

Prospects and Strategies



宝业集团股份有限公司

BAOYE GROUP COMPANY LIMITED

STOCK CODE 2355.HK



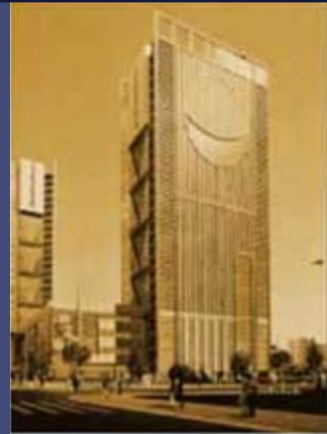
宝业集团股份有限公司 Baoye Group Company Limited



**Corporate
Profile**



**Development
Strategies**



**Results
Review**



Prospects





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.





Corporate Profile



- We are one of the largest and most profitable privately-owned construction company in the PRC.
- With 31 years of industry experience, the Group has been successfully developed into a conglomerate enterprise comprising of prefabricated building materials, construction and property development.
- 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.





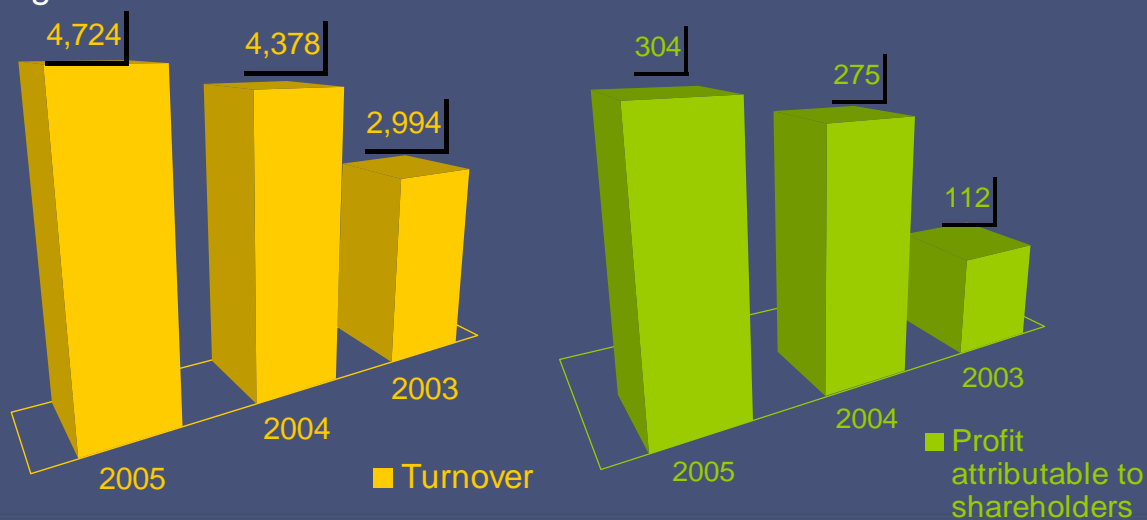
宝业集团股份有限公司 Baoye Group Company Limited



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

(2355.HK)

Prefabricated Building Materials

- The pioneer of prefabricated building materials manufacturing in the PRC, aiming to become the industry standard sitter
- 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



Business Structure



Corporate Profile



Revenue and profit breakdown by business segments

	Revenue	Profit
Prefabricated Building Materials	13%	20%
Construction	74%	46%
Property Development	12%	28%





