

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)

ENTERING INTO AN ASSET-BACKED SECURITIES (“ABS”) PROGRAM INVOLVING A DISCLOSABLE TRANSACTION

The Board is pleased to announce that, on 26 December 2019, the Company entered into an ABS Program, for the purpose of raising funds in the amount of RMB580,000,000 (approximately equivalent to HK\$647,263,637) by way of debt financing.

THE ABS Program

On 8 January 2019, for the purpose of setting up the ABS Program, the Company and Baoye Anhui, a direct wholly-owned subsidiary of the Company, had jointly entered into a service agreement with the ABS Manager, pursuant to which, Baoye Anhui has appointed the ABS Manager as the project manager for the ABS Program, who will issue the ABS which will be traded on the SSE.

On 11 March 2010, the Shareholder Loan Agreement was entered into between the Project Company (as borrower) and Baoye Anhui (as lender), both being wholly-owned subsidiaries of the Company, in respect of a sum of RMB580,000,000, pursuant to which the Shareholder Loan, being an intra-group loan, was created between the Project Company (as borrower) and Baoye Anhui (as lender), and was reclassified and/or transferred as other receivables on the financial accounts of Baoye Anhui for the purpose of legalising the granting and listing of the ABS Program on the SSE.

On 16 December 2019, Baoye Anhui, as settlor, established the Trust as the special purpose vehicle for the issuance of the ABS, with the Trustee appointed as trustee and the right in and title to the Shareholder Loan as trust asset.

The Assignment Agreement

On 18 July 2019, Baoye Anhui and the ABS Manager entered into the Assignment Agreement whereby Baoye Anhui agreed to assign its rights and privileges of the Underlying Asset (which comprises the right in and the title of the Shareholder Loan) to the ABS Manager and ABS Manager agreed to accept the assignment of the rights and privileges of the Underlying Asset from Baoye Anhui pursuant to the terms of the Assignment Agreement at a consideration of RMB580,000,000 (approximately equivalent to HK\$647,263,637).

By virtue of this structure and a series of related arrangements, the Company is able to solicit debt financing externally at a sum of RMB550,000,000 from the ABS Holders at the prescribed coupon rates. Another RMB30,000,000 was the Subordinated Class securities subscribed by the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under Rule 14.09(9) of the Listing Rules) in relation to the assignment exceed 5% but all are below 25%, the assignment constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that, on 26 December 2019, the Company entered into an ABS Program, for the purpose of raising funds, in the amount of RMB580,000,000 (approximately equivalent to HK\$647,263,637) by way of debt financing.

Details of the above-mentioned ABS Program and the relevant transactions in connection therewith are set out below.

THE ABS Program

Structure of the program

On 8 January 2019, for the purpose of setting up the ABS Program, the Company and Baoye Anhui, a direct wholly-owned subsidiary of the Company, had jointly entered into a service agreement with the ABS Manager, pursuant to which, Baoye Anhui has appointed the ABS Manager as the project manager for the ABS Program, who will issue the ABS which will be traded on the SSE. On 26 July 2019, the ABS manager has obtained the no-objection letter from the SSE in respect of the said issuance of ABS.

On 11 March 2010, the Shareholder Loan Agreement was entered into between the Project Company (as borrower) and Baoye Anhui (as lender), both being wholly-owned subsidiaries of the Company, in respect of a sum of RMB580,000,000, pursuant to which the Shareholder Loan, being an intra-group loan, was created between the Project Company (as borrower) and Baoye Anhui (as lender), and was reclassified and/or transferred as other receivables on the financial accounts of Baoye Anhui for the purpose of legalising the granting and listing of the ABS Program on the SSE.

On 16 December 2019, Baoye Anhui, as settlor, established the Trust as the special purpose vehicle for the issuance of the ABS, with the Trustee appointed as trustee and the right in and title to the Shareholder Loan as trust asset.

