



**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)

**TECHNOLOGICAL CO-DEVELOPMENT OF  
INDUSTRIALISED RESIDENTIAL UNITS WITH DAIWA HOUSE**

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

The Board is pleased to announce that the Company entered into an agreement with Daiwa House on 8 March 2006 pursuant to which the Company and Daiwa House have agreed to form a strategic alliance in the co-development of technological skills for the manufacture of industrialised residential units for a term of ten years.

The Directors are of the view that the technological co-development with Daiwa House enables the Group to strengthen its technical know-how in the manufacture of industrialised residential units and will thus strengthen one of the Group's principally business lines, namely the research, development, production and sale of prefabricated building materials. In light of the aforesaid, the Directors consider that the entering into of the Agreement will be beneficial to the Company and its shareholders as a whole. The Directors also consider that the Agreement will establish a foundation for any possible future co-operation, joint venture or otherwise with Daiwa House in the construction and/or sale of real estate units. As at the date hereof, there is no materialized agreement or arrangement with Daiwa House in relation to such co-operation, joint venture or otherwise. 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").

**TECHNOLOGICAL CO-DEVELOPMENT WITH DAIWA HOUSE**

The board (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 entered into an agreement with Daiwa House Industry Co., Ltd. (大和房屋工業株式會社) ("Daiwa House") on 8 March 2006 (the "Agreement") pursuant to which the Company and Daiwa House have agreed to form a strategic alliance in the co-development of technological skills for the manufacture of industrialised residential units (工業化住宅) for a term of ten years.

**THE AGREEMENT**

Pursuant to the Agreement, the Company and Daiwa House shall co-design and co-formulate the process for the manufacture of industrialised residential units (工業化住宅). Daiwa House shall provide technological advice for the manufacture of industrialised residential units (in respect of structures, parts, materials etc.), while the Company shall be responsible for implementing the design of industrialised residential units in the People's Republic of China (the "PRC") in accordance with the relevant PRC legal requirements.

By virtue of the co-operation between the respective technical experts of the Company and Daiwa House, the parties shall formulate a design diagram and mechanism for the manufacture of industrialised residential units (the "Design Mechanism") and shall be responsible for their respective costs incurred in relation thereto. There is no committed capital contribution pursuant to the Agreement.

Further agreement between the parties to the Agreement shall be reached in the event that the Company and Daiwa House shall cooperate or the Company/Daiwa House (together with, if any, other third party(ies)) shall participate in any real estate development project in relation to the sale of the industrialised residential units manufactured based on the Design Mechanism.

**INDUSTRIALISED RESIDENTIAL UNITS (工業化住宅)**

"Industrialised residential units (工業化住宅)" essentially refer to residential units with standardized and pre-manufactured major structural parts and components. The standardized major structural parts and components are pre-manufactured at the plants and then compiled into industrialised residential units at the construction sites. The major structural parts and components of the industrialised residential units are manufactured in accordance with the standardized designs and requirements. Such standardisation ensures that the residential units will be constructed with stable quality. The concept of industrialised residential units will also facilitate the systemization of the entire process for the construction and sales of residential units from planning, design, manufacture, compilation, sale to after-sale service.

**REASONS AND BENEFITS OF ENTERING INTO THE AGREEMENT**

The Group is principally engaged in (i) the undertaking and implementation of construction projects; (ii) research and development, production and sale of building materials (including prefabricated building materials); and (iii) real estate development.

Based on the information provided by Daiwa House, Daiwa House is regarded as one of the top 500 corporations worldwide and one of the leading conglomerates principally engaged in the business of, among other things, construction and sale of real estate units in Japan. Daiwa House, established in 1955, has been listed in Japan since 1961 and invested in the PRC property-related industry since the 1970s. The turnover and net profits of Daiwa House amounted to approximately US\$12,800 million (equivalent to approximately HK\$99,840 million) and US\$376 million (equivalent to approximately HK\$2,933 million) respectively for the financial year ended 31 March 2005.

Daiwa House is also regarded as a pioneer in the technological development and manufacture of industrialised residential units in Japan, which has established 13 factories located in Japan for the manufacture of industrialised residential units. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Daiwa House 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.

\* For identification purposes only

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

Zhejiang Province, the PRC  
8 March 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 entities or terms 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 US dollars into HK dollars is calculated at the exchange rate of US\$1.00 to HK\$7.80.*

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