

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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL HIGHLIGHTS

	2022	2021	Change
	RMB	RMB	
Revenue	1,386,395,566.38	1,177,915,845.96	17.70%
Net profit attributable to shareholders of listed company	15,823,592.47	34,156,323.88	-53.67%
Net profit after non-recurring gains and losses attributable to shareholders of listed company	-9,657,861.73	1,609,221.89	-700.16%
Net cash flows from operating activities	110,871,280.81	39,631,162.47	179.76%
Basic earnings per share (RMB/Share)	0.02	0.04	-50.00%
Diluted earnings per share (RMB/Share)	0.02	0.04	-50.00%
Weighted average return on net assets ratio	1.14%	2.51%	-1.37%
	31 December 2022	31 December 2021	Change
	RMB	RMB	
Total assets	2,389,483,168.38	2,075,458,857.18	15.13%
Net assets attributable to shareholders of listed company	1,392,660,876.69	1,376,837,284.22	1.15%

* 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 2022 prepared in accordance with China Accounting Standards for Business Enterprises (“**Accounting Standards for Business Enterprises**”), together with the comparative figures in 2021. The consolidated annual results for 2022 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 2022

Item	Note 4	31 December 2022	31 December 2021
Current assets:			
Cash on hand and at bank		232,225,660.78	195,849,881.10
Financial assets held for trading		120,393,605.57	70,388,744.26
Accounts receivable	1	450,378,856.64	384,270,904.55
Accounts receivable financing		141,228,798.62	89,284,490.52
Prepayments		13,612,688.61	12,646,311.89
Other receivables		4,271,142.19	7,980,394.93
Inventories		418,926,209.83	329,151,211.94
Other current assets		19,121,139.69	11,075,704.23
Total current assets		1,400,158,101.93	1,100,647,643.42
Non-current assets:			
Investment property		191,588,844.28	198,425,856.97
Fixed assets		637,752,505.44	615,924,086.64
Construction in progress		73,883,359.35	73,680,237.52
Intangible assets		56,434,022.38	56,824,823.72
Deferred income tax assets		14,620,602.72	11,846,890.33
Other non-current assets		15,045,732.28	18,109,318.58
Total non-current assets		989,325,066.45	974,811,213.76
Total assets		2,389,483,168.38	2,075,458,857.18

Item	Note 4	31 December 2022	31 December 2021
Current liabilities:			
Short-term borrowings	2	153,164,291.67	153,124,225.71
Notes payable		200,181,609.95	98,329,394.76
Accounts payable	3	492,851,770.30	330,649,783.76
Receipts in advance		10,369,809.24	14,232,745.02
Contract liabilities		6,685,985.59	8,058,280.73
Staff cost payable		24,981,564.62	21,806,321.78
Tax payable		10,511,638.31	4,898,630.77
Other payables		3,336,507.84	3,384,879.14
Other current liabilities		36,783,309.21	29,577,911.66
Total current liabilities		938,866,486.73	664,062,173.33
Non-current liabilities:			
Long-term borrowings	4	43,816,783.33	18,792,739.73
Deferred income		28,083,266.73	35,294,031.63
Deferred income tax liabilities		5,618,659.73	2,475,739.93
Total non-current liabilities		77,518,709.79	56,562,511.29
Total liabilities		1,016,385,196.52	720,624,684.62
Equity:			
Share capital		789,644,637.00	789,644,637.00
Capital reserve		182,334,093.78	182,334,093.78
Surplus reserve		137,936,874.81	136,516,449.60
Retained earnings		282,745,271.10	268,342,103.84
Equity attributable to shareholders of listed company		1,392,660,876.69	1,376,837,284.22
Minority interests		-19,562,904.83	-22,003,111.66
Total equity		1,373,097,971.86	1,354,834,172.56
Total liabilities and equity		2,389,483,168.38	2,075,458,857.18

