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: 8331)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of Zhejiang Shibao Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange for the purpose of giving information with regard to Zhejiang Shibao Company Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purposes only*

Financial summary for the year ended of 31 December 2008

Revenue of the Group amounted to approximately RMB256,215,000, an increase of approximately 20.9% compared with approximately RMB211,970,000 in 2007.

Profit attributable to shareholders amounted to approximately RMB40,877,000, an increase of approximately 6.9% compared with approximately RMB38,241,000 in 2007.

Profit of the Group amounted to approximately RMB41,503,000, an increase of approximately 6.7% compared with approximately RMB38,906,000 in 2007.

Earnings per share was RMB0.1556, an increase of approximately 6.9% compared with RMB0.1456 in 2007.

The Board recommended payment of a final dividend of RMB0.05 per share, dividend payout ratio of approximately 32.1%.

The board of directors (the "Board") of Zhejiang Shibao Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with the comparative figures. The consolidated annual results have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2008

	Notes	2008	2007
		RMB'000	*RMB'000*
REVENUE	4	**256,215**	211,970
Cost of sales		**(164,098)**	(129,319)
Gross profit		**92,117**	82,651
Other income and gains	4	**4,450**	8,251
Selling and distribution costs		**(16,920)**	(13,843)
Administrative expenses		**(29,950)**	(26,508)
Other expenses		**(794)**	(1,585)
Finance costs		**(257)**	(265)
Share of losses of an associate		**(6)**	(1,098)
PROFIT BEFORE TAX	5	**48,640**	47,603
Tax	6	**(7,137)**	(8,697)
PROFIT FOR THE YEAR		**41,503**	38,906
Attributable to:			
Equity holders of the parent		**40,877**	38,241
Minority interests		**626**	665
		41,503	38,906
DIVIDENDS	7		
Proposed final		**13,133**	13,133
		13,133	13,133
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**RMB0.1556**	RMB0.1456

CONSOLIDATED BALANCE SHEET
31 December 2008

	Notes	2008	2007
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**215,488**	180,686
Prepaid land lease payments		**25,582**	26,187
Other intangible assets		**322**	342
Advance payments for property, plant and equipment		**4,925**	7,557
Investment in an associate		**5,445**	5,597
Deferred tax assets		**1,284**	1,739
Total non-current assets		**253,046**	222,108
CURRENT ASSETS			
Inventories		**62,798**	46,433
Trade and notes receivables	9	**114,736**	113,447
Prepayments, deposits and other receivables		**14,103**	10,135
Due from an associate		**19,295**	17,510
Cash and cash equivalents		**50,052**	70,610
Total current assets		**260,984**	258,135
CURRENT LIABILITIES			
Trade and notes payables	10	**59,227**	47,289
Other payables and accruals		**16,986**	19,621
Tax payable		**12,666**	15,540
Due to a related party		**300**	-
Deferred income		**1,112**	1,016
Total current liabilities		**90,291**	83,466
NET CURRENT ASSETS		**170,693**	174,669
TOTAL ASSETS LESS CURRENT LIABILITIES		**423,739**	396,777

	Notes	2008	2007
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	11	**5,090**	5,560
Deferred income		**1,573**	1,911
Total non-current liabilities		**6,663**	7,471
Net assets		**417,076**	389,306
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	12	**262,658**	262,658
Reserves		**137,399**	109,655
Proposed final dividend		**13,133**	13,133
		413,190	385,446
Minority interests		**3,886**	3,860
Total equity		**417,076**	389,306

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2008

	2008 *RMB'000*	2007 *RMB'000*
Attributable to equity holders of the parent		
ISSUED CAPITAL		
At 1 January and 31 December	**262,658**	262,658
SHARE PREMIUM		
At 1 January and 31 December	**21,144**	21,144
RESERVE ARISING FROM ACQUISITION OF MINORITY INTERESTS		
At 1 January and 31 December	**5,736**	5,736
STATUTORY SURPLUS RESERVES		
At 1 January	**52,251**	47,604
Transfer from retained earnings	**6,371**	4,647
At 31 December	**58,622**	52,251
RETAINED EARNINGS		
At 1 January	**30,524**	10,063
Profit for the year	**40,877**	38,241
Transfer to statutory surplus reserves	**(6,371)**	(4,647)
Proposed final dividend (2008/2007)	**(13,133)**	(13,133)
At 31 December	**51,897**	30,524
RESERVES	**137,399**	109,655