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Development



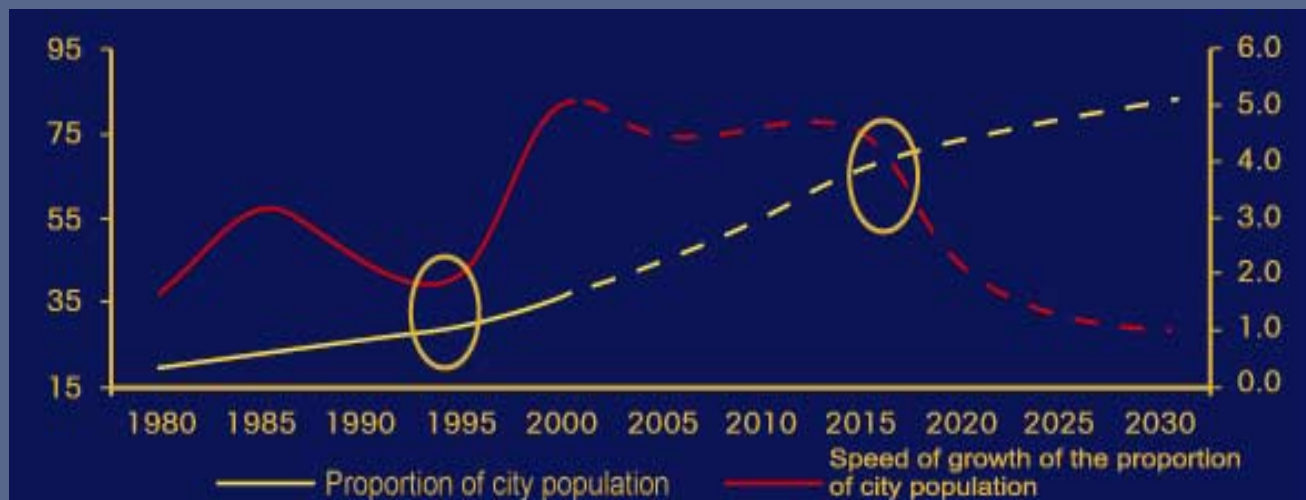
Strategies



Driving force behind the growth of the construction sector in China - urbanization

Development Strategies

- The process of urbanization in China has speeded up since 1995. The rate of growth of China's urbanization rate will continue to accelerate until 2020.
- Construction of new cities and towns and the significant increase in urban population will lead to the robust growth of China's construction industry.





Driving force behind the growth of the construction sector in China - urbanization

Development Strategies

- 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.





Expansion through Acquisition

Development Strategies



- Acquisition of 50% equity interests in Hefei Baoye at a consideration of RMB145 million.
 - Hefei Baoye mainly engaged in the development of a property project known as “Baoye City Green Garden”.
 - GFA of “Baoye City Green Garden” is approx. 520,000 square meters. Based on the property valuation report conducted by qualified independent valuer, the project’s open market value was approx. RMB 629 million as at 30 November 2005.
 - The project has been pre-sold in 2005 with average price of approx. RMB3,300 per square metre, while construction cost is approx. RMB2,200 per square metre.



Expansion through Acquisition

Development Strategies

- Acquisition of Hubei Construction Group at a consideration of RMB133 million.
 - Hubei Construction Group comprises 12 state-owned enterprises mainly engaged in construction business.
 - Will facilitate the Company to establish and develop its market in Hubei Province and the central part of China.
 - Hebei Construction Group has first-class general construction license and plenty of high qualification human resources.
 - Hubei Construction Group owns certain pieces of land for a total area of approx. 500,000 square meters. The majority of such lands are located in Wuhan City which, upon approval by the relevant PRC authorities, can be used for the purpose of residential and/or commercial property development.





Expansion through Strategic Alliance

Development Strategies

- In March 2006, the Company entered into an agreement with Daiwa House, a Japanese leading prefabricated building materials manufacturer, to form a strategic alliance in the co-development of technological skills for the manufacture of industrialized residential units for a term of 10 years.
 - Strengthen our technical know-how in the manufacture of industrialized residential units.
 - Become the pioneer and the leader of prefabricated building materials manufacturing in the PRC.
 - Establish a foundation for possible future co-operation, forming joint venture with Daiwa House.