On 18 July 2019, Baoye Anhui and the ABS Manager entered into the Assignment Agreement whereby Baoye Anhui agreed to assign its rights and privileges of the Underlying Asset (which comprises the right in and the title of the Shareholder Loan) to the ABS Manager and ABS Manager agreed to accept the assignment of the rights and privileges of the Underlying Asset from Baoye Anhui pursuant to the terms of the Assignment Agreement at a

consideration of RMB580,000,000 (approximately equivalent to HK\$647,263,637). By virtue of this structure and a series of related arrangements, the Company is able to solicit debt financing externally at a sum of RMB550,000,000 from the ABS Holders at the prescribed coupon rates forthwith and another RMB30,000,000 was the Subordinated Class securities subscribed by the Company. The terms of repayment of the principal sum and the accrued interests thereof from the trust assets are set out hereunder.

In conjunction with this, the ABS Manager, for the purpose of the ABS Program, holds the Underlying Asset (which comprises the right in and title to the Shareholder Loan) and issues the ABS to ABS Holders, who shall enjoy the financial benefits set out in the Shareholder Loan and shall be entitled to receiving repayment of principal and the prescribed interest payments, details of which are shown on the “Details of the ABS” section below. The repayment of principal and interest payments are primarily derived from the income generated from the rental receipts and management service fees being deposited into a supervision account attributable to the proceeds from the Landed Property, details of which are particularly described in the section heading “**The Supervision Agreement**” below.

The Company has been advised by its PRC legal advisers that the performance and execution of the ABS Program are in compliance with the applicable laws and regulations of the PRC.

Credit undertaking

To secure the proper performance and repayment obligations for the Project Company under the ABS Program, the Company executed the Deed of Undertakings dated 17 April 2019 in favor of the ABS Manager and the Trustee, pursuant to which the Company has agreed to provide certain further undertakings in favor of the ABS Manager and the Trustee, details of which are described in “Deed of Undertakings” section set out hereunder. In addition, there were share charge dated 6 December 2019, property charge dated 9 December 2019 and pledge for the account receivables of the Project Company dated 9 December 2019 that have been created and registered to guarantee the due performance and repayment obligations for the Project Company under the ABS Program.

Details of the ABS

The securities in a total amount of RMB580,000,000 (equivalent to approximately HK\$647,263,637) issued pursuant to the ABS are divided into (i) the Senior Class A Securities in the amount of RMB400,000,000 (equivalent to approximately HK\$446,388,715); (ii) the Senior Class B Securities in the amount of RMB150,000,000 (equivalent to approximately HK\$167,395,768); and (iii) the Subordinated Class Securities in the amount of RMB30,000,000 (equivalent to approximately HK\$33,479,154).

The ABS have a tenor of 18 years with a redemption window every 3 years. The coupon rates fixed for the first three years of the term of the Senior Class A Securities and Senior Class B Securities are 5.9% and 6.1%, respectively, and are subject to the Company’s right to adjust at the end of every three years of the term of the ABS commencing from the date of issue. For the redemption purpose, the Company and the ABS Manager entered into the Pre-emptive Right Agreement dated 2 July 2019, pursuant to which, subject to certain conditions defined therein, the Company has a pre-emptive right to redeem the Underlying Asset at each redemption window, and upon exercise of such pre-emptive right, the ABS Program would be unwound and ABS Holders of the Senior Class A Securities and Senior Class B Securities would cease to receive coupons interest payment.

The income generated from rental receipts and management service fees generated from the Landed Property of the Project Company shall be applied to pay the coupons interest and repayment of the principal of the ABS to the ABS Holders.

The Subordinated Class Securities, of which the Company shall be designated and registered as the holders from the legal perspective to secure the distribution of any surplus assets (i.e. the excess of rental income and management service fee generated from the Landed Property after deductions of the coupons interest and repayment of the principal and relevant expenses under the ABS), do not have a fixed coupon rate, but shall be entitled to the remaining distributions of the ABS after deductions of relevant costs and expenses, and the required distributions to the ABS Holders of the Senior Class A Securities and Senior Class B Securities.

