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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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

	This reporting period	Corresponding period of last year	Change
	RMB	RMB	
Revenue	811,241,906.13	674,596,299.70	20.26%
Gross profit margin	26.78%	26.43%	0.35%
Net profit attributable to equity holders of the Parent	43,374,711.66	48,823,967.72	-11.16%
Net profit after non-recurring gains and losses attributable to equity holders of the Parent	39,175,804.24	31,120,519.88	25.88%
Net cash flow from operating activities	88,725,582.80	58,105,664.61	52.70%
Basic earnings per share（RMB/Share）	0.16	0.18	-11.11%
Diluted earnings per share（RMB/Share）	0.16	0.18	-11.11%
Weighted average return on net assets（%）	5.75%	6.69%	-0.94%
	At the end of the reporting period	At the beginning of the reporting period	Change
	RMB	RMB	
Total assets	2,101,067,888.20	1,314,155,640.47	59.88%
Net assets attributable to equity holders of the Parent	1,420,628,066.14	743,553,105.84	91.06%

* *For identification purpose only*

AUDITED ANNUAL RESULTS

The board of directors ("Board") of Zhejiang Shibao Company Limited ("Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended 31 December 2014 prepared pursuant to China Accounting Standards for Business Enterprises ("CASBE"), together with the comparative figures in 2013. The consolidated annual results for 2014 have been reviewed by the Company's audit committee.

1) FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

CONSOLIDATED BALANCE SHEET

Assets	**Note 4**	**31 December 2014**	**31 December 2013**
Current assets			
Cash on hand and at bank		760,413,906.65	66,950,127.71
Notes receivable		110,001,880.87	107,726,195.93
Accounts receivable	1	328,448,994.53	278,671,401.35
Prepayments		10,618,954.07	6,645,582.97
Other receivables		6,348,421.04	14,656,634.69
Assets classified as held for sale	2	-	10,467,600.00
Inventories		202,149,703.92	180,906,462.73
Other current assets		8,139,857.40	18,682,541.03
Total current assets		1,426,121,718.48	684,706,546.41
Non-current assets			
Fixed assets		449,185,309.04	436,022,601.37
Construction in progress		37,830,098.68	50,226,907.30
Intangible assets		123,778,255.54	111,106,921.94
Goodwill		4,694,482.34	4,694,482.34
Deferred income tax assets		4,690,643.38	4,655,061.06
Other non-current assets		54,767,380.74	22,743,120.05
Total non-current assets		674,946,169.72	629,449,094.06
Total assets		2,101,067,888.20	1,314,155,640.47

Liabilities and equity	Note 4	31 December 2014	31 December 2013
Current liabilities			
Short-term loans	3	268,260,000.00	234,750,000.00
Notes payable		65,791,655.53	39,542,300.00
Accounts payable	4	237,195,243.19	182,042,731.52
Receipts in advance		4,886,192.92	4,591,550.94
Staff cost payable		13,657,975.74	6,935,081.29
Tax payable		6,053,251.21	6,442,301.09
Interest payable		1,538,256.74	1,508,401.59
Other payables		2,228,853.18	1,898,639.32
Non-current liabilities due within one year	5	8,800,000.00	13,050,400.00
Other current liabilities		12,473,903.33	9,934,306.59
Total current liabilities		620,885,331.84	500,695,712.34
Non-current liabilities			
Long-term borrowings	6	1,900,000.00	2,830,000.00
Deferred income tax liabilities		5,992,749.26	9,104,181.29
Other non-current Liabilities		30,178,729.37	26,093,228.66
Total non-current liabilities		38,071,478.63	38,027,409.95
Total liabilities		658,956,810.47	538,723,122.29
Equity			
Share capital		315,857,855.00	277,657,855.00
Capital reserve		660,012,081.76	42,299,204.72
Surplus reserve		121,377,588.47	113,899,265.72
Retained earnings		323,380,540.91	309,696,780.40
Equity attributable to equity holders of the parent		1,420,628,066.14	743,553,105.84
Minority interests		21,483,011.59	31,879,412.34
Total equity		1,442,111,077.73	775,432,518.18
Total liabilities and equity		2,101,067,888.20	1,314,155,640.47

