

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**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: 1057)

**ANNOUNCEMENT OF AUDITED RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**FINANCIAL HIGHLIGHTS**

	<b>2021</b>	<b>2020</b>	<b>Change</b>
	RMB	RMB	%
Revenue	1,177,915,845.96	1,102,127,420.29	6.88
Net profit attributable to shareholders of listed company	34,156,323.88	40,845,971.97	-16.38
Net profit after non-recurring gains and losses attributable to shareholders of listed company	1,609,221.89	21,388,759.37	-92.48
Net cash flows from operating activities	39,631,162.47	95,704,763.63	-58.59
Basic earnings per share (RMB/Share)	0.04	0.05	-20.00
Diluted earnings per share (RMB/Share)	0.04	0.05	-20.00
	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>Change</b>
	RMB	RMB	%
Total assets	2,075,458,857.18	1,976,246,329.85	5.02
Net assets attributable to shareholders of listed company	1,376,837,284.22	1,342,680,960.34	2.54

\* For identification purpose only

## AUDITED ANNUAL RESULTS

The board of directors (the “**Board**”) of Zhejiang Shibao Company Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 prepared in accordance with China Accounting Standards for Business Enterprises (“**Accounting Standards for Business Enterprises**”), together with the comparative figures in 2020. The consolidated annual results for 2021 have been reviewed by the Company’s audit committee.

### 1. FINANCIAL STATEMENTS

*(All amount in RMB Yuan unless otherwise stated)*

*(English translation for reference only)*

### CONSOLIDATED BALANCE SHEET

31 December 2021

Item	Note 4	31 December 2021	31 December 2020
Current assets:			
Cash on hand and at bank		195,849,881.10	166,389,726.85
Financial assets held for trading		70,388,744.26	904,073.28
Notes receivable			239,784.00
Accounts receivable	1	384,270,904.55	325,598,747.08
Accounts receivable financing		89,284,490.52	187,274,526.18
Prepayments		12,646,311.89	21,628,201.14
Other receivables		7,980,394.93	9,867,974.89
Inventories		329,151,211.94	254,371,320.73
Other current assets		11,075,704.23	14,077,655.52
Total current assets		1,100,647,643.42	980,352,009.67
Non-current assets:			
Investment property		198,425,856.97	175,565,178.66
Fixed assets		615,924,086.64	668,272,431.63
Construction in progress		73,680,237.52	48,682,196.11
Intangible assets		56,824,823.72	81,281,828.17
Deferred income tax assets		11,846,890.33	12,805,998.28
Other non-current assets		18,109,318.58	9,286,687.33
Total non-current assets		974,811,213.76	995,894,320.18
Total assets		2,075,458,857.18	1,976,246,329.85

<b>Item</b>	<b>Note 4</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Current liabilities:</b>			
Short-term borrowings	2	153,124,225.71	98,116,784.10
Notes payable		98,329,394.76	86,570,132.09
Accounts payable	3	330,649,783.76	318,745,234.60
Receipts in advance		14,232,745.02	14,978,858.81
Contract liabilities		8,058,280.73	9,954,761.23
Staff cost payable		21,806,321.78	20,138,767.07
Tax payable		4,898,630.77	8,337,187.92
Other payables		3,384,879.14	2,740,953.52
Other current liabilities		29,577,911.66	30,200,975.06
<b>Total current liabilities</b>		<b>664,062,173.33</b>	<b>589,783,654.40</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	4	18,792,739.73	8,800,000.00
Deferred income		35,294,031.63	45,985,366.36
Deferred income tax liabilities		2,475,739.93	2,438,113.16
<b>Total non-current liabilities</b>		<b>56,562,511.29</b>	<b>57,223,479.52</b>
<b>Total liabilities</b>		<b>720,624,684.62</b>	<b>647,007,133.92</b>
<b>Equity:</b>			
Share capital		789,644,637.00	789,644,637.00
Capital reserve		182,334,093.78	182,334,093.78
Surplus reserve		136,516,449.60	135,379,620.20
Retained earnings		268,342,103.84	235,322,609.36
Equity attributable to shareholders of listed company		1,376,837,284.22	1,342,680,960.34
Minority interests		-22,003,111.66	-13,441,764.41
<b>Total equity</b>		<b>1,354,834,172.56</b>	<b>1,329,239,195.93</b>
<b>Total liabilities and equity</b>		<b>2,075,458,857.18</b>	<b>1,976,246,329.85</b>