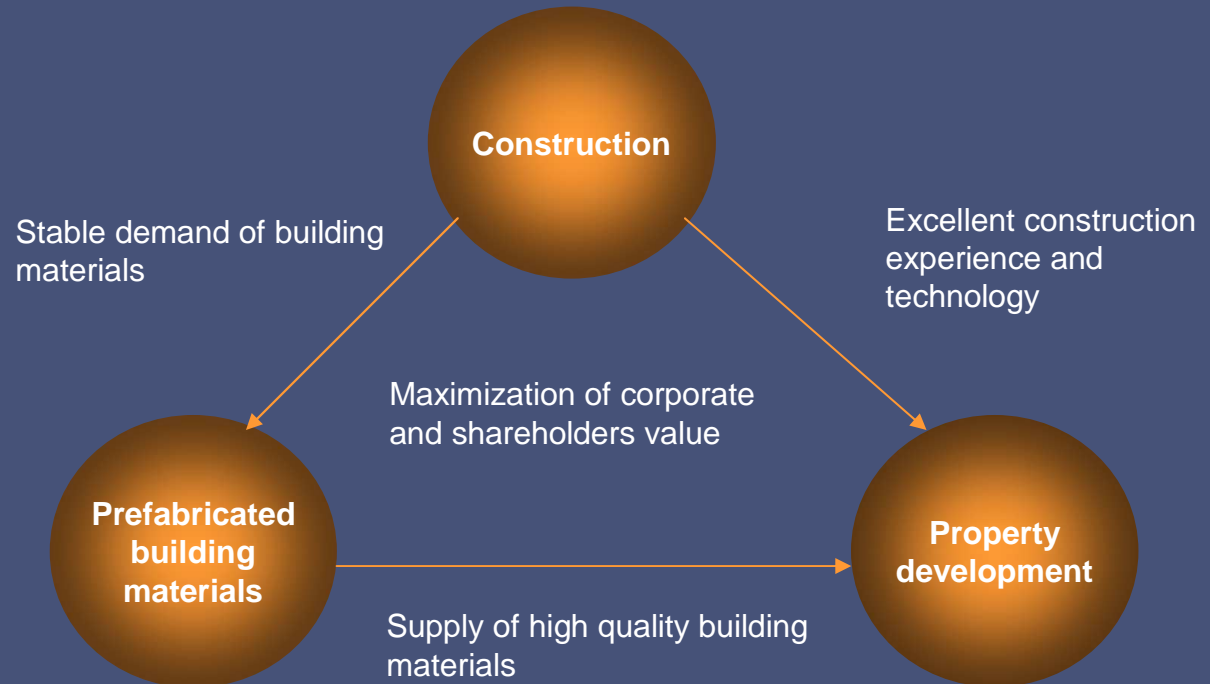




Core Competitiveness — Synergy



Development Strategies





Our Philosophy

Development Strategies



Create a healthy
social environment

- Energy-efficient and environmental-friendly prefabricated building materials
- High quality construction services with priority on safety
- Affordable nice environment residential complex

Enhance
shareholders value
and create excellent returns



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

	2005	2004	Change
Turnover	4,724	4,378	+8%
Profit attributable to shareholders	304	275	+11%
Earnings per share (RMB)	0.537	0.518	+4%





Turnover

Results Review

As at 31 December
RMB Million

	2005	2004	Change
Prefabricated Building Materials	621	462	+34%
Construction	3,524	3,403	+4%
Property Development	546	492	+11%



Operating Profit

Results Review

As at 31 December
RMB Million

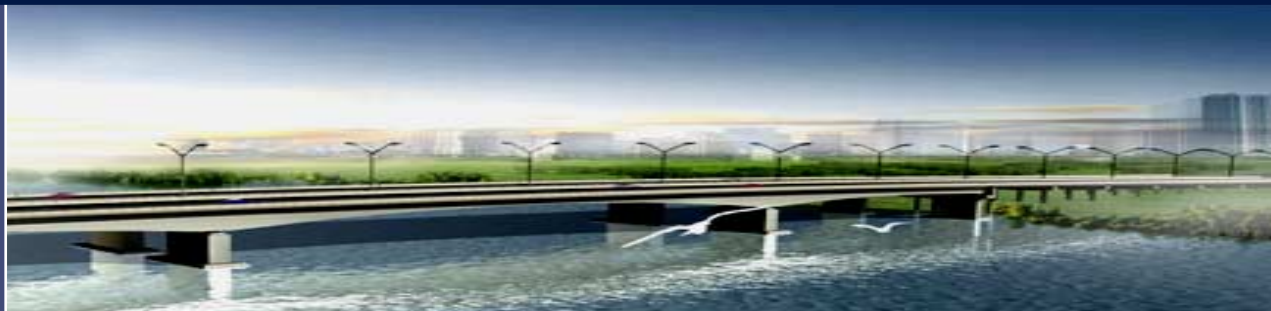
	2005	2004	Change
Prefabricated Building Materials	89	64	+39%
Construction	207	203	+2%
Property Development	125	169	-26%