CONSOLIDATED INCOME STATEMENT

	Note 4	2014	2013
Revenue	7	811,241,906.13	674,596,299.70
Less：Operating costs	7	593,984,877.42	496,308,510.32
Business taxes and surcharges		4,414,843.67	3,532,722.11
Selling expenses		55,003,757.42	50,068,677.27
General and administrative expenses		98,093,231.08	78,930,895.74
Financial expenses	8	18,628,701.30	11,464,634.83
Assets impairment losses/(gains)		1,692,279.77	1,347,824.64
Add： Investment gains/(losses)	10	-	10,668,873.53
Including：Share of investment gains/(losses) from associates		-	(424,431.25)
Operating profit		39,424,215.47	43,611,908.32
Add： Non-operating income		9,378,178.39	8,212,352.15
Including：Gain on disposal of non-current assets		100,581.75	159,924.09
Less：Non-operating expenses		6,644,502.88	1,068,073.47
Including：Loss on disposal of non-current assets		5,242,813.64	275,462.61
Total profit		42,157,890.98	50,756,187.00
Less：Income tax expenses	11	5,679,580.07	5,227,089.81
Net profit		36,478,310.91	45,529,097.19
Net profit attributable to equity holders of the parent		43,374,711.66	48,823,967.72
Minority interests		(6,896,400.75)	(3,294,870.53)
Earnings per share			
Basic earnings per share	15	0.16	0.18
Diluted earnings per share	15	0.16	0.18
Other comprehensive income		-	-
Total comprehensive income		36,478,310.91	45,529,097.19
Including：			
Total comprehensive income attributable to equity holders of the parent		43,374,711.66	48,823,967.72
Total comprehensive income attributable to minority shareholders		(6,896,400.75)	(3,294,870.53)

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 the 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 twelve 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 are prepared in accordance with CASBE.

The financial statements of the Company have been prepared in accordance with the requirements of CASBE, and since 1 January 2014, the Company had adopted "CASBE No. 41 Disclosure Of Interest In Other Entities" which are newly issued by the Ministry of Finance of the PRC in 2014, and "CASBE No. 37 Report Of Financial Instruments" which are revised by the Ministry of Finance of the PRC in 2014. The financial statements have truly and fully reflected the information of the Company, including the financial position, results of operations and cash flows.

The adoption of the above two specific accounting standards did not have an impact on the comparative data of the annual financial statements in 2014 of the Company.

2. Accounting year

The accounting year is from 1 January to 31 December.

3. Functional currency

Renminbi ("RMB") is adopted as functional currency.

3、 TAXATION

(1) Major taxes and tax rates

Type of tax	Basis	Tax rate
Value added tax	Sales of goods or rendering of taxable services	17% [Note 1]
Business tax	Amount of payable business tax	5%
Property tax	On the property value less 30%, or on rents	1.2%、12%
Urban maintenance and construction tax	Amount of payable turnover tax	7%、5%
Education surcharge	Amount of payable turnover tax	3%
Local education surcharge	Amount of payable turnover tax	2%
Corporate income tax	Amount of taxable profit	15%、25%

[Note 1]: Hangzhou Shibao Auto Steering Gear Co., Ltd., a controlling subsidiary of the Company, enjoys the policy of "exempt, credit, refund" with an export tax refund rate of 17%.

Details of income tax subjected:

Name of entity	Income tax rate
Hangzhou Shibao Auto Steering Gear Co., Ltd.	15%
Hangzhou New Shibao Electric Power Steering Co., Ltd.	15%
Siping Steering Gear Co., Ltd.	15%
Others	25%

(2) Tax concession and approval documents

1. According to the letter regarding "2014 1st batch filing of High-tech Enterprises of Zhejiang Province" issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. 〔2015〕29), the controlling subsidiary, Hangzhou Shibao Auto Steering Gear Co., Ltd. was recognized as a High-tech Enterprise during the period and obtained high-tech enterprise certificate (No. GR201433000685) with a valid period from 2014 to 2016. It is subjected to an income tax rate of 15% during the period.