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

Item	Note 4	2021	2020
Total Revenue	5	1,177,915,845.96	1,102,127,420.29
Include: Revenue	5	1,177,915,845.96	1,102,127,420.29
Total operating costs		1,160,600,658.10	1,072,575,546.77
Include: Operating costs	5	924,548,913.88	842,187,087.63
Business taxed and surcharges		12,643,444.12	10,659,612.60
Selling expenses		55,013,650.18	80,808,325.52
General and administrative expenses		83,108,767.71	68,334,585.99
Research and development expenses		80,484,534.57	66,006,925.33
Financial expenses	6	4,801,347.64	4,579,009.70
Include: Interest expenses		4,887,365.76	4,884,849.57
Interest income		1,359,222.43	1,367,911.43
Add: Other gains		19,528,117.67	17,532,735.55
Investment gains		6,156,329.37	236,466.22
Change of fair value gains		1,321,778.51	-40,138.56
Credit impairment losses		148,205.17	1,729,639.95
Asset impairment losses		-15,371,012.06	-12,318,301.26
Gains from disposal of assets		-1,447,085.04	401,960.67
Total profit		27,651,521.48	37,094,236.09
Add: Non-operating income		321,923.24	334,051.88
Less: Non-operating expenses		276,181.05	1,263,522.48
Total profit		27,697,263.67	36,164,765.49
Less: Income tax expenses	7	2,102,287.04	1,563,844.73
Net profit (continuing operations)		25,594,976.63	34,600,920.76
Net profit attributable to shareholders of listed company		34,156,323.88	40,845,971.97
Minority interests		-8,561,347.25	-6,245,051.21
Total comprehensive income		25,594,976.63	34,600,920.76
Total comprehensive income attributable to shareholders of listed company		34,156,323.88	40,845,971.97
Total comprehensive income attributable to minority shareholders		-8,561,347.25	-6,245,051.21
Earnings per share:	9		
Basic earnings per share		0.04	0.05
Diluted earnings per share		0.04	0.05

## **2. NOTES TO THE FINANCIAL STATEMENTS**

### **(1) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

#### **1. Basis of Preparation**

The financial statements of the Company are presented on going concern basis.

#### **2. Evaluation on ability of continuing operation**

The Company does not have any event or circumstance that arises material concerns about assumptions on continuing operation within 12 months from the end of the reporting period.

### **(2) MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

#### **1. Statement of compliance with the Accounting Standards for Business Enterprises**

The financial statements of the Company, which have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises, have truly and fully reflected the information of the Company, including the financial position, results of operations and cash flows.

#### **2. Accounting period**

The accounting year is from 1 January to 31 December.

#### **3. Operating Cycle**

The operating business cycle of the Company is relatively short. A period of 12 months is taken to identify the current nature of assets and liabilities.

#### **4. Functional currency**

Renminbi (“RMB”) is adopted as functional currency.

#### **5. Material changes in accounting policies**

Changes in accounting policies caused by changes in Accounting Standards for Business Enterprises

- (1) Since 26 January 2021, the Company has adopted the Explanation of Accounting Standards for Business Enterprises No.14 issued by the Ministry of Finance in 2021. This accounting policy change has no impact on the Company's financial statements.
- (2) Since 31 December 2021, the Company has adopted the “Report on Centralisation of Fund Management” of Explanation of Accounting Standards for Business Enterprises No.15 issued by the Ministry of Finance. This accounting policy change has no impact on the Company's financial statements.

### (3) TAXATION

#### 1. Major types of tax and tax rates

Type of tax	Basis tax rate	Tax rate
Value added tax	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after deducting the deductible input VAT of the period, is VAT payable	13%,9%, 6%,5% [Note 1]
Property tax	Price based tax: residual value after deducting 30% from the original value of the property; rental income based tax: rental income	1.2%, 12%
Urban maintenance and construction tax	Actual amount of payable turnover tax	7%,5%
Education surcharge	Actual amount of payable turnover tax	3%
Local education surcharge	Actual amount of payable turnover tax	2%
Corporate income tax	Amount of taxable income	15%,25% [Note 2]

[Note 1]: The sale of the steering systems, parts and other commodities by the Company and the respective subsidiaries have been subject to the VAT at the rate of 13%. The “exemption, offset and rebate” tax policy has applied to export goods of Hangzhou Shibao Auto Steering Gear Co., Ltd. and Jilin Shibao Machinery Manufacturing Co., Ltd., both are subsidiaries of the Company, and the export rebate was 13%. The transfer of patented technologies and provision of services and otherwise by the Company and the respective subsidiaries have been subject to the VAT at the rate of 6%. The leasing (disposal) of real estate acquired before 30 April 2016 by the Company and Hangzhou New Shibao Electric Power Steering Co., Ltd. , a subsidiary of the Company, is subject to the VAT at the simplified rate of 5%, while the leasing of real estate acquired after 30 April 2016 is subject to the VAT at the rate of 9%.

[Note 2] : Details of corporate income tax rates of different entities

Name of entity	Income tax
The Company	15%
Hangzhou Shibao Auto Steering Gear Co., Ltd.	15%
Hangzhou New Shibao Electric Power Steering Co., Ltd.	15%
Beijing Autonics Technology Co., Ltd.	15%
Wuhu Sterling Steering System Co., Ltd.	15%
Others	25%

#### 2. Tax concession

- (1) According to the “Letter Regarding 2020 First Batch Filing of High-tech Enterprises of Zhejiang Province” issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. [2020] 251), the Company, the Company’s subsidiaries, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. obtained the High-tech Enterprise Certificates (No. GR202033006037, GR202033002842 and GR202033003507 respectively), with a valid period from 2020 to 2022. They are

subject to a corporate income tax rate of 15% during the period.

