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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

FINANCIAL HIGHLIGHTS

	2023	2022	Change
	RMB	RMB	
Revenue	1,819,442,221.52	1,386,395,566.38	31.24%
Net profit attributable to shareholders of listed company	77,204,342.79	15,823,592.47	387.91%
Net profit after non-recurring gains and losses attributable to shareholders of listed company	64,374,816.28	-9,657,861.73	-766.55%
Net cash flows from operating activities	3,196,715.47	110,871,280.81	-97.12%
Basic earnings per share (RMB/Share)	0.10	0.02	400.00%
Diluted earnings per share (RMB/Share)	0.10	0.02	400.00%
Weighted average return on net assets ratio	5.39%	1.14%	4.25%
	31 December 2023	31 December 2022	Change
	RMB	RMB	
Total assets	2,650,678,847.84	2,389,483,168.38	10.93%
Net assets attributable to shareholders of listed company	1,469,865,219.48	1,392,660,876.69	5.54%

* 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 2023 prepared in accordance with China Accounting Standards for Business Enterprises (“**Accounting Standards for Business Enterprises**”), together with the comparative figures in 2022. The consolidated annual results for 2023 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 2023

Item	Note (4)	31 December 2023	31 December 2022
Current assets:			
Cash on hand and at bank		158,481,484.94	232,225,660.78
Financial assets held for trading		110,253,432.83	120,393,605.57
Accounts receivable	1	717,577,606.43	450,378,856.64
Financing receivables		199,966,034.43	141,228,798.62
Prepayments		8,861,720.75	13,612,688.61
Other receivables		3,499,432.17	4,271,142.19
Inventories		478,208,228.06	418,926,209.83
Other current assets		5,310,713.41	19,121,139.69
Total current assets		1,682,158,653.02	1,400,158,101.93
Non-current assets:			
Investment property		181,278,705.33	191,588,844.28
Fixed assets		682,550,682.51	637,752,505.44
Construction in progress		29,028,326.22	73,883,359.35
Intangible assets		59,264,173.40	56,434,022.38
Deferred income tax assets		11,828,529.38	14,620,602.72
Other non-current assets		4,569,777.98	15,045,732.28
Total non-current assets		968,520,194.82	989,325,066.45
Total assets		2,650,678,847.84	2,389,483,168.38

Item	Note (4)	31 December 2023	31 December 2022
Current liabilities:			
Short-term borrowings	2	147,820,497.81	153,164,291.67
Notes payable		191,745,893.38	200,181,609.95
Accounts payable	3	652,464,245.78	492,851,770.30
Receipts in advance		9,292,437.66	10,369,809.24
Contract liabilities		18,649,684.46	6,685,985.59
Staff cost payable		28,730,734.85	24,981,564.62
Tax payable		7,706,796.87	10,511,638.31
Other payables		2,834,268.68	3,336,507.84
Non-current liabilities due within one year		25,084,088.74	
Other current liabilities		38,905,444.96	36,783,309.21
Total current liabilities		1,123,234,093.19	938,866,486.73
Non-current liabilities:			
Long-term borrowings	4	34,836,594.99	43,816,783.33
Deferred income		32,680,455.22	28,083,266.73
Deferred income tax liabilities		1,964,100.71	5,618,659.73
Total non-current liabilities		69,481,150.92	77,518,709.79
Total liabilities		1,192,715,244.11	1,016,385,196.52
Equity:			
Share capital		789,644,637.00	789,644,637.00
Capital reserve		182,334,093.78	182,334,093.78
Surplus reserve		139,259,335.05	137,936,874.81
Retained earnings		358,627,153.65	282,745,271.10
Equity attributable to shareholders of listed company		1,469,865,219.48	1,392,660,876.69
Minority interests		-11,901,615.75	-19,562,904.83
Total equity		1,457,963,603.73	1,373,097,971.86
Total liabilities and equity		2,650,678,847.84	2,389,483,168.38

