

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, 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)
(Stock code: 2355)

DISCLOSEABLE TRANSACTION

FORMATION OF A JOINT VENTURE COMPANY

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	Baoye Group Company Limited, a joint stock limited company incorporated in the PRC whose shares are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hangzhou Zhida”	Hangzhou Zhida Real Estate Company Limited (杭州致達置業有限公司), a wholly owned subsidiary of Greentown China Holdings Limited being a company incorporated in the Cayman Islands and the securities of which are listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	party/parties who, to the best of the knowledge, information and belief having made all reasonable enquiries of the Directors, is/are third part/parties independent of the Company and connected persons of the Company;
“JV Agreement”	the joint venture agreement dated 9 November 2007 entered into between Hangzhou Zhida and the Company in respect of the establishment of the JV Company;
“JV Company”	a joint venture entity to be established in the PRC with its initial registered capital of RMB100,000,000 (approximately HK\$97,000,000);
“Land”	means a piece of land situated at No.1 Yangming Road Shaoxing Economic Development Zone, Shaoxing, PRC, with a gross floor area of approximately 183,377 square meters;

DEFINITIONS

“Latest Practicable Date”	28 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“PRC”	the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“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; and
“%”	per cent.

In this circular, for purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of HK\$0.97 to RMB1.00. Such exchange rate has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

In this circular, the English names of enterprises established in the PRC and projects located in the PRC are translation of their Chinese names and are included 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:
Room 1902
MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

30 November 2007

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

FORMATION OF A JOINT VENTURE COMPANY

INTRODUCTION

On 9 November 2007, the Company entered into the JV Agreement with Hangzhou Zhida, a wholly owned subsidiary of Greentown China Holdings Limited whose securities are listed on the Stock Exchange (stock code 3900), pursuant to which the parties agreed to establish the JV Company. The JV Company will be incorporated as a joint venture entity under the laws of the PRC to hold and develop the Land. Pursuant to the JV Agreement, the initial registered capital of RMB100,000,000 (approximately HK\$97,000,000) of the JV Company will be contributed as to 51% by Hangzhou Zhida and as to 49% by the Company. The purpose of this circular is to provide more detailed information to the Shareholders.

* For identification purposes only

LETTER FROM THE BOARD

THE JV AGREEMENT

The parties entered into a legally binding agreement with principal terms summarized as below:

Date

9 November 2007

Parties

The Company and Hangzhou Zhida.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Hangzhou Zhida and its ultimate beneficial owners are Independent Third Parties.

The JV Company

The parties to the JV Agreement agreed that the JV Company will be established in the PRC and its initial registered capital of RMB100,000,000 (approximately HK\$97,000,000) will be contributed as to RMB51,000,000 (representing 51% of the initial registered capital) and RMB49,000,000 (representing 49% of the initial registered capital) by Hangzhou Zhida and the Company respectively. Under the JV Agreement, the board of the JV Company will compose of three directors represented by Hangzhou Zhida and two directors represented by the Company. The purpose of establishing the JV Company is to develop the Land into a residential property. The Company intends to fund its contribution by internal resources.

Distribution of Profit and Loss

The Company and Hangzhou Zhida will share the profit and loss of the JV Company in proportion to their respective contributions to the registered capital of the JV Company (i.e. on a 49:51 basis).

The Land

The Land is situated at No. 1 Yangming Road Shaoxing Economic Development Zone, Shaoxing, the PRC, with a total site area of 183,377 square meters. The Land was acquired at a consideration of RMB1,095,000,000 (approximately HK\$1,062,150,000) by Hangzhou Zhida through a public bidding at an auction organised by Shaoxing Land Resources Administrative Bureau on 23 August 2007. The Land will be developed for residential units with gross floor areas of approximately 183,377 square meters.

LETTER FROM THE BOARD

Total Investment

The initial contributions by each parties under the JV Company is the registered capital being RMB100,000,000 (approximately HK\$97,000,000) which will be contributed as to 49% by the Company and 51% by Hangzhou Zhida by cash respectively. The parties may contribute additional capital as and when required by the JV Company by way of a shareholders loan. The maximum capital commitment attributable to the Company in respect of the transaction contemplated under the JV Agreement is estimated to be not exceeding RMB536,550,000 (equivalent to approximately HK\$520,453,500), representing 49% of the total consideration of the Land which has been paid by it on 22 November 2007.

Financial effect of the JV Agreement

The Company will be entitled to a share of 49% of the results of the JV Company. Such share of the JV Company's results (and reserves) will be included in the Group's consolidated results (and reserves), and the same share of the JV Company's net assets will be reflected in the consolidated balance sheet of the Group. The Director consider that the joint venture arrangement will not have any significant impact on the Group's earnings but the transaction contemplated under the JV Agreement will increase the Group's assets, such increase will be offset by a decrease in cash balance representing the consideration paid and payable under the JV Agreement.

