square meters in Hefei. The land reserve in hand would be sufficient for development in the next five to eight years. Therefore the Group will endeavor to adopt its prudent policy to increase its land reserve only when market demand and expansion strategies call for it.

Building Materials Business

- The Group will continue to centralize its procurement function, aiming at lowing the cost of raw materials. The demand for building materials from inter-companies is increasing in a rapid rate and has called for regular demand in sizable quantum, which will afford the Group to enter into longer term supply contracts with vendors, upon which will stabilize the supply and pricing of raw materials to lower cost of production and improve profit margin.

- The Group will continue to identify and solicit renowned real estate developers as its strategic alliance partners to promote green, energy saving, and environmental friendly residential properties to secure steady and long term business for our products.

- The Group is committed to promote the nation's conserving energy and minimizing waste, and "Four Savings and One Environmental Friendly" policies by investing and developing industrialization of construction and building materials. Investment in construction and building materials is different from consumable products, which would require a much longer investment and return cycle. However, the Group believes that this is the development trend of industry and sees an enormous development potential. Leveraging on our strengths and support in construction and property development business, and co-operation with Daiwa Japan on technology development for industrialization of building and construction, the Group is one of the leading companies in pre-fabricated building materials and construction in China. At present, apart from the Shaoxing Housing Industrial Park, our production base has been extended to strategic locations, such as Hefei and Wuhan, all of which have provided a solid foundation for the Group to maintain its leading position in industrialization of building materials and construction in China.

In addition to the above, China has made certain major adjustments in national policies, which may have the following potential impacts on the future development of the Group:

- Recently, China has switched from its prudent and stable monetary supply policy, which was adopted in the past ten years, to tighten up monetary supply policy. This has increased borrowing costs and imposed liquidity problems for local enterprises, in particular real estate developers, which will eliminate enterprises with less financial strength and encourage consolidation in the industry. This policy will provide superb merger and acquisition opportunities for the Group in the development and expansion of our businesses.

- The New PRC Labor Contract Law has been passed by the tenth National People's Congress and has become effective since 1 January 2008. In order to provide best protection and competitive salaries and wages for employees, the Group will strictly comply with these new regulations to attract and retain capable and loyal employees. With consumer products prices rise, staff costs will rise and will undoubtedly increase our burden. However, the Group believes that human capital is our core value and resources in building strengths for the long term development of our businesses.

- With effect from 1 January 2008, "Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises" and "Interim Provision Concerning Imposition of Income Tax Law of People's Republic of China for Foreign Enterprises" will be merged into a single rules and regulation. The Group's enterprises income tax rate will then be reduced from the current level of 33% to 25%, the 8% reduction in enterprise income tax rate will enhance the Group's profitability significantly.

2008 will be a challenging year for the Group, the Group's marginal profitability will be affected by increased raw materials costs, staff costs, and bank borrowing costs. Despite these negative impacts, recognized floor areas in sale of properties in 2008, having comparatively lower land costs and better profit margins, including the Shanghai Jing'an Ziyuan, will be increased significantly over last year. It is expected that the Group will attain an unprecedented growth in profitability and set its record profit for the Group in 2008. Market sentiments may change from time to time, sometimes in our favor and sometimes against our wish, but the core foundations in supporting the construction, building materials, and property development industries remain unchanged. The Group will continue to adopt the "three-in-one" business model, leveraging on its synergy effect brought by construction, property development, and building materials businesses and prudent financial management to withstand any short term market adjustment and to sustain long term growth and profitability in the long term.

FINANCIAL REVIEW

Treasury Policies

The Group has adopted prudent financial policies and exercise tight risk management control over its investment, financing and use of cash. Its capital structure has always remained sound and solid. The Group will adjust its investment, financing and capital structure from time to time according to the sustainable development needs and internal resources available, with a view to optimizing the capital structure of the Group.

The Group has established a financial settlement center, which centralizes funding for all its subsidiaries at group level. The Board believes that such policy can achieve better control on the treasury operations; minimize financing risks and lower average cost of funding.

Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognized by the People's Bank of China in 2007. Such excellent credit rating will benefit the Company's financing activities and allows the Group to continue to enjoy the prime rate offered by the People's Bank of China. During the year, the Group maintained most of its borrowings on an unsecured basis. The amount of unsecured debt accounted for 68% of the total borrowings. Leveraging on its excellent credit rating, the Group will continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

As at 31 December 2007, the Group's net bank borrowings, after deducting cash and bank deposits, amounted to RMB904,610,000 (31 December 2006: RMB314,378,000). The Group's gearing ratio (calculated on the basis of net bank borrowings over the total shareholders' equity) was 32% (31 December 2006: 15%). The Group will continue to adopt prudent policy to maintain low gearing ratio.

Pursuant to the Extraordinary General Meeting held on 19 November 2007, the proposal for issuing short-term commercial papers to a maximum aggregate amount of RMB790,000,000 has been approved by the shareholders of the Company. At present, the application for issuing such short-term commercial papers has been submitted for approval and is under processing. If the issuance of short-term commercial papers is successful, it will strengthen the financial position of the Group greatly.

Use of Proceeds

The net proceeds raised by the Company's placing of new H shares to Tiger Global in February 2007 amounted to approximately RMB556,524,000 (after deduction of the placing fees). The net proceeds have been allocated and utilized as follows:

	RMB
Deposit payment for acquisition of the land use right of Daban Fengqing Project in Keqiao of Shaoxing	269,150,000
Payment for acquisition of the land use right of Tongchenglu Project in Hefei	50,000,000
Repayment of bank borrowings	160,000,000
General working capital	77,374,000
Total:	556,524,000

Key Financial Ratios

	As at 31 December	
	2007	**2006**
Return on equity	7.9%	22.2%
Net assets value per share (RMB)	4.31	3.51
Net gearing ratio	32%	15%
Current ratio	1.02	1.09

Return on equity	=	profit attributable to equity holders of the Company/total equity attributed to the shareholders of the Company
Net assets value per share	=	net assets/shares in issue at the end of the year
Net gearing ratio	=	net bank borrowings/total equity attributed to the shareholders of the Company
Current ratio	=	current assets/current liabilities

The Group accounted for a one-off gain in the acquisition of the Hubei Construction Group in 2006. This gain was not resumed in 2007. In addition, the net proceeds from the issuance of new H shares in February 2007 were immediately applied to acquire land reserves. These land reserves have not yet been developed and have not generated profit for the year under review, which has led to lower return on equity. However, net assets per share recorded a considerable increase over last year. In addition, the Group has acquired three parcels of land areas at a total consideration of approximately RMB1,500,000,000, which was partly financed by cash deposits at banks, partly financed by the issuance of new H shares, and the remaining RMB800,000,000 was financed by increased bank borrowings. The increase in bank borrowings then moved up the gearing ratio. The expected inflow of cash generated from sale proceeds of properties in 2008 will lower the gearing ratio rapidly.

Cash Flow Analysis

		For the year ended 31 December	
		2007	**2006**
	Note	*RMB'000*	*RMB'000*
Net cash outflow from operating activities	*(i)*	(1,123,004)	(47,877)
Net cash (outflow)/inflow from investing activities	*(ii)*	(99,710)	30,213
Net cash inflow from financing activities	*(iii)*	1,258,489	58,074
Increase in cash and cash equivalents		35,775	40,410

Note:

(i) During the year of 2007, net cash outflow from operating activities was high, which was primarily attributable to the acquisition of three parcels of land areas, total cash payout amounted to approximately RMB1,262,200,000.

(ii) The net cash outflow from investing activities was mainly utilized for construction spending in Baoye Four Seasons Gardens and Hefei Housing Industrial Park.

(iii) Net cash inflow from financing activities had increased significantly primarily due to the issuance of H shares to Tiger Global and the increase of bank borrowings.

Land Appreciation Tax

On 28 December 2006, the State Administration of Taxation pronounced a circular in respect of the rules and regulations pertaining to land appreciation tax applicable to real estate and property development enterprises in clearing their pending tax assessment. The land appreciation tax came into effect in 1993. The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial Reporting Standards in accounting for such tax provision. Nevertheless, the Group is a construction enterprise with construction as its core business, while building materials and property development as its supporting businesses. Therefore, the financial impact resulting from the tax pronouncement towards the Group's operating results would be minimal.

Administrative expenses

The administrative expenses of the Group has increased from RMB218,069,000 in 2006 to RMB259,259,000 in 2007, representing an increase of RMB41,190,000, up 18.9% over last year. The increase was primarily attributable to various re-organization and restructuring expenses amounting to approximately RMB84,587,000, an increase of approximately 28% over last year. Together with increased spending on establishment of local offices for the construction business, administrative expenses amounted to approximately RMB90,907,000, representing an increase of approximately 16% over last year. The Group believes that these start-up and re-organisation expenses will contribute healthy returns to the Group in the long run.