	2008	2007
	RMB'000	*RMB'000*
Attributable to equity holders of the parent *(continued)*		
PROPOSED FINAL DIVIDEND		
At 1 January	**13,133**	13,133
Final dividend declared (2007/2006)	**(13,133)**	(13,133)
Proposed final dividend (2008/2007)	**13,133**	13,133
At 31 December	**13,133**	13,133
TOTAL	**413,190**	385,446
Minority interests		
At 1 January	**3,860**	3,795
Profit for the year	**626**	665
Final dividend declared (2007/2006)	**(600)**	(600)
At 31 December	**3,886**	3,860
TOTAL EQUITY	**417,076**	389,306

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a joint stock limited liability company registered in the People's Republic of China (the "PRC") on 12 July 2004 under the Company Law of the PRC. Its ultimate holding company is Zhejiang Shibao Holding Group Co., Ltd. ("Zhejiang Shibao Holding"), a limited liability company established in the PRC. The registered office of the Company is located at No. 1, Shuanglin Road, Fotang Village, Yiwu, Zhejiang Province, China.

The Company's H Shares were listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2006 (the "Listing").

The Group is principally engaged in the manufacture and sale of automotive steering products. Its holding company, Zhejiang Shibao Holding, is an investment holding company established in the PRC on 28 May 2003.

2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

3. SEGMENT INFORMATION

The Group's revenue and profit are mainly derived from the sale of automotive steering products in Mainland China. The products of the Group are subject to similar risks and returns. The Group mainly conducts its business activities in Mainland China, and all of the Group's assets are located in Mainland China. Accordingly, no segmental analysis by business or geographical segment is presented.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax, after allowance for returns, trade discounts and various types of government surcharges where applicable.

An analysis of revenue, other income and gains is as follows:

	2008 *RMB'000*	2007 *RMB'000*
Revenue		
Sale of goods	**257,092**	212,893
Less: Government surcharges	**(877)**	(923)
	256,215	211,970
Other income		
Bank interest income	**842**	1,619
Sale of raw materials	**855**	670
Government grants	**2,023**	5,576
Others	**811**	254
	4,531	8,119
(Loss)/gains		
(Loss)/gain on disposal of items of property, plant and equipment	**(81)**	132
Other income and gains	**4,450**	8,251

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2008 *RMB'000*	2007 *RMB'000*
Cost of inventories sold	**161,176**	88,219
Depreciation	**15,062**	12,023
Amortisation of prepaid land lease payments	**605**	605
Amortisation of other intangible assets	**73**	23
Research and development costs	**7,546**	4,999
Auditors' remuneration	**1,100**	1,556
Amortisation of deferred income	**(1,020)**	(1,016)
Employee benefits expense (including directors' and supervisors' remuneration):		
Salaries and other staff costs	**27,741**	24,394
Retirement costs - defined contribution scheme	**1,911**	1,483
	29,652	25,877
Interest expenses	**257**	265
Foreign exchange differences, net	**162**	1,241
(Reversal of impairment)/impairment of trade and notes receivables	**(1,233)**	265
Write-down/(write-back) of inventories to net realisable value	**1,302**	(117)
Bank interest income	**(842)**	(1,619)
Loss/(gain) on disposal of items of property, plant and equipment	**81**	(132)

6. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2008 (2007: Nil).

In accordance with the Corporate Tax Law of the PRC, the profits of the Company and following PRC subsidiaries are taxed at the following tax rates:

	Notes	2008	2007
The Company	(a)	**25%**	33%
Hangzhou Shibao Auto Steering Gear Sales Co., Ltd. ("Hangzhou Shibao")	(b)	**15%**	33%
Siping Steering Gear Co., Ltd. ("Siping Steering")	(c)	**12.5%**	15%
Hangzhou New Shibao Automobile Steering Gear System Co., Ltd. ("Hangzhou New Shibao")	(a)	**25%**	33%
Jilin Shibao Machinery Co., Ltd. ("Jilin Shibao")	(a)	**25%**	-

(a) The Company, Hangzhou New Shibao and Jilin Shibao are subject to a corporate income tax rate of 25% this year.

