



# Corporate Profile & Prospects



宝业集团股份有限公司  
BAOYE GROUP COMPANY LIMITED

STOCK CODE 2355.HK



# 宝业集团股份有限公司 Baoye Group Company Limited



**Corporate  
Profile**



**Results  
Review**



**Development  
Strategies**



**Prospects**







宝业集团股份有限公司 Baoye Group Company Limited



# Corporate Profile





## Corporate Profile



- We are one of the largest and most profitable privately-owned construction companies in the PRC.
- With 32 years of industry experience, the Group has successfully developed into a conglomerate enterprise comprising of prefabricated building materials, construction and property development and growing up from a regional company to a national group
- An H-share company listed on the main board of HKEx since June 2003. The first and the only PRC vertically integrated construction enterprise listed in Hong Kong.



## Corporate Profile



- Proven business track record with impressive earnings growth.
- Highly focused and specialized in our core businesses segments.
- Privately-owned enterprise managed by professionals with an aim to enhance shareholders' value through sound corporate governance.

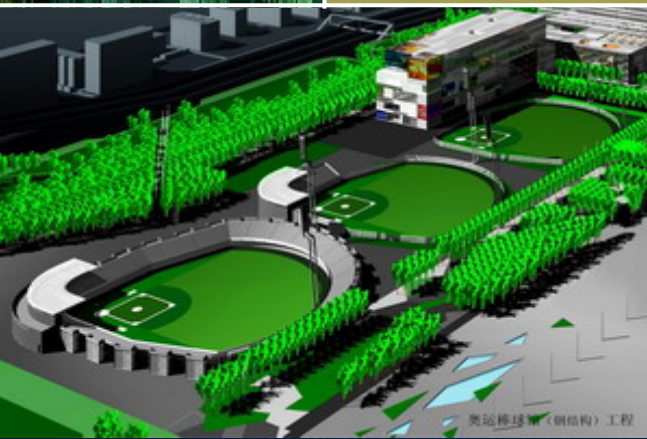




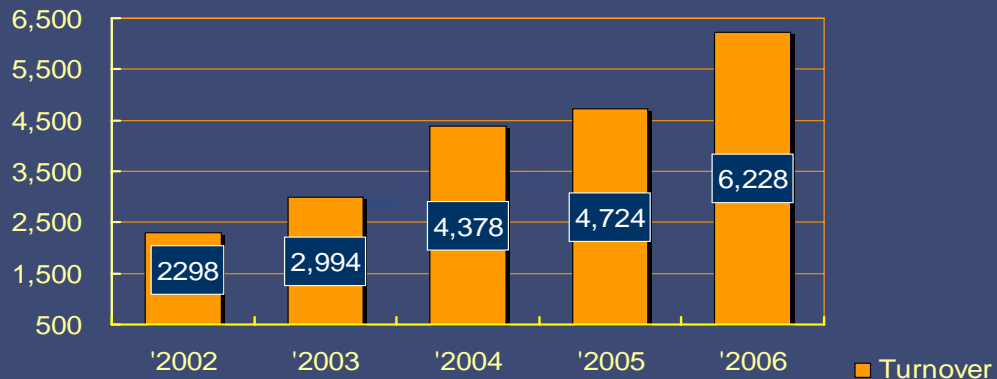
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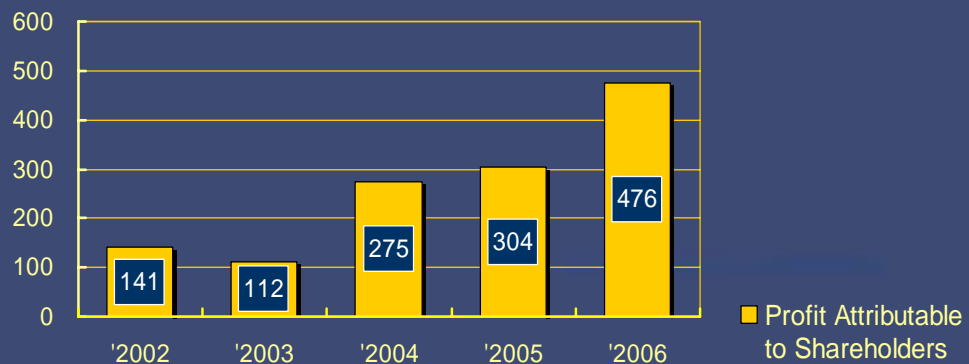
## Corporate Profile



