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 2009

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 2009

Revenue of the Group amounted to approximately RMB363,521,000, an increase of approximately 41.9% compared with approximately RMB256,215,000 in 2008.

Profit of the Group amounted to approximately RMB67,156,000, an increase of approximately 61.8% compared with approximately RMB41,503,000 in 2008.

Profit attributable to shareholders amounted to approximately RMB66,353,000, an increase of approximately 62.3% compared with approximately RMB40,877,000 in 2008.

Earnings per share was RMB0.2526, an increase of approximately 62.3% compared with RMB0.1556 in 2008.

The Board recommended payment of a final dividend of RMB0.07 per share, dividend payout ratio of approximately 27.7%.

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 2009, together with the comparative figures. The consolidated annual results have been reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	4	363,521	256,215
Cost of sales		(227,437)	(164,098)
Gross profit		136,084	92,117
Other income and gains	4	3,924	4,450
Selling and distribution costs		(25,645)	(16,920)
Administrative expenses		(37,277)	(29,950)
Other expenses		(428)	(794)
Finance costs		(290)	(257)
Share of profits and losses of an associate		275	(6)
PROFIT BEFORE TAX	5	76,643	48,640
Income tax expense	6	(9,487)	(7,137)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		67,156	41,503
Total profit and comprehensive income attributable to:			
Owners of the parent		66,353	40,877
Minority interests		803	626
		67,156	41,503
DIVIDENDS			
Proposed final	7	18,386	13,133
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB0.2526	RMB0.1556

CONSOLIDATED FINANCIAL POSITION
31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		270,632	215,488
Prepaid land lease payments		24,647	24,978
Other intangible assets		254	322
Advance payments for property, plant and equipment		5,041	4,925
Investment in an associate		5,853	5,445
Deferred tax assets		1,994	1,284
Total non-current assets		308,421	252,442
CURRENT ASSETS			
Inventories		96,289	62,798
Trade and notes receivables	9	123,368	114,736
Prepayments, deposits and other receivables		21,308	14,707
Due from an associate		11,901	19,295
Due from the ultimate holding company		300	-
Cash and cash equivalents		38,609	50,052
Total current assets		291,775	261,588
CURRENT LIABILITIES			
Trade and bills payables	10	71,089	59,227
Other payables and accruals		36,706	16,986
Tax payable		15,268	12,666
Due to the ultimate holding company		-	300
Deferred income		1,234	1,112
Total current liabilities		124,297	90,291
NET CURRENT ASSETS		167,478	171,297
TOTAL ASSETS LESS CURRENT LIABILITIES		475,899	423,739

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	11	5,090	5,090
Deferred income		310	1,573
Total non-current liabilities		5,400	6,663
Net assets		470,499	417,076
EQUITY			
Equity attributable to owners of the parent			
Issued capital		262,658	262,658
Reserves	12	185,366	137,399
Proposed final dividends		18,386	13,133
		466,410	413,190
Minority interests		4,089	3,886
Total equity		470,499	417,076

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

	Attributable to owners of the parent								
	Issued capital RMB'000	**Share premium** RMB'000	**Reserve arising from acquisition of minority interests** RMB'000	**Statutory surplus reserves** RMB'000	**Retained earnings** RMB'000	**Proposed final dividend** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total equity** RMB'000
At 1 January 2008	262,658	21,144	5,736	52,251	30,524	13,133	385,446	3,860	389,306
Profit for the year	-	-	-	-	40,877	-	40,877	626	41,503
Final 2007 dividend declared	-	-	-	-	-	(13,133)	(13,133)	(600)	(13,733)
Transfer to statutory surplus reserves	-	-	-	6,371	(6,371)	-	-	-	-
Proposed final 2008 dividend	-	-	-	-	(13,133)	13,133	-	-	-
At 31 December 2008	262,658	21,144	5,736	58,622	51,897	13,133	413,190	3,886	417,076
Profit for the year	-	-	-	-	66,353	-	66,353	803	67,156
Final 2008 dividend declared	-	-	-	-	-	(13,133)	(13,133)	(600)	(13,733)
Transfer to statutory surplus reserves	-	-	-	10,612	(10,612)	-	-	-	-
Proposed final 2009 dividend	-	-	-	-	(18,386)	18,386	-	-	-
At 31 December 2009	262,658	21,144*	5,736*	69,234*	89,252*	18,386	466,410	4,089	470,499

* These reserve accounts comprise the consolidated reserves of RMB185,366,000 (2008: RMB137,399,000) in the consolidated statement of financial position.

