
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Zhejiang Shibao Company Limited, you should at once hand this circular and the accompanying form of proxy and reply slip to the purchaser or the transferee or to the bank, licensed dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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ZHEJIANG SHIBAO COMPANY LIMITED*

浙江世寶股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8331)

PROPOSALS FOR CHANGE OF DIRECTORS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting of the Company to be held at Conference Room, 3rd Floor of Office Building No. 6, 17th Avenue, HEDA, Hangzhou, Zhejiang Province, China (Postal Code 310018) on Wednesday, 4 November 2009 at 3:30 p.m. is set out on pages 7 to 8 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Hong Kong H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Share holders only) or the registered office of the Company at No. 1 Shuanglin Road, Fotang Town, Yiwu City, Zhejiang Province, China (Postal Code 322002) (for Domestic Share holders only) as soon as possible and in any event not less than 24 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

* *for identification purpose only*

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“EGM”	the extraordinary general meeting of the Company to be convened at Conference Room, 3rd Floor of Office Building No. 6, 17th Avenue, HEDA, Hangzhou, Zhejiang Province, China (Postal Code 310018), on Wednesday, 4 November 2009 at 3:30 p.m.;
“EGM Notice”	the notice dated 14 September 2009 for convening the EGM as set out on pages 7 to 8 of this circular;
“Articles of Association”	the existing articles of association of the Company;
“Board”	the board of Directors of the Company;
“Chairman”	the chairman of the Company;
“Company”	Zhejiang Shibao Company Limited, a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on GEM;
“Director(s)”	the director(s) of the Company;
“Domestic Share(s)”	share(s) of nominal value of RMB1 each issued by the Company to domestic investors and subscribed for in Renminbi;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“H Share(s)”	share(s) of nominal value of RMB1 each issued by the Company to overseas investors denominated in foreign currencies, which are listed on the GEM and subscribed for and traded in HK dollars;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	7 September 2009, being the latest practicable date of ascertaining certain information contained in this circular prior to its printing;

DEFINITIONS

“PRC” or “China”	The People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	Domestic Shares and H Shares in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

LETTER FROM THE BOARD



ZHEJIANG SHIBAO COMPANY LIMITED*

浙江世寶股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8331)

Board of Directors:

Executive Directors:

Mr. ZHANG Shi Quan

(Chairman and General Manager)

Mr. ZHANG Bao Yi

Mr. TANG Hao Han

Mr. ZHU Jie Rong

Ms. ZHANG Lan Jun

Non-executive Directors:

Mr. ZHANG Shi Zhong

Ms. ZHANG Mei Jun

Mr. GU Qun

Independent non-executive Directors:

Mr. ZHAO Chun Zhi

Mr. CHEN Guo Feng

Mr. LUI Wing Hong, Edward

Registered Office:

No. 1 Shuanglin Road

Fotang Town

Yiwu City

Zhejiang Province

China

(Postal Code 322002)

*Head Office and Principal Place
of Business in Hong Kong:*

Room 1204

C C Wu Building

302-308 Hennessy Road

Wan Chai

Hong Kong

14 September 2009

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR CHANGE OF DIRECTORS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information of the resolutions regarding the change of Directors to be proposed at the forthcoming EGM to be held at Conference Room, 3rd Floor of Office Building No. 6, 17th Avenue, HEDA, Hangzhou, Zhejiang Province, China (Postal Code 310018), on Wednesday, 4 November 2009 at 3:30 p.m..

* *for identification purpose only*

LETTER FROM THE BOARD

PROPOSALS FOR CHANGE OF DIRECTORS

The Board currently consists of eleven Directors, including five executive Directors, three non-executive Directors and three independent non-executive Directors, namely Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Mr. Zhu Jie Rong, Ms. Zhang Lan Jun, Mr. Zhang Shi Zhong, Ms. Zhang Mei Jun, Mr. Gu Qun, Mr. Zhao Chun Zhi, Mr. Chen Guo Feng and Mr. Lui Wing Hong, Edward. The term of service for all the current Directors began from 5 June 2009 and is expiring on 4 June 2012 or on the effective date of appointment of new Directors for replacement.