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

Item	Note (4)	2023	2022
Total Revenue	5	1,819,442,221.52	1,386,395,566.38
Include: Revenue	5	1,819,442,221.52	1,386,395,566.38
Total operating costs		1,753,706,339.00	1,370,967,136.95
Include: Operating costs	5	1,444,262,099.48	1,117,392,294.25
Business taxed and surcharges		12,718,136.06	9,188,313.26
Selling expenses		63,149,039.78	52,043,482.77
General and administrative expenses		109,307,880.14	87,822,707.53
Research and development expenses		118,196,951.05	99,668,577.85
Financial expenses	6	6,072,232.49	4,851,761.29
Include: Interest expenses		7,273,803.75	5,346,190.55
Interest income		1,714,729.11	949,325.73
Add: Other gains		30,291,802.93	18,987,378.83
Investment gains		1,485,955.85	1,798,850.81
Gains on fair value change		-265,698.17	-1,141,664.33
Credit impairment losses		2,760,529.44	-1,589,469.25
Asset impairment losses		-12,899,491.01	-19,975,166.26
Gains on disposal of assets		-473,679.45	5,113,339.09
Operating profit		86,635,302.11	18,621,698.32
Add: Non-operating income		283,414.71	382,612.09
Less: Non-operating expenses		2,915,570.63	371,303.70
Total profit		84,003,146.19	18,633,006.71
Less: Income tax expenses	7	-862,485.68	369,207.41
Net profit (continuing operations)		84,865,631.87	18,263,799.30
Net profit attributable to shareholders of listed company		77,204,342.79	15,823,592.47
Minority interests		7,661,289.08	2,440,206.83
Total comprehensive income		84,865,631.87	18,263,799.30
Total comprehensive income attributable to shareholders of listed company		77,204,342.79	15,823,592.47
Total comprehensive income attributable to minority shareholders		7,661,289.08	2,440,206.83
Earnings per share:	9		
Basic earnings per share		0.10	0.02
Diluted earnings per share		0.10	0.02

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

With effect from 1 January 2023, the Company implemented the provisions of “Interpretation No. 16 on ASBE”, “accounting treatment that exemption from initial recognition does not apply to deferred income tax associated with assets and liabilities arising from a single transaction”, and the change of such accounting policy has no significant effect on the financial statements of the Company.

(3) TAXATION

1. Major types of tax and tax rates

Type of tax	Basis tax rate	Tax rate
Value-added tax (VAT)	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%
Enterprise 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., a subsidiary 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 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 enterprise 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 “Announcement on Filing of High-tech Enterprises Recognized and Reported by Zhejiang Provincial Certification Authority in 2023” (《對浙江省認定機構 2023 年認定報備的高新技術企業進行備案的公告》) issued by the National High-tech Enterprise Certification Management Leading Group Office, the Company, the Company’s subsidiaries, namely, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. obtained the High-tech Enterprise Certificates (No. GR202333007462, GR202333007079 and

GR202333005129, respectively), with a valid period from 2023 to 2025, and were subject to a reduced enterprise income tax rate of 15% during the period.

- (2) According to the “Announcement on Filing of the Second Batch of High-tech Enterprises Recognized and Reported by Beijing Municipal Certification Authority in 2023” (《對北京市認定機構 2023 年認定報備的第二批高新技術企業進行備案的公告》) issued by the National High-tech Enterprise Certification Management Leading Group Office, a subsidiary of the Company, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR202311001400), with a valid period from 2023 to 2025, and it was subject to an enterprise income tax rate of 15% during the period.
- (3) According to the “Announcement on Filing of the Second Batch of High-tech Enterprises Recognized and Reported by Anhui Provincial Certification Authority in 2023” (《對安徽省認定機構 2023 年認定報備的第二批高新技術企業進行備案的公告》) issued by the National High-tech Enterprise Certification Management Leading Group Office, a subsidiary of the Company, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR202334006504), with a valid period from 2023 to 2025, and was subject to an enterprise income tax rate of 15% during the period.
- (4) According to the Announcement on the Value-added Tax Super Deduction Policy for Advanced Manufacturing Enterprises (Announcement of the Ministry of Finance and the State Administration of Taxation [2023] No. 43) (《關於先進製造業企業增值稅加計抵減政策的公告》(財政部稅務總局公告 2023 年第 43 號)) issued by the Ministry of Finance and the State Administration of Taxation, from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are allowed to deduct 5% of the current deductible input tax from the VAT payable. During the period, the Company, the Company’s subsidiaries, namely, Hangzhou Shibao Auto Steering Gear Co., Ltd., Hangzhou New Shibao Electric Power Steering Co., Ltd., Beijing Autonics Technology Co., Ltd. and Wuhu Sterling Steering System Co., Ltd., were entitled to the above super deduction policy.
- (5) According to Article 6 of the Interim Regulations of the People’s Republic of China on Real Estate Tax (Guo Fa [1986] No. 90), taxpayers who have difficulties in paying tax may be determined by the people’s governments of provinces, autonomous regions and municipalities directly under the Central Government to regularly reduce or exempt real estate tax. During the period, the property tax of Hangzhou Shibao Auto Steering Gear Co., Ltd., a subsidiary of the Company, was reduced by 90%.