### Turnover (RMB million)



### Profit Attributable to Shareholders (RMB million)





## Business Structure



### Corporate Profile



**Baoye Group**  
(2355.HK)

#### Prefabricated Building Materials

- The pioneer of prefabricated building materials manufacturing in the PRC, aiming to become the industry standard setter
- Operates PRC's largest and Zhejiang's only national-class prefabricated building materials industrial park

#### Construction

- No limit on tendering bids because of our top-class license
- Strong revenue growth supported by large order volume on hand

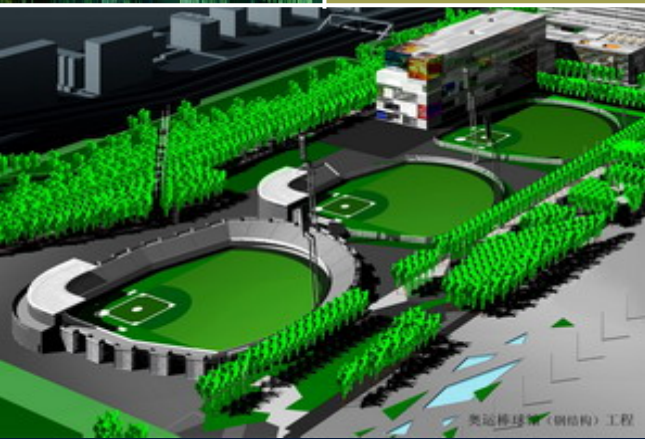
#### Property Development

- Enjoys a higher than industry average profit margin due to synergistic effect resulting from excellent construction and quality building materials
- Quality land bank accumulated at low cost over the past years, sufficient for future development in the coming 10 years



## Shareholders Structure

### Corporate Profile



	No.of shares	% of total
<b>Domestic Shares (non-listed)</b>		
Chairman, Mr.Pang	198, 753, 054	29. 98%
Senior Management	151, 988, 999	22. 93%
	350, 742, 053	52. 91%
<b>H Shares (listed)</b>		
Tiger	52, 036, 992	7. 85%
Goldman Sachs	43, 364, 160	6. 54%
Atlantis	51, 000, 000	7. 69%
Others	165, 820, 800	25. 01%
	312, 221, 952	47. 09%
<b>Total</b>	<b>662, 964, 005</b>	<b>100%</b>





# 宝业集团股份有限公司 Baoye Group Company Limited



## Corporate Profile



- Zhejiang Province, where our headquarters are located, is in the Yangtze Delta, one of the richest regions in the PRC.
- In addition to our home base, we have expanded our business footprint into neighboring areas including Shanghai, Hefei & Wuhan.