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

Item	Note 4	2022	2021
Total Revenue	5	1,386,395,566.38	1,177,915,845.96
Include: Revenue	5	1,386,395,566.38	1,177,915,845.96
Total operating costs		1,370,967,136.95	1,160,600,658.10
Include: Operating costs	5	1,117,392,294.25	924,548,913.88
Business taxed and surcharges		9,188,313.26	12,643,444.12
Selling expenses		52,043,482.77	55,013,650.18
General and administrative expenses		87,822,707.53	83,108,767.71
Research and development expenses		99,668,577.85	80,484,534.57
Financial expenses	6	4,851,761.29	4,801,347.64
Include: Interest expenses		5,346,190.55	4,887,365.76
Interest income		949,325.73	1,359,222.43
Add: Other gains		18,987,378.83	19,528,117.67
Investment gains		1,798,850.81	6,156,329.37
Gains on fair value change		-1,141,664.33	1,321,778.51
Credit impairment losses		-1,589,469.25	148,205.17
Asset impairment losses		-19,975,166.26	-15,371,012.06
Gains from disposal of assets		5,113,339.09	-1,447,085.04
Operating profit		18,621,698.32	27,651,521.48
Add: Non-operating income		382,612.09	321,923.24
Less: Non-operating expenses		371,303.70	276,181.05
Total profit		18,633,006.71	27,697,263.67
Less: Income tax expenses	7	369,207.41	2,102,287.04
Net profit (continuing operations)		18,263,799.30	25,594,976.63
Net profit attributable to shareholders of listed company		15,823,592.47	34,156,323.88
Minority interests		2,440,206.83	-8,561,347.25
Total comprehensive income		18,263,799.30	25,594,976.63
Total comprehensive income attributable to shareholders of listed company		15,823,592.47	34,156,323.88
Total comprehensive income attributable to minority shareholders		2,440,206.83	-8,561,347.25
Earnings per share:	9		
Basic earnings per share		0.02	0.04
Diluted earnings per share		0.02	0.04

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 1 January 2022, the Company has adopted the “Accounting Treatment of External Sales of Products or By-products Produced by Enterprises before the Fixed assets are Ready for their Intended Use or during the Research and Development Process” of Interpretation 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.
- (2) Since 1 January 2022, the Company has adopted the “Determination of Onerous Contract” of Interpretation 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) Since 30 November 2022, the Company has adopted the “Accounting Treatment of Income Tax Impacts of Dividends Related to Financial Instruments Classified as Equity Instruments by the Issuer” of Interpretation of Accounting Standards for

Business Enterprises No.16 issued by the Ministry of Finance. This accounting policy change has no impact on the Company’s financial statements.

- (4) Since 30 November 2022, the Company has adopted the “Accounting Treatment of Modification Made by Business Enterprises of Share-based Payment Settled in Cash to Share-based Payment Settled in Equity” of Interpretation of Accounting Standards for Business Enterprises No.16 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 subsidiaries of the Company, Hangzhou New Shibao Electric Power Steering Co., Ltd. and Wuhu Sterling Steering System Co., Ltd., are 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 “the Announcement of the MOF and the State Administration of Taxation on Further Strengthening the Implementation of Policies for Period-end Uncredited Value-Added Tax Refund” (Announcement [2022] No. 14 of the MOF and the State Taxation Administration) (《財政部稅務總局關於進一步加大增值稅期末留抵退稅政策實施力度的公告》(財政部稅務總局公告 2022 年第 14 號)) jointly issued by the Ministry of Finance and the State Administration of Taxation, the Company met the relevant conditions for refund of retained tax credit, and received a refund of RMB2,610,994.24 of VAT retained tax credit in the current period.
- (5) 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 shortterm 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.

- (6) According to the Article 6 of the “Provisional Regulations Governing Real Estate Tax of the People’s Republic of China” (Guo Fa No. 90 of 1986) (《中華人民共和國房產稅暫行條例》(國發〔1986〕90號)), 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. The real estate tax of Hangzhou Shibao Auto Steering Gear Co., Ltd., a subsidiary of the Company, was reduced by 100% in the current period.
- (7) 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” (《國務院關於修改〈中華人民共和國城鎮土地使用稅暫行條例〉的決定》), 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 of Hangzhou Shibao Auto Steering Gear Co., Ltd., a subsidiary of the Company, was reduced by 80% in the current period.
- (8) According to the "Announcement on Matters Related to the Reduction of Real Estate Tax and Urban Land Use Tax" (《關於減免房產稅城鎮土地使用稅有關事項的公告》) issued by the Department of Finance of Jilin Province, Jilin Provincial Office of the State Administration of Taxation, enterprises (companies) that have incurred serious losses in their own-use real estates and lands may apply for reduction or exemption of real estate tax and urban land use tax. Jilin Shibao Machinery Manufacturing Co., Ltd., a subsidiary of the Company, is exempt from real estate tax and land use tax in the first and second quarters of the current period.

