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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 IN RELATION TO
THE DISPOSAL OF 33% EQUITY INTEREST IN
HEBAO (NANTONG) REAL ESTATE DEVELOPMENT CO., LTD.***

The Board is pleased to announce that on 29 March 2019 (after trading hours), the Vendor and the Purchaser entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 33% equity interest in the Target Company at a consideration of RMB307,330,140.43 (equivalent to approximately HK\$359,576,264).

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirement but is exempted from the circular and Shareholders' approval requirements.

The Board is pleased to announce that on 29 March 2019 (after trading hours), the Vendor and the Purchaser entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 33% of the equity interest in the Target Company at a Consideration of RMB307,330,140.43 (equivalent to approximately HK\$359,576,264).

PRINCIPAL TERMS OF THE AGREEMENT

Date

29 March 2019

Parties

- (i) Vendor: Zhejiang Baoye Real Estate Group Company Limited* (浙江寶業房地產集團有限公司), a wholly-owned subsidiary of the Company
- (ii) Purchaser: Daiwa House Industry Co., Ltd.* (大和房屋工業株式會社), a company incorporated in Japan and listed on Tokyo and Osaka Stock Exchange (stock code:1925).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Assets to be disposed

Pursuant to the Agreement, the Vendor shall dispose of the 33% equity interest in the Target Company to the Purchaser.

Completion

Upon signing the Agreement:

- (i) the Vendor and Purchaser shall arrange the relevant registration with the industry and commerce administration authorities in relation to the Disposal;
- (ii) upon completion of the registration with the industry and commerce administration authorities, directors of the Target Company as appointed by the Vendor shall resign;
- (iii) the Purchaser shall procure the Target Company to obtain registration certificate from Administration of Foreign Exchange of Nantong City and inform the Vendor of the registration details for the purpose of opening a domestic asset liquidation account; and
- (iv) the Vendor shall notify the Purchaser in writing of the details of its domestic asset liquidation account.

Consideration and settlement

The Consideration of RMB307,330,140.43 (equivalent to approximately HK\$359,576,264) shall be payable by the Purchaser to the Vendor in a Japanese yen equivalent sum of ¥5,085,805,498 calculated at the central parity rate of 22 March 2019 as announced by the People's Bank of China i.e. ¥100 = RMB6.0429.

The Consideration shall be settled on or before the 10th business day after the Vendor notifies the Purchaser in writing of the details of the domestic asset liquidation account.

The Consideration was determined after arm's length negotiations among the Vendor and the Purchaser with reference to, including but not limited to, (i) the net asset value of the Target Company as at 31 December 2018; (ii) the paid-up registered capital of

the Target Company; and (iii) the Target Company's loss making position.

Post-completion undertaking

To facilitate a smooth handover of management and business functions, the resigned directors and deputy general manager of the Target Company previously appointed by the Vendor shall provide necessary assistance to the Target Company until the registration with the industry and commerce administration authorities is completed.

INFORMATION OF THE TARGET COMPANY

The Target Company is a sino-foreign joint venture enterprise incorporated in the PRC on 15 March 2018 which equity interest held as to 33% by the Vendor and 67% by the Purchaser before the Disposal with registered capital of RMB869,182,000. It is principally engaged in property development.

Set out below is a summary the audited financial information of the Target Company prepared in accordance with accounting principles generally accepted in the PRC:

For the year ended 31 December 2018

	<i>audited</i>
	<i>RMB'000</i>
(Loss) before tax	(49,774)
(Loss) after tax	(37,331)

The audited equity attributable to owners of the Target Company as at 31 December 2018 was RMB831,851,299 (equivalent to approximately HK\$973,266,020).

INFORMATION OF THE VENDOR AND THE GROUP

The Vendor is a wholly-owned subsidiary of the Group and is principally engaged in property development.

The Group is principally engaged in the provision of construction services, sale and installation of building materials and development and sale of properties in the PRC.

USE OF PROCEEDS AND EXPECTED FINANCIAL EFFECTS OF THE DISPOSAL

The Board estimates that the Company will record an estimated gain of approximately RMB20,500,140 (HK\$23,985,164) before taxation. The Company intends to use the net proceeds from the Disposal as general working capital of the Group and funding of possible acquisition of land reserve for property development businesses in the future.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in Japan and listed on Tokyo and Osaka Stock Exchanges (stock code: 1925). The Purchaser is principally engaged in the business of housing, commercial facilities and urban development.

REASONS FOR THE DISPOSAL

The Group primarily operates our development business in the regions of Zhejiang, Shanghai, Anhui and Hubei. The Directors have been constantly reviewing the business and aiming to strive for the best interests for the Company and the Shareholders. The Board considers that the Disposal will enable the Company to reallocate resources to the property markets which our management team is more experienced in and familiar with.

Taking into account of the above, the Directors consider that the entering into of the Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirement but is exempt from the circular and Shareholders' approval requirements.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the share transfer agreement dated 29 March 2019 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors of the Company
“Company”	Baoye Group Company Limited* (寶業集團股份)

	有限公司) (stock code: 2355), a joint stock limited company incorporated in the PRC and the issued shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	the consideration for the 33% equity interest in the Target Company
“Director(s)”	director(s) of the Company
“Disposal”	disposal of the 33% equity interest in the Target Company by the Vendor to Purchaser
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party”	a third party independent of the Company and the persons (has the meaning ascribed thereto in the Listing Rules) of the Company and is not a connected person (has the meaning ascribed thereto in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Daiwa House Industry Co., Ltd* (大和房屋工業株式會社), a company incorporated in Japan and listed on Tokyo and Osaka Stock Exchange (stock code:1925).
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Shares”	shares of the company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hebao (Nantong) Real Estate Development Co., Ltd.* (和寶(南通)房地產開發有限公司), a sino-foreign joint venture enterprise incorporated

in the PRC which equity interest held as to 33% by Vendor and 67% by the Purchaser

“Vendor” Zhejiang Baoye Real Estate Group Company Limited* (浙江寶業房地產集團有限公司), a wholly-owned subsidiary of the Company

“%” or “per cent.” percentage or per centum

Unless otherwise defined, for the purpose of this announcement and for the purpose of illustration only, RMB amounts have been translated using the following rates: RMB1.00:HK\$1.17. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

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

Zhejiang, the People’s Republic of China
29 March 2019

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. JinJixiang; one nonexecutive 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*