



Business Review and 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



**2008
Interim
Results
Review**



**Impact of
PRC Govt. New/
Revised Policies**



Prospects



**Corporate
Profile**





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

2008 Interim Results Review



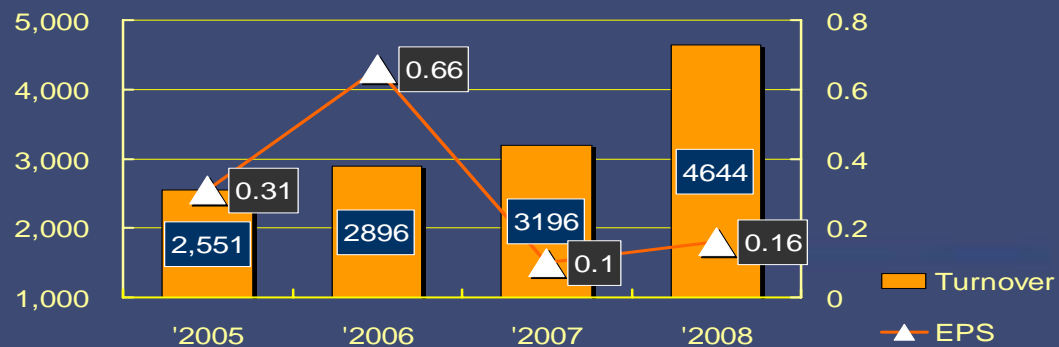


Summary

2008 Interim Results Review

Six months ended 30 June (unaudited)
RMB Million

	2008	2007	Change
Turnover	4,644	3,196	+45%
Profit attributable to shareholders	104	65	+59%
Earnings per share (RMB)	0.16	0.10	+60%





Turnover

2008 Interim Results Review



Six months ended 30 June (unaudited)
RMB Million

	<i>2008</i>	<i>2007</i>	<i>Change</i>
Construction	3,751	2,701	+39%
Property Development	299	49	+517%
Building Materials	553	431	+28%
Others	41	17	+144%
Total	4,644	3,196	+45%





Operating Profit

2008 Interim Results Review



Six months ended 30 June (unaudited)
RMB Million

	2008	2007	Change
Construction	101	80	+26%
Property Development	85	8	+921%
Building Materials	28	18	+51%
Others	3	0.4	+659%
Total	217	107	+102%



Operating Profit Margin

2008 Interim Results Review



Six months ended 30 June (unaudited)

	2008	2007	Change
Construction	2.7%	3.0%	-9.3%
Property Development	28.5%	17.2%	+66%
Building Materials	5.0%	4.3%	+17%





Financial Ratio Analysis

2008 Interim Results Review

As at 30 June

	2008	2007
Return on equity (%)	3.6%	2.4%
Net assets value per share (RMB)	4.38	4.10
Net gearing ratio (%)	28.7%	4.5%
Current ratio	1.01	1.24





Business Structure

2008 Interim Results Review

Revenue and profit breakdown by business segments
As at 30 June 2008

	<i>Revenue</i>	<i>Profit</i>
Construction	81%	47%
Property Development	6%	39%
Building Materials	12%	13%





Impact of PRC Govt. New/Revised Policies



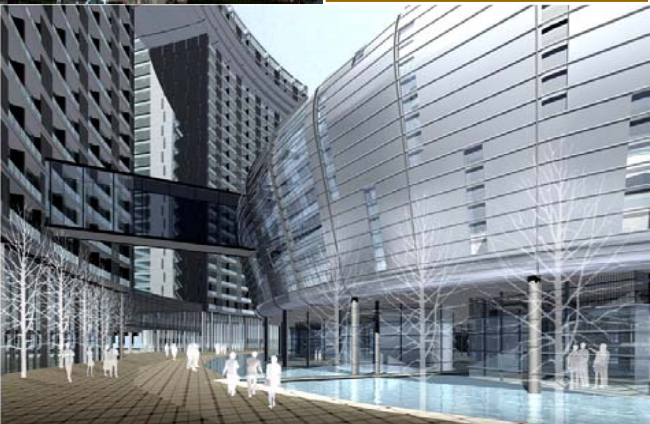


Monetary Policy



Impact of PRC Govt. New/ Revised Policies

- 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.



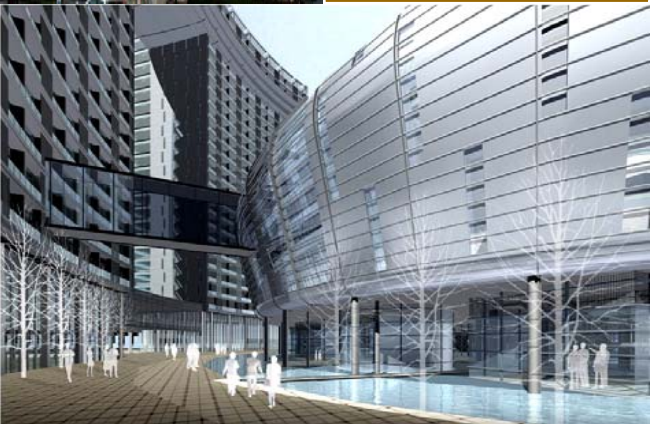


New Labor Contract Law



Impact of PRC Govt. New/ Revised Policies

- The New PRC Labor Contract Law has been passed by the 10th National People's Congress and has become effective since 1 Jan. 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 business.





