

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim 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 appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



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)

**PROPOSED ADOPTION OF THE SHARE INCENTIVE SCHEME
REGARDING NON-TRADABLE AND NON-LISTED
DOMESTIC SHARES**

The Board proposes the resolutions relating to the proposed adoption of the Share Incentive Scheme Regarding Non-tradable and Non-listed Domestic Shares for consideration and approval by way of a special resolution at the Shareholders' General Meeting and the Class Meetings.

A circular containing, amongst others, further details of the resolutions relating to the proposed adoption of the Scheme, recommendations of the Board and notices convening the Shareholders' General Meeting and the Class Meetings by way of a special resolution will be despatched to the Shareholders as soon as practicable.

The Board proposes adoption of the Share Incentive Scheme Regarding Non-tradable and Non-listed Domestic Shares to motivate the Participants to optimize their active contribution to the Group and to enable the Group to employ and retain high-calibre employees and attract valuable human resources.

The Board recommends submitting the resolutions relating to the proposed adoption of

the Share Incentive Scheme Regarding Non-tradable and Non-listed Domestic Shares for consideration and approval by way of a special resolution at the Shareholders' General Meeting and the Class Meetings.

A SUMMARY OF THE SCHEME

Scope of the Participants

The scope of Participants includes Directors (other than the independent non-executive Directors) and Supervisors (other than external supervisors) of the Company, core management personnel and key personnel of the Group, and management personnel and professionals who give special contribution and are essential to the development of the Company and other persons as approved by the Board.

Unless separately approved by the Board, the aforesaid persons shall have served the Company for five years or more.

Number of the Incentive Shares

As at the date of this announcement, the Company has not adopted any other share incentive scheme.

The Board is authorised to issue up to 29,310,503 new Domestic Shares to the Employee Stock Ownership Plans ("ESOP") as Incentive Shares under the Scheme, and the Participants will be indirectly interested in the Incentive Shares through their interests in the ESOP. As at the date of this announcement, the number of the Incentive Shares represents 5% and 8% of the aggregate amount of the Company's Shares and Domestic Shares, respectively.

The shareholding structure of the Company, prior to the grant of Incentive Shares and assuming all the Incentive Shares are granted and all of such shares are granted to the connected persons of the Company (not within the meaning of the public), are as follows:

Shareholder	Class of shares	Shareholding structure prior to the grant of Incentive Shares		Shareholding structure upon grant of all the Incentive Shares	
		Number of shares (shares)	Percentage in total share capital	Number of shares (shares)	Percentage in total share capital
Pang Baogeng	Domestic Shares	193,753,054	33.05%	193,753,054	31.48%
Gao Jiming	Domestic	12,059,254	2.06%	12,059,254	1.96%

	Shares				
Gao Lin	Domestic Shares	9,544,775	1.63%	9,544,775	1.55%
Gao Jun	Domestic Shares	5,794,259	0.99%	5,794,259	0.94%
Jin Jixiang	Domestic Shares	2,440,527	0.42%	2,440,527	0.40%
Other Domestic Shareholders	Domestic Shares	127,150,184	21.69%	127,150,184	20.66%
ESOP	Domestic Shares	—	—	29,310,503	4.76%
Wu Xueqin	H Shares	29,304,000	5.00%	29,304,000	4.76%
Public	H Shares	206,164,000	35.17%	206,164,000	33.49%
Total		586,210,053	100.00%	615,520,556	100.00%

** Mr. Pang Baogen, Mr. Gao Jiming, Mr. Gao Lin, Mr. Gao Jun and Mr. Jin Jixiang are Executive Directors of the Company.*

Except that the Incentive Shares cannot be disposed of during the Locked-up Period under the Scheme, Incentive Shares granted to the ESOP will rank pari passu in all respects with other Domestic Shares.

The Incentive Shares held by the ESOP will have the same rights as other Domestic Shares in the event of any alteration in the capital structure of the Company, including but not limited to capitalization, bonus issues, share sub-division and consolidation, reduction of share capital or pro rata share allotment.

Life of the Scheme

The Scheme has a life of ten years commencing from the date of approval at the Shareholders' General Meeting and the Class Meetings, unless it is terminated according to the provisions under the Scheme, and subject to the following:

Termination of the Scheme

Any Incentive Shares not yet granted can no longer be granted. With regard to the Incentive Shares that have already been granted to the ESOP but yet to be unlocked, the provisions under the Scheme in relation to the lock-up arrangement and unlocking of the Incentive Shares, repurchased by the Company and the irrevocable undertaking letter signed by the Participants/ESOP and relevant provisions shall continue to be in force until all the Incentive Shares under the Scheme are unlocked.