2. According to the letter regarding "2014 1st batch filing of High-tech Enterprises of Zhejiang Province" issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. 〔2015〕29), the controlling subsidiary, Hangzhou New Shibao Electric Power Steering Co., Ltd. was recognized as a High-tech Enterprise during the period and obtained the high-tech enterprise certificate (No. GR201433000159) with a valid period from 2014 to 2016. It is subjected to an income tax rate of 15% during this period.

3. According to the Document (Ji Ke Ban Zi [2012] No.182) issued by the Department of Science and Technology, the Department of Finance, the Bureau of State Taxation and the Bureau of Local Taxation of Jilin province, Siping Steering Gear Co., Ltd., a controlling subsidiary of the Company, was recognized as a high-tech enterprise in 2012 with a valid period from 2012 to 2014. It is subjected to an income tax rate of 15% during this period.

4、 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounts receivable

The aging analysis of accounts receivable is as follows:

Age	Balance at the end of the period			Balance at the beginning of the period		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	(%)		Amount	(%)	
Within 1 year	300,742,729.66	90.90		270,959,461.83	96.80	
1–2 years	26,701,572.66	8.07	38,049.52	5,583,980.77	1.99	16,345.62
2–3 years	320,434.76	0.10	126,836.40	1,300,522.42	0.46	157,317.29
Over 3 years	3,067,835.60	0.93	2,218,692.23	2,085,024.45	0.75	1,083,925.21
Subtotal	330,832,572.68	100.00	2,383,578.15	279,928,989.47	100.00	1,257,588.12

Trading terms of the Company and its subsidiaries with their 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.

2. Assets classified as held for sale

Item	Balance at the end of the period	Balance at the beginning of the period
Long-term equity investments held for sale [Note]	-	10,467,600.00
Subtotal	-	10,467,600.00

[Note]: In December 2013, the Company entered into an Equity Transfer Agreement with Changchun Mengjia Automotive Parts Company Ltd.. During the reporting period, the Company received the consideration of RMB10,467,600.00 for the transfer of 90% equity interest in Changchun Shili Automotive Brake Parts Co., Ltd. held by the Company. This company has completed the business registration modification on 14 February 2014.

3. Short-term loans

Item	Balance at the end of the period	Balance at the beginning of the period
Credit loans	25,000,000.00	-
Guaranteed loans	229,000,000.00	199,000,000.00
Pledged loans	5,460,000.00	18,750,000.00
Secured loans	8,800,000.00	17,000,000.00
Total	268,260,000.00	234,750,000.00

All of the above short-term loans are bank loans with annual interest rate of 5.60% to 6.30%.

4. Accounts payable

The aging analysis of accounts payable is as follows:

Age	Balance at the end of the period	Balance at the beginning of the period
Within 1 year	227,240,010.38	173,184,660.46
1-2 years	6,228,720.50	4,718,684.74
2-3 years	2,820,597.66	2,730,595.95
Over 3 years	905,914.65	1,408,790.37
Total	237,195,243.19	182,042,731.52

5. Non-current liabilities due within one year

(1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Long-term loans due within one year	8,800,000.00	13,050,400.00
Total	8,800,000.00	13,050,400.00

(2) Long-term loans due within one year

Item	Balance at the end of the period	Balance at the beginning of the period
Bank guaranteed loans	-	4,000,000.00
Special funds for treasury bonds	-	250,400.00
Other loans	8,800,000.00[Note]	8,800,000.00
Subtotal	8,800,000.00	13,050,400.00

[Note]：These loans represented the capital loans from the Management Committee of the Tiedong Economic Development Zone in Siping for a subsidiary, Jilin Shibao Machinery Manufacturing Co., Ltd., to expand production. The original borrowing period was 28 November 2011 to 28 November 2014. The Management Committee of the Tiedong Economic Development Zone in Siping has extended the repayment date to the end of 2015.