- (6) According to the “Announcement on Tax Policies to Further Support the Entrepreneurship and Employment of Retired Soldiers in Independent Employment (Announcement No. 14 of 2023 of the Department of Veterans Affairs of the Ministry of Finance, the State Taxation Administration and the Veterans Affairs)” (《關於進一步扶持自主就業退役士兵創業就業有關稅收政策的公告》(財政部稅務總局退役軍人事務部公告 2023 年第 14 號)) issued by the Ministry of Finance, the State Taxation Administration and the Veterans Affairs Department, from 1 January 2023 to 31 December 2027, if an enterprise recruits retired soldiers for independent employment and signs a labor contract with them for a term of more than one year and pays social insurance premiums in accordance with the law, the VAT, urban maintenance and construction tax, education surcharge, local education surcharge and enterprise income tax shall be deducted in a fixed amount according to the actual number of recruits within three years from the month of signing the labor contract and paying social insurance. During the period, Hangzhou New Shibao Electric Power Steering Co., Ltd., a subsidiary of the Company, was exempted from VAT by RMB36,000.00.
- (7) According to the Notice on Value-added Tax Policies for Software Products (Cai Shui [2011] No. 100)(《關於軟體產品增值稅政策的通知》(財稅[2011]100 號)) issued by the Ministry of Finance and the State Administration of Taxation, general VAT taxpayers selling software products developed and manufactured by themselves shall implement the immediate refund policy for the part of the actual VAT burden exceeding 3%. Beijing Autonics Technology Co., Ltd., a subsidiary of the Company, enjoyed the above policies during the period.
- (8) According to the Notice on the Continued Reduction of Local Water Conservancy Construction Fund for Micro-, Small-and Medium-sized Enterprises in Anhui Province (Wan Cai Zong [2023] No. 245) (《關於我省中小微企業繼續減征地方水利建設基金的通知》(皖財綜〔2023〕245 號)) issued by the Department of Finance of Anhui Province and the Anhui Provincial Tax Service of the State Taxation Administration, the local water conservancy construction fund levied on micro-, small-and medium-sized enterprises in Anhui Province was originally stipulated in the Notice on the Reduction of Local Water Conservancy Construction Fund (《關於我省中小微企業減征地方水利建設基金的通知》) for Micro-, Small-and Medium-sized Enterprises in Anhui Province, and the implementation period was extended to 31 December 2023 at 90% of the existing rate. During the period, the local water conservancy construction fund of Wuhu Sterling Steering System Co., Ltd., a subsidiary of the Company, was calculated at 90%.

(4) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounts receivable

The aging analysis of accounts receivable is as follows:

Age	31 December 2023			31 December 2022		
	Carrying amount	Provision for bad debt	Provision (%)	Carrying amount	Provision for bad debt	Provision (%)
Within 1 year	708,412,987.42	637,571.69	0.09	438,653,295.14	397,623.40	0.09
1-2 years	8,706,884.90	480,620.05	5.52	10,486,098.56	647,597.01	6.18
2-3 years	2,122,197.40	546,271.55	25.74	4,101,101.30	1,816,417.95	44.29
Over 3 years	29,834,084.97	29,834,084.97	100.00	32,496,268.47	32,496,268.47	100.00
Total	749,076,154.69	31,498,548.26	4.20	485,736,763.47	35,357,906.83	7.28

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 trading terms of the Company and its subsidiaries 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 2023	31 December 2022
Guaranteed loans (Note)	68,068,000.00	83,094,013.88
Credit loans	35,014,006.14	20,021,388.90
Mortgage	44,738,491.67	50,048,888.89
Total	147,820,497.81	153,164,291.67

(Note): The guaranteed loan of RMB68,000,000 in the closing balance was guaranteed by Zhang Shi Quan.