(4) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounts receivable

The aging analysis of accounts receivable is as follows:

Age	31 December 2022			31 December 2021		
	Carrying amount	Provision for bad debt	Provision (%)	Carrying amount	Provision for bad debt	Provision (%)
Within 1 year	438,653,295.14	397,623.40	0.09	375,452,499.03	410,623.67	0.11
1-2 years	10,486,098.56	647,597.01	6.18	8,618,848.29	1,102,005.67	12.79
2-3 years	4,101,101.30	1,816,417.95	44.29	17,488,869.42	15,776,682.85	90.21
Over 3 years	32,496,268.47	32,496,268.47	100.00	16,479,125.39	16,479,125.39	100.00
Total	485,736,763.47	35,357,906.83	7.28	418,039,342.13	33,768,437.58	8.08

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 2022	31 December 2021
Guaranteed loans (Note)	83,094,013.88	100,061,061.33
Credit loans	20,021,388.90	53,063,164.38
Mortgage	50,048,888.89	
Total	153,164,291.67	153,124,225.71

(Note): The guaranteed loan of RMB40,000,000 in the closing balance was guaranteed 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) and Wang Zheng Xiao. The guaranteed loan of RMB43,000,000 was guaranteed by Zhang Shi Quan.

3. Accounts payable

The aging analysis of accounts payable is as follows:

Age	31 December 2022	31 December 2021
Within 1 year	469,522,225.31	307,200,373.38
1-2 years	10,721,731.66	11,740,288.71
2-3 years	5,420,313.64	5,345,580.62
Over 3 years	7,187,499.69	6,363,541.05
Total	492,851,770.30	330,649,783.76

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 2022	31 December 2021
Credit loans	35,016,783.33	9,992,739.73
Long-term borrowings (Note)	8,800,000.00	8,800,000.00
Total	43,816,783.33	18,792,739.73

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 2022	31 December 2021
Current or within 1 year		
1-2 years		
2-5 years	43,816,783.33	18,792,739.73
Over 5 years		
Sub-total	43,816,783.33	18,792,739.73
Include: Long-term loans due within 1 year		
Long-term loans due over 1 year	43,816,783.33	18,792,739.73

5. Revenue/operating costs

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Revenue from main business	1,328,037,578.29	1,096,514,461.55	1,111,484,125.40	894,826,966.56
Revenue from other business	58,357,988.09	20,877,832.70	66,431,720.56	29,721,947.32
Total	1,386,395,566.38	1,117,392,294.25	1,177,915,845.96	924,548,913.88
Including: Revenue generated by contracts with customers	1,364,106,924.55	1,110,992,989.42	1,141,786,414.22	912,516,171.41

6. Financial expenses

Item	2022	2021
Interest expenses	5,346,190.55	4,887,365.76
Interest income	-949,325.73	-1,359,222.43
Exchange losses	187,379.32	1,018,470.97
Other	267,517.15	254,733.34
Total	4,851,761.29	4,801,347.64

During 2022 and 2021, there was no interest capitalization.

7. Income tax expenses

Item	2022	2021
Current income tax		1,105,552.32
Deferred income tax	369,207.41	996,734.72
Total	369,207.41	2,102,287.04

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 2022 and 2021.

8. Distribution of profit for 2022

The 2022 profit distribution proposal was approved at the 13th meeting of the seventh session of the Board held on 17 March 2023, the Company will not declare cash dividend, issue bonus shares or increase capital by transferring from capital reserve fund (2021: 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	
	2022	2021	2022	2021
Net profit attributable to the ordinary shareholders of the Company	0.02	0.04	0.02	0.04
Net profit attributable to the ordinary shareholders of the Company after deducting non-recurring gains and losses	-0.01	0.002	-0.01	0.002

(2) Calculations of basic and diluted earnings per share

1. Calculations of basic earnings per share

Item	Number	2022	2021
Net profit attributable to the ordinary shareholders of the Company	A	15,823,592.47	34,156,323.88
Non-recurring gains and losses	B	25,481,454.20	32,547,101.99
Net profit attributable to the ordinary shareholders of the Company after deducting non-recurring gains and losses	C=A-B	-9,657,861.73	1,609,221.89
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	789,644,637
Basic earnings per share	$M=A/L$	0.02	0.04
Basic earnings per share after deducting non-recurring gains and losses	$N=C/L$	-0.01	0.002

