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)

INSIDE INFORMATION
ANNOUNCEMENT IN RELATION TO PROVISION FOR ASSET IMPAIRMENT AND WRITE-OFF OF ASSETS

This announcement is made by Zhejiang Shibao Company Limited (the “**Company**”) pursuant to the disclosure requirements as set out in Rules 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The fifth meeting of the seventh session of the board of directors (the “**Board**”) and the fourth meeting of the seventh session of the supervisory committee (the “**Supervisory Committee**”) of the Company were convened on 25 March 2022, at which the “Resolution for Provision for Asset Impairment and Write-off of Assets in 2021” was considered and approved.

According to Rule 7.6.6 of the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, “Where the impact of the provision for asset impairment or the write-off of assets on a company's current profit and loss for more than 10% of the company's absolute value of audited net profit in the latest financial year and the absolute amount exceeds RMB1 million, the information shall be disclosed in a timely manner.”

I. SUMMARY OF THE PROVISION FOR ASSET IMPAIRMENT AND WRITE-OFF OF ASSETS

For the purpose of true and accurate reflection of the financial position, asset value and operating results of the Company in accordance with relevant requirements under the Accounting Standards for Business Enterprises, the Company, after carrying out comprehensive investigation and analysis on indication of impairment of assets of the

* *for identification purpose*

Company in the consolidated financial statements as of 31 December 2021, and conducting test by types of assets, made provision for impairment of assets with potential impairment losses, and after verifying assets that meet the recognition conditions for financial write-off, wrote off the assets.

(I) Provision for asset impairment

After a comprehensive inspection and asset impairment test conducted by the Company on the assets (including inventories, accounts receivable, among others) with signs of impairment as of 31 December 2021 in the consolidated financial statements, the provision for impairment of assets amounted to RMB17,079,300 in total, which is detailed below:

Impairment item	Amount of asset impairment provision from the beginning of the year to the end of the year (RMB'0000)
Accounts receivable	170.83
Inventory	1,537.10
Total	1,707.93

The reporting period in which the provision for asset impairment is included starts from 1 January 2021 to 31 December 2021.

Description of major items for which asset impairment provision is made:

In accordance with requirements under the Accounting Standards for Business Enterprises and relevant accounting policies of the Company, the Company accrued provision for bad debts on accounts receivable in current period of RMB1,708,300. The Company estimated the net realisable value of inventories at the end of the period and provided impairment on inventories of RMB15,371,000 as the net realisable value of part of inventories is lower than the cost of purchase.

(II) Write-off of assets

In order to give a true reflection of the financial position of the Company, the Company has written off the accounts receivable on which the provision for bad debts has been fully made on 31 December 2021 in an aggregate amount of RMB2,723,400. Upon the write-off, the finance department and business department of the Company will open an account for inspection on receivables that have been written off and continue to recover the same.

(III) Decrease in other assets

In current period, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Wuhu Sterling Steering System Co., Ltd., subsidiaries of the Company, (as creditor) involved in the debt restructuring of Zotye Automobile Co., Ltd. (眾泰汽車股份有限公司) (Stock abbreviation: *ST Zotye, stock code: 000980) by a combination of cash settlement and transferring debt to equity instrument, and Hangzhou Shibao

Auto Steering Gear Co., Ltd., a subsidiary of the Company, (as creditor) involved in the debt restructuring of Lifan Technology (Group) Co., Ltd. (Stock abbreviation: Lifan, stock code: 601777) by a combination of cash settlement and transferring debt to equity instrument. The debt restructuring involved accounts receivable with a balance of carrying amount of RMB16,476,400, and provision for bad debts has been made in full at the beginning of the period. After the debt restructuring, the accounts receivable for which bad debt provision has been fully made will be written off.

II. IMPACT OF PROVISION FOR ASSET IMPAIRMENT AND WRITE-OFF OF ASSETS ON THE COMPANY

The total amount of the Company's provision for asset impairment was RMB17,079,300. After considering the income tax and the profit and loss of minority shareholders, the net profit attributable to owners of the listed company in 2021 was reduced by RMB13,711,200, and the equity attributable to owners of the listed company in 2021 was correspondingly reduced by RMB13,711,200.

The assets written off by the Company have been provided for bad debts in full in accordance with relevant accounting standards, which does not affect the Company's profits in 2021 and in previous years. The assets were written off based on the principle of accounting prudence, which gives a true reflection of the financial position of the Company, and conforms to the accounting standards and requirements of relevant policies, as well as the actual needs of the Company, and there involves no related parties of the Company, nor circumstances where the interests of the Company and its shareholders are prejudiced.

III. EXPLANATION OF BASIS, METHOD AND REASONS FOR THE PROVISION OF ASSET IMPAIRMENT AND WRITE-OFF OF ASSETS

(I) Basis and method for the provision of asset impairment

1. Basis and method for the provision of asset impairment for accounts receivable

Based on the credit risk characteristics of each accounts receivable, the Company measures its loss provision at an amount equivalent to the lifetime expected credit loss on either an individual basis or a collective basis of accounts receivable. For accounts receivable with the expected credit loss measured on an individual basis, the Company, taking into full account of reasonable and supportable information relating to historical matters, current conditions and expectation of future economic conditions, estimates the cash flow expected to receive and determines the provision for bad debts accordingly; for accounts receivable with the expected credit loss measured on a collective basis, the Company classifies groups based on aging and, with reference to the historical credit loss experience, makes adjustments based on the forward-looking estimates, prepares a comparison table for accounts receivable aging and lifetime expected credit loss rate, and determines the provision for bad debts accordingly.

