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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: 1057)

**ANNOUNCEMENT OF AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL HIGHLIGHTS

	2020	2019	Change
	RMB	RMB	%
Revenue	1,102,127,420.29	982,370,362.06	12.19
Net profit attributable to shareholders of listed company	40,845,971.97	-176,711,694.44	-123.11
Net profit after non-recurring gains and losses attributable to shareholders of listed company	21,388,759.37	-193,462,281.87	-111.06
Net cash flows from operating activities	95,704,763.63	39,800,748.05	140.46
Basic earnings per share (RMB/Share)	0.05	-0.22	-122.73
Diluted earnings per share (RMB/Share)	0.05	-0.22	-122.73
	31 December 2020	31 December 2019	Change
	RMB	RMB	%
Total assets	1,976,246,329.85	1,975,196,092.31	0.05
Net assets attributable to shareholders of listed company	1,342,680,960.34	1,301,834,988.37	3.14

* 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 2020 prepared in accordance with China Accounting Standards for Business Enterprises (“**Accounting Standards for Business Enterprises**”), together with the comparative figures in 2019. The consolidated annual results for 2020 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 2020

Item	Note 4	31 December 2020	31 December 2019
Current assets:			
Cash on hand and at bank		166,389,726.85	130,823,115.52
Financial assets held for trading		904,073.28	71,000,000.00
Notes receivable		239,784.00	
Accounts receivable	1	325,598,747.08	398,848,776.89
Accounts receivable financing		187,274,526.18	141,483,082.75
Prepayments		21,628,201.14	6,563,922.61
Other receivables		9,867,974.89	6,624,835.27
Inventories		254,371,320.73	216,838,013.54
Other current assets		14,077,655.52	18,876,728.92
Total current assets		980,352,009.67	991,058,475.50
Non-current assets:			
Investment property		175,565,178.66	45,608,029.75
Fixed assets		668,272,431.63	716,268,848.51
Construction in progress		48,682,196.11	118,148,294.12
Intangible assets		81,281,828.17	83,246,762.75
Deferred income tax assets		12,805,998.28	11,644,197.00
Other non-current assets		9,286,687.33	9,221,484.68
Total non-current assets		995,894,320.18	984,137,616.81
Total assets		1,976,246,329.85	1,975,196,092.31

Item	Note 4	31 December 2020	31 December 2019
Current liabilities:			
Short-term borrowings		98,116,784.10	143,186,095.89
Notes payable		86,570,132.09	78,049,284.98
Accounts payable	2	318,745,234.60	353,444,997.15
Receipts in advance		14,978,858.81	5,180,624.33
Contract liabilities		9,954,761.23	3,296,944.39
Staff cost payable		20,138,767.07	12,942,278.97
Tax payable		8,337,187.92	2,615,274.29
Other payables		2,740,953.52	1,780,936.38
Other current liabilities		30,200,975.06	24,922,573.49
Total current liabilities		589,783,654.40	625,419,009.87
Non-current liabilities:			
Long-term borrowings	3	8,800,000.00	8,800,000.00
Deferred income		45,985,366.36	43,582,481.56
Deferred income tax liabilities		2,438,113.16	2,756,325.71
Total non-current liabilities		57,223,479.52	55,138,807.27
Total liabilities		647,007,133.92	680,557,817.14
Equity:			
Share capital		789,644,637.00	789,644,637.00
Capital reserve		182,334,093.78	182,334,093.78
Surplus reserve		135,379,620.20	135,379,620.20
Retained earnings		235,322,609.36	194,476,637.39
Equity attributable to shareholders of listed company		1,342,680,960.34	1,301,834,988.37
Minority interests		-13,441,764.41	-7,196,713.20
Total equity		1,329,239,195.93	1,294,638,275.17
Total liabilities and equity		1,976,246,329.85	1,975,196,092.31