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE PROFILE

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 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 ultimate 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 2009. 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. OEPRATING 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 operating segmental analysis by business activities or geographical information is presented.

Information about major customers

Revenue from operations of approximately RMB166,858,000 (2008: RMB92,711,000) was derived from sales to two customers.

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:

	2009 RMB'000	2008 RMB'000
Revenue		
Sale of goods	364,801	257,092
Less: Government surcharges	(1,280)	(877)
	363,521	256,215
Other income		
Government grants	2,280	2,023
Sale of raw materials	451	855
Bank interest income	398	842
Others	776	811
	3,905	4,531
Gain/(loss)		
Gain/(loss) on disposal of items of property, plant and equipment	19	(81)
Other income and gains	3,924	4,450

5. PROFIT BEFORE TAX

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

	Notes	2009 RMB'000	2008 RMB'000
Cost of inventories sold		187,043	161,176
Depreciation		18,182	15,062
Amortisation of prepaid land lease payments		604	605
Amortisation of other intangible assets		88	73
Research and development costs		9,526	7,546
Auditors' remuneration		1,100	1,100
Amortisation of deferred income		(1,141)	(1,020)
Employee benefit expense (including directors' and supervisors' remuneration):			
Salaries and other staff costs		39,055	27,741
Retirement costs - defined contribution scheme		3,372	1,911
		42,427	29,652
Finance costs		290	257
Foreign exchange differences, net		9	162
Impairment/(reversal of impairment) of trade and notes receivables	9	2,102	(1,233)
Write-down of inventories to net realisable value		-	1,302
Bank interest income		(398)	(842)
(Gain)/loss on disposal of items of property, plant and equipment		(19)	81

6. INCOME 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 2009 (2008: 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	2009	2008
The Company	(a)	25%	25%
Hangzhou Shibao Auto Steering Gear Sales Co., Ltd. ("Hangzhou Shibao")	(b)	15%	15%
Siping Steering Gear Co., Ltd. ("Siping Steering")	(c)	15%	12.5%
Hangzhou New Shibao Automobile Steering Gear System Co., Ltd. ("Hangzhou New Shibao")	(a)	25%	25%
Jilin Shibao Machinery Co., Ltd. ("Jilin Shibao")	(a)	25%	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 2009.

(c) Pursuant to the document "Ji Ke Ban Zi (2009) No.115" dated 24 July 2009 issued by the relevant tax authorities of Jilin province, Siping Steering was qualified as a high-tech enterprise and would enjoy the preferential tax rate of 15% according to the new Enterprise Income Tax Law effective on 1 January 2008.

The major components of total tax charge for the years ended 31 December 2009 and 2008 are as follows:

	2009 RMB'000	2008 RMB'000
Provision for income tax in respect of profit for the year:		
- Current	9,987	6,397
- Underprovision in prior years	210	285
- Deferred	(710)	455
Total tax charge for the year	9,487	7,137

6. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2009 RMB'000	2008 RMB'000
Accounting profit	76,643	48,640
Non-deductible share of loss of an associate	-	152
Non-taxable share of profit of an associate	(408)	-
Profit of the Group subject to income tax	76,235	48,792
Tax at an applicable tax rate of 25% (2008: 25%)	19,059	12,198
Adjustment in respect of underprovision in prior years	210	285
Tax credits in respect of purchases of property, plant and equipment from domestic vendors	(1,992)	-
Tax effect of expense items which are not deductible for income tax purposes	425	622
Tax effect of change in tax rate	-	487
Tax rate differential on subsidiaries	(7,566)	(5,894)
Effect of tax concessions and allowances	(649)	(561)
Tax charge at the Group's effective rate	9,487	7,137

7. DIVIDENDS

	2009 RMB'000	2008 RMB'000
Proposed final dividend – RMB0.07 (2008: RMB0.05) per ordinary share	18,386	13,133

Pursuant to a resolution of the board of directors of the Company dated 22 March 2010, a final dividend of RMB0.07 per ordinary share totalling approximately RMB18,386,000 for the year ended 31 December 2009, 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 approximately RMB66,353,000 in 2009 (2008: RMB40,877,000), and the weighted average number of ordinary shares of 262,657,855 in issue during the year (2008: 262,657,855).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2008 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

9. TRADE AND NOTES RECEIVABLES

	2009 RMB'000	2008 RMB'000
Group		
Trade and notes receivables	128,349	117,615
Impairment	(4,981)	(2,879)
	123,368	114,736