- (2) According to the “Letter Regarding 2020 Fourth Batch Filing of High-tech Enterprises of Beijing” issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. [2021]38), the Company’s subsidiary, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR202011007797), with a valid period from 2020 to 2022. It is subject to a corporate income tax rate of 15% during the period.
- (3) According to the “Notification Regarding the Announcement of the List of the First Batch of High-tech Enterprises of Anhui Province Recognized in 2020” (Wan Ke Gao No. [2020] 35) issued by the Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance, Anhui Provincial State Taxation Bureau and Anhui Provincial Local Taxation Bureau, the Company’s subsidiary, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR202034000075), with a valid period from 2020 to 2022. It is subject to a corporate income tax rate of 15% during the period.
- (4) According to the “Announcement on Policies for Deepening the VAT Reform” (Announcement [2019] No.39) issued by the Ministry of Finance and State Taxation Administration and General Administration of Customs, the Company met the conditions for return of the deductible input VAT as at the end of the period, and the deductible input VAT returned during the period was RMB563,582.69.
- (5) According to the Notice on Value-added Tax Policy for Software Products (Cai Shui [2011] No. 100) (《關於軟體產品增值稅政策的通知》(財稅〔2011〕100號)) issued by Ministry of Finance and State Administration of Taxation, Beijing Autonics Technology Co., Ltd., a subsidiary of the Company, is a general taxpayer which sells self-developed and produced software products, and its value-added tax will be refundable if the actual value-added tax burden exceeds 3% as soon as it is imposed.
- (6) According to the provisions of “Implementation Opinions of Yiwu Municipal People’s Government on Carrying out Comprehensive Evaluation of the Benefits of Industrial Enterprises in Per Mu and Comprehensive Promotion on the ‘Per-Mu Hero’ Reform (Yi Zheng Fa [2020] No. 16) (《義烏市人民政府關於開展工業企業畝產效益綜合評價全面推進「畝均論英雄」改革的實施意見》(義政發〔2020〕16號))”, enterprises identified as B1 class under the comprehensive evaluation will be given 80% reduction on urban land use tax. The land use tax payable by the Company shall be reduced by 80% in the current period.

- (7) According to the Implementation Opinions of Zhejiang Provincial Taxation Bureau on Implementing the Decision of Provincial Party Committee to Enrich the People through Entrepreneurship and Strengthen the Province through Innovation (Zhe Di Shui Fa [2008] No. 1) (《浙江省地方稅務局關於貫徹省委推進創業富民創新強省決定的實施意見》(浙地稅發[2008]1號)), the newly recognized high-tech enterprises shall be exempted from real estate tax within three years from the year of recognition due to the insignificant short-term benefit as a result of the large investment in technical transformation. The real estate tax payable by the Company shall be reduced by 100% in the current period.
- (8) According to the Article 7 of the Order No. 483 of the State Council of the People's Republic of China "Decision of the State Council on Amending the Interim Regulations of the People's Republic of China on Urban and Town Land Use Tax", taxpayers who have real difficulties in paying land use tax and regular reduction or exemption is required shall be subject to verification by the tax authorities of provinces, autonomous regions and municipalities directly under the Central Government and reported to the State Tax Bureau for approval. The land use tax payable by the Hangzhou Shibao Auto Steering Gear Co., Ltd., a subsidiary of the Company, shall be reduced by 80% in the current period.
- (9) According to the provisions of the "Several Opinions of General Office of Zhejiang Provincial People's Government on Deepening the Reform of Optimal Allocation of Resources of Manufacturing Enterprises (Zhe Zheng Ban [2019] No. 62) (《浙江省人民政府辦公廳關於深化製造業企業資源要素優化配置改革的若干意見》(浙政辦[2019]62號)) and the Notice of General Office of Hangzhou Municipal People's Government on Promulgating the Implementation Scheme of Comprehensive Adjustment on the Urban Land Use Tax Policy and Promoting the Intensive and Economical Use of Land (Hang Zheng Ban [2015] No. 167) (《關於印發杭州市區全面開展調整城鎮土地使用稅政策 促進土地集約節約利用工作實施方案的通知》(杭政辦[2015]167號)), the class A enterprise can enjoy 100% urban land use tax reduction based on the public comprehensive evaluation results of mu average benefit of A, B, C and D which are categorized by industry. The land use tax payable by Hangzhou New Shibao Electric Power Steering Co., Ltd. shall be reduced by 100%.

#### (4) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

##### 1. Accounts receivable

The aging analysis of accounts receivable is as follows:

Age	31 December 2021			31 December 2020		
	Carrying amount	Provision for bad debt	Provision (%)	Carrying amount	Provision for bad debt	Provision (%)
Within 1 year	375,452,499.03	410,623.67	0.11	316,183,564.27	518,590.14	0.16
1-2 years	8,618,848.29	1,102,005.67	12.79	31,270,449.93	23,611,297.55	75.51
2-3 years	17,488,869.42	15,776,682.85	90.21	23,679,568.76	21,404,948.19	90.39
Over 3 years	16,479,125.39	16,479,125.39	100.00	7,581,482.82	7,581,482.82	100.00
Total	418,039,342.13	33,768,437.58	8.08	378,715,065.78	53,116,318.70	14.03



The aging analysis of accounts receivable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement.

The Company's and its subsidiaries' trading terms with their customers generally offer a certain credit period. However, new customers are often required to make payment in advance. The credit period is generally 90 days, extending up to 180 days for major customers. Overdue balances are reviewed regularly by senior management.