External Guarantee and Fulfillment

	2007	**2006**
	RMB'000	*RMB'000*
Guarantee given to banks in respect of mortgage facilities granted to third parties	56,657	19,800
Guarantee given to banks in respect of bank loans of third parties	–	20,000
	56,657	39,800

The Group has issued performance guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by the subsidiaries of the Group. The bank will release such guarantee only upon the building ownership certificates of such properties are delivered to the banks as securities.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31 December 2007, land use rights, buildings and properties under development at a total value of approximately RMB392,140,000 (31 December 2006: RMB319,409,000) were pledged to banks as security in securing short-term bank borrowings.

CAPITAL EXPENDITURE PLAN

It is expected that the Group's capital expenditure will amount to RMB40,000,000, of which approximately RMB25,000,000 will be allocated to Hefei Housing Industrial Park and approximately RMB15,000,000 will be allocated to Wuhan Housing Industrial Park.

ADJUSTMENT OF RMB EXCHANGE RATE AND FOREIGN EXCHANGE RISKS

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB, and therefore do not have any direct exposure to foreign exchange fluctuation. The Board does not expect the adjustment of RMB exchange rate and other foreign exchange fluctuations will have any direct impact on the business operations or results of the Group.

CONNECTED TRANSACTIONS

During the year ended 31 December 2007, the Group had no connected transaction that would require disclosure under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries and jointly controlled entity has purchased, sold or redeemed any of the Company's listed securities.

HUMAN RESOURCES

As at 31 December 2007, the Group had approximately 2,005 permanent employees (2006: approximately 1,987). There are approximately 55,600 indirectly employed construction site workers (2006: approximately 51,000). Total staff costs amounted to RMB1,012,835,000 (2006: RMB875,497,000) for the year ended 31 December 2007. Remuneration is determined by reference to market terms as well as the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include pension and medical insurance coverage. The Group highly values human resources management, and devotes to establishing a high quality team to support its long term business development. The Board intends to implement a more effective employee incentive plan.

LITIGATION AND ARBITRATION

As at the date of this report, the Group had no material litigation and arbitration.

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

As at the date of this report, the Group did not have any entrusted deposits placed with financial institutions in the PRC. All of the Group's bank deposits were deposited in licensed commercial banks in accordance with the applicable laws and regulations. The Group had no bank deposits which cannot be withdrawn upon maturity.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007, except that the role of the chief executive officer of the Company has been assumed by Mr. Pang Baogen, the chairman of the Board.

Three general managers have been appointed to overseeing and managing the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has partly shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of new policies efficiently. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules as its own code of conduct regarding the securities transactions by the directors. Having made specific enquires of all directors, all directors have confirmed that they have complied with the required standards set out in the Mode Code throughout the year ended 31 December 2007.

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive directors, Mr. Wang Youwei, Mr. Yi Deqing and Mr. Dennis Yin Ming Chan. The audit committee held two meetings during the year. All three members attended the meetings. The audit committee has discussed the accounting policies as well as critical accounting estimates and assumptions with management, discussed with the auditors on their audit plans and key audit areas. The audit objectives and the scope of the Group's internal audit department were also discussed. The audited consolidated annual financial statements and the annual results announcement of the Group for the year ended 31 December 2007 had been reviewed by the audit committee before submission to the Board for adoption.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2007 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The full text of the Group's 2007 Annual Report will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

APPRECIATION

The Board would like to take this opportunity to express gratitude to our shareholders, customers, suppliers, banks, professional parties and employees of the Company for their continuous patronage and support.

By order of the Board
Baoye Group Company Limited
Pang Baogen
Chairman

Zhejiang, the PRC
15 April 2008

As at the date of this announcement, the Board includes five executive directors, Mr. Pang Baogen, Mr. Gao Jiming, Mr. Gao Lin, Mr. Zhou Hanwan and Mr. Wang Rongfu, one non-executive director, Mr. Hu Shaozeng, and four independent non-executive directors, Mr. Wang Youwei, Mr. Yi Deqing, Mr. Dennis Yin Ming Chan and Mr. Sun Chuanlin.