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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)

**(A) PROPOSED NON-PUBLIC ISSUANCE OF
A SHARES IN THE PRC**

(B) CLASS MEETINGS AND EXTRAORDINARY GENERAL MEETING

The Board is pleased to announce that, at the Board meeting held on 18 October 2022, the Board resolved to convene the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting to obtain the Shareholders' approval for the Non-public Issuance of A Shares.

The Company proposes to issue not more than 236,893,391 new A Shares to not more than 35 subscribers. It is expected that the gross proceeds to be raised from the Non-public Issuance of A Shares will not exceed RMB1,180 million. The Company intends to utilise the net proceeds from the Non-public Issuance of A Shares for the Projects.

The Non-public Issuance of A Shares will be subject to the approvals of the Shareholders to be sought at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting by way of a special resolution.

The Non-public Issuance of A Shares will also be subject to the approval of the relevant PRC authorities.

As a result of the issue of new A Shares pursuant to the Non-public Issuance of A Shares, the shareholding structure of the Company will change upon completion of the Non-public Issuance of A Shares and as such, the Articles of Association will need to be amended to reflect the relevant changes. The Board will seek the Shareholders' authorisation at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting to authorise the Board to arrange for the necessary amendments to the Articles of Association after completion of the Non-public Issuance of A Shares.

As the Non-public Issuance of A Shares is subject to certain conditions precedent, it may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

* For identification purpose only

The Board is pleased to announce that, at the Board meeting held on 18 October 2022, the Board resolved to convene the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting to obtain the Shareholders' approval for the Non-public Issuance of A Shares.

1. SHAREHOLDERS' APPROVAL IN RESPECT OF THE NON-PUBLIC ISSUANCE OF A SHARES

The Company proposes to issue not more than 236,893,391 new A Shares to not more than 35 subscribers. The Company will seek a specific mandate in respect of the Non-public Issuance of A Shares from the Shareholders which will be valid for a 12-month period from the date of passing of the relevant resolutions at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. The Non-public Issuance of A Shares is subject to, among other things, the obtaining of the necessary approval from the CSRC. As at the date of this announcement, the Company has not made the relevant application to the CSRC and such formal application to the CSRC can only be made after obtaining the relevant approvals from the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. Specific terms of the Non-public Issuance of A Shares will be determined in accordance with the approval from the CSRC.

2. GENERAL INFORMATION ON THE NON-PUBLIC ISSUANCE OF A SHARES

2.1 Class and nominal value of shares to be issued

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

2.2 Method and time of issue

Non-public issue to specific subscribers. The Company will issue new A Shares at such time as it considers appropriate within the validity period as prescribed in the approval documents of the CSRC.

2.3 Subscribers and manners of subscription

The new A Shares to be issued under the Non-public Issuance of A Shares will be issued for subscription by not more than 35 investors, including securities investment fund management companies, securities companies, trust companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other qualified investors that satisfy the requirements of CSRC and relevant PRC laws and regulations. Securities investment fund management companies, securities companies, qualified foreign institutional investors, and RMB-qualified foreign institutional investors, which subscribe for the A Shares with two or more of the funds managed by them, shall each be taken as one single subscriber. Trust companies may

only subscribe for the A Shares with their own funds. Upon obtaining the approval from the CSRC for the Non-public Issuance of A Shares, the final subscribers will be determined by the Board under the authorisation granted by the Shareholders at the general meeting in consultation with the sponsor (lead underwriter), having regard to the price offered by the investors. In the event that the laws, regulations and regulatory documents of the PRC have new requirements in relation to target subscribers of the Non-public Issuance of A Shares, the Company will make adjustments according to such new requirements.

All subscribers will subscribe in cash for the new A Shares to be issued pursuant to the Non-public Issuance of A Shares.

2.4 Number of new A Shares to be issued

The number of A Shares to be issued under the Non-public Issuance of A Shares shall be determined by dividing the total raised proceeds from the Non-public Issuance of A Shares by the issue price and shall not exceed 30% of the total share capital of the Company prior to the Non-public Issuance of A Shares (i.e. will not exceed 236,893,391 new A Shares).