## 2. Short-term borrowings

Item	31 December 2021	31 December 2020
Guaranteed loans (Note)	100,061,061.33	40,050,722.22
Credit loans	53,063,164.38	53,057,906.81
Mortgage		5,008,155.07
Total	153,124,225.71	98,116,784.10

(Note): The guarantee was provided by Zhejiang Shibao Holding Group Co., Ltd., Zhang Shi Quan, Zhang Shi Zhong, Zhang Lan Jun, Zhang Bao Yi, Tang Hao Han, Yiwu City He Feng Automobile Spare Parts Co., Ltd. (義烏市和豐汽車配件有限公司), Lei Wei Zhu and Wang Zheng Xiao.

## 3. Accounts payable

The aging analysis of accounts payable is as follows:

Age	31 December 2021	31 December 2020
Within 1 year	307,200,373.38	292,109,142.08
1-2 years	11,740,288.71	19,296,923.57
2-3 years	5,345,580.62	2,718,865.47
Over 3 years	6,363,541.05	4,620,303.48
Total	330,649,783.76	318,745,234.60

The aging analysis of accounts payable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement.

## 4. Long-term borrowings

### (1) Breakdown

Item	31 December 2021	31 December 2020
Credit loans	9,992,739.73	
Long-term borrowings (Note)	8,800,000.00	8,800,000.00
Total	18,792,739.73	8,800,000.00

Note: These loans represented the interest-free capital loans from the Management Committee of the Tiedong Economic Development Zone in Jilin to the Company's subsidiary, Jilin Shibao Machinery Manufacturing Co., Ltd., to expand production. The corresponding loans are not yet due for settlement.

(2) Analysis of long-term loans by maturity date

Item	31 December 2021	31 December 2020
Current or within 1 year		
1-2 years		
2-5 years	18,792,739.73	8,800,000.00
Over 5 years		
Sub-total	18,792,739.73	8,800,000.00
Include: Long-term loans due within 1 year		
Long-term loans due over 1 year	18,792,739.73	8,800,000.00

**5. Revenue/operating costs**

Item	2021		2020	
	Revenue	Cost	Revenue	Cost
Revenue from main business	1,111,484,125.40	894,826,966.56	1,070,532,827.67	825,769,223.46
Revenue from other business	66,431,720.56	29,721,947.32	31,594,592.62	16,417,864.17
Total	1,177,915,845.96	924,548,913.88	1,102,127,420.29	842,187,087.63

**6. Financial expenses**

Item	2021	2020
Interest expenses	4,887,365.76	4,884,849.57
Interest income	-1,359,222.43	-1,367,911.43
Exchange losses	1,018,470.97	355,714.14
Other	254,733.34	706,357.42
Total	4,801,347.64	4,579,009.70

During 2021 and 2020, there was no interest capitalization.

**7. Income tax expenses**

Item	2021	2020
Current income tax	1,105,552.32	3,043,858.56
Deferred income tax	996,734.72	-1,480,013.83
Total	2,102,287.04	1,563,844.73

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries had no profits generated in or arising from Hong Kong in 2021 and 2020.

**8. Distribution of profit for 2020**

The 2021 profit distribution proposal was approved at the 5th meeting of the seventh session of the Board held on 25 March 2022, the Company will not declare cash dividend, issue bonus shares or increase capital by transferring from capital reserve fund (2020: Nil). The aforesaid profit distribution proposal is subject to approval at the forthcoming annual general meeting of the Company.

## 9. Earnings per share

### (1) Breakdown

Profit for the reporting period	Earnings per share (RMB/share)			
	Basic earnings per share		Diluted earnings per share	
	2021	2020	2021	2020
Net profit attributable to the ordinary shareholders of the Company	0.04	0.05	0.04	0.05
Net profit attributable to the ordinary shareholders of the Company after deducting non-recurring gains and losses	0.002	0.03	0.002	0.03

### (2) Calculations of basic and diluted earnings per share

#### 1. Calculations of basic earnings per share

Item	Number	2021	2020
Net profit attributable to the ordinary shareholders of the Company	A	34,156,323.88	40,845,971.97
Non-recurring gains and losses	B	32,547,101.99	19,457,212.60
Net profit attributable to the ordinary shareholders of the Company after deducting non-recurring gains and losses	C=A-B	1,609,221.89	21,388,759.37
Total number of shares at beginning	D	789,644,637.00	789,644,637.00
Increase in number of shares due to transfer from reserves to capital or distribution of scrip dividend	E		
Increase in number of shares due to issuance of new shares or convertibles	F		
Number of months calculated from the month after increase in shares to end of reporting period	G		
Decrease in number of shares due to repurchase	H		
Number of months calculated from the month after decrease in shares to end of reporting period	I		
Reduction in number of shares during the reporting period	J		
Number of months in the reporting period	K	12	12
Weighted average number of issued ordinary shares	$L=D+E+F \times G/K-H \times I/K-J$	789,644,637.00	789,644,637.00
Basic earnings per share	M=A/L	0.04	0.05
Basic earnings per share after deducting non-recurring gains and losses	N=C/L	0.002	0.03

#### 2. Calculations of diluted earnings per share are the same as the calculations of basic earnings per share.

## 10. Other supplemental information

### (1) Segmental information – Operating segment

As the operations and assets of both the Company and its subsidiaries are related to automotive steering system and components, and are mainly located in Mainland China where 85.65% of the revenue was generated from domestic sales, no further detailed segmental information needs to be disclosed.

