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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)

SUBSCRIPTION OF 43,364,160 NEW H SHARES BY GOLDMAN SACHS (ASIA) FINANCE

On 3 November 2005, the Company entered into the Subscription Agreement with GSAF in relation to the subscription as principal of an aggregate of 43,364,160 H Shares in the share capital of the Company at HK\$4.85 per Subscription Share. The Subscription Price represents a discount of about 7.62% to the closing price of HK\$5.25 per H Share as quoted on the Stock Exchange on the Latest Trading Date.

The net proceeds of the Subscription will be approximately HK\$209,300,000. The Directors intend to apply the net proceeds as to (i) approximately HK\$167,440,000 for possible expansion of business outside the Zhejiang province; and (ii) approximately HK\$41,860,000 for general working capital.

* For identification purpose only

The New Shares, representing about 16.67% and 7.10% 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 20 May 2005.

The Subscription Agreement

Date: 3 November 2005

Parties: (i) The Company
(ii) GSAF, 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

GSAF has agreed to subscribe as principal and the Company has agreed to allot and issue the New Shares. GSAF 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

43,364,160 H Shares, representing about 20.00% and 7.64% 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 7.10% respectively of the H Shares and the entire registered capital of the Company as enlarged by the Subscription.

Subscription Price

HK\$4.85 per New Share, representing (i) a discount of about 7.62% to the closing price of HK\$5.25 per H Share as quoted on the Stock Exchange on the Latest Trading Date (ii) a discount of about 8.66% to the average closing price of HK\$5.31 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 8.32% to the average closing price of HK\$5.29 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 GSAF 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 Share) ((a) and (b) above, together, the “Conditions”). Pursuant to the termination provisions contained in the Subscription Agreement, GSAF 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, conditional upon Completion, for a period of six months commencing immediately after the Completion Date, GSAF 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 20 May 2005. 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)	
	<i>Number of Shares held (shares)</i>	<i>Approximate percentage of shareholding (%)</i>	<i>Number of Shares held (shares)</i>	<i>Approximate percentage of shareholding (%)</i>
Domestic Shares				
– Directors				
Mr. Pang Baogen	198,753,054	35.02	198,753,054	32.53
Mr. Gao Jiming	13,024,647	2.29	13,024,647	2.13
Mr. Gao Lin	9,544,775	1.68	9,544,775	1.56
Mr. Zhou Hanwan	8,233,510	1.45	8,233,510	1.35
– Supervisor				
Mr. Sun Guofan	11,705,283	2.06	11,705,283	1.92
– Other promoters of the Company				
	109,480,784	19.29	109,480,784	17.92
sub-total	350,742,053	61.80	350,742,053	57.41

H Shares

GSAF	0	0	43,364,160	7.10
Mr. Cheah Cheng Hye (note 1)	17,348,000	3.06	17,348,000	2.84
Value Partners Limited (note 1)	17,348,000	3.06	17,348,000	2.84
Atlantis Investment Management Ltd A/C GAM Trading (No 24) Inc (note 2)	17,500,000	3.08	17,500,000	2.86
Public shareholders	181,972,800	32.06	181,972,800	29.79
sub-total	216,820,800	38.20	260,184,960	42.59
Total	567,562,853	100.00	610,927,013	100.00

Notes

1. The 17,348,000 H Shares are held by Value Partners Limited as investment manager. Mr. Cheah Cheng Hye is interested in approximately 32.77% 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 17,500,000 H Shares are held by Atlantis Investment Management Ltd A/C GAM Trading (No 24) Inc 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 GSAF

GSAF is a proprietary trading entity within The Goldman Sachs Group, Inc. that trades foreign currencies, securities and other financial products primarily through its Hong Kong office.

Use of Proceeds

The amount to be raised from the Subscription is estimated to be about HK\$210,316,000 and HK\$209,300,000 (equivalent to approximately RMB218,728,640 and RMB217,672,000) before and after deducting the commission and related expenses of the Subscription respectively. The net Subscription Price is approximately HK\$4.83 per H Share.

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

- (1) approximately HK\$167,440,000 (equivalent to approximately RMB174,137,600) for possible expansion and 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 approximately HK\$41,860,000 (equivalent to approximately RMB43,534,400) as general working capital.

Since the announcement of the Company in relation to the placing of new H Shares dated 13 January 2005, the Company has identified a potential investment target and is in the preliminary stage of negotiation with the counter-parties. However, the definitive terms and conditions of the said potential investment has 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.

Application to CSRC and Application for Listing

Application will be 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.

Fund raising activities in the last 12 months

The following table summarizes the equity capital raising activity of the Group for the 12 months immediately before the date of this announcement:

Date of announcement	Event	Net proceeds and intended use	Actual use of proceeds
13 January 2005	Placing of new H Shares	Approximately HK\$140 million: – approximately 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 – approximately HK\$46 million as general working capital	– the same amount is retained and, together with the proceeds raised pursuant to the Subscription, will be utilised for possible expansion and business outside Zhejiang province by way of establishing business entity(ies) or potential acquisitions of construction company(ies) located outside the Zhejiang province; and – the whole amount has been utilised as general working capital

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
“GSAF”	Goldman Sachs (Asia) Finance, a limited company incorporated under the laws of the Republic of Mauritius and a wholly-owned subsidiary of The Goldman Sachs Group, Inc.
“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”	3 November 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
“New Share(s)”	43,364,160 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 GSAF is restricted under the terms of the Subscription Agreement, the parties to whom GSAF is permitted to transfer the New Shares during such period, being any of GSAF’s subsidiaries, 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
“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 43,364,160 H Shares by GSAF pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement between GSAF and the Company dated 3 November 2005 in relation to the Subscription
“Subscription Price”	the subscription price of HK\$4.85 per H Share under the Subscription

“RMB”

Renminbi, the lawful currency of the PRC

“%”

per cent.

On behalf of the Board
BAOYE GROUP COMPANY LIMITED
Pang Baogen
Chairman

Zhejiang Province, the PRC

3 November 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 RMB1.04 = HK\$1.00.