6. Long-term borrowings

(1) Breakdown

Item	Balance at the end of the period	Balance at the beginningof the period
Special funds for treasury bonds	1,900,000.00[Note]	2,830,000.00
Total	1,900,000.00	2,830,000.00

[Note]： These loans represented special funds for treasury bonds on key technological improvement projects of the State provided by the Ministry of Finance in Siping to a subsidiary, Siping Steering Gear Co., Ltd.

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

Item	Balance at the end of the period	Balance at the beginning of the period
Current or within 1 year	-	13,050,400.00
Over 1 year but within 2 years	570,000.00	-
Over 5 years	1,330,000.00	2,830,000.00
Total	1,900,000.00	15,880,400.00

7. Revenue/cost of sales

Item	Balance for the current period		Balance for the corresponding period last year	
	Revenue	Cost	Revenue	Cost
Revenue from main business	804,192,522.85	589,571,721.73	670,302,565.51	495,362,310.17
Revenue from other business	7,049,383.28	4,413,155.69	4,293,734.19	946,200.15
Total	811,241,906.13	593,984,877.42	674,596,299.70	496,308,510.32

8. Financial expenses

Item	Balance for the current period	Balance for the corresponding period last year
Interest expenses	16,299,809.36	11,896,030.11
Including: : Interests of other loans fully repayable within 5 years	16,233,309.36	11,754,530.11
Interests of other loans not fully repayable within 5 years	66,500.00	141,500.00
Interest income	-585,349.44	-651,657.51
Other	2,914,241.38	220,262.23
Including：Net exchange gains and losses	2,439,581.42	-247,150.26
Total	18,628,701.30	11,464,634.83

9. Interest expenses

Item	Balance for the current period	Balance for the corresponding period last year
Interest expenses	16,977,293.96	14,419,086.60
Including: : Interests of other loans fully repayable within 5 years	16,910,793.96	14,277,586.60
Interests of other loans not fully repayable within 5 years	66,500.00	141,500.00
Less：Capitalized interest	677,484.60	2,523,056.49
Total	16,299,809.36	11,896,030.11

In 2014, the Company's annual interest capitalization rate was 6.03% to 7.68% (2013: 6.06% to 7.78%).

10. Investment gains/(losses)

(1) Breakdown

Item	Balance for the current period	Balance for the corresponding period last year
Investment gains from long-term equity investments under equity method of accounting	-	-424,431.25
Gains from bank short-term products	-	14,739.73
Others	-	11,078,565.05
Total	-	10,668,873.53

(2) Investment gains from investment of non-listed company and listed company

Item	Balance for the current period	Balance for the corresponding period last year
Investment gains from investment of non-listed company	-	-424,431.25
Total	-	-424,431.25

11. Income tax expenses

Item	Balance for the current period	Balance for the corresponding period last year
Current income tax calculated according to tax law and relevant provisions	8,826,594.42	7,024,609.80
Adjustment of deferred income tax	-3,147,014.35	-1,797,519.99
Total	5,679,580.07	5,227,089.81

No provision for Hong Kong profits tax has been made (2013: Nil) as the Company and its subsidiaries had no profits generated in or arising from Hong Kong in 2014.

12. Depreciation and amortization expenses

Item	Balance for the current period	Balance for the corresponding period last year
Depreciation of fixed assets, oil and gas assets and production related biological materials	49,352,237.06	41,128,627.58
Amortization of intangible assets	9,778,821.91	8,115,992.10
Total	59,131,058.97	49,244,619.68

13. POST BALANCE SHEET DATE EVENTS

(1) According to the Proposals on Using Part of Idle Proceeds to Temporarily Make up for the Current Funds which was reviewed and passed in the 21st meeting of the fourth Board of the Company held on 31 December 2014, the Company agreed to use idle proceeds totaling RMB 65 million to temporarily make up for the current funds. The period for the use is twelve months from the date of approval by the Board. The Company uses part of idle proceeds to make up for current funds solely for using on production and operation related to its main businesses. The Company should not directly or indirectly use them for the placement of new shares, subscription, or transaction of equities and their derivatives and convertible corporate bonds. No risk investments should be performed during the period. As at 8 January 2015 and 21 January 2015, the Company transferred idle proceeds of RMB 35 million and RMB 30 million respectively from the special proceeds accounts to temporarily make up for the current funds.