(b) Hangzhou Shibao obtained approval certificate from the relevant tax authorities as a High-New Technology Enterprise. Consequently, Hangzhou Shibao is subject to a corporate income tax rate of 15% with effect for the year ended 31 December 2008.

(c) Siping Steering re-registered as a Sino-foreign co-operative joint venture on 17 June 2004. Pursuant to a document numbered "Guo Shui Fa (2003) No. 60" dated 28 May 2003 issued by the State Tax Bureau and an approval document numbered "Si Ping Guo Shui Jing Kai No.001" issued by Siping Economic Development Zone State Tax Branch on 24 January 2004, effective on 17 June 2004, Siping Steering was exempted from corporate income tax in the PRC for years ended 31 December 2004 and 2005 and was entitled to a 50% reduction from corporate income tax for the following three years.

In 2008, Siping Steering was in the third year of the 50% tax reduction period and thus was eligible to pay at a reduced tax rate of 12.5%.

The major components of total tax charge for the years ended 31 December 2008 and 2007 are as follows:

	2008 *RMB'000*	2007 *RMB'000*
Provision for income tax in respect of profit for the year:		
- Current	**6,396**	7,962
- Underprovision in prior years	**285**	179
- Deferred	**456**	556
Total tax charge for the year	**7,137**	8,697

6. TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the country in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2008 *RMB'000*	**2007** *RMB'000*
Accounting profit	**48,640**	47,603
Non-deductible share of loss of an associate	**152**	1,316
Profit of the Group subject to income tax	**48,792**	48,919
Tax at an applicable tax rate of 25% (2007: 33%)	**12,198**	16,143
Adjustment in respect of under provision in prior years	**285**	179
Tax credits in respect of purchases of property, plant and equipment from domestic vendors	**-**	(4,773)
Tax effect of expense items which are not deductible for income tax purposes	**622**	2,617
Tax effect of change in tax rate	**487**	355
Tax rate differential on subsidiaries	**(5,894)**	(5,593)
Effect of tax concessions and allowances	**(561)**	-
Utilisation of previously unrecognised tax losses	**-**	(231)
Tax charge at the Group's effective rate	**7,137**	8,697

7. DIVIDENDS

	2008 *RMB'000*	**2007** *RMB'000*
Proposed final dividend – RMB0.05 (2007: RMB0.05) per ordinary share	**13,133**	13,133

Pursuant to a resolution of the board of directors of the Company dated 20 March 2009, a final dividend of approximately RMB13,133,000 was proposed for the year ended 31 December 2008, which is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB40,877,000 in 2008 (2007: RMB38,241,000), and the weighted average number of 262,657,855 ordinary shares in issue in 2008 (2007: 262,657,855).

Diluted earnings per share amounts for the two years ended 31 December 2008 and 2007 have not been disclosed as no diluting events existed during those years.

9. TRADE AND NOTES RECEIVABLES

Group	2008 RMB '000	2007 RMB '000
Trade and notes receivables	**117,615**	117,565
Impairment	**(2,879)**	(4,118)
	114,736	113,447

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 days, extending up to 180 days for major customers. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of manufacturers of automobiles customers, there is no significant concentration of credit risk. Trade and notes receivables are non-interest-bearing.

An aged analysis of the trade and notes receivables as at the balance sheet date, based on the invoice date, is as follows:

Group	2008 RMB'000	2007 RMB'000
Within 90 days	**87,035**	92,472
91 to 180 days	**17,283**	9,657
181 to 365 days	**8,277**	8,117
Over 365 days	**2,141**	3,201
	114,736	113,447

The movements in the provision for impairment of trade and notes receivables are as follows:

Group	2008 RMB'000	2007 RMB'000
At 1 January	**4,118**	3,853
Impairment losses recognised	**234**	1,979
Impairment losses reversed	**(1,467)**	(1,714)
Impairment losses written-off	**(6)**	-
	2,879	4,118