Subject to the aforesaid, the final number of new A Shares to be issued will be determined by the Board after taking into consideration the market conditions and in consultation with the sponsor (lead underwriter) under the authorisation granted by the Shareholders at the general meeting.

In case of any change of the share capital, such as bonus issue and capitalisation of capital reserve, during the period from the date of the Board resolution approving the Non-public Issuance of A Shares to the date of issue of such new A Shares, the maximum number of new A Shares to be issued under the Non-public Issuance of A Shares will be adjusted accordingly.

2.5 Issue price, price determination date and pricing principles

The Price Determination Date under the Non-public Issuance of A Shares will be the first day of the offering period. The issue price of the Non-public Issuance of A Shares shall be no less than 80% of the average trading price of A Shares for the 20 trading days preceding the Price Determination Date (the average trading price of A Shares for the 20 trading days preceding the Price Determination Date = the total turnover of A Shares traded for the 20 trading days preceding the Price Determination Date divided by the total volume of A Shares traded for the 20 trading days preceding the Price Determination Date).

The minimum issue price will be adjusted accordingly if any ex-rights or ex-dividends events of the A Shares of the Company, such as the declaration of dividends, bonus issue, and capitalization from capital reserve, occur during the period from the Price Determination Date to the date of issue of A Shares.

The final issue price shall be determined, after the approval documents have been obtained from the CSRC, by the Board under the authorization granted by the Shareholders at the general meeting, together with the sponsor (lead underwriter) in accordance with the requirements of the relevant laws and regulations and other regulatory requirements and based on the bid price tendered by the target investors and the price priority principle.

2.6 Lock-up period

Upon completion of the Non-public Issuance of A Shares, the A Shares to be subscribed by the subscribers under the Non-public Issuance of A Shares shall be subject to a lock-up period of six months from the date of completion of the Non-public Issuance of A Shares (the “**Lock-up Period**”). If a subscriber obtains any additional A Shares derived through the distribution of bonus shares or capitalisation issue by the Company or for other reasons, these Shares will be subject to the aforesaid agreed lock-up arrangement. In the event that any subscriber reduces its shareholding in the Company upon the expiration of the Lock-up Period, it is required to observe the relevant requirements under the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and other laws, regulations, rules and regulatory documents, requirements of Shenzhen Stock Exchange and the Articles of Association.

2.7 Place of listing

Application will be made by the Company for listing of the Shares to be issued under the Non-public Issuance of A Shares on the Shenzhen Stock Exchange.

2.8 Amount and use of proceeds

The amount of gross proceeds from the Non-public Issuance of A Shares is expected to be not more than RMB1,180 million. The Company intends to use such proceeds (after deducting the relevant expenses) for the following purposes:

Intended use of proceeds	Total amount of capital required to be applied (RMB)	Proposed amount of proceeds to be applied (RMB)
1. the annual production of 600,000 automobile intelligent steering system technical transformation project (新增年產60萬台套汽車智能轉向系統技術改造項目)	300,000,000	300,000,000
2. the automotive intelligent steering system and key components development project (汽車智能轉向系統及關鍵部件建設項目)	500,000,000	500,000,000
3. the intelligent network connected automobile steer-by-wire technology research and development center project (智能網聯汽車轉向線控技術研發中心項目)	180,000,000	180,000,000
4. the replenishment of working capital (補充流動資金)	200,000,000	200,000,000
Total	1,180,000,000	1,180,000,000

In the event that the actual amount of net proceeds raised under the Non-public Issuance of A Shares is less than the total amount of proceeds proposed to be applied to the Projects set out above, the Company will utilise its internal resources or seek alternative financing to fund the shortfall and the Board can make appropriate adjustments to the application sequence and amount of the proceeds according to actual conditions.

Before the proceeds from the Non-public Issuance of A Shares are available, the Company may fund the Projects in accordance with the progress of the Projects by other available resources first, which will be subsequently replaced by the proceeds from the Non-public Issuance of A Shares when they are available in accordance with the procedures of the relevant laws and regulations.

2.9 Arrangement relating to the accumulated undistributed profits prior to the Non-public Issuance of A Shares

Upon completion of the Non-public Issuance of A Shares, both existing and new Shareholders will be entitled to the accumulated undistributed profits of the Company.

