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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

**INVESTMENT IN SHANGHAI RESEARCH INSTITUTE OF
BUILDING SCIENCES GROUP THROUGH CAPITAL
INJECTION**

The Board is pleased to announce that on 2 June 2017, the Company received a confirmation letter from Shanghai United Assets and Equity Exchange and entered into the Capital Injection Agreement with each of the existing equity holders of Shanghai Research Institute of Building Sciences Group, pursuant to which, the Company has agreed to inject capital amount of RMB 232,267,828 into Shanghai Research Institute of Building Sciences Group. Upon completion of the Capital Injection, the Company will hold 10% equity interest in Shanghai Research Institute of Building Sciences Group.

As the applicable percentage ratios in respect of the Capital Injection exceeds 5% but is less than 25%, the Capital Injection constitutes a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules and is therefore subject to the

reporting and announcement requirements, but exempt from the shareholders' approval requirement.

BACKGROUND

The board (the “**Board**”) of directors (the “**Directors**”) of Baoye Group Company Limited (the “**Company**”) is pleased to announce that on 2 June 2017, the Company received a confirmation letter from Shanghai United Assets and Equity Exchange and has entered into an capital injection agreement (the “**Capital Injection Agreement**”) with each of the existing equity holders of Shanghai Research Institute of Building Sciences Group, pursuant to which, the Company has agreed to inject capital amount of RMB 232,267,828 into Shanghai Research Institute of Building Sciences Group (the “**Capital Injection**”). Upon completion of the Capital Injection, the Company will hold 13,333,400 shares, representing a total of 10% equity interest in Shanghai Research Institute of Building Sciences Group.

PRINCIPAL TERMS OF THE CAPITAL INJECTION AGREEMENT

Date

16 June 2017

Parties

- (i) State Owned Assets Supervision and Administration Commission of Shanghai Municipal Government (“**Shanghai SASAC**”) (上海市國有資產監督管理委員會)
- (ii) Shanghai Shangshi (Group) Co., Ltd. (上海上實(集團)有限公司)
- (iii) Guoxin Holding (Shanghai) Co., Ltd(國新控股(上海)有限公司)
- (iv) Shanghai Research Institute of Building Sciences Group(上海市建築科學

研究院（集團）有限公司)

(v) Baoye Group Company Limited (寶業集團股份有限公司)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Shanghai SASAC, Shanghai Shangshi (Group) Co., Ltd, Guoxin Holding (Shanghai) Co., Ltd and Shanghai Research Institute of Building Sciences Group and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

The consideration for the Capital Injection

The amount of the Capital Injection was determined after arm's length negotiations among the parties to the Capital Injection Agreement. Payment of the Capital Injection will be funded by internal resources of the Company. As at the date of this announcement, the Company has deposited RMB20 million to Shanghai United Assets and Equity Exchange as guarantee payment, which will be applied towards settling part of the consideration for the Capital Injection.

The Company shall settle the remaining balance of the abovementioned consideration within 15 days after the date of the Capital Injection Agreement.

Completion

Shanghai Research Institute of Building Sciences Group and the Company shall arrange the relevant registration with the industry and commerce administration authorities in relation to the change of equity interests pursuant to the Capital Injection Agreement.

Capital Injection shall take place upon compliance with the applicable registration procedures under the laws of The People's Republic of China by the Industry and

Commerce Bureau to enable the capital amount of RMB 232,267,828 to be injected into Shanghai Research Institute of Building Sciences Group.

INFORMATION RELATING TO THE PARTIES INVOLVED

Shanghai Research Institute of Building Sciences Group is a state-owned enterprise established in the People's Republic of China with registered and paid up capital of RMB100,000,000 (prior the completion of the Capital Injection). It is principally engaged in research and sciences, design, "eight technologies service", test, quality test, project supervision and entrusted management, information consultation, assets management authorized by the State-owned Assets Supervision and Administration Commission of Shanghai Government.

Shanghai SASAC, one of the third existing equity holders of Shanghai Research Institute of Building Science Group.

Shanghai Shangshi (Group) Co., Ltd. is wholly state-owned Company and is engaged in commercial investment, one of the third existing equity holders of Shanghai Research Institute of Building Science Group.

Guoxin Holding (Shanghai) Co., Ltd. is engaged in production and sale of communication information software, sale of communication information equipment, one of the third existing equity holders of Shanghai Research Institute of Building Science Group.

Baoye Group Company Limited is principally engaged in construction projects service, production and sale of building materials, develop and sale of properties in China.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Shanghai Research Institute of Building Sciences Group is a well-known state-owned

enterprise in Shanghai and China with abundant experience in sciences and research, design, project management and assets management. The amount of the Capital Injection will be used in researching and developing of low-carbon, environmental-friendly and energy-saving buildings and the establishment and operation management of internet of things. The new shareholding structure of Shanghai Research Institute of Building Sciences Group following the completion of the Capital Injection would be conducive to the business cooperation between the parties, and through the resulting synergy, the Group could further enhance its market influence in the industry.

The Directors consider that the Capital Injection are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Capital Injection exceeds 5% but is less than 25%, the Capital Injection constitutes a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirement.

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

Zhejiang, the People's Republic of China
16 June 2017

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Pang Baogen, Mr. Gao Lin, Mr. Gao Jiming, Mr. Gao Jun and Mr. Jin Jixiang; one non-executive Director, namely, Mr. Fung Ching, Simon and three independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis, Mr. Li Wangrong and Ms. Liang Jing.

**For identification purpose only*