

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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, securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**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 ISSUE OF SHORT-TERM COMMERCIAL PAPER**

A letter from the Board is set out on pages 2 to 4 of this circular.

A notice convening the EGM 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 19 November 2007 at 9:30 a.m. is set out on pages 5 to 7 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, Tricor Tengis Limited at 26th Floor, Tesbury Center, 28 Queen's Road East, 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.

\* For identification purposes only

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	2
<b>Notice of EGM</b> .....	5

## DEFINITIONS

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

“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 of Hong Kong Limited
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened at 2nd Floor, Baoye Group Research and Development Building, No. 501 Shanyin West Road, Keqiao, Shaoxing County, Zhejiang Province, the PRC on 19 November 2007 at 9:30 a.m., the notice of which is set out on pages 5 to 7 of this circular
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the legal currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“%”	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  
Mr. Wang Rongfu

*Non-executive Director:*

Mr. Hu Shaozeng

*Independent non-executive Directors:*

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

*Corporate legal address:*

Yangxunqiao Township  
Shaoxing County  
Zhejiang Province  
PRC

*Place of business in Hong Kong:*

1902 MassMutual Tower  
38 Gloucester Road  
Wanchai  
Hong Kong

2 October 2007

*To the Shareholders*

Dear Sirs or Madams,

## PROPOSED ISSUE OF SHORT-TERM COMMERCIAL PAPER

### INTRODUCTION

The Company proposes to issue short-term commercial paper, subject to approval by the Shareholders at the EGM pursuant to the articles of association of the Company ("**Proposed Issue**").

The purpose of this circular is to provide you with information regarding the Proposed Issue.

\* For identification purposes only

## LETTER FROM THE BOARD

### SHORT-TERM COMMERCIAL PAPER

The Company proposes to issue, subject to approval by the Shareholders in the EGM, short-term commercial paper (短期融資券), a form of negotiable instrument to be traded between banks in the PRC, with a maximum outstanding repayment amount of RMB800,000,000.

The maturity period of the short-term commercial paper shall be no more than one year from the date of its issue. The terms of the short-term commercial paper, including, among others, pricing, interest rate, underwriting arrangements and other details of the Proposed Issue shall be determined by the Board, taking into account the market conditions and the terms and conditions to be proposed by the underwriters.

The Company intends to use the proceeds of the issue of the short-term commercial paper under the Proposed Issue as working capital. The Company considers that the Proposed Issue will enable the Group to lower its interest costs and to diversify its capital-raising channels. The Company confirms that the Proposed Issue will not be on terms less favourable to the Company than those for normal bank borrowing.

Pursuant to the articles of association of the Company, the issue of the short-term commercial paper is subject to the approval of the Shareholders in a general meeting. No Shareholder is required to abstain from voting in connection with the Proposed Issue.

### THE EGM

The Company is pleased to enclose herewith the notice convening the EGM at 2nd Floor, Baoye Group Research and Development Building, No. 501 Shanyin West Road, Keqiao, Shaoxing County, Zhejiang Province, the PRC on 19 November 2007 at 9:30 a.m. where a special resolution will be proposed to approve the Proposed Issue.

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.

## LETTER FROM THE BOARD

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.

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, Tricor Tengis Limited at 26th Floor, Tesbury Center, 28 Queen's Road East, 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.

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

\* For identification purposes only

## 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)

(Stock code: 2355)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting 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 19 November 2007 at 9:30 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution:

### SPECIAL RESOLUTION

**"THAT** subject to the regulations promulgated from time to time by the People's Bank of China and any other applicable regulations,

(i) the issue of short term commercial papers in a maximum accumulated repayment amount of RMB800,000,000 (the "**Paper**") be and is hereby approved in the accordance with the following terms:

(a) Term of the Paper:

The term of the Paper shall be within one year from the date of its issue.

(b) Interest rate:

The interest rate of the Paper shall be determined by the board of directors (the "**Board**") by reference to the market conditions or by reference to the interest rate for the corresponding period as quoted by People's Bank of China.

(c) Targeted subscribers and place of issue of the Paper:

The Paper shall be issued within the debenture market which is mainly participated by institutional investors comprising commercial banks and financial institutions under the supervision

\* For identification purposes only

## NOTICE OF EGM

of the People's Bank of China in the PRC (but excluding Hong Kong Special Administrative Region and Macau Special Administrative Region). The Paper will not be offered to individual investors.

(d) Use of proceeds:

The proceeds from the issue of the Paper will be used as working capital of the Company.

- (ii) an unconditional and general authorisation be and is hereby given to the Board to determine and finalise the details, terms and conditions (including the final maximum accumulated repayment amount of the Paper) of, and all relevant matters in connection with, the proposed issue of the Paper by the Company by reference to the financial position of the Company and the market conditions, and to sign all such documents, make all required or appropriate information disclosures and/or to do all such things and acts as are considered necessary or expedient and in the interest of the Company for the purpose of effecting or otherwise in connection with its proposed issue of the Paper or any matter incidental thereto."

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

Zhejiang Province, the PRC  
2 October 2007

\* For identification purposes only



## NOTICE OF EGM

*Notes:*

1. The register of members of the Company will be closed from 19 October 2007 to 19 November 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 at 4:00 p.m. on 18 October 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 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, Tricor Tengis Limited at 26th Floor, Tesbury Center, 28 Queen's Road East, 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 30 October 2007.
6. The meeting is expected to take a half 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 or directors of the Company comprises five executive directors, namely Mr. Pang Baogen, Mr. Gao Jiming, Mr. Gao Lin, Mr. Zhou Hanwan and Mr. Wang Rongfu; one non-executive director, Mr. Hu Shaozeng; and four independent non-executive directors, namely Mr. Wang Youwei, Mr. Yi Deqing, Mr. Dennis Yin Ming Chan and Mr. Sun Chuanlin.