2.10 Validity period of Shareholders' resolutions

The resolutions in relation to the Non-public Issuance of A Shares will be valid for 12 months from the date of the passing of such resolutions at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. If the Company has obtained the approval document from the CSRC on the Non-public Issuance of A Shares within the aforesaid validity period, the aforesaid validity period will be automatically extended to the date of completion of the Non-public Issuance of A Shares.

3. EFFECT OF THE NON-PUBLIC ISSUANCE OF A SHARES ON THE COMPANY'S SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately after the completion of the Non-public Issuance of A Shares, assuming that 236,893,391 new A Shares in aggregate are issued under the Non-public Issuance of A Shares and no other change to the shareholding structure:

	As at the date of this announcement		Immediately after the completion of the Non-public Issuance of A Shares	
	<i>Number of Shares in issue</i>	<i>% (approx.)</i>	<i>Number of Shares in issue</i>	<i>% (approx.)</i>
A Shares				
– 浙江世寶控股集團有限公司 (Zhejiang Shibao Holding Group Co., Ltd.*)	325,993,298	41.28	325,993,298	31.76
– Zhang Shi Quan	26,391,580	3.34	26,391,580	2.57
– Zhang Shi Zhong	7,500	0.001	7,500	0.001
– Public A Shareholders	220,467,259	27.92	220,467,259	21.48
– Subscribers of A Shares to be issued under the Non-public Issuance of A Shares	—	—	236,893,391	23.08
H Shares				
Pubic H Shareholders	216,785,000	27.45	216,785,000	21.12
Total	789,644,637	100	1,026,538,028	100

The target subscribers of the Non-public Issuance of A Shares do not include the Company's controlling shareholder, the de facto controller and the related parties under their control.

4. FUND RAISING IN THE PAST 12 MONTHS

The Company has not conducted any fund raising activity involving issue of equity securities in the period of 12 months preceding the date of this announcement.

5. REASONS FOR AND BENEFITS OF THE NON-PUBLIC ISSUANCE OF A SHARES

The Board is of the view that the Projects into which the proceeds from the Non-public Issuance of A Shares will be invested are intended for the following purposes and bring the following benefits:

(1) **To capture the development opportunities of the industry, expand the scale of competitive products and promote the increase in the Company's profits**

Currently, the domestic automobile steering enterprises have entered into a period of important scale-based growth opportunities with positive development for the overall industry, transformation and upgrading of the product structures, entry into international supply chain system as well as improvement in localization of components. The opportunities and challenges coexist. The Company is also facing relatively intensive competition pressure.

Given that the Company has accumulated certain technological reserves in terms of automotive intelligent steering, it is necessary for the Company to implement “the annual production of 600,000 automobile intelligent steering system technical transformation project” and “automotive intelligent steering system and key components development project” as soon as possible, so as to timely seize the market opportunities of motorization, intelligence and networking. After the projects to be invested with the proceeds have ramped up to full capacity, leveraging on its advanced equipment and technologies, the Company can build a capacity structure in a timely manner that adapts to the industry development trend, expand the Company’s production scale of competitive products, consolidate and enhance its market share and positioning in the automotive steering gear industry and strengthen its anti-risk capability and sustainability, which enables the Company to develop its business in a sustained, rapid and healthy manner. Through the Non-public Issuance of A Shares, the Company will take full use of the advantage of the financing platform as a listed company, seize the development opportunities in the market, and expand the scale of competitive products with a view to improving its overall profitability and maximising its Shareholders’ interests.

(2) To enhance the Company’s development and research capacity and build up the future automotive steering technologies

The Company has always focused on the automotive steering gears and key components for other steering system businesses and has conducted in-depth theoretical research in this professional field over the years while accumulating rich experience. The Company also attaches greater importance to the synchronous research and development of technology, production process and fully-automated production equipment while actively developing new projects with customers, and is actively engaged in future steering technology research and development and industrialization.