3. Accounts payable

The aging analysis of accounts payable is as follows:

Age	31 December 2023	31 December 2022
Within 1 year	624,256,741.61	469,522,225.31
1-2 years	15,349,059.78	10,721,731.66
2-3 years	4,447,245.72	5,420,313.64
Over 3 years	8,411,198.67	7,187,499.69
Total	652,464,245.78	492,851,770.30

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 2023	31 December 2022
Credit loans	34,836,594.99	35,016,783.33
Long-term borrowings		8,800,000.00
Total	34,836,594.99	43,816,783.33

(2) Analysis of long-term loans by maturity date

Item	31 December 2023 (note)	31 December 2022
Current or within 1 year	25,084,088.74	
1-2 years	34,836,594.99	
2-5 years		43,816,783.33
Over 5 years		
Sub-total	59,920,683.73	43,816,783.33
Include: Long-term loans due within 1 year	25,084,088.74	
Long-term loans due over 1 year	34,836,594.99	43,816,783.33

(Note): Non-current liabilities due within one year includes long-term borrowings due within one year

5. Revenue/operating costs

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Main business	1,740,240,817.04	1,419,496,001.72	1,328,037,578.29	1,096,514,461.55
Other business	79,201,404.48	24,766,097.76	58,357,988.09	20,877,832.70
Total	1,819,442,221.52	1,444,262,099.48	1,386,395,566.38	1,117,392,294.25
Including: Revenue generated by contracts with customers	1,798,692,243.26	1,438,080,315.00	1,364,106,924.55	1,110,992,989.42

6. Financial expenses

Item	2023	2022
Interest expenses	7,273,803.75	5,346,190.55
Interest income	-1,714,729.11	-949,325.73
Exchange losses	-248,964.76	187,379.32
Other	762,122.61	267,517.15
Total	6,072,232.49	4,851,761.29

During 2023 and 2022, there was no interest capitalization.

7. Income tax expenses

Item	2023	2022
Deferred income tax	-862,485.68	369,207.41
Total	-862,485.68	369,207.41

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 2023 and 2022.

8. Distribution of profit for 2023

As considered and approved at the 18th meeting of the seventh session of the Board of the Company held on 28 March 2024, the Company decided to distribute a cash dividend of RMB20,000,000.00 (tax inclusive) to all shareholders based on the share capital on the equity registration date when the 2023 annual equity distribution was implemented, i.e. approximately RMB0.25 (tax inclusive) per 10 shares (2022: Nil) based on the total share capital of 789,644,637 shares of the Company as of 27 March 2024. In this distribution, no capital reserve will be converted into share capital and no bonus shares will be issued. The Company is in the process of handling the matters in relation to the 2022 issuance of A shares to specific targets, and the actual amount of cash dividends to be distributed shall be calculated based on the total share capital as at the equity registration date when the equity distribution is implemented. If there is any change in the share capital of the Company during the period from the disclosure of the profit distribution plan to the implementation, the Company intends to adjust the distribution ratio accordingly based on the principle that the total distribution amount remains unchanged. The aforementioned profit distribution proposal is subject to approval at an annual general meeting.