### (2) Non-recurring gains and losses

#### 1. Breakdown

Item	2021	2020
Gain or loss on disposal of non-current assets, inclusive of provision for asset impairment write-off	5,309,927.97	386,661.52
Unauthorized approval, or without formal approval documents, or occasional tax returns, deductions	1,643,271.55	118,089.02
Government grants (except for government grants which are closely related to the Company's ordinary business and conforms with the national policies as well as standard amount and quantities or continuous government grants) recognized in gains or losses during the current period	17,282,947.37	17,414,646.53
Gain or loss on entrusted investment or asset management		236,466.22
Gain or loss on debt restructuring	5,862,892.47	
Profit and loss of changes in fair value arising from holding of held-for-trading financial assets, derivative financial assets, held for-trading financial liabilities and derivative financial liabilities, as well as investment gain realized from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, except for the effective hedging activities related to ordinary business operations of the Company	2,204,895.74	-40,138.56
Reversal of impairment provisions for accounts receivable and contract assets subject to individual impairment test	1,856,291.31	4,156,194.15
Other non-operating income and expenses apart from those stated above	264,868.37	-762,502.43
Other gains and losses items conforming with the definition of non-recurring gains or losses	48,275.28	
Less: Effect on corporate income	350,681.27	1,064,897.69
Effect on interest of minority shareholders (after tax)	1,575,586.80	987,306.16
Net non-recurring gains or losses attributable to equity holders of the parent	32,547,101.99	19,457,212.60

(3) Depreciation and amortization expenses

Item	2021	2020
Depreciation of fixed assets	79,281,915.22	81,698,537.27
Amortization of intangible assets	3,230,582.16	5,790,890.89
Total	82,512,497.38	87,489,428.16

(4) Net current assets and total assets less current liabilities

Item	31 December 2021	31 December 2020
Net current assets	436,585,470.09	390,568,355.27
Total assets less current liabilities	1,411,396,683.85	1,386,462,675.45

### 3. DISCUSSION AND ANALYSIS OF OPERATIONS

#### (1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

In 2021, production and sales volume of China automobile industry were 26,082,000 units and 26,275,000 units respectively, representing an increase of 3.40% and 3.80% respectively as compared with last year. Production and sales volume of passenger cars were 21,408,000 units and 21,482,000 units respectively, representing an increase of 7.10% and 6.50% respectively as compared with last year; among passenger cars, sales volume of China-brand passenger cars was 9,543,000 units, representing an increase of 23.10% as compared with last year. Production and sales volume of new energy cars were 3,545,000 units and 3,521,000 units respectively, representing an increase of 159.50% and 157.50% respectively as compared with last year. Production and sales volume of commercial vehicles were 4,674,000 units and 4,793,000 units respectively, representing a decrease of 10.70% and 6.60% respectively as compared with last year; among commercial vehicles, production and sales volume of trucks were 4,166,000 units and 4,288,000 units respectively, representing a decrease of 12.80% and 8.50% respectively as compared with last year; and production and sales volume of buses were 508,000 units and 505,000 units respectively, representing an increase of 12.20% and 12.60% respectively as compared with last year. The top ten automaker groups in China sold 22,621,000 units of automobiles, representing an increase of 1.70% as compared with last year, and their sales represented 86.10% of the total sales of the automobile, representing a decrease of 1.8 percentage point as compared with last year.

#### (2) ANALYSIS OF MAIN BUSINESS

##### 1) Overview

During the reporting period, the overall performance of automobile industry was high before and low after, and it achieved growth for the full year. The Company recorded a revenue of RMB1,177,915,845.96, representing an increase of 6.88% as compared with last year.

During the reporting period, the gross profit of the Company's main business amounted to RMB216,657,158.84, representing a decrease of RMB28,106,445.37 as compared with last year. The gross profit margin of the Company's main business was 19.49% (2020: 22.86%). The Company's selling expenses was RMB55,013,650.18, representing a decrease of 31.92% as compared with last year. The decrease in the gross profit margin and the selling expenses of the Company were mainly due

to the transportation cost of RMB20,901,889.29 incurred by the Company to fulfill the customer contract before the transfer of the control of goods in the current period was presented in the “operating costs” based on the Q&A on the Implementation of the New Criteria of Revenue issued by Ministry of Finance in November 2021, which resulted in a corresponding reduction in the gross profit and selling expenses.

During the reporting period, the Company’s general and administrative expenses was RMB83,108,767.71, representing an increase of 21.62% as compared with last year, which was mainly due to the withdrawal of the government preferential policy of reducing the social security expenditure of enterprises since January 2021 due to the outbreak of the coronavirus pandemic during the corresponding period of last year, which increased the social security expenditure of the Company, leading to the increase in the Company’s employee remuneration expenses.

