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



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)

**PROPOSED APPOINTMENT OF DIRECTORS,
PROPOSED RESIGNATION OF SUPERVISOR,
PROPOSED AMENDMENT OF ARTICLES
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of Baoye Group Company Limited to be held at 2nd Floor, Baoye Group Research and Development Building, No. 501 Shanyin West Road, Keqiao, Shaoxing County, Zhejiang Province, the People's Republic of China on 25 June 2007 at 9:30 a.m. is set out on pages 7 to 11 of this circular. Whether or not you are able to attend the annual general meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the H shares registrar of Baoye Group Company Limited, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or to the registered office of Baoye Group Company Limited at Yangxunqiao Township, Shaoxing County, Zhejiang Province, the People's Republic of China (Post Code: 312028) (for holders of domestic shares) as soon as possible and in any event not less than 24 hours before the time for holding the annual general meeting or not less than 24 hours before the time appointed for taking the poll. Completion and return of the form of proxy will not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof if you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM”	the annual general meeting of the Company to be held at 2nd Floor, Baoye Group Research and Development Building, No. 501 Shanyin West Road, Keqiao, Shaoxing County, Zhejiang Province, the PRC on 25 June 2007 at 9:30 a.m.
“Articles”	the articles of association of the Company
“Board”	the board of Directors
“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
“Director(s)”	the director(s) of the Company
“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
“Latest Practicable Date”	24 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

* For identification purposes only

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)

(stock code: 2355)

Executive Directors:

Mr. Pang Baogen
Mr. Gao Jiming
Mr. Gao Lin
Mr. Zhou Hanwan

Registered office:

Yangxunqiao Township
Shaoxing County
Zhejiang Province
The PRC

Non-executive Director:

Mr. Hu Shaozeng

Place of business in Hong Kong:

1902 MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Wang Youwei
Mr. Yi Deqing
Mr. Dennis Yin Ming Chan

30 April 2007

To the Shareholders

Dear Sir or Madam,

**PROPOSED APPOINTMENT OF DIRECTORS,
PROPOSED RESIGNATION OF SUPERVISOR,
PROPOSED AMENDMENT OF ARTICLES
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the proposals relating to (i) the appointment of Directors; (ii) the resignation of Supervisor; and (iii) the amendment of the Articles.

APPOINTMENT OF DIRECTORS

The Board proposes to appoint Mr. Wang Rongfu as an executive Director and Mr. Sun Chuanlin as an independent non-executive Director. The appointment of each of Mr. Wang and Mr. Sun is subject to the passing of an ordinary resolution by the Shareholders at the AGM.

* For identification purposes only

LETTER FROM THE BOARD

Biographical details of the above Directors are set out in Appendix I to this circular.

RESIGNATION OF SUPERVISOR

An ordinary resolution concerning the resignation of Mr. Sun Guofan as Supervisor will be proposed at the AGM.

Mr. Sun Guofan resigned from his position as Supervisor on his own accord. Mr. Sun confirmed that he had no disagreement with the Board and there are no matters in regards to his resignation that need to be brought to the attention of the Shareholders.

The Board would like to take this opportunity to express its sincere gratitude to Mr. Sun for his valuable contribution to the Company during his tenure of services.

AMENDMENT OF ARTICLES

The Board proposes to amend the Articles at the AGM in order to reflect the existing shareholding structure of the Company after the subscription of new H Shares by Tiger Global, L.P., which was completed in February 2007. Article 22 of the Articles shall be deleted in its entirety and replaced by the following:

“Upon its incorporation, the Company has issued 312,221,952 ordinary shares, all being H shares, representing 47.09% of the entire issued share capital of the Company.

The existing shareholding structure of the Company is as follows: the total number of ordinary shares of the Company in issue is 662,964,005, whereas domestic Shareholders holding 350,742,053 shares and H shares holders holding 312,221,952 shares.”

The proposed amendments to the Articles shall take effect upon the fulfillment of the following conditions:

- (1) the passing of a special resolution of the Shareholders at the AGM to approve the amendments; and
- (2) the approval by the relevant authorities of the PRC on the amendments.

AGM

The notice convening the AGM is set out on pages 7 to 11 of this circular. Resolutions in respect of, among other things, (i) the appointment of Directors; (ii) the resignation of Supervisor; and (iii) the amendment of the Articles will be proposed at the AGM.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the H shares registrar of the Company, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong (for holders of H shares) or to the Company’s registered office at Yangxunqiao

LETTER FROM THE BOARD

Township, Shaoxing County, Zhejiang Province, the PRC (Post Code: 312028) (for holders of domestic shares) as soon as possible and in any event not less than 24 hours before the time for holding the AGM or not less than 24 hours before the time appointed for taking the poll. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof if you so wish.

PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS

The Articles provide that at any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or after the vote of the show of hands) a poll is duly demanded or otherwise required by the Listing Rules. A poll may be demanded by:

- (a) the chairman of such meeting; or
- (b) at least two members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- (c) any member or members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in aggregate 10% or more of the total voting rights of all members having the right to attend and vote at the meeting.

