

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement may not be released or circulated directly or indirectly in the United States. This announcement does not constitute an offer of securities for sale in any jurisdiction, including the United States. The securities referred to in this announcement have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States unless such securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available.



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)

SUBSCRIPTION OF 52,036,992 NEW H SHARES BY TIGER GLOBAL, L. P.

On 13 December 2006, the Company entered into the Subscription Agreement with Tiger Global in relation to the subscription of an aggregate of 52,036,992 H Shares in the share capital of the Company at HK\$10.88 per New Share. The Subscription Price represents a discount of about 9.33% to the closing price of HK\$12.00 per H Share as quoted on the Stock Exchange on the Latest Trading Date.

* for identification purpose only

The net proceeds of the Subscription will be approximately HK\$563,000,000. The Directors intend to apply the net proceeds as to (i) approximately HK\$281,500,000 for the acquisition of properties and the annexation of any businesses that are relevant to the Company's business; (ii) approximately HK\$112,600,000 for the development of energy-saving and environmental-friendly construction materials; and (iii) approximately HK\$168,900,000 for general working capital.

The New Shares, representing about 16.67% and 7.85% respectively of the H Shares and the entire registered capital of the Company as enlarged by the Subscription, will be allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 1 June 2006.

The Subscription Agreement

Date: 13 December 2006

Parties: (i) The Company
(ii) Tiger Global, an independent third party 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.

Subscription

Tiger Global has agreed to subscribe for, and the Company has agreed to allot and issue, the New Shares. Tiger Global 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 New Shares

52,036,992 H Shares, representing about 20.00% and 8.52% respectively of the existing H Shares in issue and the entire registered capital of the Company prior to the Subscription and about 16.67% and 7.85% respectively of the H Shares and the entire registered capital of the Company as enlarged by the Subscription.

Subscription Price

HK\$10.88 per New Share, representing (i) a discount of about 9.33% to the closing price of HK\$12.00 per H Share as quoted on the Stock Exchange on the Latest Trading Date; (ii) a discount of about 7.92% to the average closing price of HK\$11.82 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 6.51% to the average closing price of HK\$11.64 per H Share as quoted on the Stock Exchange for the last ten trading days up to and including the Latest Trading Date.

The Subscription Price was determined by the Company and Tiger Global after arm's length negotiations by reference to the recent trading prices of the H Shares.

Conditions

The Subscription is conditional upon, among other things: (a) all necessary approvals from the CSRC in relation to the allotment and issuance of the New Shares pursuant to the Subscription Agreement having been obtained, and (b) the Listing Committee granting listing of and permission to deal in the New Shares (and such listing and permission not subsequently revoked prior to the issue of the New Shares) ((a) and (b) above, together, the "Conditions"). Pursuant to the termination provisions contained in the Subscription Agreement, Tiger Global has the right to terminate the Subscription Agreement at any time prior to 7:00 p.m. (Hong Kong time) on the Business Day immediately prior to the Completion Date in the event of (a) any breach of any of the representations, warranties and undertakings by the Company set out in the Subscription Agreement; or (b) any material adverse change in the business or the financial or trading position or results of operations or prospects of the Group, occurring at any time prior to 5:00 p.m. on the Business Day prior to the Completion Date.

Completion

Completion is expected to take place on the second Business Day after the date on which the Conditions are satisfied.

Restrictions in relation to disposal of the New Shares

Save as expressly permitted in the Subscription Agreement, and conditional upon Completion, for a period of 12 months commencing immediately after the Completion Date, Tiger Global shall not, and shall procure that its Permitted Transferees shall not, encumber, sell, transfer or otherwise dispose of, or grant any option, warrant or other right over or to convert or exchange into or swap for, the New Shares (or any shares or other securities of the Company deriving from them or any interest in the New Shares or such other securities) or enter into any arrangement or agreement in respect of the voting rights attached to the New Shares (or any such other securities or any interest in the New Shares or such other securities) or enter into any agreement to effect any of the above.

Mandate to Issue the Subscription Shares

The New Shares will be allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 1 June 2006. The general mandate has not yet been utilised as at the date of this announcement.

