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Zhejiang Shibao Company Limited

浙江世寶股份有限公司

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

(Stock code: 01057)

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 Monday, 20 June 2011 at 2:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTIONS

1. “**THAT**, subject to the approval by the relevant regulatory authorities, including the China Securities Regulatory Committee (the “**CSRC**”), the allotment and issue of A shares (the “**A Shares**”) by the Company in the PRC (the “**Issue of A Shares**”) and each of the following principle terms and conditions of the Issue of A Shares be approved and confirmed (each and every item as a separate resolution):

- (i) **Class and nominal value of new shares to be issued**

A Shares with a nominal value of RMB1.00 each.

- (ii) **Proposed stock exchange for listing**

The Shanghai Stock Exchange or the Shenzhen Stock Exchange (to be decided by the board (the “**Board**”) of directors (the “**Directors**”) of the Company depending on the requirements of relevant regulatory authorities in the PRC).

- (iii) **Number of A Shares to be issued**

Not more than 65,000,000 A Shares with a nominal value of RMB1.00 each.

The final number of A Shares to be issued and the structure of such issue shall be subject to approval by the CSRC and other relevant regulatory authorities in the PRC, and subject to adjustment (if any) by the Board as authorised by the shareholders of the Company (the “**Shareholders**”) at the EGM and the class meetings of the Company (the “**Class Meetings**”) and within the range approved by the CSRC having regard to the relevant circumstances.

(iv) **Target subscribers**

Natural persons, legal persons and other institutional investors, who maintain A Share account with the Shanghai Stock Exchange or the Shenzhen Stock Exchange (as the case may be) (except those prohibited by PRC laws and regulations and other regulatory requirements to which the Company is subject to).

If any of the aforesaid persons are connected persons of the Company, the Company will take every reasonable step to comply with the relevant requirements under relevant rules governing the listing of securities on the Stock Exchange (as the case may be).

(v) **Method of issue**

The issue will be conducted via placement through offline offering to investors subject to market consultation and online subscription at the issue price, or such other method(s) as approved by the CSRC.

(vi) **Basis for determination of the issue price**

Subject to the approval of the CSRC for the Issue of A Shares, the issue price range of the A Shares will be determined after considering the interests of the existing Shareholders as a whole and on the basis of market conditions prevailing in the PRC securities market at the time of the issue of A Shares by way of market consultation (or subject to any change to the applicable law, regulations, policies in the PRC, any such other price determination method(s) as then approved by the CSRC). As required by the relevant PRC laws and regulations, the price consultation will be undertaken with certain number of qualified consultation participants. However, the issue price shall not be less than the par value of the A Shares to be issued.

(vii) **Distribution plan of accumulated undistributed profits**

Subject to the approval by the Shareholders at a general meeting of the Company, all the Shareholders (including the holders of A Shares, Domestic Shares and H Shares) shall be entitled to the undistributed profits accumulated up to the completion of the Issue of A Shares upon completion of the Issue of A Shares. Holders of A Shares shall not be entitled to any dividend declared prior to the completion of the Issue of A Shares.

(viii) Use of proceeds

The Company intends to apply the proceeds in the following projects with a total estimated investment amount of approximately RMB510,000,000:

- (1) the increase of production of power automotive steering gears project (汽車液壓助力轉向器擴產項目), with an estimated investment amount of approximately RMB200,000,000;
- (2) the precious casting and processing of automotive components project (汽車零件部精密鑄件及加工建設項目), with an estimated investment amount of approximately RMB260,000,000; and
- (3) the research and development, examination and inspection and trial production centre of automotive steering gear system project (汽車轉向系統研發、檢測及試製中心項目), with an estimated investment amount of approximately RMB50,000,000.

The Company may, in accordance with the actual circumstances and the progress of the above projects, utilize its internal resources or raise bank loans to finance the aforesaid projects prior to the completion of the Issue of A Shares, and to repay the internal resources or bank loans utilized by the Group in developing such projects and pay the remaining amount of the projects upon completion of the Issue of A Shares.

In the event the proceeds from the Issue of A Shares are not sufficient to finance the above projects, the shortfall will be covered by internal resources or bank loans to be raised by the Group. Any proceeds in excess of the required amounts of the projects will be used as general working capital of the Company.