RECOMMENDATION

The Directors consider that the proposed resolutions in respect of (i) the appointment of Directors; (ii) the resignation of Supervisor; and (iii) the amendment of the Articles are each in the best interests of the Company and the Shareholders as a whole, and accordingly, recommend all Shareholders to vote in favour of the resolutions relating to these matters to be proposed at the AGM.

GENERAL INFORMATION

Your attention is drawn to 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

This appendix contains the biographical details of the Directors proposed to be appointed at the AGM to enable the Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the AGM in relation to the appointment of Directors.

Mr. Wang Rongfu

Mr. Wang Rongfu, aged 52, is the chairman of Zhejiang Baoye Construction Group Company Limited, a subsidiary of the Company. Mr. Wang is qualified as a senior engineer and a National Class A Civil Engineer. Mr. Wang joined the Company in 1976 and is currently a project leader of the expert review group of the national awards of best construction projects and the vice chairman of Zhejiang Construction Materials Association.

Save as disclosed herein, Mr. Wang has not held any directorship in other listed public companies in the past three years preceding his proposed appointment.

The term of appointment of Mr. Wang will expire when the term of the second term of the Board expires, which is expected to be in or around May 2008. Mr. Wang shall be entitled to receive an annual emolument of RMB500,000, which is determined by reference to the current level of annual emolument of the executive Directors. After the appointment of Mr. Wang becomes effective, the emolument of Mr. Wang will be determined by the Board as authorised by the Shareholders at the AGM.

Apart from being a proposed executive Director, Mr. Wang does not have any relationship with any of the Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the date of the Latest Practicable Date, Mr. Wang holds 7,147,039 domestic shares of the Company, representing approximately 1.08% of the entire ordinary share capital of the Company in issue. Save as disclosed above, Mr. Wang does not have any other interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Wang and the Company are not aware of any information which needs to be disclosed pursuant to any requirement of Rule 13.51(2)(h) to (v) of the Listing Rules nor any other matters regarding the appointment which need to be brought to the attention of the Shareholders.

Mr. Sun Chuanlin

Mr. Sun Chuanlin, aged 59, is a qualified engineer. He previously acted as the secretary of the communist party committee of Yangxunqiao Commune, the secretary of the communist party committee of Qixian District, a member of the communist party leading group and deputy director of the Village and Township Enterprises Bureau of Shaoxing City, the deputy general manager of Shaoxing Vegetable Production and Sales Company, and the deputy general manager and secretary of the communist party committee of Shaoxing Joint Development Corporation. As at the Latest Practicable Date, he has retired from the positions listed above.

Save as disclosed herein, Mr. Sun has not held any directorship in other listed public companies in the past three years preceding his proposed appointment.

The term of appointment of Mr. Sun will expire when the term of the second term of the Board expires, which is expected to be in or around May 2008. Mr. Sun shall be entitled to receive an annual emolument of RMB38,000, which is determined by reference to the current level of annual emolument of the independent non-executive Directors. After the appointment of Mr. Sun becomes effective, the emolument of Mr. Sun will be determined by the Board as authorised by the Shareholders at the AGM.

Apart from being a proposed independent non-executive Director, Mr. Sun does not have any relationship with any of the Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Sun and the Company are not aware of any information which needs to be disclosed pursuant to any requirement of Rule 13.51(2)(h) to (v) of the Listing Rules nor any other matters regarding the appointment which need to be brought to the attention of the Shareholders.

NOTICE OF AGM



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (“**AGM**”) of Baoye Group Company Limited (“**Company**”) will be held at 2nd Floor, Baoye Group Research and Development Building, No. 501 Shanyin West Road, Keqiao, Shaoxing County, Zhejiang Province, the People’s Republic of China (“**PRC**”) on 25 June 2007 at 9:30 a.m. for the following purposes:

I. As ordinary resolutions:

1. To consider and approve the report of the board of directors of the Company (“**Board**”) for the year 2006.
2. To consider and approve the report of the supervisory committee of the Company for the year 2006.
3. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries (together, the “**Group**”) and the auditors’ report for the year ended 31 December 2006.
4. To authorise the Board to decide the matters relating to the payment of final dividend for the year 2006.
- 5A. To re-appoint PricewaterhouseCoopers as the Company’s international auditors and to authorise the Board to fix their remuneration.
- 5B. To re-appoint Shine Wing CPAs as the Company’s PRC statutory auditors and to authorise the Board to fix their remuneration.
- 6A. To consider and approve the appointment of Mr. Wang Rongfu as the Company’s executive director.
- 6B. To consider and approve the appointment of Mr. Sun Chuanlin as the Company’s independent non-executive director.
- 6C. To authorise the Board to fix the remuneration of the directors of the Company.
7. To consider and approve the resignation of Mr. Sun Guofan as the Company’s supervisor.
8. To consider and approve any motion proposed by any shareholder of the Company holding 5% or more of the shares with voting rights at such meeting, if any.

