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 2015

FINALCIAL HIGHLIGHTS

	This reporting period	Corresponding period of last year	Change
	RMB	RMB	
Revenue	837,719,325.84	811,241,906.13	3.26%
Gross profit margin	25.92%	26.78%	-0.86%
Net profit attributable to equity holders of the parent	53,540,843.43	43,374,711.66	23.44%
Net profit after non-recurring gains and losses attributable to equity holders of the parent	40,617,320.50	39,175,804.24	3.68%
Net cash flow from operating activities	75,760,490.13	88,725,582.80	-14.61%
Basic earnings per share （RMB/Share）	0.1695	0.1562	8.51%
Diluted earnings per share （RMB/Share）	0.1695	0.1562	8.51%
Weighted average return on net assets（%）	3.73%	5.75%	-2.02%
	At the end of the reporting period	At the beginning of the reporting period	Change
	RMB	RMB	
Total assets	1,885,802,663.68	2,101,067,888.20	-10.25%
Net assets attributable to equity holders of the parent	1,442,583,124.07	1,420,628,066.14	1.55%

* *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 2015 prepared pursuant to China Accounting Standards for Business Enterprises ("**CASBE**"), together with the comparative figures in 2014. The consolidated annual results for 2015 have been reviewed by the Company's audit committee.

1) FINANCIAL STATEMENTS

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

CONSOLIDATED BALANCE SHEET

Assets	**Note 4**	**31 December 2015**	**31 December 2014**
Current assets			
Cash on hand and at bank		503,377,298.34	760,413,906.65
Notes receivable		92,274,842.99	110,001,880.87
Accounts receivable	1	326,067,978.19	328,448,994.53
Prepayments		6,530,189.97	10,618,954.07
Other receivables		3,230,857.02	6,348,421.04
Inventories		252,400,451.28	202,149,703.92
Other current assets		8,711,198.50	8,139,857.40
Total current assets		1,192,592,816.29	1,426,121,718.48
Non-current assets			
Fixed assets		451,819,102.65	449,185,309.04
Construction in progress		43,970,877.69	37,830,098.68
Intangible assets		115,053,639.13	123,778,255.54
Goodwill		4,694,482.34	4,694,482.34
Deferred income tax assets		5,999,463.17	4,690,643.38
Other non-current assets		71,672,282.41	54,767,380.74
Total non-current assets		693,209,847.39	674,946,169.72
Total assets		1,885,802,663.68	2,101,067,888.20

Liabilities and equity	Note 4	31 December 2015	31 December 2014
Current liabilities			
Short-term loans	2	25,000,000.00	268,260,000.00
Notes payable		74,239,657.73	65,791,655.53
Accounts payable	3	233,827,116.38	237,195,243.19
Receipts in advance		6,044,129.53	4,886,192.92
Staff cost payable		14,757,240.75	13,657,975.74
Tax payable		7,039,167.52	6,053,251.21
Interest payable		991,364.84	1,538,256.74
Other payables		4,854,383.45	2,228,853.18
Non-current liabilities due within one year	4	8,800,000.00	8,800,000.00
Other current liabilities		15,528,531.26	12,473,903.33
Total current liabilities		391,081,591.46	620,885,331.84
Non-current liabilities			
Long-term borrowings	5	1,380,000.00	1,900,000.00
Deferred income tax liabilities		5,118,323.51	5,992,749.26
Deferred income		25,761,023.76	30,178,729.37
Total non-current liabilities		32,259,347.27	38,071,478.63
Total liabilities		423,340,938.73	658,956,810.47
Equity			
Share capital		315,857,855.00	315,857,855.00
Capital reserve		660,012,081.76	660,012,081.76
Surplus reserve		125,531,891.62	121,377,588.47
Retained earnings		341,181,295.69	323,380,540.91
Equity attributable to equity holders of the parent		1,442,583,124.07	1,420,628,066.14
Minority interests		19,878,600.88	21,483,011.59
Total equity		1,462,461,724.95	1,442,111,077.73
Total liabilities and equity		1,885,802,663.68	2,101,067,888.20