9. Earnings per share

(1) Breakdown

Profit for the reporting period	Earnings per share (RMB/share)			
	Basic earnings per share		Diluted earnings per share	
	2023	2022	2023	2022
Net profit attributable to the ordinary shareholders of the Company	0.10	0.02	0.10	0.02
Net profit after non-recurring gains and losses attributable to the ordinary shareholders of the Company	0.08	-0.01	0.08	-0.01

(2) Calculations of basic and diluted earnings per share

1. Calculations of basic earnings per share

Item	Number	2023	2022
Net profit attributable to the ordinary shareholders of the Company	A	77,204,342.79	15,823,592.47
Non-recurring gains and losses	B	12,829,526.51	25,481,454.20
Net profit after non-recurring gains and losses attributable to the ordinary shareholders of the Company	C=A-B	64,374,816.28	-9,657,861.73
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		
Decrease 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	0.10	0.02
Basic earnings per share after non-recurring gains and losses	N=C/L	0.08	-0.01

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 94.63% 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	2023	2022
Gain or loss on disposal of non-current assets, inclusive of provision for asset impairment write-off	-2,473,688.10	5,044,588.11
Unauthorized approval, or without formal approval documents, or occasional tax returns, deductions		83,412.65
Government grants (except for government grants which are closely related to the Company's ordinary business, conforms with the national policies, enjoys in accordance with determined standards, have a lasting impact on the Company's profits and losses) recognized in gains or losses during the current period	9,369,964.82	18,840,594.64
Non-financial enterprises' gains and losses from changes in fair value arising from holding financial assets and financial liabilities and gains and losses arising from the disposal of financial assets and financial liabilities, except for the effective hedging business related to the Company's ordinary business	2,047,493.37	1,133,396.65
Reversal of impairment provisions for accounts receivable subject to individual impairment test	2,837,151.09	180,576.09
Other non-operating income and expenses apart from those stated above	-169,586.74	284,002.31
Other gains and losses items conforming with the definition of non-recurring gains or losses		63,371.54
Less: Effect on enterprise income tax ("-" for decrease)		259,814.63
Effect on interest of minority shareholders (after tax)	-1,218,192.07	-111,326.84
Net non-recurring gains or losses attributable to equity holders of the parent	12,829,526.51	25,481,454.20

(3) Depreciation and amortization expenses

Item	2023	2022
Depreciation of fixed assets	87,001,521.04	79,100,732.92
Amortization of intangible assets	4,188,752.34	3,770,985.69
Total	91,190,273.38	82,871,718.61

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

Item	31 December 2023	31 December 2022
Net current assets	558,924,559.83	461,291,615.20
Total assets less current liabilities	1,527,444,754.65	1,450,616,681.65

3. DISCUSSION AND ANALYSIS OF OPERATIONS

(1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

In 2023, production and sales volume of China automobile industry were 30,161,000 units and 30,094,000 units respectively, representing an increase of 11.60% and 12.00% respectively as compared with last year. Production and sales volume of passenger vehicles were 26,124,000 units and 26,063,000 units respectively, representing an increase of 9.60% and 10.60% respectively as compared with last year; among passenger vehicles, sales volume of China-brand passenger vehicles was 14,596,000 units, representing an increase of 24.10% as compared with last year. Production and sales volume of commercial vehicles were 4,037,000 unit and 4,031,000 units respectively, representing an increase of 26.80% and 22.10% respectively as compared with last year; among commercial vehicles, production and sales volume of trucks were both 3,539,000 units, representing an increase of 27.40% and 22.40% respectively as compared with last year; and production and sales volume of buses were 498,000 units and 492,000 units respectively, representing an increase of 22.50% and 20.60% respectively as compared with last year. Production and sales volume of new energy vehicles were 9,587,000 units and 9,495,000 units respectively, representing an increase of 35.80% and 37.90% respectively as compared with last year; among them, the production and sales of new energy commercial vehicles accounted for 11.50% and 11.10% of the production and sales of commercial vehicles respectively, and the production and sales of new energy passenger vehicles accounted for 34.90% and 34.70% of the production and sales of passenger vehicles respectively. The top ten automaker groups in China sold 25,715,000 units of automobiles, representing an increase of 9.90% as compared with last year, and their sales represented 85.40% of the total sales of the automobiles, representing a decrease of 1.70 percentage points as compared with last year.