INFORMATION ON THE GROUP

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.

Hangzhou Zhida is a limited liability company incorporated in the PRC whose principal business is property and real estate development.

REASONS FOR AND BENEFITS OF THE TRANSACTION

One of the Group's main businesses are property development and investments in the PRC and is primarily engaged in developing quality residential properties targeting high-income earners in the PRC. The Land is conveniently located closely to Shaoxing Economic Development Zone which offers a spectacular view for the residential units. The Company believes that the entering into the JV Agreement by partnering with one of the leading property developers in the PRC will provide a good opportunity for the Group to further expand its investment portfolio and land bank. The Directors further believe that the joint venture arrangement with Hangzhou Zhida is consistent with the business strategy of the Company which will create positive synergy effects to the Company and enhance the Group's position in the PRC property market as a whole.

LETTER FROM THE BOARD

The terms of the JV Agreement have been negotiated after an arm's length basis and on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms thereof are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

GENERAL

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 of
Baoye Group Company Limited
Pang Baogen
Chairman

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 INTEREST

(a) Directors and Supervisors

As at the Latest Practicable Date, the interests 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 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, if any, which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be maintained by the Company under Section 352 of the SFO or as required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Director/ Supervisor/ Senior management	Relevant entity	Capacity	No. of domestic share held (Long position)	Approximately percentage of the total registered capital of the relevant entity
DIRECTORS				
Mr. Pang Baogen	The Company	Beneficial Owner	198,753,054	29.98%
Mr. Gao Jiming	The Company	Beneficial Owner	13,024,647	1.97%
Mr. Gao Lin	The Company	Beneficial Owner	9,544,775	1.44%
Mr. Zhou Hanwan	The Company	Beneficial Owner	8,233,510	1.24%
Mr. Wang Rongfu	The Company	Beneficial Owner	7,147,039	1.08%
SENIOR MANAGEMENT				
Mr. Sun Guofan	The Company	Beneficial Owner	11,705,283	1.77%
Mr. Xu Jianbiao	The Company	Beneficial Owner	7,524,884	1.14%
Mr. Gao Jun	The Company	Beneficial Owner	5,794,259	0.87%
Mr. Lou Zhonghua	The Company	Beneficial Owner	5,633,172	0.85%
Mr. Wang Rongbiao	The Company	Beneficial Owner	2,647,911	0.40%
Mr. Jin Jixiang	The Company	Beneficial Owner	2,440,527	0.37%

Save as disclosed above, 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), 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.

(b) Substantial Shareholders

As at the Latest Practicable Date, as far as was known to the Directors, 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 which were notified to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO were as follows:

Name	Number of H shares of the Company held (Long positions)	Approximate percentage of the total issued H shares	Approximate percentage of the total share capital
Atlantis Investment Management Ltd	53,800,000	17.23%	8.12%
Coleman Charles P.III (<i>Note 1</i>)	52,036,992	16.67%	7.85%
The Goldman Sachs Group Inc. (<i>Note 2</i>)	43,364,160	13.89%	6.54%
Tiger Global Performance L.L.C. (<i>Note 3</i>)	35,379,951	11.33%	5.34%
Tiger Global L.P.	34,521,341	11.06%	5.21%
Tiger Global Management L.L.C. (<i>Note 4</i>)	16,657,041	5.33%	2.51%
Tiger Global, Ltd	16,657,041	5.33%	2.51%

Notes:

- The interests are held by Coleman Charles P.III through its controlled corporations namely, Tiger Global Performance L.L.C., Tiger Global L.P., Tiger Global II L.P., Tiger Global, Ltd., and Tiger Global Management L.L.C.
- The interests are held by The Goldman Sachs Group, Inc., through its controlled corporations, namely, Goldman Sachs (Asia) Finance, Goldman Sachs (Asia) Finance Holdings L.L.C., Goldman Sachs & Co., Goldman Sachs International, Goldman Sachs Holdings (U.K.) and Goldman Sachs (U.K.) L.L.C.
- The interests are held by Tiger Global Performance L.L.C., through its controlled corporations, namely, Tiger Global L.P. and Tiger Global II, L.P.
- The interests are held by Tiger Global Management L.L.C. through its controlled corporation, namely, Tiger Global Ltd.

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 which were notified to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO.

3. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING BUSINESS

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

6. GENERAL

- (a) The registered address is Yangxunqiao Township, Shaoxing County, Zhejiang Province, the PRC and the place of business in Hong Kong is 1902 MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.
- (b) The secretary of the Company is Ms. Ngan Lin Chun, Esther. Ms. Ngan is a fellow member of the Hong Kong Institute of Chartered Secretaries.
- (c) 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.
- (d) The share registrar and transfer office of the Company is Tricor Tengis Limited of 26th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The translation into Chinese language of this circular is for reference only. The English text of this circular shall prevail over the Chinese text in case of any inconsistency.