CONSOLIDATED INCOME STATEMENT

	Note 4	2015	2014
Revenue	6	837,719,325.84	811,241,906.13
Less：Operating costs	6	620,617,460.76	593,984,877.42
Business taxes and surcharges		4,781,339.02	4,414,843.67
Selling expenses		49,576,514.32	55,003,757.42
General and administrative expenses		112,288,632.34	98,093,231.08
Financial expenses	7	3,945,269.12	18,628,701.30
Assets impairment losses		2,417,427.63	1,692,279.77
Add： Investment gains		10,778,912.32	-
Operating profit		54,871,594.97	39,424,215.47
Add： Non-operating income		7,410,140.32	9,378,178.39
Including：Gain on disposal of non-current assets		201,806.20	100,581.75
Less：Non-operating expenses		2,409,878.33	6,644,502.88
Including：Loss on disposal of non-current assets		1,452,300.17	5,242,813.64
Total profit		59,871,856.96	42,157,890.98
Less：Income tax expenses	9	7,935,424.24	5,679,580.07
Net profit		51,936,432.72	36,478,310.91
Net profit attributable to equity holders of the parent		53,540,843.43	43,374,711.66
Minority interests		(1,604,410.71)	(6,896,400.75)
Earnings per share			
Basic earnings per share	13	0.17	0.16
Diluted earnings per share	13	0.17	0.16
Other comprehensive income		-	-
Total comprehensive income		51,936,432.72	36,478,310.91
Including：			
Total comprehensive income attributable to equity holders of the parent		53,540,843.43	43,374,711.66
Total comprehensive income attributable to minority shareholders		(1,604,410.71)	(6,896,400.75)

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 accounting policies used in the consolidated financial statements for the year ended 31 December 2015 are the same as those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2014.

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 corporate income tax rates of different entities:

Name of entity	Income tax rate
Hangzhou Shibao Auto Steering Gear Co., Ltd.	15%
Hangzhou New Shibao Electric Power Steering Co., Ltd.	15%
Beijing Autonics Technology Co., Ltd.	15%
Wuhu Sterling Steering System Co., Ltd.	15%
Others	25%

(2) Tax concession 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 2014 and obtained the High-tech Enterprise Certificate (No. GR201433000685) with a valid period from 2014 to 2016. It is subject to a corporate 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 2014 and obtained the High-tech Enterprise Certificate (No. GR201433000159) with a valid period from 2014 to 2016. It is subject to a corporate income tax rate of 15% during the period.

3. According to and approved by the document "Jing Ke Fa No.:〔2014〕551" jointly issued by the Beijing Municiple Sicience and Technology Committee, Beijing Municiple Finance Bureau, State Tax Bureau Beijing Municiple Office and Beijing Municiple Local Tax Bureau, the controlling subsidiary, Beijing Autonics Technology Co., Ltd. was recognized as a high-tech enterprise during the period and obtained the High-tech Enterprise Certificate (No. GR201411000968) with a valid period from 2015 to 2017. It is subject to a corporate income tax rate of 15% during the period.

4. According to the "Notification regarding Public Announcement of 2014 1st batch filing of High-tech Enterprises of Anhui Province" issued by the Leading Group Office of Anhui Province High-tech Enterprises Recognition and Management (Wan Gao Qi Ren No.〔2014〕19), the controlling subsidiary, Wuhu Sterling Steering System Co., Ltd. was recognized as a high-tech enterprise during 2014 and obtained the High-tech Enterprise Certificate (No. GR201434000449) with a valid period from 2014 to 2016. It is subject to a corporate income tax rate of 15% during the 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	317,909,089.92	96.24	-	320,244,690.89	96.79	-
1–2 years	6,830,773.39	2.07	731,314.19	7,199,611.43	2.18	38,049.52
2–3 years	2,517,980.00	0.76	908,466.57	320,434.76	0.10	126,836.40
Over 3 years	3,076,535.74	0.93	2,626,620.10	3,067,835.60	0.93	2,218,692.23
Sub-total	330,334,379.05	100.00	4,266,400.86	330,832,572.68	100.00	2,383,578.15

The aging analysis of accounts receivable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement with respect to turnover.