Included in the above provision for impairment of trade and notes receivables for the Group is a provision for impaired trade and notes receivables of RMB2,879,000 (2007: RMB4,118,000) with a carrying amount of RMB2,879,000 (2007: RMB5,028,000). The impaired trade and notes receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

9. TRADE AND NOTES RECEIVABLES *(continued)*

The aged analysis of the trade and notes receivables that are not considered to be impaired is as follows:

	2008	2007
	RMB'000	*RMB'000*
Group		
Neither past due nor impaired	**92,849**	109,460
Less than 90 days past due	**11,983**	2,196
91 to 180 days past due	**7,487**	1,360
181 to 365 days past due	**2,417**	431
	114,736	113,447

The carrying amounts of trade and notes receivables approximate to their fair values.

10. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at the balance sheet date, based on the invoice date, is as follows:

	2008	2007
	RMB'000	*RMB'000*
Group		
Outstanding balances with ages:		
Within 90 days	**29,774**	30,195
91 to 180 days	**19,666**	6,419
181 to 365 days	**6,022**	6,086
Over 365 days	**3,765**	4,589
	59,227	47,289

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

11. INTEREST-BEARING OTHER BORROWINGS

	2008 *RMB'000*	2007 *RMB'000*
Group		
Other borrowings, unsecured	**5,090**	5,560
Repayable:		
Within one year	-	-
In the second year	-	-
In the third to fifth years, inclusive	-	-
Over five years	**5,090**	5,560
	5,090	5,560
Portion classified as current liabilities	-	-
Long-term portion	**5,090**	5,560

As at 31 December 2008, included in other unsecured borrowings were loans granted by Siping Municipal Ministry of Finance amounting to RMB5,090,000 (2007: RMB5,560,000), among which borrowings of RMB2,530,000 (2007: RMB3,000,000) bear interest at a commercial rate of 5% (2007: 5%) per annum and are repayable in 2016 and borrowings of RMB2,560,000 (2007: RMB2,560,000) bear interest at a commercial rate of 5% (2007: 5%) and are repayable in 2020.

12. ISSUED CAPITAL

	Nominal value of shares RMB	Number of Domestic Shares	Number of H shares	Total number of shares	Value RMB'000
At 1 January 2008 and 31 December 2008	1 per share	175,943,855	86,714,000	262,657,855	262,658

The Domestic Shares are not currently listed on any stock exchange. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote each without restriction.

13. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	2008	2007
	RMB'000	*RMB'000*
Group		
Guarantees given to banks in connection with facilities granted to an associate	-	5,500

No banking facilities guaranteed by the Group to an associate were utilised as at 31 December 2008 (2007: RMB4,000,000).

14. COMMITMENTS

Capital commitments

	2008	2007
	RMB'000	*RMB'000*
Group		
Contracted, but not provided for:		
Acquisition of land	**27,720**	-
Acquisition of plant and machinery	**3,175**	1,445
	30,895	1,445
Authorised, but not contracted	**-**	6,728
	30,895	8,173

FINAL DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended the payment of a final cash dividend of RMB0.05 per share (after tax) for the year ended 31 December 2008, with a total amount of approximately RMB13,133,000. For distribution of the final cash dividends, cash dividends for holders of Domestic Shares will be distributed and paid in Renminbi, while cash dividends for holders of H Shares will be declared in Renminbi but paid in Hong Kong dollars (conversion rate of Renminbi into Hong Kong dollars shall be calculated on the average price of the conversion of Renminbi into Hong Kong dollars in five (5) days as announced by the People's Bank of China five (5) working days preceding 5 June 2009). In accordance with the Corporate Income Tax Law of the PRC and the Implementation Regulation of the Corporate Income Tax Law of the PRC both effective on 1 January 2008, non-resident enterprises shall pay corporate tax on their income generated within PRC, and the applicable tax rate is 10%, withholding by the issuer.

The Company will submit a proposal for the distribution of final cash dividends on the forthcoming Annual General Meeting. Subject to the approval by the shareholders, the Company is expected to distribute final cash dividends to shareholders whose names are listed on the register of members as at Friday 5 June 2009 on or about Friday 19 June 2009.

