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If you are in doubt as to any aspect of this circular or as to what action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Baoye Group Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 with limited liability)

(Stock code: 2355)

**CONNECTED TRANSACTIONS**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders  
of Baoye Group Company Limited**



**South China Capital Limited**

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular. A letter from South China Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 19 of this circular.

A notice convening the EGM to be held at 13th Floor, Development Building, No. 208 Jianhu Road, Keqiao, Shaoxing County, Zhejiang Province, the PRC on 6 May 2005 at 2:00 p.m. is set out on pages 27 to 28 of this circular. A reply slip and a form of proxy are also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon. In order to be valid, the proxy form must be deposited by hand or post, for holders of H Shares of the Company, to the H shares registrar of the Company, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the registered address of the Company not less than 24 hours before the time for holding the EGM or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM if you so wish.

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	5
<b>Letter from the Independent Board Committee</b> .....	14
<b>Letter of advice from South China Capital</b> .....	16
<b>Appendix – General Information</b> .....	20
<b>Notice of EGM</b> .....	27

## DEFINITIONS

*In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:*

“Acquisition”	the acquisition by the Company of 19% of the equity interests in Building Materials Industrialisation Company from Mr Pang pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	an agreement dated 26 February 2005 and entered into between the Company and Mr Pang in connection with the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Baoye Construction”	浙江寶業建設集團有限公司 (Zhejiang Baoye Company Construction Group Co., Ltd), a limited liability company established in the PRC on 15 February 2001, which is owned by the Company as to approximately 99%, while the remaining approximately 1% is owned equally by Mr Wang Liequan, Mr Chen Baorong and Mr Xia Weimin
“Board”	the board of Directors
“Building Materials Industrialisation Company”	浙江寶業住宅產業股份有限公司 (Zhejiang Baoye Building Materials Industrialisation Company Limited*), a joint stock limited company established in the PRC on 8 July 1999. Prior to the Acquisition, it is owned by Baoye Construction, Mr Pang, 浙江省建築科學設計研究院 (Zhejiang Construction Science and Design Research Institute), 浙江寶業建築設計研究院有限公司 (Zhejiang Baoye Construction and Design Research Co., Ltd.) (formerly known as 浙江住宅產業現代化設計研究所有限公司 (Zhejiang Building Materials Industrialisation and Design Research Institute Co., Ltd.)) and Mr Hu Shaozeng, a non-executive Director, as to 60 %, 19%, 15%, 5% and 1% respectively
“Company”	寶業集團股份有限公司 (Baoye Group Company Limited*), a joint stock limited company established in the PRC, the H Shares of which are listed on the Stock Exchange

\* For identification purposes only

## DEFINITIONS

“Construction Agreement”	an agreement dated 26 February 2005 and conditionally entered into between Baoye Construction and Minghua Textile relating to the provision of design, construction and installation services subject to the terms and conditions contained therein
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened at 13th Floor, Development Building, No. 208 Jianhu Road, Keqiao, Shaoxing County, Zhejiang Province, the PRC on 6 May 2005 at 2:00 p.m. to approve the transactions contemplated under the Construction Agreement and the Acquisition Agreement respectively, the notice of which is set out on pages 27 to 28 of this circular
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Mr Wang Youwei, Mr Yi Deqing and Mr Dennis Yin Ming Chan
“Independent Shareholders”	has the meaning ascribed to it under Rule 14A.10 (5) of the Listing Rules
“Independent Third Party(ies)”	party(ies) who is (are) independent from and not connected with any of the promoters, Directors, supervisors, chief executives and substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Latest Practicable Date”	16 March 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

## DEFINITIONS

“Minghua Textile”	浙江明華輕紡原料博覽城有限公司 (Zhejiang Minghua Textile Raw Material Exhibition City Co., Ltd.*), a limited liability company established in the PRC on 17 December 2002, which is owned by Mr Li, 杭州蕭山衙前鎮明華村經濟合作社(The Economic Cooperative Committee of Minghua Village, Yaqian Town, Xiaoshan District, Hangzhou*) and 浙江中新電力發展集團有限公司(Zhejiang Zhongxin Electric Development Group Company Limited*), both being Independent Third Parties, as to 67%, 23% and 10% respectively
“Mr Li”	Mr Li Wenjiang, a former director of Shaoxing Baogang, who was resigned as a director of Shaoxing Baogang on 30 April 2004
“Mr Pang”	Mr Pang Baogen, an executive Director and a substantial shareholder of the Company
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shaoxing Baogang”	紹興寶港木製品有限公司 (Shaoxing Baogang Woodwork Co., Ltd.), a limited liability company established in the PRC on 19 December 2002, which is owned by the Company and 港基國際投資有限公司 (Goldbase International Investment Limited) as to 70% and 30% respectively
“Shareholder(s)”	holder(s) of the H Shares of the Company
“South China Capital”	South China Capital Limited, a deemed licenced corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and was appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Construction Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

\* For identification purposes only

## DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the legal currency of the PRC
“%”	per cent

For the purpose of this circular, conversion of RMB into HK dollars is calculated at the exchange rate of HK\$1.00 to RMB1.06.