Ranking of New Shares

The New 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 New 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:

Name of Shareholders

**Immediately before
the Subscription**

**Immediately after
the Subscription**

(assuming that, save for the Subscription, there will be no change in the number of Shares held by the Shareholders named below from the date hereof up to Completion)

	Number of Shares held <i>(shares)</i>	Approximate percentage of shareholding <i>(%)</i>	Number of Shares held <i>(shares)</i>	Approximate percentage of shareholding <i>(%)</i>
Domestic Shares				
<i>– Directors</i>				
Mr. Pang Baogen	198,753,054	32.53	198,753,054	29.98
Mr. Gao Jiming	13,024,647	2.13	13,024,647	1.96
Mr. Gao Lin	9,544,775	1.56	9,544,775	1.44
Mr. Zhou Hanwan	8,233,510	1.35	8,233,510	1.24
<i>– Supervisor</i>				
Mr. Sun Guofan	11,705,283	1.92	11,705,283	1.77
<i>– Other promoters of the Company</i>	109,480,784	17.92	109,480,784	16.52
sub-total	350,742,053	57.41	350,742,053	52.91
H Shares				
Tiger Global	0	0	52,036,992	7.85
Goldman Sachs (Asia Finance) <i>(note 1)</i>	43,364,160	7.10	43,364,160	6.54
Atlantis Investment Management Ltd A/C GAM Trading (No 24) Inc <i>(note 2)</i>	34,500,000	5.65	34,500,000	5.20
Public shareholders	182,320,800	29.84	182,320,800	27.50
sub-total	260,184,960	42.59	312,221,952	47.09
Total	<u>610,927,013</u>	<u>100.00</u>	<u>662,964,005</u>	<u>100.00</u>

Notes:

1. The 43,364,160 H Shares are held by Goldman Sachs (Asia) Finance. Goldman Sachs (Asia) Finance is held as to 1% by Goldman Sachs Global Holdings (L.L.C.) and 99% by Goldman Sachs (Asia) Finance Holdings L.L.C.
2. The 34,500,000 H Shares are held by Atlantis Investment Management Ltd as investment manager.

Reasons and Benefits of the Subscription

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 Subscription 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 Subscription also represents a good opportunity for the Company to broaden its capital base and to improve the liquidity of the H Shares. The Directors consider that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

Information on Tiger Global

Tiger Global is an investment fund managing over US\$3.5 billion that target both publicly-traded and private investment opportunities worldwide. With offices in New York and Beijing, Tiger Global seeks to work with market leading companies with strong management teams, high returns on capital and solid growth prospects. Tiger Global currently has investments in countries including the United States, China, India, South Korea, Egypt, England, Japan, Russia and Romania.

Use of Proceeds

The amount to be raised from the Subscription is HK\$566,162,472.96 and approximately HK\$563,000,000 (equivalent to approximately RMB570,396,236 and RMB567,210,114) before and after deducting the related expenses of the Subscription. The Subscription Price is approximately HK\$10.88 per H share.

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

- (1) approximately HK\$281,500,000 for the acquisition of properties and the annexation of any businesses that are relevant to the Company's business;
- (2) approximately HK\$112,600,000 for the development of energy-saving and environmental-friendly construction materials; and
- (3) approximately HK\$168,900,000 as general working capital.

As at the date of this announcement, the Company has identified certain potential investment targets and is in the preliminary stage of negotiations with the counter-parties. However, the definitive terms and conditions of the said potential investments have not yet been materialised as at the date of this announcement. Save as above, the Company has not identified any other potential investments as at the date of this announcement. Further announcement will be made as and when necessary.

The Company did not conduct any fund raising activity in the 12 months immediately preceding the date of this announcement.

Application to CSRC and Application for Listing

Application has been made to CSRC in relation to the Subscription. Application will also be made to the listing committee for listing of, and permission to deal in, the New Shares on the Stock Exchange.

Definitions

“Associates”	shall have the same meaning as defined in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong
“Company”	Baoye Group Company Limited (寶業集團股份有限公司), 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
“Completion”	completion of the Subscription
“Completion Date”	the date on which Completion takes place
“Conditions”	the conditions set forth in the Subscription Agreement as described under the heading “Conditions of the Subscription” in this announcement
“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	overseas listed foreign Shares in the share capital of the Company
“Latest Trading Date”	13 December 2006, 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

“New Share(s)”	52,036,992 H Shares to be allotted and issued pursuant to the Subscription Agreement
“Permitted Transferee”	in relation to the period during which the transfer of the New Shares by Tiger Global is restricted under the terms of the Subscription Agreement, the parties to whom Tiger Global is permitted to transfer the New Shares during such period, being any of Tiger Global’s affiliates, any third parties where the transfer to such third parties is made by way of on-market transaction(s) on the Stock Exchange in order to restore or maintain the public float, or any third party with the prior written consent of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Subscription”	the subscription of 52,036,992 H Shares by Tiger Global pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement between Tiger Global and the Company dated 13 December 2006 in relation to the Subscription
“Subscription price”	the subscription price of HK\$10.88 per H Share under the Subscription
“Tiger Global”	Tiger Global, L. P.
“%”	per cent.

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

Zhejiang Province, the PRC
13 December 2006

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; 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.
2. The conversion of RMB into HK\$ is based on the average exchange rate of Renminbi announced by the People's Bank of China for the past one week : RMB100.7478 = HK\$100.00.

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