USE OF FUNDING

The Company intends to use the funding generated from the ABS Program for general corporate working capital purpose and the construction of manufacturing facilities for the building materials business sector.

TRANSACTION AGREEMENTS UNDER THE ABS PROGRAM

The Service Agreement

On 8 January 2019, the ABS Manager, as the project manager, entered into a service agreement with the Project Company, pursuant to which the ABS Manager was appointed as the manager of the ABS Program.

The Assignment Agreement

On 18 July 2019, Baoye Anhui, as the assignor, entered into the Assignment Agreement with the ABS Manager as the assignee, pursuant to which Baoye Anhui agreed to assign and the ABS Manager agreed to accept the assignment of the rights and privileges of the Underlying Asset at a total consideration of RMB580,000,000 (approximately equivalent to HK\$647,263,637). The Shareholder Loan in the amount of RMB580,000,000 was created between the Project Company (as borrower) and Baoye Anhui (as lender), both being wholly-owned subsidiaries of the Company, for the sole purpose of legalising the ABS Program for the granting and listing of the ABS Program.

The principal terms of the Assignment Agreement are summarized below:-

Date:	18 July 2019
Parties:	(1) Baoye Anhui as the assignor; and (2) the ABS Manager as the assignee To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, the purchaser and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.
Assets to be assigned:	the Underlying Asset (the entire beneficial interest in the Trust of which comprises the rights in and the title of the Shareholders Loan which was reclassified and/or transferred as other receivables on the financial accounts of Baoye Anhui)
Consideration (i.e. amount of fund borrowed under the ABS Program):	The consideration (representing the amount of fund borrowed by Baoye Anhui under the ABS Program) shall be

RMB580,000,000 (approximately equivalent to HK\$647,263,637)

The Directors (including the independent non-executive Directors) are of the view that the terms of the Assignment Agreement are on normal commercial terms and fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions Precedents:

Completion of the Assignment Agreement is conditional upon, inter alia,

- all necessary consents and approvals required to be obtained on the part of Baoye Anhui and the ABS Manager (including the approval by their respective shareholder(s), if necessary) in respect of the Assignment Agreement and the transactions contemplated thereby having been obtained;
- the Trust and ABS having been established; and
- due registration of the Share Charge, Property Charge and Pledge on Account Receivables with PRC entity.

Completion:

Completion took place on the Issue Day

The Deed of Undertakings

On 17 April 2019, the Company, as the covenantor, executed the Deed of Undertakings in favour of the ABS Manager and the Trustee, pursuant to which the Company agreed to provide certain undertakings to secure the due performance of the Project Company of its obligations under the ABS Program. The principal terms of the Deed of Undertakings are summarised below:

Date:

17 April 2019

Party:

The Company represents to the ABS Manager and the Trustee

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, the ABS Manager and the Trustee and their respective ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

The Company's undertakings:

In the event that there is not sufficient fund generated from the Landed Property to pay the guaranteed coupons interest and repayment of principal amount due to the Trustee and ultimately the ABS Holders, the Company undertakes to top-up of any shortfall thereof.

In the event that any ABS Holders of Senior Class A Securities

and Senior Class B Securities redeem their investment during the redemption window and no subsequent investor intends to purchase the relevant Senior Class A Securities and/or Senior Class B Securities, the Company undertakes to re-purchase these securities.

Further, if the Project Company does not have sufficient liquidity to support the normal business operation of the Landed Property, the Company undertakes to provide financial assistance to the Project Company to ensure its normal business operation.

The Supervision Agreement

On 16 December 2019, the ABS Manager, as the project manager, entered into a supervision agreement with Zheshang Bank, as the supervising bank, the Trustee, as the trustee, and the Project Company, as the borrower, pursuant to which Zheshang Bank agreed to supervise and manage the supervision account from the date of the agreement until the termination of the ABS Program.

The Project Company shall set up a supervision account on or before the date of establishment of the ABS Program. The supervision account shall be used specifically to receive the income generated from rental receipts and management service fees attributable to properties development. The funds in the supervision account will then be transferred into an account under the ABS Program. Following which, the Project Company will pay the agreed coupons interest and the principal sum of the relevant ABS to the ABS Holders from the account under the ABS Program.