Conditions for Grant of the Incentive Shares

- Fulfillment of certain performance targets of the Company for the relevant financial year(s) prior to the Grant Date;
- Achievement of a passing grade or better on the performance appraisal of the Participants for the relevant financial year(s) prior to the Grant Date.

Grant Price of the Incentive Shares

The Grant Price of the Incentive Shares is HKD5.17, being the average closing price for the past twenty trading days of the H Shares preceding the date of the Board of Directors the Incentive Scheme is passed. The applicable exchange rate is the average exchange rate of RMB announced by the People's Bank of China for the past twenty trading days preceding the date of the Board of Directors the Incentive Scheme is passed.

Subscription of the Incentive Shares

The Participants shall subscribe for the Incentive Shares through ESOP with their own fund.

Unlocking of the Incentive Shares

1. The Incentive Shares shall be owned indirectly through the ESOP by the respective Participants once they are granted and fully paid up. Except that the right to dispose of (including but not limited to transfer, sell, pledge, charge or be used for other kind of guarantee) shall be subject to the Locked-up Period, the ESOP shall be entitled to all rights enjoyed by other Domestic Shareholders including but not limited to the entitlement to dividends and voting rights, and such rights are not subject to the Locked-up Period. Upon the expiry of the Locked-up Period, unless otherwise agreed, ESOP can dispose of the unlocked Incentive Shares.
2. Where the following condition is satisfied, the ESOP may unlock the granted but restricted shares:
 - Achievement of a passing grade or better on the performance appraisal of the Participants for the relevant financial year(s) prior to the unlocking date.
3. With the satisfaction of the above-mentioned conditions, Incentive Shares shall be automatically unlocked on the Unlocking Date which is 60 months from the Grant Date.
4. Unlocking of the Incentive Shares is not subject to any conditions other than the aforesaid locked-up arrangement.

5. Upon retirement of a Participant, or upon expiration of the employment agreement or service agreement of such Participant in the absence of renewal of the agreement (other than arising from termination of the same due to default of such Participant), and the Incentive Shares held by such Participant through the ESOP are yet to be unlocked or such shares have been unlocked but not yet disposed of, that portion of Incentive Shares shall be subject to a discretionary redemption by the Company.

Undertakings made by Participants/ ESOP

The irrevocable written undertaking letter to be entered into by ESOP with the Board upon the grant of Incentive Shares to the Participants via ESOP shall include the following:

1. During the Locked-up Period, the ESOP shall not dispose of (transfer, sell, pledge or charge or use for other kind of guarantee) the Incentive Shares so granted;

2. Upon the occurrence of the following events under which the Incentive Shares cannot be unlocked, the Company is authorised by the Participant to, at its sole discretion, transfer the Incentive Shares held by such Participant and yet to be unlocked to other Participants at the Grant Price on his/her behalf, or repurchase the aforesaid Incentive Shares at the Grant Price for cancellation;

- the Participant is no longer eligible for being a director and senior management member as stipulated in the Company Law or Articles of Association (except for the death or incapacity of the Participant);
- resignation of the Participant or termination of the employment agreement or service agreement by the Group unilaterally in accordance with relevant laws; and
- commission of acts by the Participant which amounts to breach of laws or regulations, leakage of the Company's confidential information or misconducts which are prejudicial to the Company's interests or reputation.

3. If such Participant dies or loses the capacity to act, the Company has the authority to:

- decide, at its sole discretion, whether to transfer those Incentive Shares held by such Participant to other Participants at the Grant Price or to repurchase the same at the Grant Price for cancellation;
- If the Company decides to either transfer such shares or repurchase them for cancellation, the Company shall be authorised to act as an agent for undergoing procedures for transfer or repurchase;

- If the Company decides to neither transfer such shares nor repurchase them for cancellation, such Incentive Shares shall automatically become unlocked on the date of such decision being made by the Company, in which case such Incentive Shares shall be handled by the Participant's legal representative or inherited by the Participant's successor.

Effectiveness of the Scheme

The Incentive Scheme shall become effective and is conditional upon the consideration and approval by way of a special resolution at the Shareholders' General Meeting and the Class Meetings.