## LETTER FROM THE BOARD



### 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 with limited liability)

(Stock code: 2355)

*Directors:*

Mr Pang Baogen (*Executive Director*)  
Mr Gao Jiming (*Executive Director*)  
Mr Gao Lin (*Executive Director*)  
Mr Zhou Hanwan (*Executive Director*)  
Mr Wu Weimin<sup>(#)</sup>  
Mr Hu Shaozeng<sup>(#)</sup>  
Mr Wang Youwei<sup>(##)</sup>  
Mr Yi Deqing<sup>(##)</sup>  
Mr Dennis Yin Ming Chan<sup>(##)</sup>

<sup>(#)</sup> *Non-executive Directors*

<sup>(##)</sup> *Independent non-executive Directors*

*Corporate legal address:*

Yangxunqiao Township  
Shaoxing County  
Zhejiang Province  
The PRC

*Place of business in Hong Kong:*

37/F  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

18 March 2005

*To the Shareholder*

Dear Sir or Madam,

### CONNECTED TRANSACTIONS: CONSTRUCTION AGREEMENT AND ACQUISITION AGREEMENT

#### INTRODUCTION

On 26 February 2005, the Board announced, among others, that Baoye Construction, a non-wholly owned subsidiary of the Company, entered into the Construction Agreement with Minghua Textile, pursuant to which Baoye Construction has conditionally agreed to perform certain design, construction and installation work of Zhejiang Textile Raw Material Exhibition City Textile Raw Material Trade Centre (浙江輕紡原料博覽城紡織原料交易中心). The construction site is located at Minghua Village, Yaqian Town, Xiaoshan District (蕭山區衙前鎮明華村).

\* *For identification purposes only*

## LETTER FROM THE BOARD

The transaction contemplated under the Construction Agreement constitutes a connected transaction under the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM. The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the terms of the Construction Agreement. South China Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders.

On the same day, the Board further announced, among others, that the Company entered into the Acquisition Agreement with Mr Pang under which the Company has conditionally agreed to acquire and Mr Pang has conditionally agreed to dispose of his 19% of equity interests in Building Materials Industrialisation Company.

Pursuant to the articles of association of the Company, approval from the Shareholders is required for any contract, transaction or arrangement entered into between a Director and the Company. Mr Pang will abstain from voting in respect of the resolution for approval of the Acquisition Agreement at the EGM as he is materially interested in the Acquisition Agreement.

The purpose of this circular is to provide you with information regarding, among others, (i) the Construction Agreement; (ii) the Acquisition Agreement; and (iii) the opinions and recommendations of the Independent Board Committee and South China Capital in relation to the Construction Agreement.

### CONSTRUCTION AGREEMENT

The principal terms of the Construction Agreement are as follows:

Date : 26 February 2005

Parties : (1) Baoye Construction, a non-wholly owned subsidiary of the Company

(2) Minghua Textile

#### Particulars

Pursuant to the Construction Agreement, Baoye Construction has conditionally agreed to perform certain design, construction and installation work of Zhejiang Textile Raw Material Exhibition City Textile Raw Material Trade Centre (浙江輕紡原料博覽城紡織原料交易中心). The construction site is located at Minghua Village, Yaqian Town, Xiaoshan District (蕭山區衙前鎮明華村). The Construction Agreement is expected to be completed within 300 days.



## LETTER FROM THE BOARD

### Consideration

The total consideration for the design, construction and installation work under the Construction Agreement amounts to RMB116,023,788 (equivalent to approximately HK\$109,456,404), payable by Minghua Textile to Baoye Construction in the manner as set out under the paragraph headed "Payment terms" below.

The consideration for the Construction Agreement was determined through a tendering process and based on the estimated costs of the design, construction and installation work of Zhejiang Textile Raw Material Exhibition City Textile Raw Material Trade Centre (浙江輕紡原料博覽城紡織原料交易中心), plus a management fee at a level comparable to other similar projects undertaken by the Group.

### Payment terms

The consideration for the Construction Agreement will be payable in the following manner:

- (1) an initial prepayment in the sum of RMB11,602,379 (equivalent to approximately HK\$10,945,640), being 10% of the total consideration, was paid by Minghua Textile to Baoye Construction. At the time when 60% of the construction work is completed, such amount of initial prepayment will be deducted monthly from the monthly consideration paid by Minghua Textile until 90% of the construction work is completed;
- (2) Baoye Construction will submit a monthly report on work progress and fee (estimate) before the 25th day of each month. Within 7 days immediately after the receipt of such report, Minghua Textile will assess the same and confirm the actual amount of construction work done. Minghua Textile will then pay 80% of the actual monthly amount of construction work done on or before the 5th day of the month following the receipt of such report;
- (3) an amount equal to 90% of the actual amount of construction work done will be paid within 10 days upon passing of the test on completion of construction;
- (4) an amount equal to 97% of the actual amount of construction work done will be paid within 15 days upon confirmation of the audit of the completion work; and
- (5) the remaining 3% of the actual amount of construction work done will be payable in accordance with the terms and conditions set out in the report on quality guarantee of the construction.