Reduction of Enterprise Income Tax Rate



Impact of PRC Govt. New/ Revised Policies

- 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.





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

Prospects





Urbanization in China

- The acceleration of the process of urbanization not only directly provides significant impetus for the middle and low end segments of the construction industry, such as construction work and real estate development, but also contributes to a more significant and faster growth of high end segments like water conservancy, transportation, electricity and municipal etc.
- The acceleration of the process of urbanization brought enormous development opportunities for each of the three major businesses of Baoye.



1% growth in
urbanization rate



Contributes to 2% growth in GDP

Urban population growth of 16,000,000

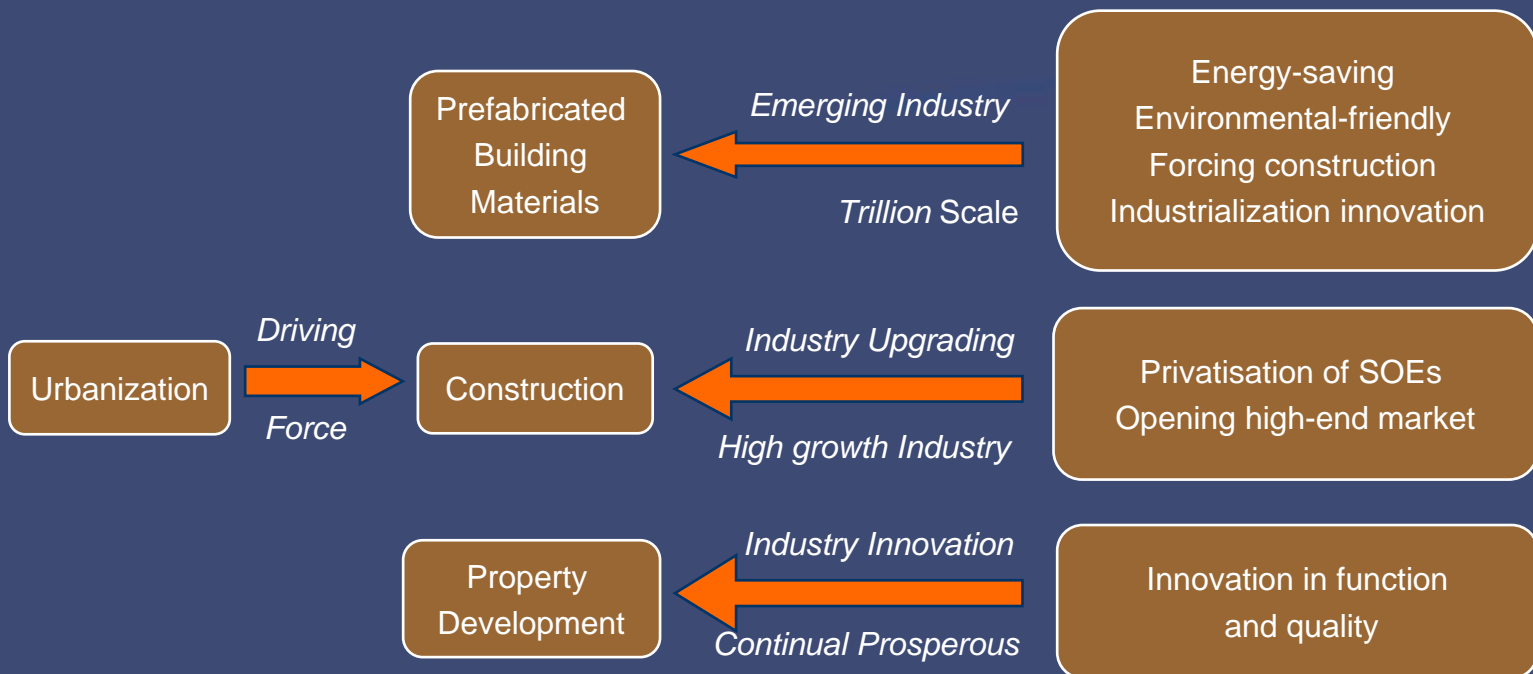
New residence demand of 320,000,000m²

Directly results in more than RMB 1 trillion
of revenue to the construction industry