The Company's and its subsidiaries' trading terms with their customers generally offer a certain credit period. However, new customers are often required to make payment in advance. The credit period is generally 90 days, extending up to 180 days for major customers. Overdue balances are reviewed regularly by senior management.

2. Short-term loans

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

All of the above short-term loans are bank loans with annual interest rate of 5.10%.

3. 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	222,179,512.69	227,240,010.38
1-2 years	7,403,569.58	6,228,720.50
2-3 years	2,433,777.15	2,820,597.66
Over 3 years	1,810,256.96	905,914.65
Total	233,827,116.38	237,195,243.19

The aging analysis of accounts payable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement with respect to turnover.

4. 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	8,800,000.00
Total	8,800,000.00	8,800,000.00

(2) Long-term loans due within one year

Item	Balance at the end of the period	Balance at the beginning of the period
Other loans	8,800,000.00[Note]	8,800,000.00
Sub-total	8,800,000.00	8,800,000.00

[Note]：These loans represented the interest free capital loans from the Management Committee of the Tiedong Economic Development Zone in Siping for a controlling 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 2016.

5. Long-term borrowings

(1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Special funds for treasury bonds	1,380,000.00[Note]	1,900,000.00
Total	1,380,000.00	1,900,000.00

[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 controlling 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	300,000.00	-
Over 1 year but within 2 years	-	570,000.00
Over 2 years but within 5 years	1,080,000.00	-
Over 5 years	-	1,330,000.00
Total	1,380,000.00	1,900,000.00

6. 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	830,146,184.07	616,527,267.36	804,192,522.85	589,571,721.73
Revenue from other business	7,573,141.77	4,090,193.40	7,049,383.28	4,413,155.69
Total	837,719,325.84	620,617,460.76	811,241,906.13	593,984,877.42

7. Financial expenses

Item	Balance for the current period	Balance for the corresponding period last year
Interest expenses	6,117,635.77	16,299,809.36
Including : Bank loans, interests of other loans fully repayable within 5 years	6,117,635.77	16,233,309.36
Bank loans, interests of other loans not fully repayable within 5 years	-	66,500.00
Interest income	-3,606,114.71	-585,349.44
Other	1,433,748.06	2,914,241.38
Including：Net exchange gains and losses	391,466.61	2,439,581.42
Total	3,945,269.12	18,628,701.30

8. Interest expenses

Item	Balance for the current period	Balance for the corresponding period last year
Interest expenses	6,117,635.77	16,977,293.96
Including : Bank loans, interests of other loans fully repayable within 5 years	6,117,635.77	16,910,793.96
Bank loans, interests of other loans not fully repayable within 5 years	-	66,500.00
Less：Capitalized interest	-	677,484.60
Total	6,117,635.77	16,299,809.36

No expense for the Company’s interest capitalization in 2015 (2014: 6.03% to 7.68%).

9. 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	10,118,669.83	8,826,594.42
Adjustment of deferred income tax	-2,183,245.59	-3,147,014.35
Total	7,935,424.24	5,679,580.07

No provision for Hong Kong profits tax has been made as the Company and its controlling subsidiaries had no profits generated in or arising from Hong Kong in 2015 and 2014.

10. 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	55,150,450.96	49,352,237.06
Amortization of intangible assets	9,669,215.60	9,778,821.91
Total	64,819,666.56	59,131,058.97

11. Distribution of profit for 2015

Pursuant to the profit distribution proposal passed at the 9th meeting of the fifth session of the Board of the Company held on 24 March 2016, 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 subject to approval at an annual general meeting. Subject to the approval at an annual general meeting, liability will be accordingly recognized by the Company.