Zheshang Bank, as the supervising bank, shall have the right to review the cash inflow and outflow positions of the supervision account at any time, and to inspect relevant payment receipts and payment records including the bank statements of the supervision account.

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, Zheshang Bank and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

REASONS AND BENEFITS FOR THE ABS PROGRAM

The entering into of the ABS Program and the transactions there under are beneficial to the Group as it provides the Group with immediate funding for working capital and business development. It also allows the Group to meet liquidity development needs and diversify the funding sources of the Group, plus optimizing the assets structure, increase capital efficiency and enhance operational capabilities.

Further, the coupon rates payable by the Company with respect to the Senior Class A Securities and Senior Class B Securities are more competitive than the prevailing financial instruments.

In view of the above, the Directors (including the independent non-executive Directors) consider that the entering into of the ABS Program and the transactions involved thereunder are on normal commercial terms and fair and reasonable and in the interest of the Group and the Shareholders as a whole.

INFORMATION OF THE PARTIES TO THE TRANSACTION AGREEMENTS

The Company is a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Main Board of the Stock Exchange. 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.

The Project Company is an indirect wholly-owned subsidiary of the Company and is principally engaged in the rental and management of the Landed Property.

Baoye Anhui is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The ABS Manager is an Independent Third Party. It is principally engaged in capital management, asset securitization and investments.

The Trustee is an Independent Third Party. It is principally engaged in fund trust, real estate trust, securities trust, other property or property rights trust as trustee.

Zheshang Bank is an Independent Third Party. It is principally engaged in commercial banking business.

IMPLICATIONS UNDER THE LISTING RULES

For the purpose of implementing the ABS Program, the Shareholder Loan Agreement was entered into between the Project Company (as borrower) and Baoye Anhui (as lender) in respect of an amount of RMB580,000,000, such intra-group loan was created and was reclassified and/or transferred to other receivables in the financial accounts of Baoye Anhui and the same was then assigned by Baoye Anhui to the ABS Manager pursuant to the Assignment Agreement in consideration of the sum of RMB580,000,000. Such receivables would be subsequently securitized and sold by the ABS Manager to the ABS Holders, which are more particularly described in the sections headed “The ABS Program” and “Details of the ABS” above.

As one or more of the applicable percentage ratios (as defined under Rule 14.09(9) of the Listing Rules) in relation to the assignment exceed 5% but all are below 25%, the assignment constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following words and expressions shall have the following meanings when used herein:

“ABS”	3 classes of asset-backed securities, namely the Senior Class A Securities, Senior Class B Securities and Subordinated Class Securities, to be issued by the ABS Manager backed by the Underlying Asset and to be subscribed by investors, who shall be entitled to interest pursuant to its terms
“ABS Holder(s)”	Holder(s) or Subscribers of the ABS issued pursuant to the ABS Program
“ABS Manager”/“BohaiHuijin”	BohaiHuijin Securities Asset Management Company Limited* (渤海匯金證券資產管理有限公司), a company established in the PRC, the project manager of the ABS Program
“ABS Program”	BohaiHuijin – BaoyeDongcheng Plaza Asset-backed Securities Program (渤海匯金-寶業東城廣場資產支持證券專項計劃), a special program set up and managed by the ABS Manager to securitise the Underlying Asset by issuing

