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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)

(Stock Code: 2355)

DISCLOSEABLE TRANSACTION

**ACQUISITION OF COMPANIES AND ASSETS LOCATED
IN HUBEI PROVINCE**

As disclosed in the Announcement, 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 Board is pleased to announce that Baoye Hubei and the Seller entered into the Acquisition Agreement on 21 February 2006 whereby Baoye Hubei has agreed to acquire and the Seller has agreed to dispose of the Hubei Construction Group. The aggregate consideration for the Acquisition is RMB132,855,437.11 (equivalent to approximately HK\$127,745,612).

The Acquisition constitutes a discloseable transaction of the Company pursuant to the Listing Rules. A circular containing information in relation to, among other things, the Acquisition Agreement will be despatched to the Shareholders for information purpose as soon as practicable.

* *For identification purposes only*

INTRODUCTION

It was disclosed in the Announcement that, among other things, the Company had submitted a bid to the Properties Exchange of Hubei Province (湖北省產權交易所) in relation to a proposed acquisition from the Seller of the Hubei Construction Group (the “**Acquisition**”) and the Properties Exchange of Hubei Province (湖北省產權交易所) had announced on 23 January 2006 that the Company had won the bid for the Acquisition at an aggregate consideration of approximately RMB132,855,437 (equivalent to approximately HK\$127,745,612).

The Board is pleased to announce that Baoye Hubei and the Seller entered into the Acquisition Agreement on 21 February 2006 whereby Baoye Hubei has agreed to acquire and the Seller has agreed to dispose of the Hubei Construction Group. The aggregate consideration for the Acquisition is RMB132,855,437.11 (equivalent to approximately HK\$127,745,612) (the “**Consideration**”).

ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are as follows:

Date: 21 February 2006

Parties: (1) Baoye Hubei as purchaser
(2) the Seller as vendor

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller and the ultimate beneficial owner of the Seller are independent third parties 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.

Particulars

Pursuant to the Acquisition Agreement, Baoye Hubei has agreed to acquire and the Seller has agreed to dispose of the entire equity interests of the Hubei Construction Group.

Consideration

The Consideration is RMB132,855,437.11 (equivalent to approximately HK\$127,745,612), payable by Baoye Hubei to the Seller in cash and settled via Properties Exchange of Hubei Province (湖北省產權交易所) within 15 days from the date of the Acquisition Agreement.

The Consideration was arrived at by the parties to the Acquisition Agreement after arm's length negotiations and having considered various factors including: (i) the state-owned net asset value of the Hubei Construction Group of RMB189,793,481.59 as at 30 June 2005 valued by Hubei Pude CPA Firm (湖北普德會計師事務所) by replacement cost approach, a qualified valuer in the PRC independent from and not connected with any promoter, supervisor, director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of its associates; and (ii) the audited net asset value of the Hubei Construction Group as at 30 June 2005 of approximately RMB83,794,664 (taking into account that provisions for the trade and other receivables of the Hubei Construction Group were made and reflected in the audited accounts of Hubei Construction Group for the six months ended 30 June 2005).

The Consideration will be sourced from the fundings raised from the issue and allotment of 43,364,160 new H Shares to Goldman Sachs (Asia) Finance, details of which were disclosed in the Company's announcement dated 3 November 2005.

Completion

Completion of the Acquisition Agreement is not subject to any conditions precedent and is expected to take place within seven days from the date on which Baoye Hubei pays the Consideration in cash within the stipulated deadline as disclosed under the sub-section headed "Consideration" above.

INFORMATION ON THE HUBEI CONSTRUCTION GROUP, THE SELLER AND THE GROUP

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. The Seller and the Hubei Construction Group are principally engaged in the business similar to the Group's principal business lines as mentioned above. Baoye Hubei is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company.

Pursuant to the approval granted by the State-owned Assets Supervisory and Management Committee of the People's Government of Hubei Province (湖北省人民政府國有資產監督管理委員會), the Seller as holder of state-owned assets agreed to dispose of the Hubei Construction Group consisting 12 state-owned corporate units (國有企事業單位), 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 (12) Hubei Construction and Engineering Holding Company Guest House (湖北省建築工程總公司招待所).

The audited net loss of the Hubei Construction Group for the year ended 31 December 2003 and 31 December 2004 were approximately RMB46,759,672 and RMB14,506,487 respectively (equivalent to approximately HK\$44,961,223 and HK\$13,948,545 respectively) prepared in accordance with the PRC generally accepted accounting principles. The audited net loss of the Hubei Construction Group for the six months ended 30 June 2005 was approximately RMB91,252,061 (equivalent to approximately HK\$87,742,366) prepared in accordance with the PRC generally accepted accounting principles.

The audited net asset value of the Hubei Construction Group as at 31 December 2004 and 30 June 2005 were approximately RMB175,046,725 (equivalent to approximately HK\$168,314,158) and RMB83,794,664 (equivalent to approximately HK\$80,571,792) respectively prepared in accordance with the PRC generally accepted accounting principles. The audited total asset value of the Hubei Construction Group amounted to approximately RMB863,969,772 (equivalent to approximately HK\$830,740,165) as at 30 June 2005.