During the reporting period, the Company’s research and development expenses amounted to RMB80,484,534.57, representing an increase of 21.93% as compared with last year. The research and development expenses accounted for 6.83% of revenue, and the proportion also increased as compared with last year. The Company’s research and development expenses are mainly used on the technical research of automotive steering system’s safety, intelligent, energy saving and light weight, so as to maintain the Company’s competitive edge in respect of sustainable development.

During the reporting period, the Company’s financial expenses was RMB4,801,347.64, representing an increase of 4.86% as compared with last year, which was mainly attributable to foreign exchange losses.

During the reporting period, the Company’s other gains was RMB19,528,117.67, of which government grants amounting to RMB17,836,570.84. The investment gains amounted to RMB6,156,329.37, representing an increase of 2,503.47% as compared with last year, which was mainly due to the increase in the gains on debt restructuring of Lifan Technology (Group) Co., Ltd. (力帆科技(集團)股份有限公司) (Stock abbreviation: Lifan Tech, stock code: 601777) and Zotye Automobile Co., Ltd. (眾泰汽車股份有限公司) (Stock abbreviation: \*ST Zotye, stock code: 000980) obtained by the Company as creditors. Credit impairment losses amounted to RMB148,205.17, representing a decrease of 91.43% as compared with last year, which was mainly due to the reduction in the amount of bad debts receivable from prior years recovered in the current period. Asset impairment losses amounted to RMB-15,371,012.06, representing an increase of 24.78% as compared with last year, which was mainly due to the increase in the provision for inventory falling prices. Gains from disposal of assets amounted to RMB-1,447,085.04 (2020: RMB401,960.67), which was mainly due to the losses arising from the disposal of fixed assets.

During the reporting period, the Company’s income tax expenses amounted to RMB2,102,287.04, representing an increase of 34.43% as compared with last year, which was mainly due to the decrease in profit of the year causing the decrease in income tax expenses, whereas the decrease in deductible temporary differences in the current period causing the decrease in the accrual of the deferred income tax assets correspondingly led to the increase in deferred income tax expenses, resulting in the increase in income tax expenses.

In view of the above, the Company recorded a net profit attributable to shareholders of listed company of RMB34,156,323.88 during the reporting period, representing a decrease of 16.38% as compared with last year.

## 2) Revenue and Cost

### (1) Composite and Cost

	2021		2020		Change
	Amount	Proportion	Amount	Proportion	
Total revenue	1,177,915,845.96		1,102,127,420.29	100.00%	6.88%
<b>By industry</b>					
Manufacture of automotive components and parts	1,111,484,125.40	94.36%	1,070,532,827.67	97.13%	3.83%
Others	66,431,720.56	5.64%	31,594,592.62	2.87%	110.26%
<b>By products</b>					
Steering system and parts	1,019,193,644.26	86.53%	966,976,056.26	87.74%	5.40%
Parts and others	92,290,481.14	7.83%	103,556,771.41	9.39%	-10.88%
Others	66,431,720.56	5.64%	31,594,592.62	2.87%	110.26%
<b>By geography</b>					
Domestic	1,008,936,911.82	85.65%	1,007,102,836.95	91.38%	0.18%
Abroad	168,978,934.14	14.35%	95,024,583.34	8.62%	77.83%
<b>Sales mode</b>					
Vehicle package	1,144,376,411.20	97.15%	1,074,186,854.65	97.46%	6.53%
After-sales service market	33,539,434.76	2.85%	27,940,565.64	2.54%	20.04%

### (2) Details of industry, product, district and sales mode accounted for over 10% of the Company's revenue or operating profit

	Revenue	Cost of sales	Gross profit margin	Change of revenue over last year	Change of cost of sales over last year	Change of gross profit margin over last year
<b>By industry</b>						
Manufacture of automotive components and parts	1,111,484,125.40	894,826,966.56	19.49%	3.83%	8.36%	-3.37%
<b>By products</b>						
Steering system and parts	1,019,193,644.26	830,592,039.51	18.50%	5.40%	9.05%	-2.73%
<b>By geography</b>						
Domestic	1,008,936,911.82	811,206,110.50	19.60%	0.18%	2.22%	-1.60%
Abroad	168,978,934.14	113,342,803.38	32.92%	77.83%	133.40%	-15.97%

(3) Production, sales and inventory of automobile components products

Industry classification	Item	Unit	2021	2020	Change
Manufacture of automotive components and parts (Steering system and parts)	Sales	Units/pieces	1,908,527	1,898,365	0.54%
	Production	Units/pieces	1,926,543	1,890,600	1.90%
	Inventory	Units/pieces	260,142	242,126	7.44%

(4) Structure of cost of sales

Product classification	Item	2021		2020		Change
		Amount	Proportion to cost of sales	Amount	Proportion to cost of sales	
Steering system and parts	Raw materials	601,263,861.74	72.39%	561,082,790.57	73.66%	7.16%
	Labor cost	49,582,316.72	5.97%	46,510,410.66	6.11%	6.60%
	Manufacturing expenses	160,477,899.36	19.32%	154,098,938.63	20.23%	4.14%
	Transportation cost (Note)	19,267,961.69	2.32%	-	-	-

Note: The transportation cost incurred by the Company to fulfill the customer contract before the transfer of the control of goods in the current period was presented in the “operating costs” based on the Q&A on the Implementation of the New Criteria of Revenue issued by Ministry of Finance in November 2021.