(2) According to the Proposals on Replacing Self-raised Funds Used on the Projects with Proceeds which was reviewed and passed in the 22nd meeting of the fourth Board of the Company held on 6 February 2015, the Company used proceeds of RMB37,033,700, RMB5,994,700, RMB891,900 and RMB5,847,100 to replace the self-raised funds used on the projects of "The Increase Of Production Of Power Automotive Steering Gears Project", "The Precious Casting And Processing Of Automotive Components Project", "The Research And Development, Examination And Inspection And Trial Production Centre Of Automotive Steering Gear System Project" and "The Annual Production Of 2,100,000 Automotive Steering Gear (EPS) Components Series Industralization Investment And Development Project" respectively.

(3) Distribution of profit for 2014

Pursuant to the profit distribution proposal passed in the 24th meeting of the fourth Board of the Company held on 27 March 2015, based on the total capital of 315,857,855 shares, a cash dividend of RMB1.00 (before tax) per 10 shares will be distributed to all shareholders. The aforementioned profit distribution proposal is subjected to approval in the annual general meeting. Subject to the approval at the general meeting, liability will be accordingly recognized by the Company.

14. Other important matters

(1) Segmented Reporting – 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 87.12% of the revenue was generated from domestic sales, no detailed segment information is required to be disclosed.

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

Item	Balance at the end of the period	Balance at the beginning of the period
Net current assets	805,236,386.64	184,010,834.07
Total assets less current liabilities	1,480,182,556.36	813,459,928.13

15. Earnings per share

(1) Breakdown

Profit for the reporting period	Earnings per share (RMB/share)			
	Basic earnings per share		Diluted earnings per share	
	Year of 2014	Year of 2013	Year of 2014	Year of 2013
Net profits attributable to the ordinary shareholders of the Company	0.16	0.18	0.16	0.18
Net profits after deducting non-recurring profit/loss attributable to the ordinary shareholders of the Company	0.14	0.11	0.14	0.11

(2) Calculations of basic and diluted earnings per share

1. Calculations of basic earnings per share

Item	Number	Year of 2014
Net profits attributable to the ordinary shareholders of the Company	A	43,374,711.66
Non-recurring profit/loss	B	4,198,907.42
Net profits after deducting non-recurring profit/loss attributable to the ordinary shareholders of the Company	C=A-B	39,175,804.24
Total number of shares at beginning	D	277,657,855.00
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	38,200,000.00
Number of months calculated from the month after increase in shares to end of reporting period	G	
Decrease in number of shares due to repurchase	H	
Number of months calculated from the month after decrease in shares to end of reporting period	I	
Reduction in number of shares during the reporting period	J	
Number of months in the reporting period	K	12.00
Weighted average number of issued ordinary shares	L=D+E+F×G/K-H×I/K-J	277,657,855.00
Basic earnings per share	M=A/L	0.16
Basic earnings per share after deducting non-recurring profit/loss	N=C/L	0.14

2. Calculations of diluted earnings per share are the same as the calculations of basic earnings per share.

3) FINAL DIVIDEND

The Board recommended the payment of a final cash dividend of RMB0.10 per share (inclusive of applicable tax) for the year ended 31 December 2014 ("Final Dividend"), with a total amount of dividend RMB31,585,785.50. The distribution proposal is subject to consideration and approval at the general meeting of the Company.

The Company will issue a separate announcement regarding the record date and date of closure of register of members for the payment of Final Dividend to the holders of H Shares.

Under relevant regulations of China Securities Depository and Clearing Corporation and according to the market practice adopted for dividend distribution for A shares, the Company will publish a separate announcement in respect of the Final Dividend distribution to the holders of A Shares of the Company after the Company's 2014 annual general meeting to determine the record date and ex-rights date for Final Dividend distribution to the holders of A Shares.