Implementation and Administration of the Scheme

Subject to the Incentive Scheme becoming effective and unconditional:

The Board is authorised to implement and administer the Scheme and any other related matter during the life of the Scheme, including but not limited to the determination of Participants and number of the Incentive Shares to be granted, decision on whether such granting shall be made in one-off or in tranches, the transfer, as authorised by the Participants, of the Incentive Shares yet to be unlocked and held by such Participants to other Participants, or the repurchase of the same for cancellation, and preparation of administrative documents of certain internal implementation regulations for the purpose of the aforesaid administrative requirements, provided that:

- if the Participant is not a connected person: the Board determines, at its sole discretion, the Participants and the number of Incentive Shares to be granted to them;
- approval from the independent Shareholders shall be obtained and the requirements under Chapter 14A of the Listing Rules shall be complied with if the Participant is a connected person, including but not limited to a Director, a supervisor of the Company and a chief executive of the Company or their respective associate(s).

The Board is also authorized under the Scheme as follows:

- i. Subject to approval of all relevant governmental authorities in the PRC, to make appropriate and necessary amendments to the Articles of Association of the Company so as to reflect the changes in capital of the Company resulting from the Share Incentive Scheme hereof accordingly;
- ii. If the shares structure of the Company changes, including but not limited to capitalization, bonus issue, stock split and consolidation, capital reduction or *pra rata* allotment of shares, etc., to adjust the number of incentive shares or

- the grant price accordingly in line with relevant laws and regulations;
- iii. Where the participants are qualified and conditions to grant are met, to grant incentive shares to participants and handle all relevant and necessary matters;
 - iv. To review and confirm whether the participants are qualified and conditions are met to unlock the incentive shares;
 - v. To decide whether the incentive shares granted to the participants can be unlocked;
 - vi. Subject to the incentive scheme, to handle matters as to unlocking the incentive shares;
 - vii. To suspend, modify and terminate the incentive scheme, including but not limited to cancellation of the unlocking of incentive shares granted to participants, redemption of incentive shares, dealing with matters with regard to redemption or inheritance of locked incentive shares where the participant is dead or lost his or her capacity or termination of incentive scheme;
 - viii. To manage or adjust the incentive scheme. Where any applicable law, regulation or rule requires approvals from shareholders meeting or/and competent authorities, the board shall acquire such approval;
 - ix. To draft, execute, modify and terminate any agreement related to the incentive scheme;
 - x. To engage banks, accountants, legal counsels or any other agents;
 - xi. Within the scope and upon the conditions prescribed by the incentive scheme, to handle matters as to targeting candidates who may qualify as a participant to incentive scheme and granting the incentive shares;
 - xii. To handle matters necessary to implement the incentive scheme, other than matters explicitly required by relevant documents to be performed by the shareholders meeting.

Termination of the Scheme

1. Termination of the Scheme refers to the expiration on the tenth anniversary of the approval at the Shareholders' General Meeting and the Class Meetings or under the following circumstances, whichever is earlier:

- (i) The Board terminates the Scheme prior to the expiration of the Scheme pursuant to applicable laws and regulations or regulatory requirements;
- (ii) The date on which the termination of the Scheme is approved by the Shareholders;
- (iii) There shall be any merger or split of the Company approved by the Shareholders or any issue of an adverse opinion or a disclaimer of opinion by the auditors of the Company on the audited reports of the Company for the

latest financial year during the life of the Incentive Scheme; or imposition of administrative penalties by the China Securities Regulatory Commission due to serious violation of laws and regulations by the Company in the latest year.

2. Termination of the Scheme refers to the circumstance where no further grant is allowed in respect of any Incentive Shares not yet granted, but the relevant provisions under the Scheme in relation to “the locking up and unlocking of the Incentive Shares, the arrangement of transfer or repurchase of the Incentive Shares that cannot be unlocked, and the irrevocable undertaking letter signed by the Participants” shall continue to be in force for those Incentive Shares that have already been granted but yet to be unlocked, until such aforesaid Incentive Shares are unlocked.

B. LISTING RULES IMPLICATIONS

The Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules.

In granting the Incentive Shares (through ESOP) to its connected persons (including but not limited to Directors, supervisors of the Company and chief executives of the Company or their respective associates) under the Scheme, the Company shall, in each case, comply with the reporting, announcement, and independent shareholders’ approval requirements as stipulated under Chapter 14A of the Listing Rules.

C. GENERAL

The Company will seek consideration by and approval from Shareholders by way of a special resolution at the Shareholders’ General Meeting and the Class Meetings of the proposed adoption of the Share Incentive Scheme Regarding Non-tradable and Non-Listed Domestic Shares.

