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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**

**ACQUISITION OF CONSTRUCTION STONE MINING RIGHT**

**IN YICHANG CITY HUBEI PROVINCE**

The Board announces that on 22 July 2021, Yichang Baoye Mining Co., Ltd., a wholly-owned subsidiary of the Company, won the bid for the construction stone mining right in Caijiawan Mining Area, Yiling District, Yichang City for a term of 23 years, which covers a mining area of approximately 0.3323 square kilometer with resource reserve of approximately 52,848,000 tons, from the Natural Resources and Planning Bureau of Yiling, Yichang City\* (宜昌市夷陵區自然資源和規劃局) through public online auction and bidding at a total consideration of RMB371,613,000 (equivalent to approximately HKD316,614,276).

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the amount payable by Yichang Baoye Mining to the Vendor exceeds 5% and all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempted from the independent shareholder's approval requirement under the Listing Rules.

\*For identification purposes only

Reference is made to the Results Announcement of the Company. As stated in the Results Announcement, Yichang Baoye Mining, a wholly-owned subsidiary of the Company acquired a construction stone mining right in Yichang City, Hubei Province at a total consideration of approximately RMB371,613,000 (equivalent to approximately HKD316,614,276) through public auction and bidding.

The Company acknowledges that the notification and announcement in respect of the Acquisition as required under Chapter 14 of the Listing Rules have been delayed due to its inadvertent oversight.

## **ACQUISITION OF THE MINING RIGHT**

On 28 May 2021, the Natural Resources and Planning Bureau of Yiling District, Yichang City, publicly listed the Mining Right through the website of the Yiling Government. On 30 June 2021, Yichang Baoye Mining succeeded in bidding the Mining Right at a total consideration of RMB371,570,000 (equivalent to approximately HKD316,577,640). On 22 July 2021, Yichang Baoye Mining, a wholly owned subsidiary of the Company, and the Vendor entered into the Agreement pursuant to which Yichang Baoye Mining agreed to acquire from the Vendor the Mining Right. Details are as follows:

### **(1) Date**

22 July 2021

### **(2) Parties**

- (a) Natural Resources and Planning Bureau of Yiling, Yichang City\* (宜昌市夷陵區自然資源和規劃局); and
- (b) Yichang Baoye Mining, a wholly owned subsidiary of the Company.

### **(3) Mining Right**

The Mining Right covers the exploitation right for a term of 23 years upon the mining license granted by the Natural Resources and Planning Bureau of Yiling District, Yichang City, for a mining area of approximately 0.3323 square kilometer with construction stone resource reserve of approximately 52,848,000 tons and annual production capacity of approximately 2,000,000 tons.

### **(4) Means of Acquisition**

Through public bidding and auction organized by the Natural Resources and Planning Bureau of Yiling District, Yichang City according to the relevant laws, rules and requirements in China.

## **(5) Consideration**

The total consideration of the Mining Right was RMB371,570,000 (equivalent to approximately HKD316,577,640), being the highest submitted for the Mining Right among all bidders in the public bidding and auction.

According to the agreement with the Vendor, the bidding price shall be paid within 7 days of Yichang Baoye Mining's receipt of the payment notice.

According to the auction rules published by the Natural Resources and Planning Bureau of Yiling District, Yichang City, the successful bidder shall be responsible for the cost of constructing the access road to the mining area of approximately RMB223,570,000 (equivalent to approximately HKD190,481,640) and the auction and bidding service fee of RMB43,000 (equivalent to approximately HKD36,636). Such costs, as designated by the Natural Resources and Planning Bureau of Yiling District, Yichang City, are included in, and forms part of, the total consideration of RMB371,613,000 (equivalent to approximately HKD316,614,276).

The total consideration shall be financed by its internal resources.

The total consideration for the Mining Right was determined through the public bidding and auction organized by the Natural Resources and Planning Bureau of Yiling District, Yichang City and regulated according to the relevant laws, rules and requirements in China. The public bidding and auction is in itself a price discovery process, the highest bid out of which normally determines and reflects the market price of the subject matter auctioned.

The consideration was determined with reference to, among others, (i) the result of the aforesaid public bidding and auction; (ii) the reasons and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below; (iii) the construction stone resource reserve of approximately 52,848,000 tons as stated in the Geological Exploration Report of Limestone for Construction Stone in Caijiawan Mining Area, Yiling District, Yichang City issued by the Hubei Institute of Metallurgical Geology, as commissioned by the Natural Resources and Planning Bureau of Yiling District, Yichang City; (iv) the bidding results of similar construction stone mining rights in Hubei Province in the same year of the auction; and (v) the prevailing market price of construction stone finished products in Hubei Province at the time when the auction took place.