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

Item	Note 4	2020	2019
Total Revenue	4	1,102,127,420.29	982,370,362.06
Include: Revenue	4	1,102,127,420.29	982,370,362.06
Total operating costs		1,072,575,546.77	1,114,125,442.28
Include: Operating costs	4	842,187,087.63	844,312,514.70
Business taxed and surcharges		10,659,612.60	9,803,786.48
Selling expenses		80,808,325.52	124,329,014.21
General and administrative expenses		68,334,585.99	70,949,989.21
Research and development expenses		66,006,925.33	61,712,823.86
Financial expenses	5	4,579,009.70	3,017,313.82
Include: Interest expenses		4,884,849.57	4,407,765.65
Interest income		1,367,911.43	1,490,709.13
Add: Other gains		17,532,735.55	15,241,440.01
Investment gains		236,466.22	1,209,913.87
Change of fair value gains		-40,138.56	
Credit impairment losses		1,729,639.95	-51,813,901.94
Asset impairment losses		-12,318,301.26	-38,053,636.54
Gains from disposal of assets		401,960.67	531,164.21
Total profit		37,094,236.09	-204,640,100.61
Add: Non-operating income		334,051.88	904,532.97
Less: Non-operating expenses		1,263,522.48	435,561.82
Total profit		36,164,765.49	-204,171,129.46
Less: Income tax expenses	6	1,563,844.73	-8,287,243.66
Net profit (continuing operations)		34,600,920.76	-195,883,885.80
Net profit attributable to shareholders of listed company		40,845,971.97	-176,711,694.44
Minority interests		-6,245,051.21	-19,172,191.36
Total comprehensive income		34,600,920.76	-195,883,885.80
Total comprehensive income attributable to shareholders of listed company		40,845,971.97	-176,711,694.44
Total comprehensive income attributable to minority shareholders		-6,245,051.21	-19,172,191.36
Earnings per share:	8		
Basic earnings per share		0.05	-0.22
Diluted earnings per share		0.05	-0.22

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

From 1 January 2020, the Company has adopted the Explanation of Accounting Standards for Business Enterprises No.13 issued by the Ministry of Finance in 2019, which is for prospective application.

(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: 1.2% of the residual value after deducting 30% from the original value of the property; rental income based tax: 12% of the 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 of real estate acquired before 30 April 2016 by the Company, Hangzhou New Shibao Electric Power Steering Co., Ltd. and Beijing Autonics Technology Co., Ltd., both are subsidiaries 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, 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 in 2020 was RMB5,098,907.74.
- (5) According to the Article 6 of the “Provisional Regulations Governing Real Estate Tax of the People’s Republic of China” (Guofa No. 90 of 1986), taxpayers who have real difficulties in paying taxes can be reduced or exempted regularly by the governments of provinces, autonomous regions, municipalities directly under the Central Government. Upon approval, the ad valorem real estate tax payable by the Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd., both are subsidiaries of the Company, shall be reduced by 100% in the current period.
- (6) 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. Upon approval, the land use tax payable by the Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd., both are subsidiaries of the Company, shall be reduced by 80%.

- (7) According to the “Opinions on Clarifying the Real Estate Tax and Urban Land Use Tax Policies for Industrial Enterprises in Response to the Epidemic” issued by Wuhu Bureau of Finance and Wuhu Taxation Bureau of State Taxation Administration (Cai Zong [2020] No. 169) and the “Notice on the Reduction and Exemption Policy of Urban Land Use Tax for Property Tax During the Period of Epidemic Prevention and Control” issued by Anhui Provincial Department of Finance and Anhui Provincial Taxation Bureau, industrial enterprises that have suffered significant losses as a result of the epidemic and have real difficulties in paying property tax and urban land use tax may apply for the reduction or exemption of the real estate tax and urban land use tax. Wuhu Sterling Steering System Co., Ltd., a subsidiary of the Company, received the refunded urban land use tax of RMB219,845.17 and real estate tax of RMB46,352.22.

According to the “Measures for Implementation of Incentive Fund Scheme in respect of Land Use Tax in Cities and Towns within Wuhu Economic and Technology Development Zone”, the enterprises whose average annual tax contribution per acre meets the incentive standard will enjoy the urban land use tax incentive. Wuhu Sterling Steering System Co., Ltd., a subsidiary of the Company, meets the above preferential policies and received the refunded land use tax of RMB183,300.00 this year.

(4) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounts receivable

The aging analysis of accounts receivable is as follows:

Age	31 December 2020			31 December 2019		
	Carrying amount	Provision for bad debt	Provision (%)	Carrying amount	Provision for bad debt	Provision (%)
Within 1 year	316,183,564.27	518,590.14	0.16	417,690,591.03	26,002,685.30	6.23
1-2 years	31,270,449.93	23,611,297.55	75.51	30,080,472.69	24,464,226.47	81.33
2-3 years	23,679,568.76	21,404,948.19	90.39	3,271,066.31	1,726,441.37	52.78
Over 3 years	7,581,482.82	7,581,482.82	100.00	4,822,471.59	4,822,471.59	100.00
Total	378,715,065.78	53,116,318.70	14.03	455,864,601.62	57,015,824.73	12.51

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. Accounts payable

The aging analysis of accounts payable is as follows:

Age	31 December 2020	31 December 2019
Within 1 year	292,109,142.08	335,039,531.43
1-2 years	19,296,923.57	10,354,208.86
2-3 years	2,718,865.47	2,945,278.35
Over 3 years	4,620,303.48	5,105,978.51
Total	318,745,234.60	353,444,997.15

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.