Urbanization in China

■ Driving force for construction growth in China - urbanization





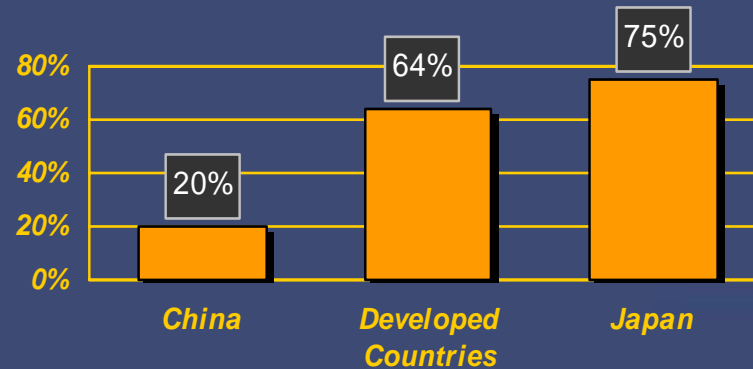
Prefabricated Building Materials



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

	<i>Commencement of construction</i>	<i>Commencement of operation</i>	<i>Designed production capacity (RMB)</i>
Shaoxing Building Materials Industrial Park	2002	2004	2 billion
Hefei Building Materials Industrial Park	2005	2007	2 billion
Wuhan Building Materials Industrial Park	2007	2009-10	2 billion
Total			6 billion



Construction-in-progress (by project nature)



Prospects



As at 30 June
RMB Million

	2008		2007		Change
		% of total		% of total	
Government & Public Buildings	10,564	39%	8,302	42%	+27%
Urban Infrastructure	7,855	29%	5,337	27%	+47%
Residential Projects	4,875	18%	3,163	16%	+54%
Industrial Projects	3,792	14%	2,965	15%	+28%
Total	27,086	100%	19,767	100%	+37%



Construction-in-progress (by region)



As at 30 June
RMB Million

	2008		2007		Change
		% of total		% of total	
Zhejiang Province	9,209	34%	7,512	38%	+23%
Shanghai	7,584	28%	7,314	37%	+4%
Central China Region	7,313	27%	4,151	21%	+76%
Northern China Region	2,600	9.6%	791	4%	+229%
Overseas*	379	1.4%	-	-	N/A
Total	27,085	100%	19,768	100%	37%

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



Property Development



Prospects



Property Development Schedule (2008)

Project Names	Location	Equity Interest held by Baoye	GFA (Sqm)	Total Cost Rmb/Sqm
2008				
Linjiang Green Garden	Shaoxing	100%	56,000	2,400
Jing'an Ziyuan	Shanghai	70%	48,239	14,000
Zhejiang Commercial City	Hefei	75%	66,000	2,300
Baoye City Green Garden II	Hefei	100%	120,000	2,300



Property Development



Prospects



Property Development Schedule (2009 & 2010)


Project Names	Location	Equity Interest held by Baoye	GFA (Sqm)	Total Cost Rmb/Sqm
2009 & 2010				
Baoye City Green Garden III & IV	Hefei	100%	250,000	2,900
Baoye Four Seasons Garden I & II	Shaoxing	100%	250,000	5,200
Hefei Tongcheng Green Garden	Hefei	100%	164,000	3,000
Baoye Moon Lake Garden	Jingmen	100%	82,000	1,100
Zhongbeilu Project (office)	Wuhan	100%	30,000	4,300
Daban Fengqing	Shaoxing	100%	250,000	5,500
Yuyuan	Shaoxing	49%	180,000	11,000
Miaoshan Project	Wuhan	100%	200,000	4,000
Xudonglu Project	Wuhan	100%	100,000	3,650



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 our businesses.
 - 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.
- 



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



Corporate Profile





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



Corporate Profile



- We are the leading China's urbanization operator.
- With 34 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.



Business Structure



Corporate Profile



Baoye Group

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 5-8 years



Shareholders Structure

As at 31 August 2008

Corporate Profile



	<i>No. of shares</i>	<i>% of total</i>
Domestic Shares (non-listed)		
Chairman, Mr.Pang	198,753,054	29.98%
Senior Management (30 persons)	151,988,999	22.93%
	350,742,053	52.91%
H Shares (listed)		
Atlantis	66,000,000	9.96%
Goldman Sachs	43,372,160	6.54%
Tiger	24,816,992	3.74%
JPMorgan	24,163,000	3.64%
HSBC Global Assets	18,734,000	2.82%
Others	135,135,800	20.39%
	312,221,952	47.09%
Total	662,964,005	100%



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



Corporate Profile



- Zhejiang Province, where our headquarters 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

Building Materials Business

Shaoxing Building Materials Industrial Park

Hefei Building Materials Industrial Park

Wuhan Building Materials Industrial Park (under construction)

Construction Business

Zhejiang Beijing

Shanghai Tianjin

Jiangsu Hebei

Anhui Henan

Hubei Shandong

Hunan Liaoning

Jiangxi Chongqing

Property Development Business

Shaoxing

Hefei

Shanghai

Hubei



Disclaimer

- This presentation includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Baoye expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements.
- Baoye's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market share, competition, environmental risks, changes in legal, financial and regulatory frameworks, government policies, international economic and financial market conditions, political risks, cost estimates and other risks and factors beyond our control.
- In addition, Baoye makes these forward-looking statements as of today and undertakes no obligation to update these statements.
- The information in the presentation is for informational purposes only. This is not an offer to subscribe shares in Baoye.



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