12. Other important matters

(1) Segmental 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, no further detailed segmental information needs 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	801,511,224.83	805,236,386.64
Total assets less current liabilities	1,494,721,072.22	1,480,182,556.36

(3) Important events after reporting period

Possible acquisition

The Company is in the process of negotiating with an enterprise of the same industry which is headquartered in Germany regarding the acquisition of control. The possible acquisition constitutes a substantial asset reorganization of the Company. At the request of the Company, trading in the shares of the Company on the Shenzhen Stock Exchange was suspended since 21 January 2016. Please refer to the announcements of the Company dated 24 February 2016, 2 March 2016, 9 March 2016, 16 March 2016 and 23 March 2016 in relation to the updates on the possible acquisition for the relevant particulars.

13. Earnings per share

(1) Breakdown

Profit for the reporting period	Earnings per share (RMB/share)			
	Basic earnings per share		Diluted earnings per share	
	2015	2014	2015	2014
Net profits attributable to the ordinary shareholders of the Company	0.17	0.16	0.17	0.16
Net profits after deducting non-recurring gains and losses attributable to the ordinary shareholders of the Company	0.13	0.14	0.13	0.14

(2) Calculations of basic and diluted earnings per share

1. Calculations of basic earnings per share

Item	Number	2015
Net profits attributable to the ordinary shareholders of the Company	A	53,540,843.43
Non-recurring gains and losses	B	12,923,522.93
Net profits after deducting non-recurring gains and losses attributable to the ordinary shareholders shareholdof the Company	C=A-B	40,617,320.50
Total number of shares at beginning	D	315,857,855.00
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	
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

Weighted average number of issued ordinary shares	L=D+E+F× G/K-H×I/K-J	315,857,855.00
Basic earnings per share	M=A/L	0.17
Basic earnings per share after deducting non-recurring gains and losses	N=C/L	0.13

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 RMB1.00 per 10 shares (inclusive of applicable tax) for the year ended 31 December 2015 ("**Final Dividend**") and the retention of the remaining profit for the year, with a total amount of dividend RMB31,585,785.50. The distribution proposal is subject to consideration and approval at an annual 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 of the Company.

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 after the Company's 2015 annual general meeting to determine the record date and ex-rights date for Final Dividend distribution to the holders of A shares of the Company.

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

4) MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF CHINA AUTOMOBILE INDUSTRY

In 2015, production and sales volume of China automobile industry was 24,503,300 units and 24,597,600 units respectively, representing an increase of 3.30% and 4.70% respectively as compared with 2014. Production and sales of passenger cars were 21,079,400 units and 21,146,300 units respectively, representing an increase of 5.80% and 7.30% respectively as compared with 2014. Among these, sales volume of China-brand passenger cars was 8,737,600 units, representing an increase of 15.30% as compared with 2014. Production and sales volume of new energy cars was 340,500 units and 331,100 units respectively, representing an increase of 3.3 times and 3.4 times respectively as compared with 2014. Production and sales of commercial vehicles were 3,423,900 units and 3,451,300 units respectively, representing a decrease of 10.00% and 9.00% respectively as compared with 2014. Among commercial vehicles, production and sales volume of buses decreased by 2.70% and 1.90% respectively as compared with 2014; production and sales volume of trucks decreased by 11.40% and 10.30% respectively as compared with 2014. The top ten automaker groups in China sold 22,006,900 units of automobiles, representing an increase of 4.70% as compared with 2014. Their sales represented 89.50% of the total sales of the automobile industry, more or less the same as compared to last year.

OPERATING RESULTS AND FINANCIAL REVIEW

1. Summary

During the reporting period, sales of the Company's passenger cars steering system kept growing, among which sales of electric power steering system increased largely. During the reporting period, the Company recorded a revenue of RMB837,719,325.84, representing an increase of 3.26% as compared with 2014.

During the reporting period, the gross profit margin of the Company's main business was 25.73% (2014: 26.69%). The decrease in the gross profit margin was mainly due to a decrease of products sales price.