# 宝业集团股份有限公司 Baoye Group Company Limited



## Corporate Profile



### Baoye Group Company Limited





宝业集团股份有限公司 Baoye Group Company Limited



# Results



# Review



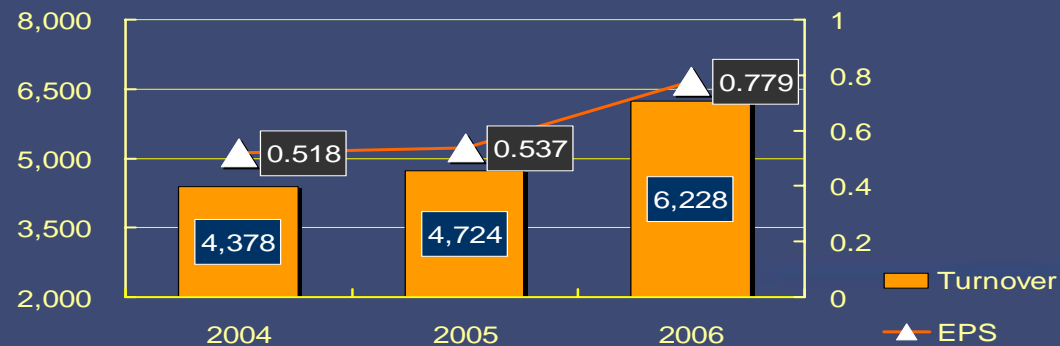


## Summary

### Results Review

As at 31 December  
RMB Million

	2006	2005	Change
Turnover	6,228	4,724	+32%
Profit attributable to shareholders	476	304	+56%
Earnings per share (RMB)	0.779	0.537	+45%



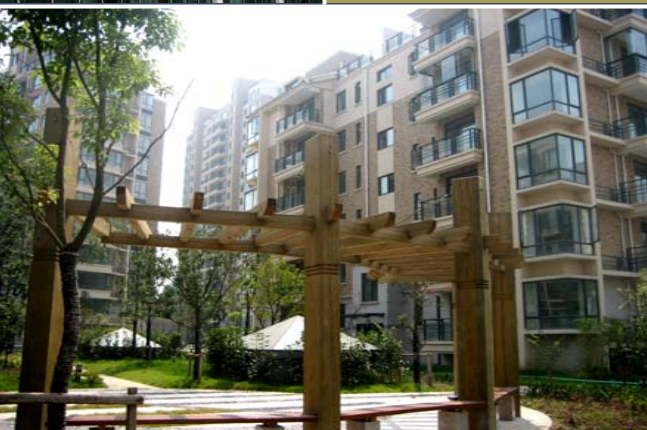


## Turnover

### Results Review



As at 31 December  
RMB Million



	2006	2005	Change
Prefabricated Building Materials	1,076	621	+73%
Construction	4,645	3,524	+32%
Property Development	445	546	-18%





## Operating Profit

### Results Review



As at 31 December  
RMB Million



	2006	2005	Change
Prefabricated Building Materials	51	89	-43%
Construction	469	207	+127%
Property Development	126	125	+1%





## Operating Profit Margin



Results Review



As at 31 December  
RMB Million



	2006	2005	Change
Prefabricated Building Materials	4.7 %	14.3 %	-67 %
Construction	10.1 %	5.9 %	+72 %
Property Development	28.4 %	23.0 %	+24 %



## Financial Ratio Analysis



### Results Review



	2006	2005
Return on equity	22 %	17 %
Net assets value per share (RMB)	3.51	2.89
Net gearing ratio	15 %	14 %
Current ratio	1.09	1.33



## Business Structure



### Results Review



### Revenue and profit breakdown by business segments

As at 31 December 2006

	Revenue	Profit
Prefabricated Building Materials	17%	8%
Construction	75%	72%
Property Development	7%	19%





宝业集团股份有限公司 Baoye Group Company Limited

# Development Strategies





## Construction Business



### Development Strategies

- After the acquisition of Hubei Construction Group in 2006, various post-acquisition restructuring and reorganization have been completed, and effective management control system and measures including incentive mechanism have been gradually built up. The Group will position Hubei as its base to capture the growing demand in the Central China region, will see the Group's construction business to attain promising growth;
- The high economic growth rate and increasing urbanization rate have provided unprecedented development opportunities for the Group's business, successfully solicited new business in Central and Western, Northern and Southern China and has extended into major cities of 13 provinces;
- Using the "three-in-one" business model, the Group will continue to develop business in new markets through M&A.





## Property Development Business

### Development Strategies



- City Green Garden Phase I of 50,000 square meters residential units pre-sold in 2006 and Zhejiang Commercial City of a total pre-sold area of 30,000 square meters in 2006, due to the late handover of the sale units to owners before the end of 2006, would contribute significant increase in both revenue and profitability for the Group's property development business;
- Approx. 500,000 square meters of industrial land was obtained from the acquisition of Hubei Construction Group, of which approx. 200,000 square meters have been submitted for approval to change to residential/commercial use.





