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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 with limited liability)

(Stock code: 2355)

PLACING OF 36,136,800 NEW H SHARES RESUMPTION OF TRADING

On 13 January 2005, the Company entered into the Placing Agreement with UBS in relation to the Placing on a fully underwritten basis of an aggregate of 36,136,800 H Shares in the share capital of the Company at HK\$4.05 per Placing Share. The Placing Price represents a discount of about 9.5% to the closing price of HK\$4.475 per H Share as quoted on the Stock Exchange on the Latest Trading Date.

The net proceeds of the Placing will be about HK\$140 million. The Directors intend to apply the net proceeds for (i) possible expansion of business outside the Zhejiang province; and (ii) general working capital.

The Placing Shares, representing about 16.7% and 6.4% respectively of the H Shares and the entire registered capital of the Company as enlarged by the Placing, will be allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 30 June 2004.

* For identification purpose only

Trading in the H Shares was suspended at 9:30 a.m. on 13 January 2005 upon request by the Company pending release of this announcement, and application has been made to the Stock Exchange for resumption of trading in the H Shares with effect from 9:30 a.m. on 14 January 2005.

The Placing Agreement

Date: 13 January 2005

Parties: (i) The Company
(ii) UBS

Placing

UBS has agreed to act as sole placing agent of the Company to procure, on a fully underwritten basis, investors who are independent of and not connected nor acting in concert with any promoter, supervisor, director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates to subscribe for the Placing Shares, failing which UBS has agreed to subscribe for the unplaced portion of the Placing Shares. The placees are not less than six in number. UBS is independent of and not connected with any promoter, supervisor, director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates.

Number of Placing Shares

36,136,800 H Shares, representing about 20.0% and 6.8% respectively of the existing H Shares in issue and the entire registered capital of the Company prior to the Placing and about 16.7% and 6.4% respectively of the H Shares and the entire registered capital of the Company as enlarged by the Placing.

Placing Price

HK\$4.05 per Placing Share, representing (i) a discount of about 9.5% to the closing price of HK\$4.475 per H Share as quoted on the Stock Exchange on the Latest Trading Date, (ii) a discount of about 8.2% to the average closing price of HK\$4.410 per H Share as quoted on the Stock Exchange for the last five trading days up to and including the Latest Trading Date; and (iii) a discount of about 8.2% to the average closing price of HK\$4.410 per H Share as quoted on the Stock Exchange for the last ten trading days up to and including the Latest Trading Date.

The Placing Price was determined by reference to the recent trading prices of the H Shares. The Placing Price and the underwriting commission were agreed after arm's length negotiation between the Company and UBS.

Conditions of the Placing

The Placing is conditional upon, inter alia, the Stock Exchange granting listing of and permission to deal in the Placing Shares on or before 28 January 2005 and there being no breach of any of the representations, warranties and undertakings in any material respect by the Company under the Placing Agreement. Pursuant to the force majeure provisions contained in the Placing Agreement, UBS has the right to terminate the Placing Agreement on or before the date of completion of the Placing Agreement.

Completion of the Placing

Completion is expected to take place on or before 21 January 2005 or such other time and date as the Company and UBS shall agree.

Mandate to Issue the Placing Shares

The Placing Shares will be allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 30 June 2004. The resolution on the exercise of the general mandate and details of the Placing was unanimously passed at the meeting of the Board held on 8 January 2005. The issue of the Placing Shares was approved by the China Securities Regulatory Commission on 7 December 2004. Under the approval, the Company is required to carry out the Placing in compliance with all applicable laws, regulations and rules and to submit a report to the China Securities Regulatory Commission within 15 business days after completion of the Placing. As confirmed by the PRC legal advisers to the Company, save as the aforesaid, no other approvals are required for the issue of the Placing Shares.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu in all respects with the H Shares in issue on the date of allotment and issue of the Placing Shares including the right to any dividends or distributions.

Shareholding Structure

Based on the information available to the Directors as at the date of this announcement, set out below are the shareholding structures of the Company immediately before and after the completion of the Placing:

Name of shareholders	Immediately before the Placing		Immediately after the Placing (assuming there is no change in the number of Shares held by the Shareholders named below (other than Atlantis Investment Management Limited))	
	Number of Shares held (shares)	Approximate percentage of shareholding (%)	Number of Shares held (shares)	Approximate percentage of shareholding (%)
Domestic Shares				
– Directors				
Mr. Pang Baogen	198,753,054	37.40	198,753,054	35.02
Mr. Gao Jiming	13,024,647	2.45	13,024,647	2.29
Mr. Gao Lin	9,544,775	1.80	9,544,775	1.68
Mr. Zhou Hanwan	8,233,510	1.55	8,233,510	1.45
– Other promoters of the Company	121,186,067	22.80	121,186,067	21.35
sub-total	<u>350,742,053</u>	<u>66.00</u>	<u>350,742,053</u>	<u>61.80</u>
H Shares				
– Mr. Cheah Cheng Hye (note 1)	16,276,000	3.06	16,276,000	2.87
– Value Partners Limited (note 1)	16,276,000	3.06	16,276,000	2.87
– Atlantis Investment Management Limited (note 2)	12,824,000	2.41	16,824,000	2.96
– Symbiospartners Investment Limited (note 3)	9,210,000	1.73	9,210,000	1.62
– Public Shareholders	142,374,000	26.79	174,510,810	30.75
sub-total	<u>180,684,000</u>	<u>34.00</u>	<u>216,820,800</u>	<u>38.20</u>
Total	<u>531,426,053</u>	<u>100.00</u>	<u>567,562,853</u>	<u>100.00</u>

Notes:

1. The 16,276,000 H Shares are held by Value Partners Limited as investment manager. Mr. Cheah Cheng Hye is interested in approximately 31.82% of the total issued share capital of Value Partners Limited. Pursuant to the SFO, Mr. Cheah Cheng Hye is deemed to be interested in the H Shares held by Value Partners Limited.
2. The 12,824,000 H Shares are held by Atlantis Investment Management Limited as investment manager.
3. The 9,210,000 H Shares are held by Symbiospartners Investment Limited as beneficial owner.

The share capital of the Company does not consist of any state-owned shares.

Reasons and Benefits of the Placing

The Company is principally engaged in the undertaking and implementation of construction projects. Together with research, development and sale of semi-finished building materials, and real estate development, the Company has emerged as a vertically integrated construction enterprise. The Company is expanding its construction, semi-finished building materials, and real estate development businesses in various locations in the PRC either by internal growth or by way of acquisitions in order to achieve higher economies of scale and efficiency. The Placing will enhance the Company's financial position for expanding its construction, semi-finished building materials, and real estate development businesses in various locations in the PRC and for exploring other future opportunities. The Placing also represents a good opportunity for the Company to broaden its shareholder and capital base and to improve the liquidity of the H shares.

Use of Proceeds

The amount to be raised from the Placing is estimated to be about HK\$140 million, after deducting the commission and related expenses of the Placing.

The Company currently intends to apply the net proceeds in the following areas:

- (1) about RMB100 million (equivalent to about HK\$94 million) for possible expansion of business outside Zhejiang province by way of establishing business entity(ies) or potential acquisitions of construction company(ies) located outside the Zhejiang province; and

- (2) the remaining amount of about RMB49 million (equivalent to about HK\$46 million) as general working capital.

Application for Listing

Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

Resumption of Trading

Trading in the H Shares was suspended at 9:30 a.m. on 13 January 2005 upon request by the Company pending release of this announcement, and application has been made to the Stock Exchange for resumption of trading in the H Shares with effect from 9:30 a.m. on 14 January 2005.

General

The Company did not raise any funds from issuance of equity securities in the 12 months immediately preceding the date of this announcement.

Definitions

“associates”	shall have the same meaning as defined in the Listing Rules
“Board”	the board of Directors
“Company”	寶業集團股份有限公司 (Baoye Group Company Limited), a joint stock limited company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“H Shares”	overseas listed foreign Shares in the share capital of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Trading Date”	12 January 2005, being the latest trading date of the Company prior to the publication of this announcement
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Placing”	the placing of 36,136,800 H Shares by UBS as sole placing agent and underwriter pursuant to the Placing Agreement
“Placing Agreement”	the placing and underwriting agreement between UBS and the Company dated 13 January 2005 in relation to the Placing
“Placing Price”	the placing price of HK\$4.05 per H Share under the Placing
“Placing Share(s)”	36,136,800 H Shares to be allotted and issued under the Placing
“PRC”	the People’s Republic of China
“SFO”	the Securities & Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Share(s)”	share(s) in the share capital of the Company, with a Renminbi-denominated par value of RMB1.00 each of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“UBS”	UBS AG, the sole placing agent and underwriter of the Placing, a deemed registered institution under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
“%”	per cent.

On behalf of the Board
Baoye Group Company Limited
Pang Baogen
Chairman

Zhejiang Province, the PRC
13 January 2005

Notes:

1. As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Pang Baogen, Mr. Gao Jiming, Mr. Gao Lin and Mr. Zhou Hanwan; two non-executive Directors, namely Mr. Wu Weimin and Mr. Hu Shaozeng; and three independent non-executive Directors, namely Mr. Wang Youwei, Mr. Yi Deqing and Mr. Dennis Yin Ming Chan.
2. The conversion of RMB into HK\$ is based on the exchange rate of RMB1.06 = HK\$1.00.