The H Share register of the Company will be temporarily closed from Wednesday 6 May 2009 to Friday 5 June 2009 (both days inclusive) during which no transfer of shares of the Company will be registered. Shareholders whose names appear on the register of holders of H Shares on Friday 5 June 2009 shall be entitled to attend the Annual General Meeting of the Company to be held on Friday 5 June 2009 and to receive final cash dividends. All transfers accompanied by the relevant H Share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday 5 May 2009.

The Company did not paid any interim dividends to shareholders for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Automobile manufacture and sales

In 2008, the global financial crisis created heavy downward pressure on the world economy and brought heavy loss to auto industry. The auto industry in the United States dropped to its lowest point since 1992, auto industry in European countries also dropped one after another. In 2008, production and sales volume of the China auto industry is 9,345,100 units and 9,380,500 units respectively, an increase of 5.2% and 6.7% as compared with 2007. It is the first year that the growth of China auto industry dropped to less than 10% since 1999. In 2008, from the breakdown figures we see that the production and sales of auto was stable in the first half, dropped quickly after the third quarter, and worse in November and December. The forth quarter was registered negative growth as compared with the same period in 2007 which accelerated the dropping of production and sales growth of the whole year.

In 2008, production and sales of passenger cars is 6,737,700 units and 6,755,600 units respectively, an increase of 5.6% and 7.3% as compared with 2007, and represents 72.1% and 72.0% of the entire auto production and sales, an increase of 0.3% and 0.4% as compared with 2007. In 2008, production and sales of commercial vehicles is 2,607,400 units and 2,624,900 units respectively, an increase of 4.2% and 5.3% as compared with 2007. The commercial vehicles market is even worse than passenger cars market when entered into the second half of the year under review. In 2008, the growth of automobile export was increasing fast in the first half and then dropped materially after the third quarter as impacted by global economy downturn. By the end of 2008, automobile export amounted to 680,700 units, representing the growth rate for 2008 dropped to 11.1% as compared with that for 2007 of 79.0%.

In order to maintain economy growth in China, the government launched a series of industrial stimulus packages in January 2009. The auto industry stimulus package is one of them. Increase auto consumption is regarded as one of the key measurements to expand domestic demand. In the same month, auto sales in China topped those in the United States for the first time. On the other hand, from the perspective of market demand, the current number of automobiles per 1,000 persons in the PRC is less than 50 units and many households in the PRC do not own their first car, demand for passenger cars is in the early stage. Furthermore, auto market in the large rural area in the PRC is not explored yet. Therefore, the growing tendency of China auto market will not be changed.

Trend of the automotive parts and components market

In 2009, the automotive parts and components market in China is facing the challenges of restructuring and upgrading.

- Parts and components manufacturers is moving faster in the acquisitions and restructuring with the supporting policies from the government.

- Orders to local parts and components manufacturers will be increased, as benefited from the sales increase of China own-brand cars, light trucks and mini-vans.

- Technology innovation, especially the research & development and commercialization of key components used in fuel-efficient and low-emission vehicles including electric cars will be accelerated with the supporting policies from government.

- Tax reform on value-added tax (VAT) is in favor of the encouragement of equipment upgrade, technology innovation and product improvement in the long term.

BUSINESS REVIEW

Operation result

For the year ended 31 December 2008, the Group recorded a revenue of approximately RMB256,215,000, representing an increase of approximately 20.9% as compared with 2007. The increase was mainly contributed by a significant increase in the sale of rack-and-pinion steering gears, Mazda M6 steering knuckles and aftermarket sales.

The gross profit margin of the Group during the year under review was approximately 36.0%, representing a decrease as compared with the whole year of 2007 (2007: approximately 39.0%). The adverse impact on gross profit margin was mainly due to the decline in the selling price of recirculating ball steering gear products and Mazda M6 steering knuckles and the increase in the price of materials.

During the year under review, applications of the Group's rack-and-pinion steering gear products and steering knuckle products was expanded to more China own-brand cars. The sale of aftermarket sales of the Group's rack-and-pinion steering gear products was also increased.