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 end of the reporting period, based on the invoice date, is as follows:

	2009 RMB'000	2008 RMB'000
Group		
Within 90 days	106,096	87,035
91 to 180 days	11,098	17,283
181 to 365 days	1,781	8,277
Over 365 days	4,393	2,141
	123,368	114,736

9. TRADE AND NOTES RECEIVABLES *(continued)*

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

Group	2009 RMB'000	2008 RMB'000
At 1 January	2,879	4,118
Impairment losses recognised (note 5)	3,076	234
Impairment losses reversed (note 5)	(974)	(1,467)
Amount written off as uncollectible	-	(6)
	4,981	2,879

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 RMB4,981,000 (2008: RMB2,879,000) with a carrying amount before provision of RMB4,981,000 (2008: RMB2,879,000). 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.

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

Group	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	108,372	92,849
Less than 90 days past due	9,617	11,983
91 to 180 days past due	852	7,487
181 to 365 days past due	1,994	2,417
Above 365 days past due	2,533	-
	123,368	114,736

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2009 RMB'000	2008 RMB'000
Group		
Outstanding balances with ages:		
Within 90 days	58,449	29,774
91 to 180 days	6,915	19,666
181 to 365 days	1,629	6,022
Over 365 days	4,096	3,765
	71,089	59,227

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

11. INTEREST-BEARING OTHER BORROWINGS

	2009 RMB'000	2008 RMB'000
Group		
Other borrowings, unsecured	5,090	5,090
Repayable:		
Within one year	-	-
In the second year	-	-
In the third to fifth years, inclusive	-	-
Over five years	5,090	5,090
	5,090	5,090
Portion classified as current liabilities	-	-
Long-term portion	5,090	5,090

11. INTEREST-BEARING OTHER BORROWINGS *(continued)*

As at 31 December 2009, included in other unsecured borrowings were loans granted by Siping Municipal Ministry of Finance amounting to RMB5,090,000 (2008: RMB5,090,000), among which borrowings of RMB2,530,000 (2008: RMB2,530,000) bear interest at a commercial rate of 5% (2008: 5%) per annum and are repayable in 2016 and borrowings of RMB2,560,000 (2008: RMB2,560,000) bear interest at a commercial rate of 5% (2008: 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 2009 and 31 December 2009	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. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
Group		
Contracted, but not provided for:		
Acquisition of land	18,931	27,720
Acquisition of plant and machinery	13,817	3,175
	32,748	30,895

FINAL DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended the payment of a final cash dividend of RMB0.07 per share (before deduction of corporate income tax for non-resident enterprise shareholders) for the year ended 31 December 2009, with a total amount of approximately RMB18,386,000. 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 10 May 2010). 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. Any shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax. The Company will not withhold and pay income tax in respect of the dividend payable to any natural person shareholders whose names appear on the Company's register of members for H shares on the record date.

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 Monday 10 May 2010 (the "Record Date"), on or about Monday 24 May 2010.

The H Share register of the Company will be temporarily closed from Saturday 10 April 2010 to Monday 10 May 2010 (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 Monday 10 May 2010 shall be entitled to attend the annual general meeting of the Company to be held on Monday 10 May 2010 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday 9 April 2010.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Automobile manufacture and sales

In 2009, with the global economy still struggling to recover, China economy maintained developing. Further, the automobile market recovered and developed rapidly as a result of the automobiles consumption stimulating packages launched by the government at the beginning of 2009. The achievement of the China automobile market with both production and sales volume exceeding 10 million units made a milestone in the Chinese auto industry developing history. China is the largest global automobile manufacturer and market.

In 2009, production and sales volume of the China auto industry is 13,791,000 units and 13,644,800 units respectively, an increase of 48% and 46% as compared with 2008. Among these, production and sales of passenger cars is 10,383,800 units and 10,331,300 units respectively, an increase of 54% and 53% as compared with 2008; production and sales of commercial vehicles is 3,407,200 units and 3,313,500 units respectively, an increase of 33% and 28% as compared with 2008. In 2009, sales of China local brand passenger cars is 4,577,000 units, representing 44% of the entire sales of the passenger cars, an increase of 4% as compared with 2008. In 2009, automobile export amounted to 332,400 units, a decrease of 46% as compared with 2008.