ABS to ABS Holders

“Assignment Agreement”	the assignment agreement entered into by and between Baoye Anhui, as the assignor, and the ABS Manager, as the assignee on 18 July 2019 in relation to the Assignment
“Baoye Anhui”	Baoye Group Anhui Company Limited* (寶業集團安徽有限公司), a limited company established in the PRC and a direct wholly owned subsidiary of the Company
“Board”	the board of Directors
“Charge on Account Receivables”	the charge over the account receivables generated from the Landed Property in favor of the Trustee as security for the due and punctual observance and performance by the Project Company of all of its liabilities under the Shareholder Loan Agreement, subject to the terms and conditions of the account receivable charge agreement executed by the Project Company as chargor and the Trustee as chargee on 9 December 2019
“Chargor”	Anhui Baoye Construction Group Company Limited* (安徽寶業建工集團有限公司), a limited company established in the PRC and [an indirect] wholly owned subsidiary 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 established in the PRC and the issued H shares of which are listed on the Main Board of the Stock Exchange
“Deed of Undertakings”	a deed of undertakings dated 17 April 2019 executed by the Company in favor of the ABS Manager and the Trustee, pursuant to which the Company agreed to give certain undertakings to secure the performance of the Project Company under the ABS Program
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Issue Day”	the day on which the ABS was issued, i.e. 26 December 2019
“Landed Property”	A portfolio of landed properties, including shopping malls, office buildings and ancillary car parks, owned by the Project Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Pre-emptive Right Agreement”	a pre-emptive right agreement dated 2 July 2019, entered into by and between the Company and the ABS Manager, pursuant to which, subject to certain conditions therein, the Company has the pre-emptive right to redeem the Underlying Asset
“Project Company”	Anhui Baoye Commercial Investment Management Company Limited* (安徽寶業商業投資管理有限公司), a limited company established in the PRC and a wholly owned subsidiary of Baoye Anhui
“Property Charge”	the property charge over the Landed Property in favour of the Trustee as security for the due and punctual observance and performance by the Project Company of all of its liabilities under the Shareholder Loan Agreement, subject to the terms and conditions of the property charge agreement executed by the Project Company as chargor and the Trustee as chargee on 9 December 2019
“Senior Class A Securities”	the most senior class of the ABS issued under the ABS Program
“Senior Class B Securities”	the second senior class of the ABS issued under the ABS Program
“Share Charge”	the share charge over the entire equity interest in the Project Company in favour of the Trustee as security for the due and punctual observance and performance by the Project Company of all of its liabilities under the Shareholder Loan Agreement, subject to the terms and conditions of the share charge agreement executed by the Chargor as chargor and the Trustee as chargee on 6 December 2019
“Shareholder(s)”	the holder(s) of the issued share(s) of the Company
“Shareholder Loan”	An intra-group shareholder loan in the amount of RMB580,000,000 lent to the Project Company (as borrower) by Baoye Anhui (as lender) pursuant to the Shareholder Loan Agreement for the purpose of implementing the ABS Program, being the securitized asset under the ABS Program
“Shareholder Loan Agreement”	a shareholder loan agreement dated 11 March 2010 entered into by and between the Project Company and Baoye Anhui in relation to the Shareholder Loan
“SSE”	The Shanghai Stock Exchange

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subordinated Class Securities”	The subordinated class of the ABS issued under the ABS Program
“subsidiaries”	has the meaning given to it under the Listing Rules
“Trust”	a trust established as a special purpose vehicle for the issuance of the ABS on 18 July 2019 by Baoye Anhui as settlor with the Trustee appointed as the trustee and the Shareholder Loan as trust asset
“Trustee”	Shanghai Aijian Trust Company Limited* (上海愛建信託有限公司)a limited company established in the PRC which was appointed as the trustee of the Trust
“Underlying Asset”	The entire beneficial interest in the Trust
“Zheshang Bank”	China Zheshang Bank Co., Ltd. (浙商銀行股份有限公司), ShaoxingYuecheng Branch
“%”	per cent.

By Order of the Board

Baoye Group Company Limited*

Pang Baogen

Chairman

Zhejiang ,the People’s Republic of China

As at the date of this announcement, the executive directors of the Company are Mr. Pang Baogen, Mr. Gao Lin, Mr. Gao Jiming, Mr. Gao Jun and Mr. Jin Jixiang; the non-executive director of the Company is Mr. Fung Ching, Simon; and the independent non-executive directors of the Company are Mr. Chan Yin Ming, Dennis, Mr. Li Wangrong and Ms. Liang Jing.

** For identification purposes only.*