During the year under review, the research and development cost increased by approximately RMB2,547,000 compared with last year, which is mainly used for the new test projects and design improvement, as well as the development of new electric power steering (EPS) products in order to meet further market demands and reduce manufacturing cost.

For the year ended 31 December 2008, the selling expenses increased by approximately RMB3,077,000 comparing with 2007, which is mainly due to the increase in the Group's transportation cost caused by the increase in business volume.

Foreign exchange loss of approximately RMB162,000 was recorded in the year. The exchange loss was attributed to the appreciation of the Renminbi against Hong Kong dollars on the net proceeds from the placing of H Shares. The net proceeds of approximately RMB94,722,000 was utilized as shown in the prospectus dated 4 May 2006 (the "Prospectus") under the section headed "Statement on the use of proceeds" and the Hong Kong dollars will be translated into Renminbi according to the relevant regulations of the PRC.

As result of the above major factors, the Group's profit after tax increased by approximately RMB2,597,000, and approximately 6.7% compared with 2007.

Marketing and new products

For the year ended 31 December 2008, the Group's rack-and-pinion steering gear products are used in various vehicle models made by local well-known carmakers. The Group also acquired numbers of new developing projects for rack-and-pinion steering gear products in 2008. During the year under review, the Group successfully developed steering gear of Mazda M6. Meanwhile, the electric power steering (EPS) products developed by the Group have passed all road tests and have the capacity for mass production.

During the year under review, Siping Steering developed two new types of steering knuckle products for FAW-CAR. Siping Steering is the exclusive supplier of steering knuckle products for vehicles made by FAW Car at the moment.

During the year under review, the Group received a senior level delegation from FAW Group led by the group's deputy general manager. The purpose of the visit is to investigate the potential partners of parts and components in the development of FAW own-brand cars. Be the only steering gear manufacturers pointed by the delegation for the visit, the Group foresees more business opportunities with FAW Car in the future.

During the year under review, the electric power steering (EPS) independently developed by the Group was installed and successfully ran on FAW BESTURN (奔騰) hybrid electric sedan during the Beijing Olympic Games. FAW BESTURN (奔騰) hybrid electric sedan is designated as one of the special purpose cars of the Olympic Games.

During the year under review, the Group participated in Beijing Auto Show and Automechanika Shanghai. During the year under review, the Group also expanded the aftermarket sales network for rack-and-pinion steering gear products.

Production facilities

During the year under review, the Group continued to expand its production facilities and purchased world leading production and testing equipment. During the year under review, a brand new assembly line for the power rack-and-pinion steering gear assembly commenced operation in Hangzhou Shibao.

During the year under review, the Group continued to adopt lean production system in its operations and improved work flow to increase production automation level and equipment utilization ratio.

Research and development

During the year under review, product development capability of the Group is upgraded to the level of joint-develop with international well-known vehicle design companies at the stage of brand new model design. During the year under review, the electric power steering (EPS) products developed independently by the Group have been issued patent rights and certificate by the State Intellectual Property Office. During the year under review, the Group has developed a wide range of EPS products for use in cars with engines range from 1.0 liters to 2.0 liters.

During the year under review, the Group is awarded the "National Best 100 Automotive Components Suppliers" by China Automotive News for the second consecutive year. In addition, Hangzhou Shibao and Siping Steering kept to be awarded "Excellent Supplier" by Dongfeng Liuzhou Motor Co., Ltd. and FAW Car respectively. During the year under review, Siping Steering entered in the list of "Key Suppliers" of FAW Car for the first time. Meanwhile, Hangzhou Shibao is also awarded "Quality Contribution" by Foton Motor Beijing Bus Company, "Excellent Supplier" by Jianghuai Automobile and "Qualified Supplier" by Xiamen Golden Dragon Bus Co., Ltd. for the year under review.

OUTLOOK

Look forward, we believe the growing tendency of China auto market will not be changed based on the following two facts: 1) increase auto consumption is regarded as one of the key measurements to expand domestic demand and stimulate economy by the Chinese government; 2) the automobile penetration ratio in the PRC is far below the global average and many households in the PRC do not own their first car. However, the impact of financial crisis to the real economy may be worse in the short term, plus multinational companies betting more on China, that all lead to further intensified competition and rising acquisition and reengineering opportunities in the China auto industry. Only those companies with cash and orders in hand will be the final winner.