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

4) MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF CHINA AUTOMOBILE INDUSTRY

In 2014, production and sales volume of China automobile industry was 23,722,900 units and 23,491,900 units respectively, representing an increase of 7.30% and 6.90% as compared with 2013. Among these, production and sales of passenger cars were 19,919,800 units and 19,700,600 units respectively, representing an increase of 10.20% and 9.90% as compared with 2013; production and sales of commercial vehicles were 3,803,100 units and 3,791,300 units respectively, representing a decrease of 5.70% and 6.50% as compared with 2013. In 2014, sales of China-brand passenger cars increased by 4.10%, shares of China-brand passenger cars in total sales of passenger cars decreased by 2.10%. Among commercial vehicles, production and sales volume of buses increased by 7.60% and 8.40% respectively as compared with 2013; production and sales volume of trucks decreased by 7.90% and 8.90% respectively as compared with 2013. In 2014, the top ten automaker groups in China sold 21,076,500 units of automobiles, representing an increase of 8.90% as compared with 2013. Their sales represented 89.70% of the total sales of the automobile industry, an increase of 1.70% as compared to last year.

COMPETITIVE ADVANTAGES OF THE COMPANY

Zhejiang Shibao is committed itself to the research and development of technologies and products in relation to automotive steering system and has accumulated extensive experiences in OEM supply in automobile industry. It is the Tier-I supplier of numbers of large automakers in China and globally. The core competitive strengths of Zhejiang Shibao are realized in the following four aspects:

1) Leading R&D and engineering capacity: the Company is the owner of 80 patents issued by the State Intellectual Property Office of the P.R.C., among which 6 patents are the patents of invention. All of these patents are associated with steering technologies for passenger car, commercial vehicles, hydraulic steering and electric steering etc.. The Company also is the owner of 3

software copyrights associated with EPS electronic control unit. Furthermore, in order to prepared for the new opportunities and challenges arised from the technology innovation in the automobile industry, the Company has pioneered the R&D associated with intelligent driving technologies.

2) State-of-the-art manufacturing processes: all of the major plants of the Company adopt lean production management system and are certified by ISO:TS16949 quality certification system, with an aim to provide high-tech and high quality products to the clients with the most competitive price.

3) Loyalty and professional team: the Company has established a flexible staff recruitment and incentive scheme. It's key management and technical team are loyal and has extensive industry experiences.

4) High corporate governance standard and strong financing capability: the Company is a list company with its shares trading on both stock exchanges of mainland China and Hong Kong.

OPERATING RESULTS AND FINANCIAL REVIEW

During the reporting period, the Company recorded a revenue of RMB811,241,906.13, representing an increase of 20.26% as compared with 2013. The increase of revenue was mainly due to the healthy growth of the automobile industry in the PRC, as well as an increase in sales of steering products for passenger cars. Among which, 13% of the Company's revenue were generated from the export business.

During the reporting period, the gross profit of the Company's main business increased by RMB39,680,545.78 as compared with 2013. The gross profit margin of the Company's main business was 26.69% (2013: 26.10%). The increase in the gross profit margin was mainly due to change in the Company's products portfolio.

During the reporting period, the Company's selling expenses was RMB55,003,757.42, representing an increase of 9.86% as compared with 2013. Increase in selling expenses was mainly due to an increased sales resulting in an increase in transportation costs and the provision of warranty expenses . During the reporting period, the Company's general and administrative expenses were RMB98,093,231.08, representing an increase of 24.28% as compared with 2013. Increase in general and administrative expenses was mainly due to an increase in the research and development expenses and staff costs. During the reporting period, the Company's financial expenses were RMB18,628,701.30, representing an increase of 62.49% as compared with 2013. Increase in financial expenses was mainly due to an increase in bank borrowings used for production expansion of the Group.