(2) ANALYSIS OF MAIN BUSINESS

1) Overview

During the reporting period, the sales volumes of the Company's hydraulic power recirculation ball steering gears and electric power steering system products increased as the overall performance of automobile industry was good. Meanwhile, the mass production of new products, such as intelligent electric recirculation ball steering gears, intelligent electrohydraulic recirculation ball steering gears, steering column and intermediate shafts, has commenced, which generating new revenue streams for the Company. The Company recorded a revenue of RMB1,819,442,221.52, representing an increase of 31.24% as compared with last year.

During the reporting period, the gross profit of the Company's main business amounted to RMB320,744,815.32, representing an increase of RMB89,221,698.58 as compared with last year. The gross profit margin of the Company's main business was 18.43% (2022: 17.43%). The increase in the gross profit margin of the Company was mainly due to the combined effect of the increase in the sales volume of hydraulic power re-circulation ball steering gears, which resulting in cost improvement, and the mass production of new products such as electric steering column and smart electric recirculating ball steering gear, which have leading technology and higher gross profit margin.

The Company's selling expenses was RMB63,149,039.78, representing an increase of 21.34% as compared with last year, mainly due to the increase in expenses such as warranty expenses, agency service fees and business entertainment expenses as a result of the expansion of business scale. Selling expenses as a percentage of revenue was 3.47%, lower than 0.28 percentage point as compared with the same period last year.

During the reporting period, the Company's general and administrative expenses was RMB109,307,880.14, representing an increase of 24.46% as compared with last year, mainly due to the combined effect of the increase in business entertainment expenses, travel expenses and other expenses as a result of the expansion of business scale, the increase in employee remuneration as a result of the increase in personnel, and the use of third-party technology and testing facilities during the period. Administrative expenses as a percentage of revenue was 6.01%, lower than 0.33 percentage point as compared with the same period last year.

During the reporting period, the Company's research and development expenses amounted to RMB118,196,951.05, representing an increase of 18.59% as compared with last year. The research and development expenses accounted for 6.50% of revenue, lower than 0.69 percentage point as compared with the same period 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 research and development expenses were mainly invested in the core technical fields of steering's motorised, intelligent and automation.

During the reporting period, the Company's financial expenses was RMB6,072,232.49, representing an increase of 25.16% as compared with last year, which was mainly attributable to the increase in interest expenses.

During the reporting period, other income amounted to RMB30,291,802.93, of which government grants amounted to RMB18,887,393.18 and VAT super deduction amounted to RMB10,420,075.21. Gains from changes in fair value amounted to RMB-265,698.17 (same period of last year: RMB-1,141,664.33), which was mainly due to the changes in fair value of the shares acquired by the Company as a creditor due to debt restructuring. Credit impairment losses amounted to RMB2,760,529.44 (same period of last year: RMB-1,589,469.25), mainly due to the recovery of accounts receivable with bad debt provision on individual basis from previous years in the current period. The impairment loss of assets was RMB-12,899,491.01 (same period of last year: RMB-19,975,166.26), which was mainly due to the decrease in the provision for impairment of inventories during the current period. Gain on disposal of assets was RMB-473,679.45 (same period of last year: RMB5,113,339.09), which was mainly due to the fact that there was no significant gain on disposal of fixed assets in the current period.

During the reporting period, non-operating expenses amounted to RMB 2,915,570.63, representing an increase of 685.23% as compared with last year, which was mainly due to the loss on scrapping of equipment, and the increase in charitable and public welfare donations.

During the reporting period, the Company's income tax expenses amounted to RMB-862,485.68 (corresponding period of last year: RMB369,207.41), which was mainly due to the combined effect of no current income tax expense for the current period; the increase in deductible temporary differences in the current period causing the corresponding increase in the accrual of the deferred income tax assets; and the decrease in taxable temporary differences in the current period causing the corresponding decrease in the accrual of the deferred income tax liabilities.

In view of the above, the Company recorded a net profit attributable to shareholders of listed company of RMB77,204,342.79 during the reporting period, representing an increase of 387.91% as compared with last year.