As such, the Directors consider the total consideration is on normal commercial terms and fair and reasonable.

## **INFORMATION OF THE PARTIES**

### **The Government of Yiling District, Yichang City**

The Government of Yiling District, Yichang City, is the administrative management unit of Yiling District, Yichang City of Hubei Province of the PRC including all relevant local governmental bodies, together with their respective administrative arms, agencies and institutions.

### **The Natural Resources and Planning Bureau of Yiling District, Yichang City**

The Natural Resources and Planning Bureau is a working department of the Yichang Government, which is responsible for managing natural resources assets such as lands, mines, forests, grasslands, wetlands and water owned by the government and supervise public works, including investigation, monitoring, evaluation, registration of unified right confirmation, use of assets with consideration, sustainable development and use of natural resources.

### **The Company and the Group**

The Company is Baoye Group Company Limited, a company established in the PRC with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2355). The Group is principally engaged in the provision of construction services, the sale and installation of construction materials and the development and sale of properties in the PRC.

### **Yichang Baoye Mining**

Yichang Baoye Mining Co., Ltd. is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company. Yichang Baoye Mining is mainly engaged in the mining of mineral resources and the processing and sales of construction stone in the PRC market.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as the Yichang Government, the Yichang Local Government and the Natural Resources and Planning Bureau are PRC governmental bodies, they and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Due to environmental protection policy reason, the authorities of the PRC may shut down smaller mines in foreseeable future. This may adversely affect the stable supply of construction stone materials, which are an essential construction material for building construction, in the PRC market. Through the Acquisition, the Group will be able to source construction stone directly from the mine and hence lower the sourcing cost effectively and ensure the quality, stable and continuous supply for the Group's construction development and construction material business, therefore enhancing its market competitiveness and minimizing the risk of supply shortage.

Having taken into account the above factors, the Directors believe that the Acquisition is beneficial to the Company and the Shareholders as a whole, and the terms of the Acquisition are on normal commercial terms, and are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the amount payable by Yichang Baoye Mining to the Vendor exceeds 5% and all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempted from the independent shareholder's approval requirement under the Listing Rules.

The Company acknowledges that the notification and announcement in respect of the Acquisition as required under Chapter 14 of the Listing Rules have been delayed due to its erroneous belief in the course of raw material sourcing and procurement that the Acquisition fell under the category of transaction of revenue nature in the ordinary and usual course of business referred to in Rule 14.04(1)(g) of the Listing Rules as the cost of construction stone used for the Group's property development and construction businesses was typically accounted for as cost of sales in the financial statements of the Company, and a charge to the revenue.

The Board of the Company will strengthen the communications with the professional advisors for consultation of the compliance with the Listing Rules in respect of any notifiable transactions and / or connected transactions under the Listing Rules.

In order to prevent the recurrence of similar event in future, the Company would prepare and update size tests checklist periodically setting out the prescribed transaction amount thresholds, and circulate the same to all the main subsidiaries of the Group, mandating the significant transaction, in the course of the Company's daily business and regardless of its nature, of an amount triggering the 5% threshold of the size tests to go through certain compliance procedures, including seeking advice from legal advisers and auditors on regulatory compliance, before execution. The Board considers that the above measure would render the significant transactions proposed to be conducted subject to the size tests threshold check and further review by the compliance department of the Company and external professional advisers, and would effectively address the cause.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Mining Right through public auction and bidding;
“Board”	the board of directors of the Company;
“The Company / Baoye”	Baoye Group Co., Ltd., a company incorporated in the People's Republic of China with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the directors of the Company;
“The Group / Baoye Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Mining Right”	the legally right to exploit the construction stone mine the Group held since the mining license was granted by the Natural Resources and Planning Bureau;
“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan;
“Results Announcement”	The results announcement for the year ended 31 December 2021 of the Company dated 25 March 2022;
“RMB”	Renminbi, the lawful currency of PRC;
“Vendor”	Natural Resources and Planning Bureau of Yiling, Yichang City* (宜昌市夷陵區自然資源和規劃局)
“Yichang Baoye Mining”	Yichang Baoye Mining Co., Ltd., a wholly-owned subsidiary of the Company

“Yiling District, Yichang City”

Yiling District, Yichang City, Hubei Province

“The Government of Yiling District”

all relevant local governmental bodies under the Government of Yiling District, Yichang City, together with their respective administrative arms, agencies and institutions;

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

Zhejiang, the People’s Republic of China

27 June 2022

*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.*