During the reporting period, the Company's research and development expenses was RMB33,841,224.75, representing an increase of 32.69% as compared with 2013. The ratio of research and development expenses to the Company's 2014 audited net assets and revenue was 2.35% and 4.17% respectively. The Company's research and development expenses was used in the research and development and testing of automotive steering related new technologies and new manufacturing processes. Leading research and development capacity and large investment is one of the core competencies of the Company, and helps the Company to acquire new businesses and positions the Company to a leading edge of the industry.

During the reporting period, the Company's non-operating income was RMB9,378,178.39, increased by RMB1,165,826.24 as compared with 2013. The Company's non-operating income was mainly the receipt of government grants of RMB8,377,972.00.

In view of the above, the Company recorded a net profit after non-recurring gains and losses attributable to equity holders of the parent of RMB39,175,804.24, representing an increase of 25.88% as compared with 2013. However, due to the decreased investment gains during the period, net profit attributable to equity holders of the parent was RMB43,374,711.66, representing a decrease of 11.16%.

As at the end of the reporting period, the Company's gearing ratio was 31.36% (2013:40.99%). The calculation of gearing ratio is to divide total liabilities by the total assets. Total liabilities is the sum of liabilities bearing by the Group, includes current liabilities and long-term liabilities. Total assets is the sum of assets holding by the Group, includes current assets and non-current assets. As at the end of the reporting period, the Company's total assets was RMB2,101,067,888.20, equity attributable to equity holders of the parent was RMB1,420,628,066.14, representing an increase of 59.88% and 91.06% as compared with 2013.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the amount of total loans and borrowings was RMB278,960,000.00 (2013: RMB250,630,400.00). Total loans and borrowings increased by RMB28,329,600.00 when compared with last year, the increased loans and borrowings were mainly used to expand the production capacity of the Group. Among which, loans and borrowings of short-term and due within one year amounted to RMB277,060,000.00 (2013: RMB247,800,400.00), representing a share of 99.32% (2013: 98.87%) in total loans and borrowings. Loans and borrowings at fixed interest rates amounted to RMB250,160,000.00 (2013: RMB177,830,400.00).

At the Board meeting held on 27 January 2014, the Board resolved that the Company intends to issue not more than 38,200,000 new A Shares, representing approximately 20.01% of the A Shares and approximately 13.76% of the total shares of the Company currently in issue respectively. Resolutions of the issue of A Shares were passed at the EGM, the A Shares Class Meeting and the H Shares Class Meeting held on 20 March 2014. As at 11 December 2014, the Company has non-publicly issued 38,200,000 new A Shares to six specified investors at par value of RMB1.00 and issue price of RMB18.46. The amount of gross proceeds was RMB705,172,000.00. After deduction of issuance expenses of RMB47,009,122.96, the amount of net proceeds was RMB658,162,877.04. The Company intends to use such Proceeds for the projects.

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

MATERIAL ACQUISITION AND DISPOSAL

Acquisition of remaining equity interests in Siping Steering

On 4 June 2014, the Company entered into an Equity Transfer Agreement with the Vendor (PROMISED LAND VENTURES LLC（美國寶園公司）), to purchase 25% of equity interests of Siping Steering (a non-wholly owned subsidiary of the Company) held by the Vendor. The term of operation for Siping Steering was expired on 16 June 2014. It was decided that both parties did not wish to extend the term of partnership. According to the then effective Articles of Association of Siping Steering, the Company paid RMB5,000,000 to acquire the equity interests in Siping Steering as held by the Vendor. As the applicable ratios in respect of the Acquisition under the Equity Transfer Agreement are more than 5% but less than 25%, the Acquisition under the Equity Transfer Agreement constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules. In addition, as the Vendor held 25% of equity interests in Siping Steering, therefore its is regarded as being a connected person of the Company under Chapter 14A of the Listing Rules and the Acquisition constitutes a connected transaction under the Listing Rules. As the consideration of the Acquisition is less than HK$10,000,000, the Acquisition shall only subject to the reporting and announcement rules under Rule 14A.32 of the Listing Rules, but would be exempt from the independent shareholders' approval requirement. On 11 June 2014, Siping Steering has completed the relevant industry and commerce registration procedures. Since then Siping Steering has became a wholly owned subsidiary of the Company, and has changed from a Sino-foreign cooperative joint venture to an enterprise wholly owned by a legal person. Its financial results was continued to be consolidated into the Group's accounts, but no longer deducting the minority interests of RMB500,000. In addition, the consolidated balance sheet of the Company will not deduct the minority interests of RMB2,750,000.