In January 2009, the stimulus package for China auto industry was launched by the Chinese government. The Group will be benefited from this stimulus package. Reduction of sales tax on vehicles with engines of less than 1.6 liters and the support on developing China's own-brand car both will bring more business opportunities to the Group, since small-engine and own-brand carmakers more often use China-made auto parts. Meanwhile the support on developing fuel-efficient and low-emission vehicles will bring a growing market for the Group's electric power steering (EPS) products. At present, the Group has developed a range of EPS products for use in various car models with engines range from 1.0 liters to 2.0 liters made by a number of carmakers.

2009 will be a year of consolidation and improvement for the Group. The Group will continue to strengthen key customers market and improve internal control. It is also foreseeable that the steering gear development projects acquired by the Group during the year under review will bring sustainable growth for the Group in the coming years.

In consideration that both auto markets in advanced and developing economies are heavily impacted by the global financial crisis, and the multinational companies is increasing their investment scale in China while closing down or shrinking output of their plants in the other countries, the Group is intended to put major focus on domestic market therefore develop overseas market prudently.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2008, the Group recorded turnover of approximately RMB256,215,000, representing a growth of approximately 20.9% as compared with approximately RMB211,970,000 in 2007. The increase in the Group's revenue in 2008 was mainly contributed by a significant increase in the sale of rack-and-pinion steering gears, Mazda M6 steering knuckles and aftermarket sales.

Gross profit and gross profit margin

The Group's gross profit increased from approximately RMB82,651,000 in 2007 to approximately RMB92,117,000 for the year ended 31 December 2008, representing an increase of approximately 11.5%. During the year under review, the Group's gross profit margin was approximately 36.0% (2007: approximately 39.0%), representing a decline as compared with the whole year of 2007. The adverse impact on gross profit margin was mainly due to the decline in the selling price of recirculating ball steering gear products and Mazda M6 steering knuckles, and the increase in the price of materials.

Other income

Other income mainly included government subsidies income and interest income. Such income was approximately RMB4,450,000 for the year ended 31 December 2008, representing an decrease of approximately 46.1% as compared with approximately RMB8,251,000 in 2007.

Selling and distribution costs

The Group's selling and distribution costs for the year ended 31 December 2008 were approximately RMB16,920,000, representing approximately 6.6% of the Group's total turnover, largely the same as approximately 6.5% of the total turnover in 2007.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2008 were approximately RMB29,950,000, representing an increase of approximately 13.0% comparing with approximately RMB26,508,000 in 2007. Increase in the administrative expenses was mainly due to the increase in labour cost and investments in research and development expenses. The amount represented approximately 11.7% of the Group's total turnover for the year ended 31 December 2008, representing a decrease from approximately 12.5% of the total turnover in the previous year.

Finance costs

The Group's finance costs for the year ended 31 December 2008 were approximately RMB257,000, largely the same as approximately RMB265,000 in 2007.

Research and development expenses

The Group's research and development expenses for the year ended 31 December 2008 was approximately RMB7,546,000, representing approximately 2.9% of the Group's total turnover, increased of approximately RMB2,547,000 comparing with 2007.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity ratios

As at 31 December 2008, the Group had cash and cash equivalents of approximately RMB50,052,000, in comparison with approximately RMB70,610,000 as at 31 December 2007. As at 31 December 2008, current ratio of the Group was approximately 2.9 (2007: approximately 3.1) and the quick ratio was approximately 2.2 (2007: approximately 2.5).

Net current assets as at 31 December 2008 was approximately RMB170,693,000 (2007: approximately RMB174,669,000).

Non-current liabilities as at 31 December 2008 was approximately RMB6,663,000 (2007: approximately RMB7,471,000).

Taking in account the Group's internally generated funds, bank facilities available and net proceeds from the placing, the Directors are of the opinion that the Group has sufficient working capital for its current needs.