The above payments method is an ordinary commercial practice within the same industry. The Directors consider that the above payment terms were normal commercial terms.

## LETTER FROM THE BOARD

### **Condition**

The Construction Agreement is conditional upon the Construction Agreement and the transaction contemplated thereunder having been approved by the Independent Shareholders at the EGM by way of a poll.

### **Relationship between the parties**

Baoye Construction is owned by the Company as to approximately 99%, while the remaining approximately 1% is owned equally by Mr Wang Liequan, Mr Chen Baorong and Mr Xia Weimin. Baoye Construction is principally engaged in the undertaking and implementation of construction projects. Mr Wang Liequan, Mr Chen Baorong and Mr Xia Weimin are the promoters of the Company.

Minghua Textile is owned as to 67% by Mr Li, a former director of Shaoxing Baogang, a non-wholly owned subsidiary of the Company. Mr Li resigned as a director of Shaoxing Baogang on 30 April 2004. Minghua Textile is principally engaged in the undertaking of the construction project of Zhejiang Textile Raw Material Exhibition City Textile Raw Material Trade Centre (浙江輕紡原料博覽城紡織原料交易中心).

In view that Minghua Textile is an associate of Mr Li, Minghua Textile is a connected person of the Company and the transaction contemplated under the Construction Agreement constitutes a connected transaction for the Company under the Listing Rules.

In accordance with the Listing Rules, Independent Shareholders' approval for the Construction Agreement is required. The Directors propose to seek the Independent Shareholders' approval of the Construction Agreement at the EGM by way of a poll. No Shareholder is required to abstain from voting at the EGM as none of the Shareholders or their respective associates have any material interest in the Construction Agreement.

### **Reasons and benefits of the Construction Agreement**

The Group is principally engaged in (i) the undertaking and implementation of construction projects; (ii) research and development, production and sale of building materials; and (iii) real estate development.

The design, construction and installation work under the Construction Agreement and the execution of the Construction Agreement form part of the ordinary and usual course of business of the Group.

The Directors consider that the Construction Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the entering into of the Construction Agreement is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable as far as the Shareholders are concerned.

## LETTER FROM THE BOARD

### ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are as follows:

- Date : 26 February 2005
- Parties : (1) The Company as purchaser
- (2) Mr Pang as vendor

#### Particulars

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire and Mr Pang has conditionally agreed to dispose of his 19% of equity interests in Building Materials Industrialisation Company.

Building Materials Industrialisation Company is a joint stock limited company established in the PRC on 8 July 1999. Prior to the Acquisition, it was owned by Baoye Construction, Mr Pang, 浙江省建築科學設計研究院 (Zhejiang Construction Science and Design Research Institute), 浙江寶業建築設計研究院有限公司 (Zhejiang Baoye Construction and Design Research Co., Ltd.) (formerly known as 浙江住宅產業現代化設計研究所有限公司 (Zhejiang Building Materials Industrialisation and Design Research Institute Co., Ltd.)) and Mr Hu Shaozeng, a non-executive Director, as to 60%, 19%, 15%, 5% and 1% respectively. Immediately prior to the Acquisition, Building Materials Industrialisation Company was a 60% subsidiary of the Company.

Upon completion of the Acquisition, Building Materials Industrialisation Company will be owned as to 60%, 19%, 15%, 5% and 1% by Baoye Construction, the Company, 浙江省建築科學設計研究院 (Zhejiang Construction Science and Design Research Institute), 浙江寶業建築設計研究院有限公司 (Zhejiang Baoye Construction and Design Research Co., Ltd.) (formerly known as 浙江住宅產業現代化設計研究所有限公司 (Zhejiang Building Materials Industrialisation and Design Research Institute Co., Ltd.)) and Mr Hu Shaozeng respectively. Immediately after the Acquisition, Building Materials Industrialisation Company will become a 79% subsidiary of the Company.

Building Materials Industrialisation Company is principally engaged in the production and sales of construction materials.

The audited net profit both before and after taxation of Building Materials Industrialisation Company for the year ended 31 December 2002 were approximately RMB17,660,287 (equivalent to approximately HK\$16,660,648) and RMB12,472,914 (equivalent to approximately HK\$11,766,900) respectively prepared in accordance with the PRC generally accepted accounting principles. The audited net profit both before and after taxation of Building Materials Industrialisation Company for the year ended 31 December 2003 were approximately RMB20,225,488 (equivalent to approximately HK\$19,080,649) and RMB13,551,077 (equivalent to approximately HK\$12,784,035) respectively prepared in accordance with the PRC generally accepted

## LETTER FROM THE BOARD

accounting principles. The audited net asset value of Building Materials Industrialisation Company for the two years ended 31 December 2003 were approximately RMB80,084,742 (equivalent to approximately HK\$75,551,643) and RMB93,680,808 (equivalent to approximately HK\$88,378,121) respectively prepared in accordance with the PRC generally accepted accounting principles. Based on the management accounts of Building Materials Industrialisation Company for the 6 months ended 30 June 2004, the unaudited net profit and unaudited net asset value of Building Materials Industrialisation Company were approximately RMB4,111,037 (equivalent to approximately HK\$3,878,337) and RMB98,444,298 (equivalent to approximately HK\$92,871,979) respectively.