3. Long-term borrowings

(1) Breakdown

Item	31 December 2020	31 December 2019
Long-term borrowings (Note)	8,800,000.00	8,800,000.00
Total	8,800,000.00	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 2020	31 December 2019
Current or within 1 year		
1-2 years		
2-5 years	8,800,000.00	8,800,000.00
Over 5 years		
Sub-total	8,800,000.00	8,800,000.00
Include: Long-term loans due within 1 year		
Long-term loans due over 1 year	8,800,000.00	8,800,000.00

4. Revenue/operating costs

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Revenue from main business	1,070,532,827.67	825,769,223.46	964,554,512.66	837,149,050.62
Revenue from other business	31,594,592.62	16,417,864.17	17,815,849.40	7,163,464.08
Total	1,102,127,420.29	842,187,087.63	982,370,362.06	844,312,514.70

5. Financial expenses

Item	2020	2019
Interest expenses	4,884,849.57	4,407,765.65
Interest income	-1,367,911.43	-1,490,709.13
Exchange losses	355,714.14	-124,276.65
Other	706,357.42	224,533.95
Total	4,579,009.70	3,017,313.82

During 2020 and 2019, there was no interest capitalization.

6. Income tax expenses

Item	2020	2019
Current income tax	3,043,858.56	-88,531.54
Deferred income tax	-1,480,013.83	-8,198,712.12
Total	1,563,844.73	-8,287,243.66

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 2020 and 2019.

7. Distribution of profit for 2020

The 2020 profit distribution proposal was approved at the 16th meeting of the sixth session of the Board held on 26 March 2021, the Company will not declare cash dividend, issue bonus shares or increase capital by transferring from capital reserve fund (2019: Nil). The aforesaid profit distribution proposal is subject to approval at the forthcoming annual general meeting of the Company.

8. Earnings per share

(1) Breakdown

Profit for the reporting period	Earnings per share (RMB/share)			
	Basic earnings per share		Diluted earnings per share	
	2020	2019	2020	2019
Net profit attributable to the ordinary shareholders of the Company	0.05	-0.22	0.05	-0.22
Net profit attributable to the ordinary shareholders of the Company after deducting non-recurring gains and losses	0.03	-0.25	0.03	-0.25

(2) Calculations of basic and diluted earnings per share

1. Calculations of basic earnings per share

Item	Number	2020	2019
Net profit attributable to the ordinary shareholders of the Company	A	40,845,971.97	-176,711,694.44
Non-recurring gains and losses	B	19,457,212.60	16,750,587.43
Net profit attributable to the ordinary shareholders of the Company after deducting non-recurring gains and losses	C=A-B	21,388,759.37	-193,462,281.87
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	0.05	-0.22
Basic earnings per share after deducting non-recurring gains and losses	N=C/L	0.03	-0.25

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

9. 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 91.12% 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	2020	2019
Gain or loss on disposal of non-current assets, inclusive of provision for assets impairment write-off	386,661.52	531,164.21
Unauthorized approval, or without formal approval documents, or occasional tax returns, deductions	118,089.02	27,000.00
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	17,414,646.53	15,214,440.01
Gain or loss on entrusted investment or asset management	236,466.22	1,209,913.87
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	-40,138.56	
Reversal of impairment provisions for accounts receivable and contract assets subject to individual impairment test	4,156,194.15	
Other non-operating income and expenses apart from those stated above	-762,502.43	606,267.85
Less: Effect on corporate income	1,064,897.69	
Effect on interest of minority shareholders (after tax)	987,306.16	838,198.51
Net non-recurring gains or losses attributable to equity holders of the parent	19,457,212.60	16,750,587.43

(3) Depreciation and amortization expenses

Item	2020	2019
Depreciation of fixed assets	81,698,537.27	78,006,400.59
Amortization of intangible assets	5,790,890.89	5,313,850.79
Total	87,489,428.16	83,320,251.38