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 91.43% 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	2022	2021
Gain or loss on disposal of non-current assets, inclusive of provision for asset impairment write-off	5,044,588.11	5,309,927.97
Unauthorized approval, or without formal approval documents, or occasional tax returns, deductions	83,412.65	1,643,271.55
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	18,840,594.64	17,282,947.37
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	1,133,396.65	2,204,895.74
Reversal of impairment provisions for accounts receivable and contract assets subject to individual impairment test	180,576.09	1,856,291.31
Other non-operating income and expenses apart from those stated above	284,002.31	264,868.37
Other gains and losses items conforming with the definition of non-recurring gains or losses	63,371.54	48,275.28
Less: Effect on corporate income	259,814.63	350,681.27
Effect on interest of minority shareholders (after tax)	-111,326.84	1,575,586.80
Net non-recurring gains or losses attributable to equity holders of the parent	25,481,454.20	32,547,101.99

(3) Depreciation and amortization expenses

Item	2022	2021
Depreciation of fixed assets	79,100,732.92	79,281,915.22
Amortization of intangible assets	3,770,985.69	3,230,582.16
Total	82,871,718.61	82,512,497.38

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

Item	31 December 2022	31 December 2021
Net current assets	461,291,615.20	436,585,470.09
Total assets less current liabilities	1,450,616,681.65	1,411,396,683.85

3. DISCUSSION AND ANALYSIS OF OPERATIONS

(1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

In 2022, production and sales volume of China automobile industry were 27,021,000 units and 26,864,000 units respectively, representing an increase of 3.40% and 2.10% respectively as compared with last year. Production and sales volume of passenger cars were 23,836,000 units and 23,563,000 units respectively, representing an increase of 11.20% and 9.50% respectively as compared with last year; among passenger cars, sales volume of China-brand passenger cars was 11,766,000 units, representing an increase of 22.80% as compared with last year. Production and sales volume of new energy cars were 7,058,000 units and 6,887,000 units respectively, representing an increase of 96.90% and 93.40% respectively as compared with last year. Production and sales volume of commercial vehicles were 3,185,000 units and 3,300,000 units respectively, representing a decrease of 31.90% and 31.20% respectively as compared with last year; among commercial vehicles, production and sales volume of trucks were 2,278,000 units and 2,893,000 units respectively, representing a decrease of 33.40% and 32.60% respectively as compared with last year; and production and sales volume of buses were 407,000 units and 408,000 units respectively, representing a decrease of 19.90% and 19.20% respectively as compared with last year. The top ten automaker groups in China sold 20,690,000 units of automobiles, representing a decrease of 1.70% as compared with last year, and their sales represented 87.10% of the total sales of the automobile, representing an increase of 0.50 percentage point as compared with last year.

(2) ANALYSIS OF MAIN BUSINESS

1) Overview

During the reporting period, the product sales of the Company's passenger car electric power steering system recorded a significant increase. However, affected by the year-on-year decline in the production and sales volume of commercial cars, the Company recorded a decrease on its sales of commercial vehicle steering products. The Company recorded a revenue of RMB1,386,395,566.38, representing an increase of 17.70% as compared with last year.

During the reporting period, the gross profit of the Company's main business amounted to RMB231,523,116.74, representing an increase of RMB14,865,957.90 as compared with last year. The gross profit margin of the Company's main business was 17.43% (2021: 19.49%). The decrease in the gross profit margin of the Company was mainly due to the decline in the sales of commercial vehicle steering products with higher gross margin.

The Company's selling expenses was RMB52,043,482.77, representing a decrease of 5.40% as compared with last year, which was mainly attributable to the decrease in warranty expenses.

During the reporting period, the Company's general and administrative expenses was RMB87,822,707.53, representing an increase of 5.67% as compared with last year, which was mainly due to the increase in business activities resulting in an increase in business entertainment expenses, office expenses and professional service fees.

During the reporting period, the Company's research and development expenses amounted to RMB99,668,577.85, representing an increase of 23.84% as compared with last year, which was mainly due to the increase in the salary of R&D personnel, and the increase in R&D-related debugging, inspection and development expenses. During the reporting period, the research and development expenses accounted for 7.19% 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, automatic, 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 RMB4,851,761.29, representing an increase of 1.05% as compared with last year, which was mainly attributable to the increase in borrowings resulting in an increase in interest expenses.