For the past years, China's economy has been growing fast and living standard has been increasing stably. However, given the large population, the number of automobile per capita is still relatively low. The large purchasing prospects is likely to stimulate the fast growth of China's auto industry and this will make the auto industry the key supporting industry of China economy. The achievement of China automobile market strongly demonstrated the growing prospects of China domestic market and it is expected that China's auto industry will continue to grow repidly in the next ten years.

Trend of the China automotive steering market

China's local brand steering industry achieved significant growth in the recent years. Among the automobiles made in China, more than 95% of the commercial vehicles (especially trucks) used local brand steering products; approximately 2/3 of the medium-high end passenger cars used steering products made by FDI（foreign direct investment） companies and the remaining 1/3 used local brand steering products; all low end passenger cars almost used local brand steering products. In the segmented China automotive steering market, the high-end market is dominated by FDI companies, the middle-end market is dominated by the large state-own-enterprises and private companies, and the low-end market is dominated by the small companies.

Steering companies are not only making steering gear products for auto-makers, but also moving to the modular supply. Production volume of hydraulic power steering gear was increasing in the past years and is now representing more than 50% of the entire production volume of steering gear. Numbers of universities and research institutions are working together with enterprises in developing, prototype making and commercialization of the electric power steering gear system (EPS). Manufacturing technologies of EPS is maturing in China. It is foreseen that the production of electric vehicles will be the future trend of EPS development.

BUSINESS REVIEW

Operation result

For the year ended 31 December 2009, the Group recorded a revenue of approximately RMB363,521,000, representing a large increase of approximately 41.9% as compared with 2008. The large increase was mainly due to a significant increase in the sale of steering products for passenger cars. In this reporting period, revenue generated from steering products for passenger cars represents 50% of the Group's entire revenue, and this percentage is expected to increase in the future.

The gross profit margin of the Group during the year under review was approximately 37.4%, (2008: approximately 36.0%), and the entire gross profit increased by 47.7% as compared with 2008. The increase in the gross profit margin was mainly due to a reduction in the manufacturing costs after new steering products for passenger cars started bulk production.

During the year under review, the Group's selling and distribution costs increased by approximately RMB8,725,000 compared with 2008, and the ratio of selling and distribution costs to revenue increased slightly as compared with 2008. Increase in selling and distribution costs was mainly due to the exploration of new markets.

During the year under review, the Group's administrative expenses increased by approximately RMB7,327,000 comparing with 2008. However, the ratio of administrative expenses to revenue dropped slightly as compared to 2008. The increase in administrative expenses was mainly due to an increase in staff costs and research and development expenses.

During the year under review, the Group's research and development cost increased by approximately RMB1,980,000 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 gear (EPS) products in order to meet further market demands and reduce manufacturing cost.

In view of the above, for the year ended 31 December 2009, the Group has a profit after tax of approximately RMB67,156,000, representing a large increase of approximately 61.8% compared with approximately RMB41,503,000 for the previous year.

During the period under review, there were no material changes in the business and regional segments.

Marketing and new products

During the year under review, after several years of investment on product development, manufacturing capacity building and market exploration, the Group's steering products for passenger cars started bulk production, and there will be more new products in production in the future. For the year ended 31 December 2009, the Group also acquired numbers of new developing projects which will start production after the completion of development.

The Group is one of the first nineteen core suppliers of FAW-CAR and has priority in the development and supply for the FAW-CAR new models, which may also bring more business opportunities to the Group. Such as FAW-CAR own brand passenger car BESTURN(奔腾) series, is expected to have large increase on both production and sales volume in 2010.

During the year under review, the Group independently developed a series of electric power steering gear system (EPS) products and built bulk production capacity. The EPS product range covered vehicles with engine size from 1.0 liters to 2.0 liters. At present, the Group has built the capacity to supply various types of steering products that covers full range of vehicles from commercial vehicles, passenger cars to fuel efficient and low-emission vehicles.

FAW BESTURN (一汽奔騰) hybrid electric sedan was served as a special purpose vehicle for The World Economic Forum Summer Davos 2009. The car used an electric power steering gear system (EPS) supplied by the Group.

Production facilities

During the year under review, except the construction of Jilin Shibao's production base, the Group has no large investment on production facilities. Nevertheless, the Group achieved capacity increase by improving technology and making supplemental investment on the insufficient bottle-net working procedures. Jilin Shibao has largely completed the civil work and workshop construction of a plant. Also, some of the purchased equipment will be arrived and installed at the plant in the near future. It is expected that the plant will start initial trial production in June 2010.