The net asset value of the Hubei Construction Group as at 30 June 2005 valued by 紹興中興會計師事務所有限公司 (a qualified valuer in the PRC appointed by the Company independent from and not connected with any promoter, supervisor, director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of its associates) amounted to approximately RMB84,087,893 (equivalent to approximately HK\$80,853,743). The difference between the aforesaid valuation and the state-owned net asset value of approximately RMB189,793,481.59 as at 30 June 2005 as valued by Hubei Pude CPA Firm (湖北普德會計師事務所) (as disclosed in the sub-paragraph headed "Consideration" above) is mainly due to the fact that the valuation conducted by Hubei Pude CPA Firm (湖北普德會計師事務所) includes a significant upward revaluation on certain pieces of land granted by the PRC government (the approvals for change of the usage of which have not yet been obtained as at the date hereof) which have insignificant book value in the accounts. Upon completion of the Acquisition, the net asset value of Hubei Construction Group (based on fair value according to Hong Kong generally accepted accounting principles but not the amount as stated in either of the aforesaid valuations) will be consolidated into the consolidated accounts of the Group. On the assumption that approvals for change of the usage of the said pieces of land have not yet been obtained at the time of the completion of the Acquisition, the Board considers that there will not be upward revaluation in respect of such pieces of land in arriving at the fair value of the Hubei Construction Group.

The total assets of the Hubei Construction Group as at 30 June 2005 valued by 紹興中興會計師事務所有限公司 amounted to approximately RMB834,263,000 (equivalent to approximately HK\$802,175,962).

So far as the Company is aware, since the Hubei Construction Group is a state-owned asset, the Vendor is required to appoint a valuer to conduct a valuation before the disposal and the principal purpose of which is to set out a basis for determining the consideration of the Acquisition. The Company appoints another independent valuer to conduct the valuation on Hubei Construction Group as part of the financial due diligence exercise.

REASONS AND BENEFITS OF THE ACQUISITION

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 which are (i) the undertaking and implementation of construction projects; (ii) research and development, production and sale of building materials; and (iii) real estate development.

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 (一級機電安裝工程施工總承包企業).

Although the Hubei Construction Group incurred an audited net loss of approximately RMB91,252,061 for the six months ended 30 June 2005, such loss was mainly attributable to the provisions made for the trade and other receivables of the Hubei Construction Group. According to the information provided by the Seller, 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 majority of such lands are located in Wuhan City, Hubei Province with a total area of approximately 500,000 square metres. As at the date here, no approval for the change of usage in respect of such lands has been obtained from the PRC authorities and there is no assurance that the Company will be able to obtain all such approvals (or at all) for all such lands. The Directors expects that the land owned and the licenses already obtained by the Hubei Construction Group will facilitate the Group's plan to develop its market in the Hubei province and is in the interests of the Company and the Shareholders as a whole. Upon acquisition of the Hubei Construction Group from the Seller, a state-owned corporation, the Directors aims to fully utilize the strength and resources of the Hubei Construction Group, such as the land owned and the licenses obtained by the Hubei Construction Group, and to operate the business of Hubei Construction Group in a commercially efficient manner for the best interests of the Company and the Shareholders as a whole.

The terms of the Acquisition Agreement have been negotiated on an arm's length basis. The Directors consider that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable as far as the Shareholders as a whole are concerned.

GENERAL

The Acquisition constitutes a discloseable transaction of the Company pursuant to the Listing Rules. A circular containing information in relation to, among other things, the Acquisition Agreement will be despatched to the Shareholders for information purpose as soon as practicable.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Acquisition”	the acquisition of the Hubei Construction Group by Baoye Hubei from the Seller pursuant to the Acquisition Agreement
“Acquisition Agreement”	an agreement dated 21 February 2006 and entered into between Baoye Hubei as purchaser and the Seller as vendor in connection with the Acquisition
“Announcement”	announcement of the Company dated 23 January 2006
“associate”	has the meaning ascribed to it under the Listing Rules
“Baoye Hubei”	Baoye Group Hubei Company Limited(寶業集團湖北有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Baoye Group Company Limited* (寶業集團股份有限公司), a joint stock limited company established in the PRC, the H Shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“Hubei Construction Group”

12 state-owned corporate units (國有企事業單位), 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 (12) Hubei Construction and Engineering Holding Company Guest House (湖北省建築工程總公司招待所)

“Hong Kong”

the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Seller”	Hubei Construction and Engineering Holding Company (湖北省建築工程總公司), a company incorporated in the PRC and a state-owned corporation
“Shareholder(s)”	holder(s) of the shares 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
“%”	per cent

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.

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

Zhejiang Province, the PRC
21 February 2006

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; one non-executive Director, namely 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.

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