## Property Development Business

### Development Strategies

- The Group has started a feasibility study in acquiring a land area of approximately 2,000,000 square meters for resort residential use in Anhui;
- The Group will maintain its prudent development strategy and will selectively acquire high quality and inexpensive land as reverses, though it has adequate land reserves in meeting demand for more than five years;





## Building Materials Business

### Development Strategies



- The Group has benefited from various research results it has attained through the co-operation with Daiwa Japan, and has successfully applied these achieved research results into practical use. As an extension of the co-operative agreement and strategic alliance, the Group is in collaboration with Daiwa Japan to establish a joint-venture company, which will be mutually beneficial to both parties in terms of economics and technologies;
- The Group established the Zhejiang Baoye Group Construction Research Institute in 2006. Our targets are to set standard for pre-fabricated building materials and to lead the construction industry into a new era of industrialization of pre-fabricated building materials;



## Building Materials Business

### Development Strategies



- The Group's building materials business has been developing overseas markets and has received purchase orders from Algeria and Australia. Our products have reached international quality standard, still, our prices are within affordable and low ranges. The competitive edges of our products remain strong in international market;
- The Group will continue to centralized its procurement function, aiming to lower the cost of raw materials;
- In 2005, the Group commenced the construction of housing industrial park in Anhui. It is expected that these new productions would start to contribute in the Group's results of 2007. In Wuhan, the Group has started its discussions with the local government with respect to the establishment of housing industrial park. It is expected that the construction of factory plants would begin in 2008.






## Government Austerity Measures - Opportunities



### Development Strategies

- PRC Government austerity measures become a national policy that will be implemented continuously
  - Eliminate market concern on the uncertainty of government policies change from time to time
  - Facilitating resources allocation, encouraging M&A and eliminating weak player
  - Golden opportunity for company with strong financial position such as Baoye
- 



宝业集团股份有限公司 Baoye Group Company Limited



# Prospects





## Prospects

### Prospects



	1975	2003	2006	2008	2010
	Incorporation	Listing on HKEx	Expansion	High growth	National-wide Growth
Revenue Contribution	A 100% B - C -	90% 8% 2%	75% 17% 7%	65% 20% 15%	60% 25% 15%
A. Construction B. Prefabricated materials C. Property development					
High industry growth driving by urbanization					
Business Territories	Zhejiang	Yangtze Delta	Yangtze Delta Anhui Hubei	Yangtze Delta Anhui Hubei Beijing-Tianjin-Hebei Shandong	Yangtze Delta Anhui Hubei Beijing-Tianjin-Hebei Shandong Jiangxi
Expansion through acquisition					
Business Target		3 Billion	6.2 Billion	> 10 Billion	> 20 Billion
Profit Target		141 Million	476 Million	> 1 Billion	> 2 Billion





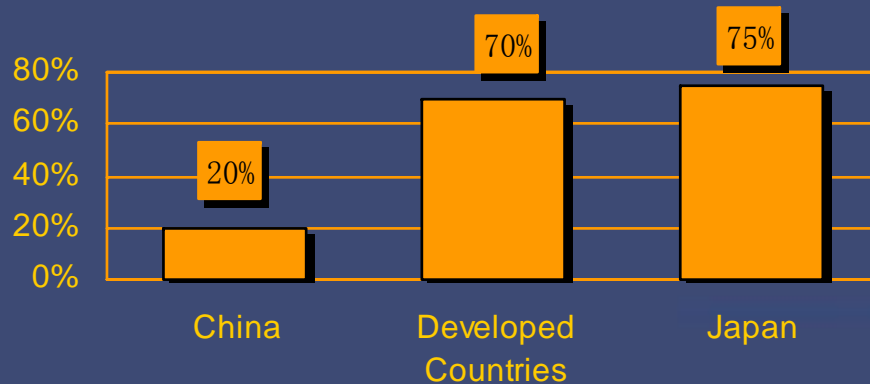
## Prefabricated Building Materials



### Prospects



- Currently, the construction industrialization rate in China is just around 20%, which is far below the average of 70% in developed countries.
- With the implementation of the construction industrialization reform, the market capacity for new building materials in China will reach trillions of Renminbi in the coming years.