During the year under review, the Group continued to adopt lean production system in its operations and improve work flow to reduce waste and cost and increase effectiveness.

Research and development

During the year under review, product development capability of the Group was recognized by various parties. The Group's R&D center was awarded "Provincial Level R&D Center" by Zhejiang and Jilin provincial government authorities respectively. For the year ended 31 December 2009, the Group has been issued eleven patent certificates and among these, three are patent of invention. The Group has also been issued a software copyright for ECU controlling software. There are three more application of patent of invention have been accepted by the State Intellectual Property Office. The Group has built the capabilities of electric power steering gear system (EPS) developing and manufacturing with in-house mechanical and electronic know-how, which is in the leading position compared with other China local players. To speed up the industrialization of the electric power steering gear (EPS) products for fuel efficient and low emission vehicles, the Company plans to form a new subsidiary company dedicating to the development, manufacturing and sales of the EPS in the near future. Management team of this subsidiary company will include senior experts with international and renowned background in the EPS area.

During the year under review, the Group had engineering and commercial discussions with Volkswagen, General Motor and Italian vehicle design company IDG.

On the 60th National Day celebrations, the Red Flag limousine ride by the State Leaders to inspect the defense forces and the leading military jeep of the defense forces used heavy duty and high performance power rack-and-pinion steering gear and power recirculating ball steering gear was developed and manufactured by the Group respectively.

The Group was awarded "China Automotive Steering Industry Leading Enterprises" and "Zhejiang Enterprise of Innovation" by CAAM (China Association of Automobile Manufacturers) and Zhejiang Provincial Government respectively in 2009. Siping Steering was issued certificate of "High-New Technology Enterprises" by the Jilin Province in 2009.

OUTLOOK

Look forward, China auto market will keep growing. Among these, China's local brand and fuel efficient and low-emission vehicles both have great prospect. Such as FAW-CAR own brand passenger car BESTURN(奔腾) series, is expected to have large increase on both production and sales volume in 2010. Due to the continuous increase of living standard in small-medium size cities in the PRC, large demand for automobiles is cultivated there. Furthermore, in 2009 the Chinese government announced a list of first thirteen cities to be model cities to encourage the use of fuel efficient and low-emission vehicles, which facilitates the development of China's local brand, fuel efficient and low-emission vehicles.

Stimulated by the market demand, government support, and the several years of investment by the Group on product development, manufacturing capacity building and market exploration, especially the investment on the electric power steering gear system (EPS) for fuel efficient and low-emission vehicles, sustainable growth of the Group's revenue and profit is foreseeable in the future.

To speed up the industrialization of the electric power steering gear (EPS) products for fuel efficient and low emission vehicles, the Company plans to form a new subsidiary company dedicating to the development, manufacturing and sales of the EPS in the near future. Management team of this subsidiary company will include senior experts with international and renowned background in the EPS area.

Jilin Shibao Mechanical Manufacturing Company Limited, a wholly owned subsidiary company of the Company, has largely completed the civil work and workshop construction of a plant. Also, some of the purchased equipment will be arrived and installed at the plant in the near future. It is expected that the plant will start initial trial production in June 2010.

The Group is one of the first nineteen core suppliers of FAW-CAR, and as such the Group is in a good position in the development and supply for the FAW-CAR new models. Further, it provides the Group with opportunities to explore the new business cooperation model with FAW-CAR in the area of modular supply and "Just-In-Time" delivery. With the movements on this new business cooperation model, the Group is building more solid and stable relations with FAW Group, and it is possible to copy similar business cooperation model with other auto-makers, therefore significantly enhancing the Group's competitiveness.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2009, the Group recorded a revenue of approximately RMB363,521,000, representing a large increase of approximately 41.9% as compared with 2008. The large increase was mainly due to a significant increase in the sale of steering products for passenger cars. In this reporting period, revenue generated from steering products for passenger cars represents half of the Group's entire revenue, and this percentage is expected to increase in the future.

Gross profit and gross profit margin

The Group's gross profit increased from approximately RMB92,117,000 in 2008 to approximately RMB136,084,000 for the year ended 31 December 2009, representing an increase of approximately 47.7%. The gross profit margin of the Group during the year under review was approximately 37.4% (2008: approximately 36.0%), the increase in the gross profit margin was mainly due to a reduction in the manufacturing costs after new steering products for passenger cars started bulk production.

Other income and gains

Other income mainly included government subsidies income, interest income and others. Such income was approximately RMB3,924,000 for the year ended 31 December 2009, representing a decrease of approximately 11.8% as compared with approximately RMB4,450,000 in 2008.