(ix) Authorisation to the Board

The Board be authorised in the EGM and the Class Meetings to take all such actions for and on behalf of the Company for all matters relating to the Issue of A Shares and the listing of A Shares. The authorisation proposed to be granted to the Board shall include without limitation:

- (1) to be responsible for and to effect the Issue of A Shares and the listing of the A Shares, including without limitation, to determine the timing of issue, the number of A Shares to be issued, the issue price and its determination mechanism, the structure of the issue, the target subscribers of the A Shares, the method of issue, the stock exchange to be listed, over-allotment and other related matters subject to the relevant requirements under the relevant rules, regulations and securities rules, the approval of the CSRC, the market conditions prevailing in the PRC securities market and pursuant to the proposal of the Issue and listing of A Shares as approved by the Shareholders at the EGM and the Class Meetings;

- (2) to deal with all filing and application matters relating to or in connection with the Issue and listing of A Shares, including without limitation, applying for approval from, register with, filing with, seeking licences and consents from relevant governmental and regulatory authorities, the relevant stock exchange and securities clearing institution in relation to the Issue and listing of A Shares; to approve, sign, execute, amend or complete any agreement, contract or necessary document relating to the Issue and listing of A Shares (including without limitation, offering circular, prospectus, sponsor agreement, underwriting agreement, listing agreement, all sorts of announcement and notice to the shareholders of the Company);
- (3) to adjust and amend the proposal for the Issue and listing of A Shares according to implementation of the proposal of the Issue and listing of A Shares, market conditions, policies adjustments and comments from governmental and regulatory authorities, or if there is any change to the relevant policies relating to initial issue of new shares, to deal with matters relating to the Issue and listing of A Shares pursuant to such new policies;
- (4) to make necessary or appropriate amendments to and adoption of the relevant provisions of the Articles, the rules of procedures and internal rules of the Company relating to, in connection with or to effect the Issue and listing of A Shares, and to deal with the application for approval, and the filing and registration with the relevant Administration for Industry and Commerce Bureau, the filing and registration with relevant governmental authorities;
- (5) to make necessary or appropriate amendments to and adoption of the Articles, the rules of procedures and internal rules of the Company in the event they conflict with the regulatory rules or documents promulgated by the CSRC and/or the relevant stock exchange, or in accordance with the comments from the CSRC and/or the relevant stock exchange;
- (6) to deal with all matters in relation to the application or the use of net proceeds from the Issue of A Shares subject to the approval of the CSRC, including without limitation, to utilize the internal resources or raise bank loans to finance its projects prior to the completion of the Issue of A Shares, and to repay the fund raised and already applied by the Company and the Group in developing such projects upon completion of the Issue of A Shares; to adjust and amend related matters according to the actual circumstances and comments from relevant governmental authorities in the course of implementation of investment in applying the proceeds to the projects, including without limitation: to adjust the budget for each project within the scope of investment where proceeds will be applied, the subject, progress and means of implementation, etc.; to confirm the specific saving account for the proceeds; to implement the application of the proceeds after the completion of the Issue and listing of A Shares; execution of material contracts involved in the course of implementation of investment in applying the proceeds to the projects; to finance the projects with internal resources or bank loans in the event the proceeds is not sufficient to finance

the projects, and to apply any surplus as general working capital of the Company; to adjust the number of projects within the scope of investment where proceeds will be applied as approved by the Shareholders at the EGM and Class Meetings according to the actual circumstances and comments from relevant governmental authorities;

- (7) to process all matters in relation to strategic investor(s) (if any), including but not limited to the target strategic investor(s), negotiate with the strategic investor(s) and sign any relevant agreement;
- (8) to engage relevant intermediaries and to liaise and agree on their respective remuneration in relation to the Issue and listing of of A Shares;
- (9) to process all related matters in connection with the Issue of A Shares and the listing of A Shares, and to take all such actions as necessary, expedient or appropriate as permitted by the relevant laws and regulations; and
- (10) to determine the stock exchange that the A Shares are to be listed depending on the requirements of relevant regulatory authorities in the PRC and other market factors and to deal with the listing of the A Shares on the relevant stock exchange.

the authorization granted to the Board shall be effective for a period of 12 months commencing from the date this resolution is passed.

The approval in respect of the Issue of A Shares, if obtained from Shareholders at the EGM and the Class Meetings, shall be effective for a period of 12 months commencing from the date this resolution is passed.”

2. “**THAT** subject to the passing of special resolutions number 1 above, and conditional upon the completion of the Issue of A Shares and the Company’s obtaining all required approval or endorsement from or registration with the relevant regulatory authorities, the amended Articles (details of which are set out in the appendix to the circular of the Company dated 4 May 2011) be approved and confirmed, and that the Board be authorised to modify the wordings of such Articles as appropriate and to take all such actions and execute all such documents or instruments for and on behalf of the Company as the Board may, in its absolute discretion, consider necessary or expedient in order to effect the Issue of A Shares, and to deal with other related issues arising from or relating to the amendments to the Articles accordingly.”