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

Item	31 December 2020	31 December 2019
Net current assets	390,568,355.27	365,639,465.63
Total assets less current liabilities	1,386,462,675.45	1,349,777,082.44

3. DISCUSSION AND ANALYSIS OF OPERATIONS

(1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

In 2020, production and sales volume of China automobile industry were 25,225,000 units and 25,311,000 units respectively, representing a decrease of 2.00% and 1.90% respectively as compared with last year. Production and sales volume of passenger cars were 19,994,000 units and 20,178,000 units respectively, representing a decrease of 6.50% and 6.00% respectively as compared with last year; among passenger cars, sales volume of China-brand passenger cars was 7,749,000 units, representing a decrease of 8.10% as compared with last year. Production and sales volume of new energy cars were 1,366,000 units and 1,367,000 units respectively, representing an increase of 7.50% and 10.90% respectively as compared with last year. Production and sales volume of commercial vehicles were 5,231,000 units and 5,133,000 units respectively, representing an increase of 20.00% and 18.70% respectively as compared with last year; among commercial vehicles, production and sales volume of trucks were 4,778,000 units and 4,685,000 units respectively, representing an increase of 22.90% and 21.70% respectively as compared with last year; and production and sales volume of buses were 453,000 units and 448,000 units respectively, representing a decrease of 4.20% and 5.60% respectively as compared with last year. The top ten automaker groups in China sold 22,644,000 units of automobiles, representing a decrease of 2.30% as compared with last year, and their sales represented 89.50% of the total sales of the automobile, representing a decrease of 0.4 percentage point as compared with last year.

(2) ANALYSIS OF MAIN BUSINESS

During the reporting period, the overall performance of automobile industry was better than expectation due to the relief of coronavirus pandemic, the economic recovery and the stimulation of the promotion policy, which caused the growth of the Company's revenue. The Company recorded a revenue of RMB1,102,127,420.29, representing an increase of 12.19% as compared with last year.

During the reporting period, the gross profit of the Company's main business amounted to RMB244,763,604.21, representing an increase of RMB117,358,142.17 as compared with last year. The gross profit margin of the Company's main business was 22.86% (2019: 13.21%). The integrated reasons for the increase in the gross profit margin of the Company was that the boost of some profitable business was better than the overall performance, and the substantial increase in sales of commercial vehicle steering products leading to cost optimization.

During the reporting period, the Company's selling expenses was RMB80,808,325.52, representing a decrease of 35.00% as compared with last year. The decrease was mainly due to the decrease in warranty expenses.

During the reporting period, the Company's general and administrative expenses were RMB68,334,585.99, representing a decrease of 3.69% as compared with last year. The main reason was the effect of coronavirus pandemic and the government eliminated the expenses of enterprise social security leading to the decrease in staff remuneration expenses.

During the reporting period, the Company's research and development expenses amounted to RMB66,006,925.33, representing an increase of 6.96% as compared with last year. The research and development expenses accounted for 5.99% of revenue, representing a slight decrease 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, automation, 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 RMB4,579,009.70, representing an increase of 51.76% as compared with last year, which was mainly attributable to the increase in interest expenses due to an increase in bank borrowings.

During the reporting period, the Company's other gains comprised of government grants amounting to RMB17,414,646.53. The investment gains amounted to RMB236,466.22, representing a decrease of 80.46% as compared with last year, which was mainly due to the decrease in purchase of bank wealth management products, leading to the decrease in relevant gains. Credit impairment losses amounted to RMB1,729,639.95 (2019: RMB-51,813,901.94), which was mainly due to a combination of the lack of provision for large amounts of bad debts receivable during the current period and recovery of bad debts receivable in previous years. Assets impairment losses amounted to RMB-12,318,301.26 (2019: RMB-38,053,636.54, which was mainly due to the reduction in the provision for inventory falling prices.

During the reporting period, the Company's income tax expenses amounted to RMB1,563,844.73 (2019: RMB-8,287,243.66), which was mainly due to the increase in profit of the year causing the increase in income tax expenses, and the decrease in deductible temporary differences in the current period causing the decrease in the accrual of the deferred income tax assets correspondingly.

In view of the above, the Company recorded a net profit attributable to shareholders of listed company of RMB40,845,971.97 during the reporting period (2019: RMB-176,711,694.44) and turned the loss into profit.