2) Revenue and Cost

(1) Composite and Cost

	2023		2022		Change
	Amount	Proportion	Amount	Proportion	
Total revenue	1,819,442,221.52	100.00%	1,386,395,566.38	100.00%	31.24%
By industry					
Manufacture of automotive components and parts	1,740,240,817.04	95.65%	1,328,037,578.29	95.79%	31.04%
Others	79,201,404.48	4.35%	58,357,988.09	4.21%	35.72%
By products					
Steering system and parts	1,679,175,475.94	92.29%	1,237,045,742.62	89.23%	35.74%
Parts and others	61,065,341.10	3.36%	90,991,835.67	6.56%	-32.89%
Others	79,201,404.48	4.35%	58,357,988.09	4.21%	35.72%
By geography					
Domestic	1,721,739,801.94	94.63%	1,267,557,479.69	91.43%	35.83%
Abroad	97,702,419.58	5.37%	118,838,086.69	8.57%	-17.79%
Sales mode					
Vehicle package	1,777,727,972.41	97.71%	1,358,846,650.97	98.01%	30.83%
After-sales service market	41,714,249.11	2.29%	27,548,915.41	1.99%	51.42%

(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	1,740,240,817.04	1,419,496,001.72	18.43%	31.04%	29.46%	1.00%
By products						
Steering system and parts	1,679,175,475.94	1,382,743,031.49	17.65%	35.74%	33.84%	1.17%

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

Industry classification	Item	Unit	2023	2022	Change
Manufacture of automotive components and parts (Steering system and parts)	Sales	Units/pieces	2,821,409	2,155,984	30.86%
	Production	Units/pieces	2,898,213	2,214,891	30.85%
	Inventory	Units/pieces	395,853	319,049	24.07%

(4) Structure of cost of sales

Product classification	Item	2023		2022		Change
		Amount	Proportion to cost of sales	Amount	Proportion to cost of sales	
Steering system and parts	Raw materials	1,072,283,913.15	77.55%	788,434,578.41	76.32%	36.00%
	Labor cost	79,649,256.30	5.76%	62,350,189.31	6.04%	27.75%
	Manufacturing expenses	207,541,629.25	15.01%	161,679,894.46	15.64%	28.37%
	Transportation cost	23,268,232.79	1.68%	20,660,869.47	2.00%	12.62%

3) Cash Flows

Item	2023	2022	Change
Sub-total of cash inflow from operating activities	924,164,660.43	988,202,760.66	-6.48%
Sub-total of cash outflow from operating activities	920,967,944.96	877,331,479.85	4.97%
Net cash flows from operating activities	3,196,715.47	110,871,280.81	-97.12%
Sub-total of cash inflow from investing activities	351,148,179.27	242,648,275.17	44.71%
Sub-total of cash outflow from investing activities	401,565,992.13	359,793,006.40	11.61%
Net cash flows from investing activities	-50,417,812.86	-117,144,731.23	56.96%
Sub-total of cash inflow from financing activities	172,700,000.00	225,000,000.00	-23.24%
Sub-total of cash outflow from financing activities	161,540,103.57	205,508,382.41	-21.39%
Net cash flows from financing activities	11,159,896.43	19,491,617.59	-42.75%
Net increase in cash and cash equivalents	-35,812,236.20	13,030,787.85	-374.83%

During the reporting period, the net cash flows from operating activities was RMB3,196,715.47, representing a decrease of 97.12% as compared with last year, which was mainly due to the increase in sales, resulting in the corresponding increase in accounts receivable, and part of the accounts receivable is not yet due. The net cash flows from investing activities was RMB-50,417,812.86, representing an increase of 56.96% as compared with last year, which was mainly due to the increase in cash receipts for redemption of short-term bank wealth management products. The net cash flows from financing activities was RMB11,159,896.43, representing a decrease of 42.75% as compared with last year, which was mainly due to the decrease in the net amount of bank borrowings repaid. To sum up, the net increase in cash and cash equivalents during the reporting period was RMB-35,812,236.20, representing a decrease of 374.83% as compared with last year.