During the reporting period, the Company's other gains was RMB18,987,378.83, of which government grants amounting to RMB18,840,594.64. The investment gains amounted to RMB1,798,850.81, representing a decrease of 70.78% as compared with last year, which was mainly due to no income from debt restructuring in the current period. The gains on fair value change was RMB-1,141,664.33, representing a decrease of 186.37% as compared with last year, which was mainly caused by the changes in the fair value of the shares previously acquired by the Company as a creditor due to debt restructuring. The credit impairment losses amounted to RMB-1,589,469.25, representing an increase of 1,172.48% as compared with last year, which was mainly due to the increase in the book balance of accounts receivable resulting from the expansion of the sales scale in the current period and reversal of the small amount of accounts receivable with provision for bad debts on the individual basis in the current period. The asset impairment losses amounted to RMB-19,975,166.26, representing an increase of 29.95% as compared with last year, which was mainly due to the overall impact of the industry leading to an increase in the provision for falling prices of inventory such as commercial vehicle steering products and other inventory. The gains from disposal of assets amounted to RMB5,113,339.09, representing an increase of 453.35% as compared with last year, which was mainly due to the recognized gains arising from the disposal of equipment by the Company's subsidiary, Hangzhou New Shibao.

During the reporting period, the Company's income tax expenses amounted to RMB369,207.41, representing a decrease of 82.44% as compared with last year, mainly due to the small profit in the current period and the fact that no income tax expense for the current period was incurred after making up the loss.

In view of the above, the Company recorded a net profit attributable to shareholders of listed company of RMB15,823,592.47 during the reporting period, representing a decrease of 53.67% as compared with last year.

2) Revenue and Cost

(1) Composite and Cost

	2022		2021		Change
	Amount	Proportion	Amount	Proportion	
Total revenue	1,386,395,566.38	100.00%	1,177,915,845.96	100.00%	17.70%
By industry					
Manufacture of automotive components and parts	1,328,037,578.29	95.79%	1,111,484,125.40	94.36%	19.48%
Others	58,357,988.09	4.21%	66,431,720.56	5.64%	-12.15%
By products					
Steering system and parts	1,237,045,742.62	89.23%	1,019,193,644.26	86.53%	21.37%
Parts and others	90,991,835.67	6.56%	92,290,481.14	7.83%	-1.41%
Others	58,357,988.09	4.21%	66,431,720.56	5.64%	-12.15%
By geography					
Domestic	1,267,557,479.69	91.43%	1,008,936,911.82	85.65%	25.63%
Abroad	118,838,086.69	8.57%	168,978,934.14	14.35%	-29.67%
Sales mode					
Vehicle package	1,358,846,650.97	98.01%	1,144,376,411.20	97.15%	18.74%
After-sales service market	27,548,915.41	1.99%	33,539,434.76	2.85%	-17.86%

(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
By industry						
Manufacture of automotive components and parts	1,328,037,578.29	1,096,514,461.55	17.43%	19.48%	22.54%	-2.06%
By products						
Steering system and parts	1,237,045,742.62	1,033,125,531.65	16.48%	21.37%	24.38%	-2.02%
By geography						
Domestic	1,267,557,479.69	1,042,693,779.17	17.74%	25.63%	28.54%	-1.86%
Abroad	118,838,086.69	74,698,515.08	37.14%	-29.67%	-34.10%	4.22%

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

Industry classification	Item	Unit	2022	2021	Change
Manufacture of automotive components and parts (Steering system and parts)	Sales	Units/pieces	2,155,984	1,908,527	12.97%
	Production	Units/pieces	2,214,891	1,926,543	14.97%
	Inventory	Units/pieces	319,049	260,142	22.64%

(4) Structure of cost of sales

Product classification	Item	2022		2021		Change
		Amount	Proportion to cost of sales	Amount	Proportion to cost of sales	
Steering system and parts	Raw materials	788,434,578.41	76.32%	601,263,861.74	72.39%	31.13%
	Labor cost	62,350,189.31	6.04%	49,582,316.72	5.97%	25.75%
	Manufacturing expenses	161,679,894.46	15.64%	160,477,899.36	19.32%	0.75%
	Transportation cost	20,660,869.47	2.00%	19,267,961.69	2.32%	7.23%