Wire-controlled chassis is the cornerstone to achieve level 3 (L3) automatic driving. As one of the key technologies of wire-controlled chassis, wire-controlled steering is under the small-scale sample stage. Therefore, the Company aims to seize the development opportunity of the wire-controlled chassis under the major trend of automobile intelligence and electrification, and intends to build an automobile steer-by-wire technology research and development center by upgrading and expanding the existing research and development center, as well as increasing the investment in research and development of equipment and supporting professional software. On the basis of existing automobile electronic technology development capability, the Company will carry out vertical and horizontal technology research in the field of automotive intelligent driving, improve the technology research and development innovation system and further strengthen the synchronous development and design ability with customers in order to enhance the overall research and development level and technical strength of the Company and build up the future automotive steering technologies.

(3) To optimise the Company's capital structure and reduce financial risks

The automotive steering industry is capital and technology intensive. With the continuous expansion of the Company's business scale and the further development of its existing business in the future, there is increasing demand for capital from the Company that would be exposed to greater capital pressure. To use the Non-public Issuance of A Shares to raise proceeds is a crucial approach for the Company to comprehensively improve its competitiveness and achieve sustainable development, which allows the Company to relieve the funding pressure, arrange its various production, operation and investment activities in an orderly manner, enhance its profitability and risk resistance, and also provides with financial support for the Company to successfully achieve its strategic layout.

In view of the above, the Directors consider that the Non-public Issuance of A Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. PROPOSED CONSEQUENTIAL AMENDMENTS TO ARTICLES OF ASSOCIATION

As a result of the issue of new A Shares pursuant to the Non-public Issuance of A Shares, the shareholding structure of the Company will change upon completion of the Non-public Issuance of A Shares and as such, the Articles of Association will need to be amended to reflect the relevant changes. The Board will seek the Shareholders' authorisation at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting to authorise the Board to arrange for the necessary amendments to the Articles of Association after completion of the Non-public Issuance of A Shares.

7. THE EGM AND CLASS MEETINGS

The Non-public Issuance of A Shares will be subject to, among other things, the approval of the Shareholders in a general meeting and the H Shareholders and A Shareholders at their respective class meetings by way of a special resolution. It is therefore proposed that the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting be convened to approve resolutions relating to, among other things, the Non-public Issuance of A Shares.

A circular containing, among others, further details of the Non-public Issuance of A Shares is expected to be despatched to the H Shareholders on or about 10 November 2022.

As the Non-public Issuance of A Shares is subject to certain conditions precedent, it may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“A Shareholders”	holders of A Shares
“A Shareholders’ Class Meeting”	the class meeting of the A Shareholders to be convened to consider and, if thought fit, approve, among other things, the specific mandate relating to the Non-public Issuance of A Shares
“A Share(s)”	PRC listed A Share(s) of the Company, with nominal value of RMB1.00 each, which are listed and traded on the Shenzhen Stock Exchange
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Company”	浙江世寶股份有限公司 (Zhejiang Shibao Company Limited*), a joint stock company incorporated in the PRC with limited liability
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the specific mandate relating to the Non-public Issuance of A Shares
“H Shareholders”	holders of H Shares
“H Shareholders’ Class Meeting”	the class meeting of the H Shareholders to be convened to consider and, if thought fit, approve, among other things, the specific mandate relating to the Non-public Issuance of A Shares
“H Share(s)”	overseas listed foreign share(s) of the Company, with nominal value of RMB1.00 each, which are listed and traded on the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Non-public Issuance of A Shares”	the proposed issue of not more than 236,893,391 A Shares by the Company, which are proposed to be listed and traded on the Shenzhen Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Price Determination Date”	the first day of the offering period of the Non-public Issuance of A Shares
“Projects”	the various projects as described under the paragraph headed “Amount and use of proceeds” in this announcement to which the proceeds to be raised from the Non-public Issuance of A Shares are intended to be applied
“RMB”	Renminbi, the lawful currency of the PRC for the time being
“Share(s)”	A Share(s) and H Share(s), or the context requires, either of them
“Shareholders”	holders of the Shares
“Shenzhen Stock Exchange”	The Shenzhen Stock Exchange of the PRC
“%”	per cent.

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

Hangzhou, Zhejiang, the PRC
18 October 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.