Capital structure

The Group's gearing ratio was approximately 7.0% (2007: approximately 0.5%). The calculation of gearing ratio is to divide net debt by the total capital plus net debt. Net debt includes interest-bearing other borrowings, trade and notes payables, other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to equity holders of the parent.

Total loans and borrowings as at 31 December 2008 were approximately RMB5,090,000 (2007: approximately RMB5,560,000), of which amount repayable within one year was nil (2007: nil), and amount repayable after one year was approximately RMB5,090,000 (2007: approximately RMB5,560,000). The loans carried commercial interests of 5% per annum (2007: 5%).

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

PLEDGE OF ASSETS

As at 31 December 2008, the Group did not have any pledges on its assets (2007: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

As at 31 December 2008, the Group did not have any material acquisition and disposal concerning subsidiaries and associates.

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2008, both the sales and purchases of the Group were principally denominated in Renminbi. The Group did not subject to significant exposure in foreign currency risk apart from the exposure on the balance of net proceeds from the placing of H Shares which are in Hong Kong dollars. The majority amount of the proceeds has been converted into Renminbi. No hedge arrangement has been entered into by the Group.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 1,018 employees as at 31 December 2008 (2007: 995).

For the year ended 31 December 2008, total salaries and welfares of the employees amounted to approximately RMB29,652,000 (2007: approximately RMB25,877,000). The Group provided substantial remuneration benefits to employees in accordance with market practice, and provided retirement benefits in accordance with the related laws of the PRC.

USE OF PROCEEDS

For the year ended 31 December 2008

	As set out in the Prospectus *HK$'000*	**As set out in the Prospectus** *RMB'000**	**Actual situation** *RMB'000*
Business plan:			
Acquisition of machinery, equipment and/or expansion of assembly line(s) to expand the Group's production plants and/or capability	7,000	6,163	6,698
Acquisition of testing equipment and software to enhance the Group's research and development and product testing capability (Note(a))	2,000	1,761	2,576
	9,000	7,924	9,274

Notes:

(a) Due to the increase of price and the appreciation in RMB, approximately RMB815,000 was overused than as previously scheduled.

* Amounts in Hong Kong dollars have been converted into Renminbi at the rate of HK$1.00=RMB0.8804.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Since the commencement of listing of the H Shares of the Company on GEM on 16 May 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Company.

AUDIT COMMITTEE

The Company established an audit committee on 26 April 2006 with written terms of reference in compliance with the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee has three members, namely Mr. Chen Guo Feng, Mr. Lui Wing Hong, Edward and Ms. Zhang Mei Jun. Mr Chen Guo Feng and Mr. Lui Wing Hong, Edward are independent non-executive Directors and Ms. Zhang Mei Jun is a non-executive Director. The Chairman of the audit committee is Mr. Lui Wing Hong, Edward.

The Company's financial statements for the year ended 31 December 2008 have been reviewed by the audit committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company has been in compliance with Appendix 15 "Code on Corporate Governance Practices" of the GEM Listing Rules, except for the following:

Pursuant to Rule A.2.1 of the Code on Corporate Governance Practices, the roles of the chairman and the chief executive should be separated, and should not be undertaken by the same individual. Mr. Zhang Shi Quan was the Company's Chairman and General Manager during the year under review. Mr. Zhang Shi Quan was the founder of the Group, overlooking the overall strategic plans, business development and new product sales and marketing strategies. In view of the business nature of the Company, the Board considered that the present management structure and arrangement were effective to respond to market changes and finalization of strategic plans. The Board will review the efficiency of such management structure arrangement from time to time.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. 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 year under review.

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

Hangzhou, Zhejiang, the PRC
20 March 2009

As at the date of this announcement, the Board comprises Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Mr. Zhu Jie Rong and Ms. Zhang Lan Jun as the executive Directors, Mr. Zhang Shi Zhong, Ms. Zhang Mei Jun and Mr. Gu Qun as the non-executive Directors, and Mr. Bao Zhi Chao, Mr. Chen Guo Feng and Mr. Lui Wing Hong, Edward as the independent non-executive Directors.

This announcement will remain on the "Latest Company Announcement" page of GEM website at http://www.hkgem.com for at least 7 days from its date of publication.