3) Cash Flows

Item	2022	2021	Change
Sub-total of cash inflow from operating activities	988,202,760.66	574,166,251.82	72.11%
Sub-total of cash outflow from operating activities	877,331,479.85	534,535,089.35	64.13%
Net cash flows from operating activities	110,871,280.81	39,631,162.47	179.76%
Sub-total of cash inflow from investing activities	242,648,275.17	254,217,635.13	-4.55%
Sub-total of cash outflow from investing activities	359,793,006.40	355,762,863.92	1.13%
Net cash flows from investing activities	-117,144,731.23	-101,545,228.79	-15.36%
Sub-total of cash inflow from financing activities	225,000,000.00	191,000,000.00	17.80%
Sub-total of cash outflow from financing activities	205,508,382.41	130,504,423.37	57.47%
Net cash flows from financing activities	19,491,617.59	60,495,576.63	-67.78%
Net increase in cash and cash equivalents	13,030,787.85	-2,436,960.66	634.71%

During the reporting period, the net cash flows from operating activities was RMB110,871,280.81, representing an increase of 179.76% as compared with last year, which was mainly due to the increase in cash receipts from sales. The net cash flows from investing activities was RMB-117,144,731.23, representing a decrease of 15.36% as compared with last year, which was mainly due to the decrease in cash receipts from disposal of fixed assets. The net cash flows from financing activities was RMB19,491,617.59, representing a decrease of 67.78% as compared with last year, which was mainly due to the increase in cash repayment of bank borrowings. To sum up, the net increase in cash and cash equivalents during the reporting period was RMB13,030,787.85, recorded an increase of 634.71%.

(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 2022		31 December 2021		Change
	Amount	Proportion to total	Amount	Proportion to total	
Cash on hand and at bank	232,225,660.78	9.72%	195,849,881.10	9.44%	0.28%
Financial assets held for trading	120,393,605.57	5.04%	70,388,744.26	3.39%	1.65%
Accounts receivable	450,378,856.64	18.85%	384,270,904.55	18.51%	0.34%
Accounts receivable financing	141,228,798.62	5.91%	89,284,490.52	4.30%	1.61%
Inventories	418,926,209.83	17.53%	329,151,211.94	15.86%	1.67%
Investment property	191,588,844.28	8.02%	198,425,856.97	9.56%	-1.54%
Fixed assets	637,752,505.44	26.69%	615,924,086.64	29.68%	-2.99%
Short-term borrowings	153,164,291.67	6.41%	153,124,225.71	7.38%	-0.97%
Notes payable	200,181,609.95	8.38%	98,329,394.76	4.74%	3.64%
Accounts payable	492,851,770.30	20.63%	330,649,783.76	15.93%	4.70%

(4) FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At the end of the reporting period, the amount of total loans and borrowings amounted to RMB196,780,000.00 (31 December 2021: RMB171,780,000.00). Total loans and borrowings increased by RMB25,000,000.00 when compared with the beginning of the year, mainly due to the increase in mortgage 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 RMB103,000,000.00 (31 December 2021: RMB109,980,000.00).

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 2.92% (31 December 2021: 2.12%).

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	176.64	Deposit in dormant account
Cash on hand and at bank	16,000.00	ETC frozen funds
Cash on hand and at bank	76,565,438.46	Security deposit for notes pool
Accounts receivable financing	71,613,599.48	Charge for notes pool
Fixed assets	47,242,652.11	Loan and comprehensive credit mortgage
Intangible assets	22,216,875.90	Loan and comprehensive credit mortgage
Investment property	926,182.10	Comprehensive credit mortgage
Total	218,580,924.69	

(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 2022, other than the following major capital commitments, the Group did not have any other major capital commitments.

Item	31 December 2022	31 December 2021
Material contracts in relation to acquisition of assets contracted but not recognized	82,239,716.15	92,399,195.31

(8) CONTINGENT LIABILITIES

As at 31 December 2022, the Company did not have any significant contingent liabilities.

(9) EVENTS AFTER THE BALANCE SHEET DATE

The 2022 profit distribution proposal was approved at the thirteenth meeting of the seventh session of the Board held on 17 March 2023. 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 2022, the sales volume of the Company's electric steering products increased significantly, and the steering column and intermediate shaft products achieved mass production.

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 2022, the Group had approximately 1,697 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 2022, 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 provision C.1.8.

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.

7. AUDIT COMMITTEE

The audit committee of the Company together with the senior management have reviewed the audited consolidated results for 2022.

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 and as of the publication date of this announcement.

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

As at 31 December 2022, 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

17 March 2023

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.