### Consideration

The consideration for the Acquisition is RMB11,514,000 (equivalent to approximately HK\$10,862,264), payable by the Company to an account designated by Mr Pang within 30 days immediately after the completion of the Acquisition.

The unaudited book value of 19% of equity interests of Building Materials Industrialisation Company is RMB18,704,417 (equivalent to approximately HK\$17,645,676) as at 30 June 2004.

The consideration for the Acquisition was based on the 19% of the registered capital of Building Materials Industrialisation Company and was arrived at after arm's length negotiations between the Company and Mr Pang. The entire registered capital of Building Materials Industrialisation Company has been fully paid.

### Completion

Completion of the Acquisition is conditional upon the followings:

- (1) the Acquisition Agreement having been duly signed by the Company and Mr Pang;
- (2) the Acquisition having been approved by the Directors (including the independent non-executive Directors) and Shareholders in accordance with the articles of association of the Company and relevant laws and regulations;
- (3) the Acquisition having been disclosed in accordance with the Listing Rules;
- (4) the articles of association of Building Materials Industrialisation Company having been legally and duly amended so as to reflect the Acquisition; and
- (5) the change relating to the Acquisition having been filed and registered with relevant Administration of Industry and Commerce by Building Materials Industrialisation Company.

## LETTER FROM THE BOARD

If any of the conditions, which are not waivable, set out above shall not have been fulfilled on or before 30 April 2005 or any other day agreed by both parties, either party is entitled to terminate the Acquisition Agreement by giving written notice to the other party and no party shall have any claim against the other.

### **Relationship between the parties**

In view that Mr Pang is an executive Director and a substantial shareholder of the Company, Mr Pang is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company under the Listing Rules.

Since each of applicable percentage ratios as defined under Rule 14.07 of the Listing Rules is less than 2.5%, the Acquisition is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the articles of association of the Company, approval from the Shareholders is required for any contract, transaction or arrangement entered into between a Director and the Company. Accordingly, the Directors propose to seek the Shareholders' approval of the Acquisition Agreement at the EGM by way of a poll. Mr Pang will abstain from voting at the EGM as he is materially interested in the Acquisition Agreement.

### **Reasons and benefits of the Acquisition**

The audited net profit both before and after taxation of Building Materials Industrialisation Company for the year ended 31 December 2002 were approximately RMB17,660,287 (equivalent to approximately HK\$16,660,648) and RMB12,472,914 (equivalent to approximately HK\$11,766,900) respectively prepared in accordance with the PRC generally accepted accounting principles. The audited net profit both before and after taxation of Building Materials Industrialisation Company for the year ended 31 December 2003 were approximately RMB20,225,488 (equivalent to approximately HK\$19,080,649) and RMB13,551,077 (equivalent to approximately HK\$12,784,035) respectively prepared in accordance with the PRC generally accepted accounting principles. Given the positive profit growing trend of Building Materials Industrialisation Company, the Board is of the view that there are positive prospect and growth potential of Building Materials Industrialisation Company in the coming few years. As such, it is expected that the Acquisition will contribute positively to the future development of the Group.

The terms of the Acquisition Agreement have been negotiated on an arm's length basis. The Directors, including the independent non-executive Directors, consider that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable as far as the Shareholders as a whole are concerned.

## LETTER FROM THE BOARD

### THE EGM

A notice of the EGM to be convened at 13th Floor, Development Building, No. 208 Jianhu Road, Keqiao, Shaoxing County, Zhejiang Province, the PRC on 6 May 2005 at 2:00 p.m. for the purpose of considering the Construction Agreement and the Acquisition Agreement is set out on pages 27 to 28 of this circular.

In accordance with the Listing Rules, Mr Pang will abstain from voting in respect of the resolution approving the Acquisition Agreement at the EGM. Pursuant to Rule 14A.52 of the Listing Rules, the Company will procure that the Chairman of the EGM will demand the resolutions relating to the Construction Agreement and the Acquisition Agreement to be taken by a poll. You may refer to the Appendix for the procedure by which you may demand a poll pursuant to the articles of association of the Company.

A reply slip and a form of proxy are also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon. In order to be valid, the proxy form must be deposited by hand or post, for holders of H Shares of the Company, to the H shares registrar of the Company, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the registered address of the Company not less than 24 hours before the time for holding the EGM or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM.

### RECOMMENDATION

As set out in its letter to the Shareholders, based on the advice of South China Capital, the Independent Board Committee is of the view that the terms of the Construction Agreement are fair and reasonable so far as the Shareholders are concerned. The recommendations and advice from the Independent Board Committee and South China Capital are set out on pages 14 to 15 and pages 16 to 19 of this circular respectively.