Based on relevant provisions of the Accounting Standard for Business Enterprises and the principle of prudence, the Company has made provision for bad debts for the accounts receivable of certain customers on an individual basis, and made provision for bad debts for the remaining accounts receivable according to the expected credit loss rate of assets.

During the reporting period, the Company proposed to make provision for bad debts of RMB1,708,300 for accounts receivable, details of which are as follows:

Unit: RMB

Item	Balance at the beginning of the period	Increase during the period			Decrease during the period			Balance at the end of the period
		Provision	Recover	Others	Reversal	Write-off	Others [Note]	
Bad debt provision on individual basis	50,553,813.48	593,337.52			1,856,291.31	2,723,447.92	16,476,444.03	30,090,967.74
Bad debt provision by groups	2,562,505.22	1,114,964.62						3,677,469.84
Total	53,116,318.70	1,708,302.14			1,856,291.31	2,723,447.92	16,476,444.03	33,768,437.58

[Note] Decrease in others in current period is primarily due to the transfer-out arising from the debt restructuring.

2. *Basis and method for the provision of asset impairment for inventory*

On the balance sheet date, inventory is measured by the lower of cost and net realizable value, and provision for inventory obsolescence is made according to the difference between individual inventory cost and net realizable value. For the inventory directly used for sale, the net realizable value is determined in normal production and operation processes by the amount of the estimated selling price minus the estimated selling expenses and related taxes of the inventory; for the inventory that need to be processed, the net realizable value is determined in the normal production and operation process by the amount of the estimated selling price minus the estimated costs to be incurred upon completion of the product, estimated sales expenses and related taxes; on the balance sheet date, if there is a contract price agreement in some parts of the same inventory and there is no contract price in other parts, the net realizable values shall be determined respectively and compared with their corresponding costs to determine the amount of provision or reversal of provision for inventory obsolescence.

Upon calculation, the Company made provision for impairment of inventory of RMB15,371,000 during the reporting period, details of which are as follows:

Unit: RMB

Item	Balance at the beginning of the period	Increase during the period		Decrease during the period		Balance at the end of the period
		Provision	Others	Reversal or resell	Others	
Raw materials	14,430,460.87	3,284,322.24		4,891,761.36		12,823,021.75
Finished goods	20,306,735.02	11,822,065.95		11,378,837.69		20,749,963.28
Low-value consumables	1,459,319.79	264,623.87		411,064.82		1,312,878.84
Total	36,196,515.68	15,371,012.06		16,681,663.87		34,885,863.87

(II) Basis and reasons for the write-off of accounts receivable

The reasons for the write-off include the corresponding carry-over due to debt restructuring and the fact that some accounts receivable were aging and could not be recovered after adopting various recovery measures. Under the relevant provisions of the Accounting Standards for Business Enterprises, in order to give a true reflection of the Company's financial position, the Company makes write-offs based on the principles of compliance with laws and regulations, standardized operations, approval on a case-by-case basis, and writing off the account and putting it on file.

IV. APPROVAL PROCEDURES FOR PROVISION FOR ASSET IMPAIRMENT AND WRITE-OFF OF ASSETS

The provision for asset impairment and the write-off of assets have been reviewed and approved at the fifth meeting of the seventh session of the Board and the fourth meeting of the seventh session of the Supervisory Committee. The provision for asset impairment and the write-off of assets are not subject to consideration by shareholders at a general meeting of the Company.

1. Opinion of the Board

The provision for asset impairment and write-off of assets of the Company are based on the Company's actual condition, complies with the Accounting Standards for Business Enterprises and the relevant accounting policies of the Company, and gives a true reflection of the Company's financial position, asset value and operating results as of 31 December 2021. The provision for asset impairment and write-off of assets are hereby approved.

2. Opinion of the Supervisory Committee

The provision for asset impairment and write-off of assets of the Company are based on the Company's actual needs, complied with the Accounting Standards for Business Enterprises and the relevant accounting policies of the Company, and gives a true reflection of the Company's financial position, asset value and operating results as of 31 December 2021. The provision for asset impairment and write-off of assets are hereby approved.

3. Independent opinion of independent Directors

The provision for asset impairment and write-off of assets of the Company are complied with the regulations of Accounting Standards for Business Enterprises and other relevant accounting policies of the Company with sufficient basis and standardized decision-making process, which can more fairly reflect the Company's financial position, asset value and operating results as of 31 December 2021, and is in the interests of the Company as a whole. It helps to provide investors with more true, reliable and accurate accounting information, without prejudice to the interests of the Company and its shareholders as a whole, especially minority shareholders. The provision for asset impairment and write-off of assets are hereby approved.

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

Hangzhou, Zhejiang, the PRC

28 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.