Save as disclosed above, during the period under review, the Group did not have any other material acquisition and disposal concerning subsidiaries and associates.

OUTLOOK

The Company's strategic objective is to be an intelligent driving solution provider to global automakers. Therefore, in the next few years, the Company is planning to develop the mechanical and electronic integration technology that make driving safer and comfort jointly by independent R&D and Merger & Acquisition. Meanwhile, the Company is also focused on the market expansion to the middle to high end market and global sourcing business, as well as the volume production of EPS products. During the reporting period, three hydraulic power steering development projects of the Company were authenticated as new industrial product development projects of Zhejiang province. In addition, EPS development project of the Company for clean energy vehicles was recognized as the national high-tech industrialization model project by NDRC (National Development and Reform Commission).

During the period under review, Hangzhou New Shibao seized new business of developing EPS for BAIC Motor in the bidding and became the EPS supplier of BAIC Motor. Among which, one development project is expected to start production in 2015.

During the period under review, precious casting products of Jilin Shibao, passed tests at German testing facilities of Mercedes-Benz Daimler. Jilin Shibao became a qualified supplier of Mercedes-Benz Daimler for global sourcing, and is preparing for mass production.

During the period under review, Hangzhou Shibao, became a qualified supplier of hydraulic power steering gear products of SGMW, Hyundai and Changan Mazda. Hydraulic power steering gear products of Hangzhou Shibao also passed tests at German testing facilities of Mercedes-Benz Daimler.

Looking ahead, the Company is expecting that the implementation of the projects using proceeds of non-public offering will largely increase the Company's capacity of both technology and production. The Company plans to further penetrate to the China brand OEM market. However, the Company understands that the importance of diversity of customers and markets, therefore the Company will actively develop the JV OEM customers and global sourcing business with large multinational automakers.

5) CORPORATE GOVERNANCE

In 2014, the Company had been in compliance with the majority of the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules with the exception of (i) code provision A.2.1 which states that the roles of the chairman and the chief executive shall be separated and shall not be undertaken by the same individual; (ii) code provision A.1.8 which states that an issuer should arrange appropriate insurance cover in respect of legal action against its directors; and (iii) code provision A.6.7 which states that independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Zhang Shi Quan has been the Chairman and General Manager of the Company during the year under review. Mr. Zhang Shi Quan is the Group's founder, and is responsible for overseeing the overall strategic planning, new business investment, acquisition and merging. In view of the nature of the Company's business, the Board considers that the current management structure arrangement is considerably effective in response to market changes and finalization of strategic plans. The Board will review the efficiency of this management structure arrangement from time to time.

The Board has not arranged a liability insurance for the directors and senior executives taking into the considerations of 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 of the insurance cover from time to time.

Certain independent non-executive Directors and non-executive Directors were unable to attend the Company's annual general meeting held on 30 June 2014 due to their other important business engagements.

6) PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed hereinafter, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed shares of the Company.

As at 11 December 2014, the Company has non-publically issued 38,200,000 new A Shares to six specified investors. Such new A Shares were listed on Shenzhen Stock Exchange since 26 December 2014. Details refer to the previous paragraph "Financial Resources and Capital Structure".

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

Hangzhou, Zhejiang, the PRC
27 March 2015

As at the date of this announcement, the Board of the Company comprises Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Mr. Zhu Jie Rong and Ms. Zhang Lan Jun as executive Directors; Mr. Zhang Shi Zhong and Mr. Lou Run Zheng as non-executive Directors; and Mr. Chau Kam Wing, Donald, Mr. Zhao Chun Zhi, Mr. Zhang Hong Zhi and Mr. Guo Kong Hui as independent non-executive Directors.