## LETTER FROM THE BOARD

### ADDITIONAL INFORMATION

The Group is principally engaged in (i) the undertaking and implementation of construction projects; (ii) research and development, production and sale of building materials; and (iii) real estate development.

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Baoye Group Company Limited\***  
**Pang Baogen**  
*Chairman*

\* *For identification purposes only*

# LETTER FROM THE INDEPENDENT BOARD COMMITTEE



## 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 with limited liability)

(Stock code: 2355)

18 March 2005

*To the Independent Shareholders*

Dear Sir or Madam,

### CONNECTED TRANSACTION

#### INTRODUCTION

We refer to the circular dated 18 March 2005 (“Circular”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

Under the Listing Rules, the terms of the Construction Agreement are required to be approved by the Independent Shareholders at a general meeting of the Company. We being the independent non-executive Directors constituting the Independent Board Committee are writing to you to set out our opinion in respect of the terms of the Construction Agreement. The Independent Board Committee was set up to advise you as a Shareholder whether in its view the terms of the Construction Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 13 of the Circular and the letter from South China Capital as set out on pages 16 to 19 of the Circular which contains, inter alia, its advice and recommendation to us regarding the terms of the Construction Agreement with the principal factors and reasons for its advice and recommendation.

#### RECOMMENDATION

Having taken into account the advice and recommendation of South China Capital, we consider that the Construction Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms (including the payment terms), and the entering into of the Construction Agreement is in the interests of the Company and the Shareholders as a whole and that the terms thereof are fair and reasonable

\* For identification purposes only



**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

as far as the Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the terms of the Construction Agreement.

Yours faithfully,

For and on behalf of the Independent Board Committee

**WANG Youwei**

**YI Deqing**

**Dennis CHAN Yin Ming**

*Independent non-executive Directors*

## LETTER OF ADVICE FROM SOUTH CHINA CAPITAL

*The following is the text of the letter of advice from South China Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



South China Capital Limited  
28th Floor, Bank of China Tower  
No. 1 Garden Road  
Central  
Hong Kong

18 March 2005

Baoye Group Company Limited  
37/F, Two International Finance Centre  
8 Finance Street, Central, Hong Kong

*To the Independent Board Committee and  
the Independent Shareholders of  
Baoye Group Company Limited*

Dear Sirs,

### CONNECTED TRANSACTION – THE CONSTRUCTION AGREEMENT

#### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and Independent Shareholders in relation to the connected transaction (the “Connected Transaction”) contemplated under the Construction Agreement. Details of the Construction Agreement are set out in the letter from the Board (the “Letter from the Board”) contained in the circular dated 18 March 2005 (the “Circular”) issued by the Company to the Shareholders, of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders as to whether or not the Connected Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Capitalized terms used in this letter have the same meanings as defined in the Circular unless otherwise defined herein.

In formulating our recommendation, we have relied on the accuracy of the information and facts supplied to us by the Company, its Directors and management. We have also assumed that all statements of belief and intention made by the Directors in the Circular were made after due enquiry. We have assumed that all information and representation and opinion made or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true at the date of EGM. We have

## LETTER OF ADVICE FROM SOUTH CHINA CAPITAL

no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, its Directors and management and have been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any form of in-depth investigation into the business affairs, financial position or future prospects of the Group or Minghua Textile nor carried out any independent verification of the information supplied, representations made or opinions expressed by the Company, its Directors and its management.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Connected Transaction, we have considered the following principal factors and reasons:

#### I. Background of and the reasons for entering into the Connected Transaction

##### *Background*

The Group is principally engaged in (i) the undertaking and implementation of construction projects; (ii) research and development, production and sale of building materials; and (iii) real estate development. Baoye Construction is principally engaged in construction and decoration works.

Pursuant to the Construction Agreement, Baoye Construction has conditionally agreed to perform certain design, construction and installation work of Zhejiang Textile Raw Material Exhibition City Textile Raw Material Trade Centre (浙江輕紡原料博覽城紡織原料交易中心). The construction site is located at Minghua Village, Yaqian Town, Xiaoshan District (蕭山區衙前鎮明華村) in Zhejiang Province.

As at the Latest Practicable Date, Baoye Construction is owned as to approximately 99% by the Company and the remaining approximately 1% is owned equally by Mr Wang Liequan, Mr Chen Baorong and Mr Xia Weimin (all being promoters of the Company as defined under Article 147 of the Company Law of the PRC). Minghua Textile is owned as to 67% by Mr Li, a former director of Shaoxing Baogang which is a non-wholly owned subsidiary of the Company. Mr Li resigned as a director of Shaoxing Baogang on 30 April 2004. By virtue of the fact that Minghua Textile is an associate of Mr Li, Minghua Textile is therefore a connected person of the Company and the transaction contemplated under the Construction Agreement constitutes a connected transaction of the Company under the Listing Rules and are conditional, among other things, upon the Independent Shareholders' approval.

