

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.



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)

VOLUNTARY ANNOUNCEMENT

ESTABLISHMENT OF A JOINTLY CONTROLLED ENTITY

This is a voluntary announcement made by the Company.

The Board wishes to announce that on 22 February 2013, the Company entered into a Jointly Controlled Entity Agreement with Daiwa (PRC) in relation to the establishment of a jointly controlled entity, Baoye Daiwa, which will be principally engaged in the production, sales, construction and design consultation, research and development of parts used in industrialised residential housing, to capture the increased market demand in the PRC market for green, energy-saving and environmental friendly industrialised housing. The term of the Jointly Controlled Entity will be for a period of 15 years.

This is a voluntary announcement made by Baoye Group Company Limited* (the “**Company**”, together with its subsidiaries, the “**Group**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to announce that on 22 February 2013, the Company entered into a Jointly Controlled Entity Agreement (the “**Jointly Controlled Entity Agreement**”) with Daiwa House (PRC) Investment Company Limited (大和房屋(中國)投資有限公司) (the “**Daiwa (PRC)**”), a wholly owned subsidiary of Daiwa House Industry Co., Ltd. (the “**Daiwa**”, a company incorporated in Japan and listed on Tokyo and Osaka Stock Exchanges, stock code: 1925), in relation to the establishment of a Jointly Controlled Entity (the “**Jointly Controlled Entity**”), Baoye Daiwa Industrialised House Manufacturing Company Limited (the “**Baoye Daiwa**”), in the People's

Republic of China (the “**PRC**”), which will be principally engaged in the production, sales, construction and design consultation, research and development of parts used in industrialised residential housing. The term of the Jointly Controlled Entity will be for a period of 15 years.

THE JOINTLY CONTROLLED ENTITY AGREEMENT

The principal terms of the Jointly Controlled Entity Agreement are set out below:

| | | |
|--|---|---|
| Date | : | 22 February 2013 |
| Parties | : | (a) The Company (b) Daiwa (PRC) To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, Daiwa (PRC) and its ultimate beneficial owner are parties independent of and not connected with the Company and its connected persons. |
| Proposed name of the Jointly Controlled Entity | : | The proposed name of the Jointly Controlled Entity in Chinese and English is 寶業大和工業化住宅製造有限公司 and Baoye Daiwa Industrialised House Manufacturing Company Limited, respectively. |
| Formation and structure of Baoye Daiwa | : | Baoye Daiwa will be owned as to 50% by the Company and as to 50% by Daiwa (PRC). Baoye Daiwa will not become a subsidiary of the Group and its financial results will not be consolidated into the financial statements of either the Group or Daiwa and will be accounted for as a jointly controlled entity of the Group. |
| Scope of business | : | Baoye Daiwa will be principally engaged in the production, sales, construction and design consultation, research and development of parts used in industrialised residential housing. |
| Registered capital | : | The total registered capital of Baoye Daiwa will be RMB100,000,000 and will be contributed as to 50% (RMB50,000,000) by the Company and as to 50% (RMB50,000,000) by Daiwa (PRC). |
| Term of operation | : | 15 years from the date of the establishment of Baoye Daiwa. |

| | | |
|--|---|---|
| The board of directors and management structure of Baoye Daiwa | : | The board of directors of Baoye Daiwa (the “ Jointly Controlled Entity Board ”) will comprise eight directors, of which each of the Company and Daiwa (PRC) is entitled to appoint four directors. |
| | | |
| | | Each of members of the Jointly Controlled Entity Board, the chairman and the vice-chairman of the Jointly Controlled Entity Board will have a tenure of three years. |
| | | |
| | | Each of the Company and Daiwa (PRC) has the right to remove its appointed directors and appoint any successors by giving the other party a thirty-day prior written notice. |
| | | |
| | | The daily operations and management of Baoye Daiwa will be managed by the general manager and the vice-general manager, to be nominated by the Company and Daiwa (PRC), respectively. |
| | | |
| Profit and loss sharing | : | The profit and loss of Baoye Daiwa will be shared by the Company and Daiwa (PRC) in proportion to their respective contributions to the registered capital Baoye Daiwa. |

REASONS FOR ESTABLISHING BAOYE DAIWA

Since March 2006, the Group has established a strategic alliance and cooperation relationship with Daiwa in the development of techniques used in industrialised residential housing. The Group and Daiwa have actively commenced in the research of various projects suitable for the PRC industrialised residential housing market. Such research achievements have been applied for use in various applications. In particular, the proprietary technology of industrialised housing in hierarchical assembly type light steel structure (分層裝配式輕鋼結構) jointly researched and developed by the Group and Daiwa in the past years, which is being used in low-rise industrialised housing has attained international advanced standards.

To further strengthen the strategic alliance and cooperation between the Group and Daiwa, the Company and Daiwa intend to establish the Jointly Controlled Entity in order to fully commercialise the results of these research achievements so as to capture the increased market demand in the PRC market for green, energy-saving and environmental friendly industrialised housing. In addition, the establishment of the Jointly Controlled Entity could further enhance the Group’s capabilities and market share in the industrialised residential housing market, such that both the Group and Daiwa are able to achieve a win-win situation technologically and economically.

GENERAL

The transactions contemplated under the Jointly Controlled Entity Agreement does not constitute a notifiable transaction or a connected transaction of the Company under Chapters 14 and 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, respectively. The Company is making this announcement on a voluntary basis in order to update its shareholders and investors on the recent development of the Group.

The shareholders of the Company and the potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Zhejiang, the People's Republic of China
22 February 2013

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. Wang Youqing and Mr. Zhao Rulong.

**For identification purpose only*