(3) FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At the end of the reporting period, the amount of total loans and borrowings amounted to RMB106,800,000.00 (31 December 2019: RMB151,800,000.00). Total loans and borrowings decreased by RMB45,000,000.00 when compared with the beginning of the year, mainly due to the decrease in guaranteed loans. RMB8,800,000.00 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 RMB45,000,000.00 (31 December 2019: RMB90,000,000.00).

The Company issued 38.2 million RMB ordinary shares (A Shares) by way of non-public issue in 2014 at issue price of RMB18.46 per share, which raised a gross proceeds of RMB705,172,000.00 and a net proceeds of RMB658,162,877.04 after deducting the related costs. On 11 December 2014, the proceeds were credited into the regulatory proceeds account of the Company. The amount of the proceeds actually utilized by the Company in 2020 was RMB76,290,700.00, and RMB104,866,100.00 was used for permanent supplement of working capital. As at 31 December 2020, all proceeds accounts have been cancelled.

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 -2.95% (31 December 2019: 2.62 %).

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

(4) ASSETS WITH RESTRICTIONS IN OWNERSHIP OR USE RIGHTS AT 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	21,335,862.24	Security deposit for notes pool
Cash on hand and at bank	3,646.12	Frozen funds for litigation
Accounts receivable financing	53,304,531.51	Charge for notes pool
Fixed assets	3,639,132.46	Pledge for letter of credit and notes
Intangible assets	3,017,219.69	Pledge for letter of credit and notes
Total	81,300,392.02	

(5) 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.

(6) CAPITAL COMMITMENTS

As at 31 December 2020, other than the following major capital commitments, the Group did not have any other major capital commitments.

Item	31 December 2020	31 December 2019
Material contracts in relation to acquisition of assets contracted but not recognized	78,320,631.95	130,217,773.67

(7) CONTINGENT LIABILITIES

As at 31 December 2020, the Company did not have any significant contingent liabilities.

(8) EVENTS AFTER THE BALANCE SHEET DATE

(1) Resolution on the disposed asset and connection transaction

The Company entered into the Property Sale and Purchase Contract with Zhejiang Shibao Holding Group Co., Ltd., the controlling shareholder of the Company, on 29 January 2021, pursuant to which the Company has sold an idle plant located at No. 262, Jiangdong Road, Fotang Town, Yiwu City to Zhejiang Shibao Holding Group Co., Ltd.. The idle plant has a total gross floor area of 6,455.67 sq.m, with type of land use right as transfer, and purpose of industrial land, and land use right area is 10,367.50 sq.m.. The carrying amount of the asset in this transaction is as follows:

Item	Original value	Accumulated depreciation/ amortization	Net
Land use rights	8,255,372.00	4,233,209.60	4,022,162.40
Buildings	7,525,393.73	6,751,247.13	774,146.60
Total	15,780,765.73	10,984,456.73	4,796,309.00

In accordance with the Property Valuation Report (Zhe Ming Da Gu Zi [2020] No.1595) issued by Zhejiang Mingda Real Estate Valuation Company Limited, the market value of the idle plant is RMB15,910,000.00 on the valuation date (20 November 2020). The final consideration of this transaction was RMB16,000,000.00 through mutual negotiation.

On 29 January 2021, the “Resolution for Disposal of Asset and Connected Transaction” was approved at the 15th meeting of the sixth session of the Board. The connected directors, Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Ms. Zhang Lan Jun and Mr. Zhang Shi Zhong abstained from voting.

(2) Distribution of profit after the balance sheet date

The 2020 profit distribution proposal was approved at the 16th meeting of the sixth session of the Board held on 26 March 2021. 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.

(9) OUTLOOK INTO THE FUTURE DEVELOPMENT OF THE COMPANY

Due to the outbreak of the COVID-19 since early 2020, strict travel restriction was imposed in most areas across China during late January to late March. In this regard, the consumption demand for automobiles was dampened and the operation of the upstream and downstream enterprises of the automobile industry was impacted, leaving the Company under great operation pressure. Afterwards, the overall performance of automobile industry was better than expectation due to the relief of coronavirus pandemic, the economic recovery and the stimulation of the promotion policy, which caused the growth of the Company’s revenue.

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 2020, the Group had approximately 1,680 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. In addition, the Company has 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 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 provision A.1.8.

Under code provision A.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.

7. AUDIT COMMITTEE

The audit committee of the Company together with the senior management have reviewed the audited consolidated results for 2020.

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. The Company had made specific enquiry of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding directors' securities transactions during the reporting period.

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

As at 31 December 2020, 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

26 March 2021

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. Shum Shing Kei as independent non-executive Directors.