A circular containing, amongst others, further details on the resolutions relating to the proposed adoption of the Scheme and notices convening the Shareholders’ General Meeting and the Class Meetings will be dispatched to the Shareholders as soon as practicable.

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

D. DEFINITIONS

“Articles of Association”		the articles of association of Baoye Group Company Limited currently in force (as amended from time to time)
“associate(s)”		has the meaning ascribed to it under the Listing Rules
“Board”		the board of directors of the Company
“Class Meetings”		the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting
“Company”		Baoye Group Company Limited
“Company Law”		the Company Law of the People’s Republic of China (as amended from time to time)
“connected person(s)”		has the meaning ascribed to it under the Listing Rules
“day(s)”		calendar day(s), unless otherwise specified
“Director(s)”		the director(s) of the Company
“Domestic Shares” or Non-tradable and Non-listed Domestic Shares”		ordinary shares issued to domestic investors by the Company “Non-tradable and with a nominal value of RMB1.00 each, which are subscribed for in Renminbi. As at the date of this announcement, such Domestic Shares are not listed for trading on any stock exchange
“ESOP”		Employee Stock Ownership Plan, which holds the Incentive Shares for and on behalf of the Participants
“Grant Date”		the date on which the Board duly grants the Incentive Shares to the Participants via ESOP in accordance with the Incentive Scheme, which day shall be a statutory working day in PRC and Hong Kong
“Grant Price”		the price per Incentive Share at which the Company grants to the Participants via ESOP in accordance with the Incentive Scheme for direct subscription, and is the same as Subscription Price

“Group”		the Company and its subsidiaries
“H Shareholders Class Meeting”		class meeting of holders of H Shares to be held by the Company on which (amongst others) the proposed adoption of the Scheme will be considered
“H Shares”		overseas-listed foreign invested shares with a nominal value of RMB1.00 each in the issued share capital of the Company, which are issued to overseas investors for subscription in Hong Kong dollars and listed for trading on the Hong Kong Stock Exchange
“Incentive Share(s)”		non-tradable and non-listed Domestic Shares granted under the Incentive Scheme for subscription by the Participants via ESOP. According to the provisions under the Scheme regarding Incentive Shares indirectly held by the Participants via ESOP, those Incentive Shares shall include the additional Shares in the event of capitalization, bonus issues, share sub-division etc by the Company, whether or not the Incentive Shares are already unlocked
“Listing Rules”		the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Locked-up Period”		a stipulated period commencing from the Grant Date, during which ESOP may not dispose of (including but not limited to transfer, sell, pledge or charge or use for other kind of guarantee) any portion or the whole of Incentive Shares granted under the Incentive Scheme but are entitled to the other rights as enjoyed by Shareholders
“Unlocking Date”		the first date on which the Locked-up Period expires and the Participant may dispose of the whole or any portion of the Incentive Shares granted to him/her via ESOP.
“Participant(s)”		the Directors (other than independent Directors) and Supervisors (other than

		external supervisors) of the Company, core management personnel and key personnel of the Group, and other persons as approved by the Board, who will be conclusively determined by the Board under the authorisation of the Shareholders' General Meeting and in accordance with the provisions of the Incentive Scheme and be granted with the Incentive Shares
“PRC”		the People's Republic of China which, for the purpose of this announcement only excludes Hong Kong Special Administrative Region, The Macau Special Administrative Region and Taiwan
“PRC laws”		applicable PRC laws, administrative regulations, government departmental rules, local regulations and regulatory documents of the regulatory authorities which are binding on the Company
“RMB”		Renminbi, the lawful currency of the PRC
“Scheme” or “Incentive Scheme”		the “2018 Share Incentive Scheme Regarding Non-tradable and Non-listed Domestic Shares of Baoye Group Company Limited to be considered at the Shareholders' General Meeting
“Shareholders' General Meeting”		the shareholders' general meeting to be held by the Company, on which (amongst others) the proposed adoption of the Scheme will be considered
“Stock Exchange”		the stock exchange on which H Shares of the Company are listed for trading, being The Stock Exchange of Hong Kong Limited
“Subscription Price”		the price payable by the Participants for the subscription of each Incentive Share granted to them via ESOP by the Company
“Termination Date”		the expiration date of the tenth anniversary from the date on which the Incentive Scheme is approved at the

		Shareholders' General Meeting, or the early termination of the Scheme as provided for under the Scheme, whichever is earlier
--	--	--

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

Zhejiang, the People's Republic of China
23 March 2018

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 purposes only*