Selling and distribution costs

The Group's selling and distribution costs for the year ended 31 December 2009 were approximately RMB25,645,000, representing approximately 7.1% of the Group's total turnover, representing a slight increase compared approximately 6.6% of the total turnover in 2008.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2009 were approximately RMB37,277,000, representing an increase of approximately 24.5% compared with approximately RMB29,950,000 in 2008. Increase in the administrative expenses was mainly due to the increase in labour cost and research and development expenses. The amount represented approximately 10.3% of the Group's total turnover for the year ended 31 December 2009, representing a decrease compared to approximately 11.7% of the total turnover in the previous year.

Finance costs

The Group's finance costs for the year ended 31 December 2009 were approximately RMB290,000, which was a slight increase compared with approximately RMB257,000 in 2008.

Research and development expenses

The Group's research and development expenses for the year ended 31 December 2009 was approximately RMB9,526,000, representing approximately 2.6% of the Group's total turnover which was an increase of approximately RMB1,980,000 compared with 2008.

Annual profit and profit margin

Based on the above factors, the Group's profit for the year ended 31 December 2009 was approximately RMB67,156,000, representing an increase of approximately 61.8% compared with approximately RMB41,503,000 of the previous year. The Group's profit margin (percentage of profit to the Group's total turnover) for the year ended 31 December 2009 was approximately 18.5% (2008: approximately 16.2%).

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity ratios

As at 31 December 2009, the Group had cash and cash equivalents of approximately RMB38,609,000, in comparison with approximately RMB50,052,000 as at 31 December 2008. As at 31 December 2009, current ratio of the Group was approximately 2.3 (2008: approximately 2.9) and quick ratio was approximately 1.6 (2008: approximately 2.2).

Net current assets as at 31 December 2009 was approximately RMB167,478,000 (2008: approximately RMB171,297,000).

Non-current liabilities as at 31 December 2009 was approximately RMB5,400,000 (2008: approximately RMB6,663,000).

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

Capital structure

The Group's gearing ratio as at 31 December 2009 was approximately 13.7% (2008: approximately 7.0%). 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 company.

Total loans and borrowings as at 31 December 2009 were approximately RMB5,090,000 (2008: approximately RMB5,090,000), among which borrowings of RMB2,530,000 (2008: RMB2,530,000) bear interest at a commercial rate of 5% (2008: 5%) per annum and are repayable in 2016 and borrowings of RMB2,560,000 (2008: RMB2,560,000) bear interest at a commercial rate of 5% (2008: 5%) and are repayable in 2020.

The Company and its subsidiaries own six industrial lands in total in 3 cities, namely Hangzhou, Yiwu and Siping. Total land size is approximately 255,287 square meters and most of them are located in the state and provincial level development areas. Total consideration for granting the land use right of these properties is approximately RMB47,455,000. As at 31 December 2009, the price of these lands has increased to various extents. According to VIGERS International Property Consultants' valuation, total value of these lands as at 31 December 2009 is approximately RMB114,000,000. Since the Group's gearing ratio is relatively low, in case the Group needs fund for future business development, other than the Company can raise share capital, the Group can obtain loans from banks using these industrial lands as pledges.

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

PLEDGE OF ASSETS

As at 31 December 2009, the Group did not have any pledges on its assets (2008: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

As at 31 December 2009, the Group did not have any material acquisition and disposal concerning subsidiaries and associates.

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2009, both the sales and purchases of the Group were principally denominated in Renminbi. The Group were 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 INFORMATION AND REMUNERATION POLICY

The Group had a total of 1,179 employees as at 31 December 2009 (2008: 1,018).

For the year ended 31 December 2009, total salaries and welfares of the employees amounted to approximately RMB42,427,000 (2008: approximately RMB29,652,000). 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.

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 comprises three members, who are Mr. Chau Kam Wing, Donald, Mr. Chen Guo Feng and Ms. Zhang Mei Jun. Mr. Chau Kam Wing, Donald and Mr. Chen Guo Feng are independent non-executive Directors, while Ms. Zhang Mei Jun is a non-executive Director. Mr. Chau Kam Wing, Donald is the Chairman of the Audit Committee.

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
22 March 2010

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. Lou Run Zheng as the non-executive Directors, and Mr. Zhao Chun Zhi, Mr. Chen Guo Feng and Mr. Chau Kam Wing, Donald as the independent non-executive Directors.