

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “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)

**CONNECTED TRANSACTION
DISPOSAL OF THE ASSET OF THE COMPANY**

The Company entered into the Property Sale and Purchase Contract with Shibao Holding 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 Shibao Holding, at a consideration of RMB16,000,000.

As at the date of this announcement, as Shibao Holding holds 341,786,098 A shares of the Company, representing 43.28% of the total share capital of the Company, being the controlling shareholder of the Company, Shibao Holding is a connected person of the Company at the issuer level under Chapter 14A of the Listing Rules. Therefore, the transaction contemplated in the Property Sale and Purchase Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 0.1% but less than 5%, the connected transaction shall only subject to the reporting and announcement requirements under the Listing Rules, but would be exempt from the independent shareholders' approval requirement.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Zhejiang Shibao Company Limited (the “**Company**”) is pleased to announce that the Company entered into a property sale and purchase contract with Zhejiang Shibao Holding Group Co., Ltd. (“**Shibao Holding**”) on 29 January 2021 (the “**Property Sale and Purchase Contract**” or the “**Contract**”), pursuant to which the Company has sold an idle plant located at No. 262, Jiangdong Road, Fotang Town, Yiwu City to Shibao Holding, at a consideration of RMB16,000,000 (the “**Disposal**”).

* For identification purposes only

1. THE PROPERTY SALE AND PURCHASE CONTRACT

Principal terms of the Property Sale and Purchase Contract are set out as follow:

Date

29 January 2021

Parties

- (i) the Company (as Seller)
- (ii) Zhejiang Shibao Holding Group Co., Ltd. (as Buyer), which holds 43.28% equity interests in the Company, being a connected person of the Company at the issuer level

Plant

The plant is located at No. 262, Jiangdong Road, Fotang Town, Yiwu City, details of which are set out in the “Information of Disposed Asset” section below.

Consideration

The consideration of this transaction is finalized at RMB16,000,000 (the “**Consideration**”) through mutual negotiation on the basis of the market value of RMB15,910,000 in the asset market on 20 November 2020 as stipulated in the valuation report prepared by the valuation agency. There is no significant difference between the Consideration and the market value.

As mutually agreed by both parties, the Buyer shall pay the Consideration in full to the Seller in a lump sum by cash transfer within one month after the Contract is executed and takes effect.

Other provisions

- 1. As agreed by both parties, the Seller shall vacate the premise and notify the Buyer for acceptance and handover before 5 March 2021. The Buyer shall inspect the premise within 3 days upon receipt of the notice. After inspection, as a symbol of transfer of title of the property, the Seller shall deliver the key to the Buyer.

2. As confirmed by both parties, the parties shall jointly apply to the real estate registration administration department to proceed with the transfer procedure within 10 days from the day on which the Buyer makes payment of the consideration in full in respect of the property transfer as agreed in the agreement. The Seller undertakes to provide active assistance when the Buyer or their attorney proceeds with the transfer procedure; the property and the land are not subject to any pledge or rights of other third parties, nor do they involve in material dispute, lawsuit or arbitration, seizures, freezing and other judicial measures.
3. The date of transfer of the abovementioned real estate rights shall be the date on which the real estate registration administration department completes the application for transfer of the property.
4. The aforementioned risk liability of the property shall be transferred to the Buyer from the date of transfer of title of the property.
5. After the Contract takes effect, both parties shall pay taxes and fees according to relevant national and municipal regulations. The property management fee, utilities such as water, electricity, gas, and communication expense and other costs unpaid before the abovementioned property transfer shall be borne by the Seller. Expenses incurred after the transfer of title of the property shall be borne by the Buyer.
6. If the Buyer fails to make payment within the agreed period herein, the Buyer shall pay default fee to the Seller. The default fee shall be calculated at a daily rate of 0.05% on the amount past due from the Buyer, commencing from the second day after due date of payment under the Contract to actual payment day.
7. In the event that the Seller fails to deliver the abovementioned property, including the delivery of the property and the transfer of property's rights, to the Buyer within the period prescribed under the Contract, the Seller shall pay default fee to the Buyer. The default fee shall be calculated at a daily rate of 0.05% on the amount already paid by the Buyer, commencing from the delivery date as agreed under the Contract to the actual delivery date.
8. As agreed by both parties, the parties can enter a separate relevant contract or agreement within the context of the terms of the transaction agreed under the Contract, as needed to proceed with the property transfer and registration procedure. If there is any conflict between such contract or agreement as needed for transfer and registration procedure and the terms of the Contract, the Contract shall prevail.