**3) Cash Flows**

Item	2021	2020	Change
Sub-total of cash inflow from operating activities	574,166,251.82	666,611,763.69	-13.87%
Sub-total of cash outflow from operating activities	534,535,089.35	570,907,000.06	-6.37%
Net cash flows from operating activities	39,631,162.47	95,704,763.63	-58.59%
Sub-total of cash inflow from investing activities	254,217,635.13	105,804,871.29	140.27%
Sub-total of cash outflow from investing activities	355,762,863.92	123,962,460.78	186.99%
Net cash flows from investing activities	-101,545,228.79	-18,157,589.49	-459.24%
Sub-total of cash inflow from financing activities	191,000,000.00	225,000,000.00	-15.11%
Sub-total of cash outflow from financing activities	130,504,423.37	274,254,723.30	-52.41%
Net cash flows from financing activities	60,495,576.63	-49,254,723.30	222.82%
Net increase in cash and cash equivalents	-2,436,960.66	27,936,736.70	-108.72%

During the reporting period, the net cash flows from operating activities was RMB39,631,162.47, recorded a decrease of 58.59% as compared with last year. It was mainly due to the increase in social security payments and frozen funds for litigation.



During the reporting period, the net cash flows from investing activities was RMB-101,545,228.79, recorded a decrease of 459.24% as compared with last year. It was mainly due to the increase in cash payment for purchase of short-term bank wealth management products.

During the reporting period, the net cash flows from financing activities was RMB60,495,576.63, recorded an increase of 222.82% as compared with last year. It was mainly due to the increase in borrowings.

To sum up, the net increase in cash and cash equivalents during the reporting period was RMB-2,436,960.66, recorded a decrease of 108.72%.

### (3) SIGNIFICANT CHANGES IN COMPOSITION OF ASSETS

No significant changes in composition of assets of the Company at the end of reporting period.

Details of changes in assets accounted for over 5% of the total assets are set out below.

	31 December 2021		31 December 2020		Change
	Amount	Proportion to total	Amount	Proportion to total	
Cash on hand and at bank	195,849,881.10	9.44%	166,389,726.85	8.42%	1.02%
Accounts receivable	384,270,904.55	18.51%	325,598,747.08	16.48%	2.03%
Inventories	329,151,211.94	15.86%	254,371,320.73	12.87%	2.99%
Investment property	198,425,856.97	9.56%	175,565,178.66	8.88%	0.68%
Fixed assets	615,924,086.64	29.68%	668,272,431.63	33.82%	-4.14%
Short-term borrowings	153,124,225.71	7.38%	98,116,784.10	4.96%	2.42%
Accounts payable	330,649,783.76	15.93%	318,745,234.60	16.13%	-0.20%

### (4) FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At the end of the reporting period, the amount of total loans and borrowings amounted to RMB171,780,000.00 (31 December 2020: RMB106,800,000.00). Total loans and borrowings increased by RMB64,980,000.00 when compared with the beginning of the year, mainly due to the increase in guaranteed loans. RMB18,780,000.00 of the total loans and borrowings of the Company shall be repaid after 2 years but within 5 years. Loans and borrowings at fixed interest rates amounted to RMB109,980,000.00 (31 December 2020: RMB45,000,000.00).

The capital structure of the Company consists of borrowings, bank deposits and equity attributable to shareholders of the Company. The management determines the capital structure by considering the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through the payment of dividends, new share issues as well as repayment of bank borrowings.

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. At the end of the reporting period, the Company's gearing ratio was 2.12% (31 December 2020: -2.95%).

The Group's cash and cash equivalents, and loans and borrowings were mainly denominated in Renminbi.

**(5) ASSETS RIGHTS WITH RESTRICTIONS AT THE END OF THE REPORTING PERIOD**

Assets with restrictions in ownership or use rights

Item	Carrying amount at the end of the period	Reason for restriction
Cash on hand and at bank	32,190,188.53	Security deposit for notes pool
Cash on hand and at bank	11,046,434.74	Frozen funds
Cash on hand and at bank	10,000,000.00	Security deposit for comprehensive bank credit
Accounts receivable financing	35,321,988.19	Charge for notes pool
Fixed assets	3,317,320.54	Pledge for letter of credit and notes
Intangible assets	1,973,184.87	Pledge for letter of credit and notes
Investment property	955,200.86	Pledge for letter of credit and notes
Total	94,804,317.73	

**(6) ACQUISITION AND DISPOSAL OF MATERIAL ASSETS AND EQUITY DURING THE YEAR**

During the reporting period, the Company did not have any acquisition and disposal concerning material assets and equity.

**(7) CAPITAL COMMITMENTS**

As at 31 December 2021, other than the following major capital commitments, the Group did not have any other major capital commitments.

Item	31 December 2021	31 December 2020
Material contracts in relation to acquisition of assets contracted but not recognized	92,399,195.31	78,320,631.95

**(8) CONTINGENT LIABILITIES**

As at 31 December 2021, the Company did not have any significant contingent liabilities.

