



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)

PROPOSED ACQUISITION OF COMPANIES AND ASSETS LOCATED IN HUBEI PROVINCE

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The board of Directors is pleased to announce that the Company has won a bid for a proposed acquisition of the Hubei Construction Group at an aggregate consideration of approximately RMB132,855,437 (equivalent to approximately HK\$127,745,612). The Company expects that a definitive agreement will be entered into between the Company and the Vendor as soon as the terms and conditions of the Acquisition have been finalised. The Acquisition will constitute a discloseable transaction of the Company pursuant to the Listing Rules and further announcement will be made as and when necessary.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

ACQUISITION OF HUBEI COMPANIES AND ASSETS

The board of directors (the "Directors") of Baoye Group Company Limited (the "Company", together with its subsidiaries, the "Group") is pleased to announce that the Company has submitted a bid to the Properties Exchange of Hubei Province (湖北省產權交易中心) in relation to a proposed acquisition from Hubei Construction and Engineering Holding Company (湖北省建築工程總公司) (the "Vendor") of 11 companies and the ownership of a guest house located in Hubei province, the People's Republic of China (the "PRC"), at an aggregate consideration of approximately RMB132,855,437 (equivalent to approximately HK\$127,745,612) (the "Acquisition"). As informed by the Joint Exchange of Hubei Province (湖北省產權交易中心) on 23 January 2006, the Company has won the bid for the Acquisition. It is expected that the Company and the Vendor will enter into a definitive agreement as soon as the terms and conditions of the Acquisition have been finalised. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is an independent third party not connected with and independent from any promoter, supervisor, director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of its associates.

THE COMPANIES AND ASSETS TO BE ACQUIRED

Pursuant to the Acquisition, the Company will acquire from the Vendor:

- (i) the equity interests of 11 companies, namely (1) Hubei Construction and Engineering Group Company Limited (湖北省建築工程集團有限公司); (2) Hubei Construction and Engineering Holding Company First Construction Company (湖北省建築工程總公司第一工程公司); (3) Hubei Construction and Engineering Holding Company Second Construction Company (湖北省建築工程總公司第二工程公司); (4) Hubei Construction and Engineering Holding Company Third Construction Company (湖北省建築工程總公司第三工程公司); (5) Hubei Construction and Engineering Holding Company Fifth Construction Company (湖北省建築工程總公司第五工程公司); (6) Hubei Construction and Concrete Production Company Limited (湖北建工混凝土製品有限公司); (7) Hubei Property Development Holding Company (湖北省房屋建設開發總公司); (8) Hubei Construction and Engineering Holding Company Mechanical Construction Company (湖北省建築工程總公司機械施工公司); (9) Hubei Construction Material Trading Company Limited (湖北建工物資貿易有限公司); (10) Hubei Construction and Engineering Holding Company Industrial Equipment Assembling Company (湖北省建築工程總公司工業設備安裝公司); and (11) Hubei Construction and Engineering Holding Company Technical College (湖北省建築工程總公司技工學校); and
 - (ii) the ownership of Hubei Construction and Engineering Holding Company Guest House (湖北省建築工程總公司招待所) owned by the Vendor.
- ((i) and (ii) above, together, the "Hubei Construction Group")

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) the undertaking and implementation of construction projects; (ii) research and development, production and sale of building materials; and (iii) real estate development. Hubei Construction Group is principally engaged in the business similar to the Group's principal business lines as mentioned above.

The Directors expect that the Hubei Construction Group, which comprises prominent entities in the Hubei province, will facilitate the Group to establish and develop its market in Hubei province and the central part of the PRC as a whole and to enhance all of its three principal lines of business.

The Directors also consider that the Hubei Construction Group is of good reputation and qualifications. Seven entities of the Hubei Construction Group are construction companies, five of such construction companies are first class general contractors (一級施工總承包企業), while the remaining two are second class general contractors (二級施工總承包企業). Out of the five first class general contractors, four of which are first class general contractors for property construction (一級房屋施工總承包企業), while the remaining one is a first class general contractors for mechanical construction (一級機電安裝工程總承包企業).

According to the information provided by the Vendor, the Hubei Construction Group owns certain pieces of land in Hubei province which, upon approval by the PRC authorities, can be used for the purpose of residential and/or commercial property development.

The Directors are of the view that the Acquisition will be in the best interest of the Company and its shareholders as a whole.

GENERAL

The Acquisition will constitute a discloseable transaction of the Company pursuant to the Listing Rules and further announcement will be made as and when necessary.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

By order of the board of Directors
Baoye Group Company Limited*
Pang Baogen
Chairman

Zhejiang Province, the PRC
23 January 2006

* For identification purposes only

As at the date of this announcement, the board of Directors 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.

For the purpose of this announcement, the English names of the PRC government authorities, entities or qualifications are translations of their Chinese names and included in this announcement for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

For the purpose of this announcement, conversion of RMB into HK dollars is calculated at the exchange rate of HK\$1.00 to RMB1.04.

Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Times.