## LETTER OF ADVICE FROM SOUTH CHINA CAPITAL

In this connection, we are engaged as the independent financial adviser in respect of the Connected Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give our recommendation as to whether or not the Independent Shareholders should vote in favour of the resolution in relation to the Construction Agreement and the Connected Transaction at the EGM.

### *Reasons for and benefits of entering into the Connected Transaction*

As Baoye Construction is principally engaging in construction and decoration works, it is part of the ordinary and usual course of business of Baoye Construction to tender construction contracts. The Construction Agreement was awarded to Baoye Construction through a tendering process. Thus the Directors consider that the Construction Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the entering into of the Construction Agreement is in the interests of the Company and the Shareholders as a whole.

We have discussed with the senior management of the Group about the factors taken into consideration in the course of examining and determining whether or not to participate in the tendering of the Construction Agreement and those tenders invited by other independent property developers. These factors include: (i) credit history and financial strength of the project owners, particularly the sources of funding for the project; (ii) estimated profit to be derived from the project; (iii) construction timetable and required resources for the project; (iv) influences and public awareness of the project; (v) methods and criteria for selecting the winner of the tender; and (vi) potential competitors and their ways of tendering. We noted that the factors taken into consideration in the course of examining the tenders invited by Minghua Textile and the other independent property developers are consistent and comparable in all material aspects.

Having considered the abovementioned reasons, we concur with the Directors and are of the view that the Construction Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the entering into of the Construction Agreement is in the interests of the Company and the Shareholders as a whole.

## **II. Terms of the Construction Agreement**

### *Consideration*

The consideration for the Construction Agreement was based on the estimated costs of the design, construction and installation work of Zhejiang Textile Raw Material Exhibition City Textile Raw Material Trade Centre (浙江輕紡原料博覽城紡織原料交易中心), plus a management fee at a level comparable to other similar projects undertaken by the Group.

We have discussed with the senior management of the Group about the factors taken into consideration in the course of setting the consideration of the Construction Agreement and those tenders invited by other independent property developers.

## LETTER OF ADVICE FROM SOUTH CHINA CAPITAL

We noted that the factors taken into consideration in the course of setting the consideration of the Construction Agreement and the other independent property developers are consistent and comparable in all material aspects.

We have compared the management fee of the Construction Agreement with those of the construction contracts of similar nature in terms of size of the contract and the locality of the construction projects undertaken by the Group with the other Independent Third Parties within the past 12 months (the “Comparable Transactions”). We noted that the management fee of the Construction Agreement are arrived at after taking into account the normal commercial terms and relevant factors, such as the locality and complexity of the construction projects, which the Group customarily applied in its preparation for tenders, and is not less favourable than terms granted by the Group under the Comparable Transactions.

### *Payment Terms*

As stated in the Letter from the Board, the consideration is settled by progress payment based on the percentage of completion of the project. As discussed with the management of the Company, it is an ordinary commercial practice in the construction industry to adopt progressive payment method based on the percentage of completion of construction project. In addition, we have reviewed the payment terms of the Comparable Transactions and noted that it is also the Group’s practice to adopt such method in the Comparable Transactions. We concur with the Directors and are of the view that the above payment terms were normal commercial terms.

Taking into account of the above factors, we are of the view that the consideration and payment terms of the Construction Agreement are fair and reasonable as far as the Independent Shareholders are concerned.

### RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that, the Connected Transaction contemplated under the Construction Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the respective resolution relating to the Construction Agreement and the Connected Transaction at the EGM. We also recommend the Independent Shareholders to vote in favour of the respective resolution relating to the Construction Agreement and the Connected Transaction at the EGM.

Yours faithfully,  
For and on behalf of  
**South China Capital Limited**  
**Christina Cheung**  
*Director*

*In this letter, the English names of the PRC government authorities or entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors and Supervisors

As at the Latest Practicable Date, the interests and short positions of the Directors, the Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Director/ Supervisor/ Senior management	Relevant entity	Type	No. of domestic Shares held (Long position)	Approximate percentage of the total registered capital of the relevant entity
Mr Pang Baogen	(1) The Company	Individual	198,753,054	35.01%
	(2) Zhejiang Baoye Building Materials Industrialisation Company Limited	Individual	11,514,000	19%
Mr Hu Shaoxing	Zhejiang Baoye Building Materials Industrialisation Company Limited	Individual	606,000	1%
Mr Gao Jiming	The Company	Individual	13,024,647	2.29%
Mr Gao Lin	The Company	Individual	9,544,755	1.68%
Mr Zhou Hanwan	The Company	Individual	8,233,510	1.45%
Mr Sun Guofan	The Company	Individual	11,705,283	2.06%

Director/ Supervisor/ Senior management	Relevant entity	Type	No. of domestic Shares held (Long position)	Approximate percentage of the total registered capital of the relevant entity
Mr Gao Jun	The Company	Individual	5,794,259	1.02%
Mr Xu Jianbiao	The Company	Individual	7,524,884	1.32%
Mr Lou Zhonghua	The Company	Individual	5,633,172	0.99%

Save as disclosed above:

- (i) as at the Latest Practicable Date, none of the Directors, the Supervisors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies;
- (ii) as at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2003, being the date to which the latest published audited accounts of the Company were made up, acquired, disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (iii) there is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

### Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than the Directors, the Supervisors and chief executives of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other members of the Group:

Name	Relevant entity	Number of shares or equity interest held (Long position)	Approximate percentage of the total registered capital of the relevant entity
Zhejiang Baoye Construction Group Co. Ltd.	Zhejiang Baoye Building Materials Industrialisation Company Limited	RMB36,360,000	60%
Zhejiang Construction Science and Design Science Institute	Zhejiang Baoye Building Materials Industrialisation Company Limited	RMB9,090,000	15%
The Reception Centre of Zhejiang Provincial Department of Construction	Zhejiang Baoye Materials Industrialisation and Design Research Institute Company Limited	RMB600,000	10%
Zhejiang Huanyu Construction Group Co. Ltd.	Shaoxing Commodity Concrete Co. Ltd.	RMB5,547,000	25.8%
Shaoxing Municipal Infrastructure Company	Shaoxing Commodity Concrete Co. Ltd.	RMB4,880,500	22.7%
Zhejiang Baoye Construction Group Co., Ltd.	Zhejiang Baoye Real Estate Group Co., Ltd.	RMB5,000,000	10%
Zhejiang Baoye Construction Group Co., Ltd.	Zhejiang Baoye Infrastructure Construction Co., Ltd.	RMB3,750,000	12.5%
Zhejiang Baoye Building Material Industrialisation Company Limited	Shaoxing Baoye Fireproof Materials Company Limited	RMB351,000	11.7%
Zhejiang Baoye Construction Group Co., Ltd.	Shaoxing Baoye New Building Materials Co., Ltd.	RMB500,000	25%



Name	Relevant entity	Number of shares or equity interest held (Long position)	Approximate percentage of the total registered capital of the relevant entity
Zhejiang Baoye Building Material Industrialisation Company Limited	Shaoxing Baoye New Building Materials Co., Ltd.	RMB1,500,000	75%
Zhejiang Baoye Real Estate Group Co., Ltd.	Shanghai Zibao Real Estate Development Co., Ltd.	RMB12,600,000	70%
Shanghai Zide Real Estate Development Co., Ltd.	Shanghai Zibao Real Estate Development Co., Ltd.	RMB2,700,000	15%
Mr Tong Yingqiang	Shanghai Zibao Real Estate Development Co., Ltd.	RMB2,700,000	15%
Goldbase International Investments Limited	Shaoxing Baogang Woodwork Co., Ltd.	USD816,000	30%
Zhejiang Baoye Construction Group Co., Ltd.	Shaoxing Baoye Construction Intelligent Technology Co., Ltd.	RMB800,000	40%
<b>H Shares</b>			
Mr Cheah Cheng Hye (Note 1)	The Company	17,114,000	7.89%
Value Partners Limited (Note 1)	The Company	17,114,000	7.89%
Atlantis Investment Management Ltd. A/C GAM Trading (No. 24) Inc (Note 2)	The Company	12,824,000	7.10%
Gartmore Investment Management Plc (Note 3)	The Company	10,705,700	5.93%

## Notes:

- The 17,114,000 H Shares are held by Value Partners Limited as investment manager. Mr Cheah Cheng Hye is interested in approximately 31.82% of the total issued share capital of Value Partners Limited. Pursuant to the SFO, Mr. Cheah Cheng Hye is deemed to be interested in the H Shares held by Value Partners Limited.

2. The 12,284,000 H Shares are held by Atlantis Investment Management Limited as investment manager.
3. The 10,705,700 H Shares are held by Gartmore Investment Management Plc as investment manager.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors, Supervisors and chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other members of the Group.

### 3. EXPERT

- (a) The following are the qualifications of the expert who has given opinion or advice contained in this circular:

Name	Qualification
South China Capital	Deemed licenced corporation to carry out types 4, 6 and 9 regulated activities under the SFO

- (b) South China Capital does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

### 4. COMPETING INTEREST

None of the Directors and their respective associates have any interests in a business or are interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at the Latest Practicable Date.

### 5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

### 6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2003, the date to which the latest audited financial statements of the Group were made up.

## 7. SERVICE CONTRACTS

Each of the executive Directors and Supervisors has entered into a service contract with the Company on or around 30 October 2002 and shall continue until the conclusion of the annual general meeting of the Company in 2005 and thereafter, subject to the approval of the Shareholders' meeting of the Company, each service contract may be renewed each time for three years.

Save as disclosed herein, none of the Directors and Supervisors has any service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## 8. CONSENT

South China Capital, a deemed licenced corporation to carry out types 4, 6 and 9 regulated activities under the SFO, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

## 9. RIGHT TO DEMAND A POLL

Pursuant to the Listing Rules, any vote taken at a meeting held to seek approval of a connected transaction must be taken by poll. Accordingly, the resolutions to be proposed at the EGM in respect of the Construction Agreement and the Acquisition Agreement shall be decided on poll. Set out below is the procedure by which the Shareholders may demand a poll pursuant to the constitutional document of the Company.