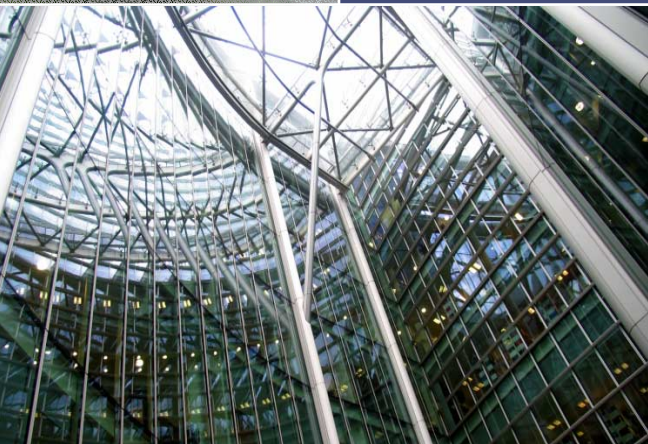


Operating Profit Margin

Results Review



As at 31 December
RMB Million



	2005	2004	Change
Prefabricated Building Materials	14.3 %	13.8 %	+3%
Construction	6 %	6 %	Nil
Property Development	23 %	34 %	-33%



Financial Ratio Analysis

Results Review



	2005	2004
Return on equity	17%	26%
Net assets value per share (RMB)	1.92	1.97
Net gearing ratio	14%	36%
Current ratio	1.32	1.03



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Prospects





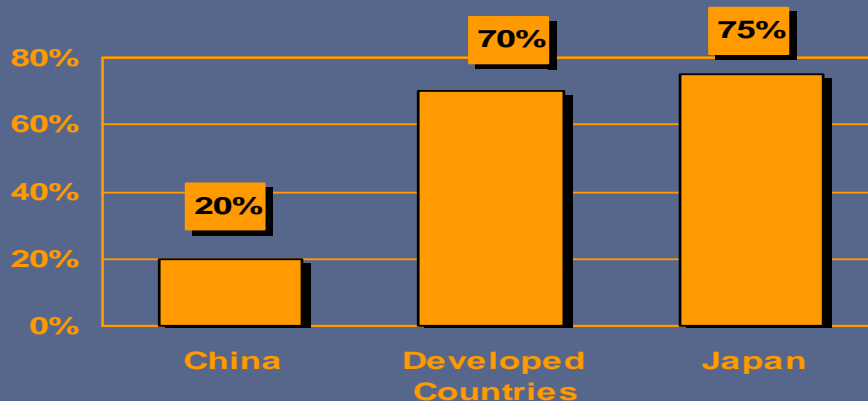
Prefabricated Building Materials



Prospects



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





Prefabricated Building Materials



Prospects



	Commencemet 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
Total			6 billion



Construction-in-progress



Prospects



	2005	2004	change
	RMB Million	RMB Million	%
Public Buildings	4,923	3,469	+42%
Urban Infrastructure	3,362	2,147	+57%
Residential Projects	1,801	1,241	+45%
Industrial Projects	1,921	1,386	+39%
Total	12,007	8,243	+46%





Construction-in-progress



Prospects

浙江电力生产调度大楼西南立面效果图（方案二）



	2005	2004	change
	RMB Million	RMB Million	%
Shaoxing County	1,436	2,062	-30%
Other Counties of Zhejiang Province	3,555	3,214	+11%
Shanghai	4,536	1,842	+146%
Other provinces	2,480	1,124	+121%
Total	12,007	8,243	+46%



Property Development Schedule

Prospects

Property Name	Revenue Recognition Schedule	Location	Attr. GFA (Sqm)	Total Development Cost (Rmb/Sqm)
Yangxunqiao Baoye Green Garden	2007	Shaoxing	56,000	2500
Baoye Green City Garden	2006 2007 2008	Hefei	Phase I 150,000 Phase II 170,000 Phase III 200,000	2,212
Baoye Four Seasons Garden	2007 2008 2009 2010	Shaoxing	Phase I 26,250 Phase II 183,750 Phase III 157,500 Phase IV 157,500	5,091
Zhejiang Commercial City	2006 2007	Hefei	Phase I 35,000 Phase II 40,000	2,275
Jing'an Ziyuan	2006 2007	Shanghai	35,940	10,555
Hangzhou Int'l Airport Building	2008	Hangzhou	34,200	5,091



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 the few companies that have a very clear earnings visibility.





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Notes



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