3. “**THAT** subject to the passing of special resolutions number 1 and 2 above, and conditional upon the completion of the Issue of A Shares, the proposed amendments to the Rules of Procedures of General Meeting of Shareholders of the Company (details of which are set out in the appendix to the circular of the Company dated 4 May 2011) be approved, confirmed and adopted in substitution for the existing rules of procedures, and that the Board be authorised to modify the wordings of such rules of procedures as appropriate and take all such actions and execute all such documents or instruments for and on behalf of the Company as the Board may, in its absolute discretion, consider necessary or expedient in order to effect the Issue of A Shares, and to deal with other related issues arising from or relating to the amendments to such rules of procedures accordingly.”
4. “**THAT** subject to the passing of special resolutions number 1 and 2 above, and conditional upon the completion of the Issue of A Shares, the proposed amendments to the Rules of Procedures of the Board (details of which are set out in the appendix to the circular of the Company dated 4 May 2011) be approved, confirmed and adopted in substitution for the existing rules of procedures, and that the Board be authorised to modify the wordings of such rules of procedures as appropriate and take all such actions and execute all such documents or instruments for and on behalf of the Company as the Board may, in its absolute discretion, consider necessary or expedient in order to effect the Issue of A Shares, and to deal with other related issues arising from or relating to the amendments to such rules of procedures accordingly.”
5. “**THAT** subject to the passing of special resolutions number 1 and 2 above, and conditional upon the completion of the Issue of A Shares, the proposed amendments to the Rules of Procedures of the Supervisory Committee of the Company (details of which are set out in the appendix to the circular of the Company dated 4 May 2011) be approved, confirmed and adopted in substitution for the existing rules of procedures, and that the Board be authorised to modify the wordings of such rules of procedures as appropriate and take all such actions and execute all such documents or instruments for and on behalf of the Company as the Board may, in its absolute discretion, consider necessary or expedient in order to effect the Issue of A Shares, and to deal with other related issues arising from or relating to the amendments to such rules of procedures accordingly.”

ORDINARY RESOLUTIONS

6. “**THAT** subject to the passing of special resolutions number 1 and 2 above, and conditional upon the completion of the Issue of A Shares, the proposed adoption of the Management Principles on Use of Proceeds of the Company (details of which are set out in the appendix to the circular of the Company dated 4 May 2011) be approved and confirmed, and that the Board be authorised to modify the wordings of such management principles as appropriate and take all such actions and execute all such documents or instruments for and on behalf of the Company as the Board may, in its absolute discretion, consider necessary or expedient in order to effect the Issue of A Shares, and to deal with other related issues arising from or relating to the adoption of such management principles accordingly.”

7. “**THAT** Mr. Zhang Hong Zhi (張洪智) be appointed as an independent non-executive Director for a term commencing from passing of this resolution to the conclusion of the annual general meeting of the Company in 2012, and that the Board be authorized to fix his remuneration, approve the service contract of Mr. Zhang and other relevant documents; and any executive Director be authorised to sign on behalf of the Company the service contract of Mr. Zhang and other relevant documents and to deal with all other necessary relevant matters in connection therewith.”

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

Hangzhou, Zhejiang, the PRC
4 May 2011

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 H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H shares only) or the registered office of the Company at No. 1 Shuanglin Road, Fotang Town, Yiwu City, Zhejiang Province, China (Postal Code 322002) (for holders of Domestic Shares 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 Saturday, 21 May 2011 to Monday 20 June 2011, 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, 20 May 2011. Shareholders of the Company whose names appear on the registers of members on Monday, 20 June 2011 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 H Share Registrar of the Company (for holders of H share only) or the registered office of the Company (for holders of Domestic Shares only) before 4:30 p.m., Monday, 30 May 2011 by hand, by post or by fax. The Company's H Share Registrar is at 17M 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 at the EGM.
7. Shareholders or proxies attending the EGM are reminded that any expenses in transportation, accommodation and meals will be incurred at their own cost.

As at the date of this announcement, the Board comprises Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Mr. Zhu Jie Rong and Ms. Zhang Lan Jun as executive Directors, Mr. Zhang Shi Zhong, Ms. Zhang Mei Jun and Mr. Lou Run Zheng as non-executive Directors, and Mr. Zhao Chun Zhi, Mr. Chen Guo Feng, and Mr. Chau Kam Wing, Donald as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.