In accordance with the announcement published on 28 August 2009, Mr. Gu Qun and Mr. Lui Wing Hong, Edward tendered their letters of resignation on 28 August 2009 resigning as non-executive Director and independent non-executive Director respectively for the reason that they both wish to devote more time to their full time employment. Their resignations will take effect from the election of new Directors for replacement at the general meeting of the Company pursuant to article 100 of the Articles of Association. Mr. Gu Qun and Mr. Lui Wing Hong, Edward have confirmed that they have no disagreements with the Board and the Company and there are no matters that need to be brought to the attention of the Shareholders related to their resignations.

Mr. Lou Run Zheng (樓潤正) is nominated to be elected as non-executive Director, and Mr. Chau Kam Wing, Donald (周錦榮) is nominated to be elected as independent non-executive Director for the remaining term of the resigning Director for about two years and seven months. The proposed appointments of Mr. Lou Run Zheng and Mr. Chau Kam Wing, Donald are subject to (i) the approval by the Shareholders by way of ordinary resolutions at the EGM, and (ii) the compliance of Rule 17.50(2) of the GEM Listing Rules. The nominated Directors, namely Mr. Lou Run Zheng and Mr. Chau Kam Wing, Donald have not entered into service agreements with the Company. It is proposed that the annual remuneration of Mr. Lou and Mr. Chau is RMB80,000 and RMB120,000 (including basic salary, other benefits and pension contributions) respectively and the exact amount will be determined by the Board with reference to their responsibilities, experience, workload and time devoted to the Company.

Pursuant to rule 17.50 of the GEM Listing Rules, brief biographical details of the proposed Directors to be elected at the EGM, namely Mr. Lou Run Zheng and Mr. Chau Kam Wing, Donald, are set out in Appendix I to this circular.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM of the Company to be held at Conference Room, 3rd Floor of Office Building No. 6, 17th Avenue, HEDA, Hangzhou, Zhejiang Province, China (Postal Code 310018) on Wednesday, 4 November 2009 at 3:30 p.m. is set out on pages 7 to 8 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Hong Kong H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Share holders only) or the registered office of the Company at No. 1 Shuanglin Road, Fotang Town, Yiwu City, Zhejiang Province, China (Postal Code 322002) (for Domestic Share holders only) as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The Articles of Association provides that Shareholders who intend to attend the EGM shall lodge a written reply to the Company 20 days before the date of the EGM. In case the reply slips received by the Company from the Shareholders indicating their intention to attend the EGM represent less than one-half of the total number of voting shares, the Company shall within five days from receiving the reply slips inform the Shareholders of the proposed matters for consideration at the EGM and the date and venue of the EGM by way of a formal announcement. The EGM may be convened after the publication of such announcement.

RECOMMENDATIONS

The Directors are of the opinion that all resolutions referred to in the EGM Notice are in the best interests of the Company and its Shareholders as a whole, and accordingly recommends all Shareholders to vote in favour of all resolutions to be proposed at the EGM.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Yours faithfully,
By Order of the Board
ZHEJIANG SHIBAO COMPANY LIMITED
ZHANG Shi Quan
Chairman and General Manager

Personal details of the Directors to be appointed at the EGM are set out below:

Mr. Lou Run Zheng (樓潤正) aged 45, obtained a bachelor's degree from the Zhejiang University in 1985 and a master's degree in business administration from the Open University of Hong Kong in 2003, and has attended the courses for master of law in Zhejiang University. Mr. Lou is the vice president of Zhejiang Yuan Zheng Hotel Management Company Limited. Save as disclosed above, Mr. Lou did not hold directorship in any other listed companies in the last 3 years and does not have any other major appointments.

In the event that Mr. Lou is appointed as a non-executive Director by the Shareholders on the forthcoming EGM, he will enter into a service agreement with the Company for the remaining term of the resigning Director for about two years and seven months. It is proposed that the annual remuneration of Mr. Lou is RMB80,000 (including basic salary, other benefits and pension contributions) and the exact amount will be determined by the Board with reference to his responsibilities, experience, workload and the time devoted to the Group.