Pursuant to Article 82 of the articles of association of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (i) the chairman of the meeting;
- (ii) at least two Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) any Shareholder or Shareholders present in person or by proxy and representing one-tenth or more of the total voting rights of all Shareholders having the right to vote at the meeting.

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been passed and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.

**10. GENERAL**

- (a) The share registrar and transfer office of the Company in Hong Kong is Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (b) As at the Latest Practicable Date, the Board comprised Pang Baogen (executive Director), Gao Jiming (executive Director), Gao Lin (executive Director), Zhou Hanwan (executive Director), Wu Weimin (non-executive Director), Hu Shaozeng (non-executive Director), Wang Youwei (independent non-executive Director), Yi Deqing (independent non-executive Director) and Dennis Yin Ming Chan (independent non-executive Director).
- (c) The secretary of the Company is Ms Chung Oi Yin. Ms Chung is an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries.
- (d) The qualified accountant of the Company is Mr Fung Ching Simon. Mr Fung is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.
- (e) The English text of this circular shall prevail over the Chinese text.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the Company's place of business in Hong Kong from the date of this circular up to and including 4 April 2005 and at the EGM:

- (a) the Construction Agreement;
- (b) the Acquisition Agreement;
- (c) the service contracts referred to in paragraph 7 of this Appendix;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (e) the letter of advice from South China Capital, the text of which is set out on pages 16 to 19 of this circular; and
- (f) the written consent of South China Capital referred to in paragraph 8 of this Appendix.

# NOTICE OF EGM



## 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 with limited liability)

(Stock code: 2355)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Baoye Group Company Limited (“Company”) will be held at 13th Floor, Development Building, No. 208 Jianhu Road, Keqiao, Shaoxing County, Zhejiang Province, the PRC on 6 May 2005 at 2:00 p.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions:

### ORDINARY RESOLUTIONS

1. **“THAT** the agreement (**“Construction Agreement”**) dated 26 February 2005 and conditionally entered into between 浙江寶業建設集團有限公司 (Zhejiang Baoye Company Construction Group Co., Ltd) and 浙江明華輕紡原料博覽城有限公司 (Zhejiang Minghua Textile Raw Material Exhibition City Co., Ltd.\*), a copy of which has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for identification purpose, be and is hereby approved and that any one director of the Company be and is hereby authorised to do or execute for and on behalf of the Company all such acts and things and such other documents which in his opinion may be necessary, desirable or expedient to carry into effect or to give effect to the Construction Agreement and all transactions contemplated therein, including such changes and amendments thereto as any one director of the Company may consider necessary, desirable and expedient.”
2. **“THAT** the agreement (**“Acquisition Agreement”**) dated 26 February 2005 and entered into between the Company and Mr Pang Baogen, a copy of which has been produced to the meeting marked “B” and has been initialled by the chairman of the meeting for identification purpose, be and is hereby approved and that any one director of the Company be and is hereby authorised to do or execute for and on behalf of the Company all such acts and things and such other documents which in his opinion may be necessary, desirable or expedient to carry into effect or to give effect to the Acquisition Agreement and all transactions contemplated therein, including such changes and amendments

\* For identification purposes only

## NOTICE OF EGM

thereto as any one director of the Company may consider necessary, desirable and expedient.”

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

Shaoxing County, Zhejiang Province, the PRC  
18 March 2005

*Notes:*

1. The register of members of the Company will be closed from 7 April 2005 to 6 May 2005 (both days inclusive), during which no transfer of shares can be registered.
2. Holders of domestic shares and H shares whose names appear on the register of members of the Company at 4:00 p.m. on 6 April 2005 are entitled to attend and vote at the meeting convened by the above notice and may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a member of the Company.
3. In order to be valid, the proxy form must be deposited by hand or post, for holders of H Shares of the Company, to the H shares registrar of the Company, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the registered address of the Company not less than 24 hours before the time for holding the meeting or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.
4. Shareholders or their proxies shall produce their identity documents when attending the meeting.
5. Shareholders who intend to attend the meeting should complete and return the reply slip and return it by hand or post to the share registrar of the Company (for holders of H shares) or to the registered office address of the Company (for holders of domestic shares) on or before 16 April 2005.
6. The meeting is expected to take half a day. Shareholders attending the meeting shall be responsible for their own travel and accommodation expenses.
7. The registered office address of the Company is as follows:  
  
Yangxunqiao Township  
Shaoxing County  
Zhejiang Province  
The People’s Republic of China
8. As at the date hereof, the board of directors of the Company comprises four executive directors, namely Mr Pang Baogen, Mr Gao Jiming, Mr Gao Lin and Mr Zhou Hanwan; two non-executive directors, namely Mr Wu Weimin and Mr Hu Shaozeng; and three independent non-executive directors, namely Mr Wang Youwei, Mr Yi Deqing and Mr Dennis Yin Ming Chan.

\* For identification purposes only