* For identification purposes only

NOTICE OF AGM

II. As special resolutions:

9. To consider and, if thought fit, pass the following resolution as a special resolution:

“THAT:

- (a) Subject to sub-paragraphs (c) and (d) herein below and pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) (as the same may be amended from time to time) and the Company Law of the PRC (“**PRC Company Law**”), the directors of the Company are generally and unconditionally authorised to exercise all the rights of the Company, to allot and issue new shares and dispose of outstanding shares of the Company individually and collectively during the Relevant Period (as defined below) and to determine the terms and conditions in relation to the allotment and issue of new share including, inter alia:
 - i. the type and number of new shares to be issued;
 - ii. the issue price of the new shares;
 - iii. the date for the commencement and closing of the issue;
 - iv. the class and the number of new shares to be issued to the existing shareholders;
 - v. to make, execute or grant offer proposals, agreements and options as may be necessary in the exercise of such powers; and
 - vi. all other matters in relation thereto.
- (b) The directors of the Company are authorised to make or grant offer proposals, agreements and options as required or may be required in the exercise of such powers during the Relevant Period as referred to in sub-paragraph (a) or after the expiry of the Relevant Period.
- (c) The total nominal amount of overseas listed foreign shares, domestic shares and non-H foreign shares (other than those issued under the PRC Company Law and the article of association of the Company by the capitalisation of the statutory capital reserve fund) agreed to allot and/or conditionally or unconditionally agreed to be allotted by the directors of the Company pursuant to sub-paragraph (a) above (whether pursuant to exercise of options or otherwise) shall not exceed 20% of such class of the shares of the Company existing in issue.

NOTICE OF AGM

- (d) Upon the exercise of the powers pursuant to sub-paragraph (a) above, the directors of the Company shall comply with the PRC Company Law and the Listing Rules (as the same may be amended from time to time) and obtain the approval from the China Securities Regulatory Commission.
- (e) For the purpose of this resolution:
- “Relevant Period” refers to the period from the date of the passing of this resolution to the earliest of the following three:
- (i) twelve months after the passing of this resolution;
 - (ii) conclusion of the next annual general meeting of the Company; and
 - (iii) the date of the passing of a special resolution to revoke or amend the mandate as referred to in this resolution by shareholders in shareholders’ general meeting.
- (f) Subject to the approval by the relevant authorities of the PRC and pursuant to the PRC Company Law, when exercising the powers under sub-paragraph (a) above, the directors of the Company are authorised to increase the registered capital of the Company to the required amount respectively and attend to the relevant registration procedures with the relevant authorities in the PRC, Hong Kong or such other relevant place.
- (g) Subject to the approval by the relevant authorities of the PRC, the Board is authorised to make appropriate and necessary amendments to the articles of association of the Company, so as to reflect the changes in the capital of the Company that may have arisen under this mandate.”
10. To consider and if thought fit, pass the following resolution as a special resolution:

“**THAT** subject to the approval by the relevant authorities of the PRC, the articles of association of the Company be and are hereby amended in the following manner:

substituting the existing Article 22 with the following new Article 22:

Upon its incorporation, the Company has issued 312,221,952 ordinary shares, all being H shares, representing 47.09% of the entire issued share capital of the Company. The existing shareholding structure of the Company is as follows: the total number of ordinary shares of the Company in issue is 662,964,005, whereas domestic Shareholders holding 350,742,053 shares and H shares holders holding 312,221,952 shares.”

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Executive Directors

Mr. Pang Baogen
Mr. Gao Jiming
Mr. Gao Lin
Mr. Zhou Hanwan

Non-executive Director

Mr. Hu Shaozeng

Independent non-executive Directors

Mr. Wang Youwei
Mr. Yi Deqing
Mr. Dennis Yin Ming Chan

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

Zhejiang Province, the PRC
30 April 2007

Notes:

1. The register of members of the Company will be closed from 26 May 2007 to 25 June 2007 (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 before 4:00 p.m. on 25 May 2007 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 form of proxy must be deposited by hand or by post, for holders of H shares of the Company, to the H shares registrar of the Company, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the registered office of the Company at Yangxunqiao Township, Shaoxing County, Zhejiang Province, the People's Republic of China (Post Code:312028) 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 form of proxy 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 form of proxy.
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 by post to the H shares 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 4 June 2007.
6. The meeting is expected to take half a day. Shareholders attending the meeting shall be responsible for their own travel and accommodation expenses.

* For identification purposes only

NOTICE OF AGM

7. The registered office address of the Company is as follows:

Yangxunqiao Township
Shaoxing County
Zhejiang Province
The People's Republic of China
Tel: 86-575-4135837
Fax: 86-575-4118792
Post Code: 312028

8. As at the date hereof, the Board comprises four executive directors, namely Mr. Pang Baogen, Mr. Gao Jiming, Mr. Gao Lin and Mr. Zhou Hanwan; one non-executive director, namely Mr. Hu Shaozeng, and three independent non-executive directors, namely Mr. Wang Youwei, Mr. Yi Deqing and Mr. Dennis Yin Ming Chan.