9. The Contract shall take effect from the date of execution and on which relevant review and approval procedures (if necessary) are completed by the Seller pursuant to its Articles of Associations and internal governance system.
10. The laws and regulations of the People's Republic of China are applicable to the Contract. Where any dispute arises between the parties during the performance of the Contract, both parties shall negotiate to solve the issue, and if they fail, shall file an appeal to the people's court where the property is located.

2. INFORMATION OF DISPOSED ASSET

The disposed asset is an idle plant of the Company located at No. 262, Jiangdong Road, Fotang Town, Yiwu City. 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 land certificate number: Yi Wu Guo Yong 2011 No. 100-01320. Title Certificate number: Yi Wu Fang Quan Zheng Fo Tang Zi No. 00133205.

The property and land of the abovementioned idle plant are not subject to any pledge and any other rights of third parties, nor do they involve in any material dispute, lawsuit or arbitration, seizures, freezing and other judicial measures.

No transfer of creditor's rights or debt is involved in the transaction of disposed asset.

The carrying amount and valuation value of disposed asset

(1) The carrying amount of the disposed asset

	Original value <i>RMB</i>	Accumulated depreciation or amortization <i>RMB</i>	Net <i>RMB</i>
Land	8,255,372.00	4,233,209.60	4,022,162.40
Buildings	<u>7,525,393.73</u>	<u>6,751,247.13</u>	<u>774,146.60</u>
Total	<u><u>15,780,765.73</u></u>	<u><u>10,984,456.73</u></u>	<u><u>4,796,309.00</u></u>

(2) The valuation value of the disposed asset

As engaged by the Company, Zhejiang Mingda Real Estate Valuation Company Limited (浙江明達房地產評估有限公司) evaluated the market value of the subject asset, and issued “Property Valuation Report” with the number “Zhe Ming Da Gu Zi [2020] No.1595” on 24 November 2020. According to the report, the buildings of the subject asset have a total gross floor area of 6,455.67 sq.m, and land use right area is 10,367.50 sq.m, and its market value is RMB15,910,000 on the valuation date (20 November 2020).

3. FINANCIAL EFFECT

After the transaction is completed, the net profit in 2021 of the Company is expected to increase by approximately RMB11,000,000 (before taxes and expenses) (subject to the audit result), which is the difference between the Consideration of disposing the property and abovementioned carrying amount). The proceeds from the disposal of the asset will be used in supplementing the liquidity of the Company. The final information on the effect of the transaction on the financial position and operating results of the Company is subject to the annual audited financial report of the Company.

4. REASONS FOR AND BENEFITS OF THE DISPOSAL

The disposed asset is an idle plant, representing a small industrial land area of the Company in aggregate, and the production and operation of the Company has been conducted in other production bases, as a result of which the Disposal will not have an effect on the production and operation of the Company. The Disposal will improve utilization of assets in the Company and reduce management costs.

The Directors (including independent non-executive Directors) are of the view that the Property Sale and Purchase Contract is entered into on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

5. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, as Shibao Holding holds 341,786,098 A shares of the Company, representing 43.28% of the total share capital of the Company, being the controlling shareholder of the Company, Shibao Holding is a connected person of the Company at the issuer level under Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”). Therefore, the transaction contemplated in the Property Sale and Purchase Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 0.1% but less than 5%, the connected transaction shall only subject to the reporting and announcement requirements under the Listing Rules, but would be exempt from the independent shareholders' approval requirement.

The Directors, Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Ms. Zhang Lan Jun and Mr. Zhang Shi Zhong, being the de facto controllers of Shibao Holding who have material interests in the transaction, abstained from voting at the Board meeting to consider the Disposal.

6. INFORMATION ON THE COMPANY AND SHIBAO HOLDING

The Company is a joint stock limited company incorporated under the laws of the People's Republic of China in the PRC. The Company and its subsidiaries mainly engage in design, manufactures and sales of automotive steering gear products.

Shibao Holding is a limited liability company incorporated under the laws of the People's Republic of China in the PRC, which is principally engaged in industrial investment business.

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

Hangzhou, Zhejiang, the PRC

29 January 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.