## Prefabricated Building Materials



### Prospects



To be the leading prefabricated building materials company in China

	Commencement of construction	Commencement of operation	Designed production capacity (RMB )
Shaoxing Housing Industrialization Park	2002	2004	2 billion
Hefei Housing Industrialization Park	2005	2006	2 billion
Wuhan Housing Industrialization Park	2007	2008-09	2 billion
<b>Total</b>			<b>6 billion</b>



## Construction-in-progress



### Prospects



As at 31 December

	2006	2005	change
	RMB Million	RMB Million	%
Govt. & Public Buildings	7,339	4,923	+49%
Urban Infrastructure	4,437	3,362	+32%
Residential Projects	2,389	1,801	+33%
Industrial Projects	2,902	1,921	+51%
<b>Total</b>	<b>17,067</b>	<b>12,007</b>	<b>+42%</b>





## Construction-in-progress



### Prospects



As at 31 December

	2006	2005	change
	RMB Million	RMB Million	%
Zhejiang Province	6,657	4,991	+33%
Shanghai	5,973	4,536	+32%
Central China Region	3,925	2,159	+82%
Northern China Region	512	321	+60%
<b>Total</b>	<b>17,067</b>	<b>12,007</b>	<b>+42%</b>



## Property Development



### Prospects



### Property Development Schedule (2007-2008)

Property Name	Location	Equity	GFA	Cost
		Interests	(sqm)	(Rmb/sqm)
		Held by Baoye		
<b>2007</b>				
Yangxunqiao Linjiang Green Garden	Shaoxing	100%	57,380	2,125
Baoye City Green Garden(Phase I)	Hefei	100%	50,000	2,300
Baoye City Green Garden(Phase II)	Hefei	100%	100,000	2,300
Zhejiang Commercial City	Hefei	75%	70,000	2,447
<b>2008</b>				
Jing'an Ziyuan	Shanghai	70%	51,300	10,555
Baoye City Green Garden (Phase III)	Hefei	100%	150,000	2,300
Baoye Four Seasons Garden(Phase I)	Shaoxing	100%	100,000	5,000
Wuhan Project(Phase I)	Wuhan	100%	100,000	3,100



## Property Development



### Prospects



### Property Development Schedule (2009 - 2010)

Property Name	Location	Equity	GFA	Cost
		Interests	(sqm)	(Rmb/sqm)
		Held by Baoye		
<b>2009</b>				
Baoye Four Seasons Garden (Phase II)	Shaoxing	100%	150,000	5,000
Wuhan Project (Phase II)	Wuhan	100%	150,000	3,100
Baoye City Green Garden (Phase IV)	Hefei	100%	100,000	2,300
Xia Tsuen Lake Golf Project	Hefei	100%	150,000	2,800
<b>2010</b>				
Baoye Four Seasons Garden (Phase III)	Shaoxing	100%	200,000	5,000
Wuhan Projects (Phase III)	Wuhan	100%	200,000	3,100
Other Projects in Hefei	Hefei	100%	150,000	2,800





## Entering a High Growth Era



### Prospects

- Baoye will continue to enjoy a very strong growth in the coming years in all three business segments.
- Accelerating urbanization in PRC will sustain long-term growth for the construction industry.
- Improving household income supports housing demand.
- Demand for intelligent architecture and energy-efficient and environmental-friendly construction services are bringing enormous industry opportunities for prefabricated building materials.
- Baoye is one of a few companies that have a very clear earnings visibility.





## Disclaimer

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