Mr. Chau Kam Wing, Donald (周錦榮) aged 46, obtained a master's degree in business administration from the University of San Francisco, USA and is a fellow member of the Association of Chartered Certified Accountants and a practising member of Hong Kong Institute of Certified Chartered Accountants. He is now practising as a Certified Public Accountant in Hong Kong and is a council member of the Society of Chinese Accountants & Auditors in Hong Kong. He has over 20 years' experience in auditing, taxation and financial management of various listed companies. Mr. Chau is currently an independent non-executive director of China Water Affairs Group Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also an independent non-executive of Eco-Tek Holdings Limited and China Nonferrous Metals Company Limited and both companies are listed on the GEM of the Stock Exchange. Save as disclosed above, Mr. Chau did not hold directorship in any other listed companies in the last three years and does not have any other major appointments.

In the event that Mr. Chau is appointed as an independent non-executive Director by the Shareholders on the forthcoming EGM, he will enter into a service agreement with the Company for the remaining term of the resigning Director for about two years and seven months. It is proposed that the annual remuneration of Mr. Chau is RMB120,000 (including basic salary, other benefits and pension contributions) and the exact amount will be determined by the Board with reference to his responsibilities, experience, workload and the time devoted to the Group.

Having made specific enquiry to all Directors, to the best knowledge and belief of the Board: (i) Mr. Lou and Mr. Chau have no relationship with any members of the Board, Supervisors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company; and (ii) Mr. Lou and Mr. Chau do not have any interests in shares of the Company (within the meanings of Part XV of the SFO).

Save as disclosed herein, the Company considered that in relation to the appointment of Mr. Lou and Mr. Chau, there is no information required to be disclosed. None of them are involved in any matters that are required to be disclosed under Rule 17.50(2)(h) to (v) of the GEM Listing Rules, nor any other matters that need to be brought to the attention of the Shareholders.

NOTICE OF EXTRAORDINARY GENERAL MEETING



ZHEJIANG SHIBAO COMPANY LIMITED*

浙江世寶股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8331)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (the “EGM”) of Zhejiang Shibao Company Limited* (the “Company”) will be held at Conference Room, 3rd Floor of Office Building No. 6, 17th Avenue, HEDA, Hangzhou, Zhejiang Province, China (Postal Code 310018) on Wednesday, 4 November 2009 at 3:30 p.m. for the purpose of considering and approving the following resolutions:

I. Ordinary Resolutions

1. To consider and approve the appointment of Mr. Lou Run Zheng as non-executive Director of the Company; and
2. To consider and approve the appointment of Mr. Chau Kam Wing, Donald as independent non-executive Director of the Company.

By Order of the Board
ZHEJIANG SHIBAO COMPANY LIMITED
ZHANG Shi Quan
Chairman and General Manager

Hangzhou, Zhejiang, the PRC
14 September 2009

Notes:

1. A shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote by way of a poll in his stead. A proxy need not be a shareholder of the Company.
2. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a certified copy (if any) of that power of attorney or other authority (if any), must be delivered to the Hong Kong H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Share holders only)

NOTICE OF EXTRAORDINARY GENERAL MEETING

or the registered office of the Company at No. 1 Shuanglin Road, Fotang Town, Yiwu City, Zhejiang Province, China (Postal Code 322002) (for Domestic Share holders only) not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting by way of a poll in person at the EGM or any adjournment thereof should you so wish.

3. Shareholders or their proxies attending the meeting shall produce their identity documents.
4. The register of members of the Company will be closed from Monday, 5 October 2009 to Wednesday, 4 November 2009, both days inclusive, during which period no transfer of Shares of the Company will be registered. All transfers accompanied by the relevant H Share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 October 2009. Shareholders of the Company whose names appear on the registers of members on Wednesday, 4 November 2009 are entitled to attend the EGM.
5. Shareholders of the Company who intend to attend the EGM should complete and return the reply slip to the Hong Kong H Share Registrar of the Company (for H Share holders only) or the registered office of the Company (for Domestic Share holders only) before 4:00 p.m. Wednesday, 14 October 2009 by hand, by post or by fax. The Company's Hong Kong H Share Registrar is at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Fax: (852) 2865 0990). The Company's registered office is at No. 1 Shuanglin Road, Fotang Town, Yiwu City, Zhejiang Province, China (Postal Code 322002) (Fax: (86) 0579 85715198).
6. All the resolutions as set out above will be determined by way of a poll.