**(9) EVENTS AFTER THE BALANCE SHEET DATE**

The 2021 profit distribution proposal was approved at the 5th meeting of the seventh session of the Board held on 25 March 2022. The Company will not declare cash dividend, issue bonus shares or increase capital by transferring from capital reserve fund. The aforesaid profit distribution proposal is subject to approval at the forthcoming annual general meeting of the Company.

## **(10) OUTLOOK INTO THE FUTURE DEVELOPMENT OF THE COMPANY**

In 2021, the trends of electric, intelligent and networking vehicles have been furthered strengthened. The Company's R&D investment in products and technologies such as electric power steering, electro-hydraulic steering, wire steering, pipe string and intermediate shaft is expected to form mass production in the future.

Looking ahead, the Company will keep on focusing on its core business, improving and upgrading the products and technology, emphasizing on the launch of intelligent driving and unmanned driving related automobile steering products, with an aim to maintain stable operation and make arrangements for future development.

### **4. OTHER MAJOR EVENTS**

During the reporting period, the Company did not have any other major events needed to be disclosed.

### **5. REMUNERATION POLICY AND TRAINING PLANS**

As at 31 December 2021, the Group had approximately 1,636 full-time employees, including production, sales, technical, financial, administrative and other employees.

The Company has established an employee remuneration and evaluation system, which is in line with its operation and development. Meanwhile, the Company paid attention to skill training of employees and team building, so as to ensure that the personnel reserve of the Company meets its development demands. The Company has also established a flexible talent introduction and incentive policy to attract external excellent talents to join the Company.

The Company provided substantial remuneration benefits to employees in accordance with market practice, and provided retirement benefits in accordance with the related laws of the PRC.

The Group had no forfeited contributions (i.e. contributions that can be handled by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions). Accordingly, for the year ended 31 December 2021, the Group had no forfeited contributions available to reduce the existing level of contributions.

The Company's Human Resources Department is responsible for making the employee training plans, providing job skills training and comprehensive management training, mainly in the form of in-house training. Meanwhile, we invite external experts and professors to give trainings according to needs, and provide expatriate training opportunities for employees. The Company also carries out team building activities and otherwise every year to build up team spirit and intensify the employee cohesion.

### **6. CORPORATE GOVERNANCE**

During the reporting period, the Company had been in compliance with the majority of the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange with the exception of code provisions C.1.8. and C.1.6.

Under code provision C.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Board has not arranged a liability insurance for the Directors and senior executives taking into the consideration that the industry, business and financial situation of the Company are stable at present, and the Company has established sufficient internal control system. The Board will review the need for the insurance cover from time to time.

Under code provision C.1.6, independent non-executive directors and other non-executive directors should attend general meetings of shareholders to gain and develop a balanced understanding of the views of shareholders. Mr. Shum Shing Kei, an independent non-executive Director, who retired on 30 June 2021 was absent from the annual general meeting of the Company held on 30 June 2021 due to other important business.

## **7. AUDIT COMMITTEE**

The audit committee of the Company together with the senior management have reviewed the audited consolidated results for 2021.

## **8. MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange. According to Rule A.3(a) and B.8 of the Model Code, a director must not deal in any securities of the listed issuer during the period of 60 days immediately preceding the publication date of the annual results; and during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results and a director must not deal in any securities of the listed issuer without first notifying in writing the chairman or a director other than him and receiving a dated written acknowledgement.

The Company has made specific enquiry and was not aware of any non-compliance of the standard of dealings and the code of conduct regarding the Directors' dealings in the Company's securities during the reporting period, except that prior to Mr. Zhang Shi Zhong (non-executive Director) purchased 10,000 A Shares and disposed 2,500 A Shares of the Company on 8 February 2021 and 10 August 2021, respectively (the "Transactions"), Mr. Zhang Shi Zhong did not inform the Chairman of the Board in writing and received his confirmations, which were not in compliance with Rule B.8 of the Model Code. In addition, the Transactions were conducting during the relevant blackout periods of the annual results of the Company for the year ended 31 December 2020 and interim results of the Company for the six months ended 30 June 2021, respectively, which were not in compliance with Rule A.3(a) of the Model Code. Mr. Zhang has confirmed that he will act strictly in compliance with Rule A.3(a) and B.8 of the Model Code in the future.

The Company has internal control for compliance with the Model Code and reminds Directors regularly to comply with the Model Code (including reminders before the commencement of each blackout period that dealing during the blackout period is prohibited). After the above incidents, the Company has immediately reminded the Directors and senior management again of the requirements of the Model Code and the importance of compliance with the Model Code. The Company will continue to provide regular training to the Directors, senior management and staffs of

the Company so as to ensure compliance with and enhance their (including their associates) awareness of good corporate governance practices.

## **9. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

As at 31 December 2021, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

By order of the Board  
**Zhejiang Shibao Company Limited**  
**Zhang Shi Quan**  
*Chairman*

Hangzhou, Zhejiang, the PRC

25 March 2022

*As at the date of this announcement, the Board comprises Mr. Zhang Bao Yi, Mr. Tang Hao Han, Ms. Zhang Lan Jun and Ms. Liu Xiao Ping as executive Directors; Mr. Zhang Shi Quan and Mr. Zhang Shi Zhong as non-executive Directors; and Mr. Gong Jun Jie, Mr. Lin Yi and Mr. Tsui Chun Shing as independent non-executive Directors.*