(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 2023		31 December 2022		Change
	Amount	Proportion to total	Amount	Proportion to total	
Cash on hand and at bank	158,481,484.94	5.98%	232,225,660.78	9.72%	-3.74%
Accounts receivable	717,577,606.43	27.07%	450,378,856.64	18.85%	8.22%
Financing receivables	199,966,034.43	7.54%	141,228,798.62	5.91%	1.63%
Inventories	478,208,228.06	18.04%	418,926,209.83	17.53%	0.51%
Investment property	181,278,705.33	6.84%	191,588,844.28	8.02%	-1.18%
Fixed assets	682,550,682.51	25.75%	637,752,505.44	26.69%	-0.94%
Short-term borrowings	147,820,497.81	5.58%	153,164,291.67	6.41%	-0.83%
Notes payable	191,745,893.38	7.23%	200,181,609.95	8.38%	-1.15%
Accounts payable	652,464,245.78	24.61%	492,851,770.30	20.63%	3.98%

(4) FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At the end of the reporting period, the amount of total loans and borrowings amounted to RMB207,540,000.00 (31 December 2022: RMB196,780,000.00). Total loans and borrowings increased by RMB10,760,000.00 when compared with the beginning of the year, mainly due to the increase in credit loans. There were no 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 RMB127,950,000.00 (31 December 2022: RMB103,000,000.00).

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 5.69% (31 December 2022: 2.92%).

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
Monetary funds	1,247.78	Deposit in dormant account
Monetary funds	15,000.00	ETC frozen funds
Monetary funds	38,633,427.68	Security deposit for notes pool
Financing receivables	124,849,058.40	Charge for notes pool
Fixed assets	42,659,530.59	Loan and comprehensive credit mortgage
Intangible assets	19,765,676.31	Loan and comprehensive credit mortgage
Total	225,923,940.76	

(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 2023, other than the following major capital commitments, the Group did not have any other major capital commitments.

Item	31 December 2023	31 December 2022
Material contracts in relation to acquisition of assets contracted but not recognized	68,354,203.08	82,239,716.15

(8) CONTINGENT LIABILITIES

As at 31 December 2023, the Company did not have any significant contingent liabilities.

(9) EVENTS AFTER THE BALANCE SHEET DATE

Proposal of distribution of profit for 2023

As considered and approved at the 18th meeting of the seventh session of the Board of the Company held on 28 March 2024, the Company decided to distribute a cash dividend of RMB20,000,000.00 (tax inclusive) to all shareholders based on the share capital on the equity registration date when the 2023 annual equity distribution was implemented, i.e. approximately RMB0.25 (tax inclusive) per 10 shares (the “**Final Cash Dividend**”) based on the total share capital of 789,644,637 shares of the Company as of 27 March 2024. In this distribution, no capital reserve will be converted into share capital and no bonus shares will be issued. The Company is in the process of handling the matters in relation to the 2022 issuance of A shares to specific targets, and the actual amount of cash dividends to be distributed shall be calculated based on the total share capital as at the equity registration date when the equity distribution is implemented. If there is any change in the share capital of the Company during the period from the disclosure of the profit distribution plan to the implementation, the Company intends to adjust the distribution ratio accordingly based on the

principle that the total distribution amount remains unchanged. The aforementioned profit distribution proposal is subject to approval at an annual general meeting. The Final Cash Dividend is expected to be distributed to the holders of H shares of the Company on or about 30 August 2024.

(10) OUTLOOK INTO THE FUTURE DEVELOPMENT OF THE COMPANY

In 2023, the Company's full series of automotive steering system products were electrified and intelligent. The sales volume of the intelligent electric recirculating ball steering gear developed by the Company for new energy commercial vehicles increased significantly, and the electric steering column and intermediate shaft developed by the Company for new energy passenger vehicles replaced imported products.

In 2024, the Company's self-developed rack-assist electric power steering system (R-EPS) will achieve mass production. The Company will promote the capacity building projects of intelligent electric recirculating ball steering gear, intelligent electro-hydraulic recirculating ball steering gear, steering column and intermediate shaft, and rack-assist electric steering system (R-EPS) in an orderly manner to meet customer orders.

Looking forward, the Company will continue to focus on its main business, promote the marketization of the Company's electric and intelligent automotive steering system products, assist in high-level autonomous driving of automobiles and facilitate the localization of automotive components.

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 2023, the Group had approximately 1,940 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 2023, 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 C1 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 2023.

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 C3 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 2023, 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

28 March 2024

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.