During the reporting period, the Company's selling expenses was RMB49,576,514.32, representing a decrease of 9.87% as compared with 2014. Decrease in selling expenses was mainly due to a decrease in the provision of warranty fee and agent fee. The Company's general and administrative expenses were RMB112,288,632.34, representing an increase of 14.47% as compared with 2014. Increase in general and administrative expenses was mainly due to an increase in the research and development expenses, and an increase in professional service fee for a possible acquisition. The Company's financial expenses were RMB3,945,269.12, representing a decrease of 78.82% as compared with 2014. Decrease in financial expenses was mainly due to a decrease of bank borrowings resulted in decrease of interest expenses.

During the reporting period, the Company's research and development expenses was RMB37,068,550.73, representing an increase of 9.54% as compared with 2014. The Company's research and development expenses are mainly used on the research and development of steering system safety, energy saving, light weight and alternative energies, in order to maintain competitiveness of the Company to support its continuous growth.

In view of the above, the Company recorded a net profit attributable to equity holders of the parent of RMB53,540,843.43, representing an increase of 23.44% as compared with 2014.

2. Cash Flow

Item	2015	2014	Change
Sub-total of cash inflow from operating activities	570,552,522.68	462,302,476.01	23.42%
Sub-total of cash outflow from operating activities	494,792,032.55	373,576,893.21	32.45%
Net cash flow from operating activities	75,760,490.13	88,725,582.80	-14.61%
Sub-total of cash inflow from investing activities	924,497,049.99	34,780,374.79	2558.10%
Sub-total of cash outflow from investing activities	974,286,475.45	83,680,448.88	1064.29%
Net cash flow from investing activities	-49,789,425.46	-48,900,074.09	1.82%
Sub-total of cash inflow from financing activities	165,000,000.00	1,004,906,164.00	-83.58%
Sub-total of cash outflow from financing activities	447,388,686.23	358,043,754.17	24.95%
Net cash flow from financing activities	-282,388,686.23	646,862,409.83	-143.66%
Net increase in cash and cash equivalents	-256,809,088.17	684,248,337.12	-137.53%

During the reporting period, cash outflow from operating activities increased by 32.45 comparing to last year, mainly due an increase of cash payment for materials purchasing; cash inflow and outflow from investing activities increase by 2558.10% and 1064.29% respectively comparing to last year, mainly due to repayment and purchase of bank wealth management products; cash inflow and net cash flow from financing activities decrease by 83.58 and 143.66% respectively comparing to last year, both mainly due to a decrease in bank borrowings; in view of above, during the reporting period, net increase in cash and cash equivalents decreased by 137.53% comparing to last year.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2015, the amount of total loans and borrowings was RMB35,180,000.00 (31 December 2014: RMB278,960,000.00). Total loans and borrowings decreased by RMB243,780,000.00 when compared with the beginning of the year, mainly due to a decrease of short-term bank borrowings. Among which, loans and borrowings of short-term and due within one year amounted to RMB33,800,000.00 (31 December 2014: RMB277,060,000.00), representing a share of 96.08% (31 December 2014: 99.32%) in total loans and borrowings. Loans and borrowings at fixed interest rates amounted to RMB26,380,000.00 (31 December 2014: RMB250,160,000.00).

The Company has issued 38.2 million RMB ordinary shares (A Shares) by way of private placement at issue price of RMB18.46 per share, which raised a gross proceeds of RMB705,172,000 and a net proceeds of RMB658,162,900. On 11 December 2014, the proceeds were credited into the fund regulatory account of the Company. The proceeds will be used on projects. The amount of the proceeds actually utilized by the Company from January to December 2015 was RMB100,609,400. As at 31 December 2015, the unutilized proceeds amounted to RMB570,985,400, of which RMB200,000,000 was used for temporary supplement of working capital. Balance of the fund account was RMB370,985,400, which included the net amount of accumulated gains from interests from bank deposits and gains from short-term bank wealth management products less bank handling fees and others.

The capital structure of the Company consists of short-term bank borrowings, bank deposits and equity attributable to shareholders of the Company. The management determines the capital structure by considering the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through the payment of dividends, new share issues as well as repayment of existing borrowings.

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. As at 31 December 2015, the Company’s gearing ratio was 44.57% (2014: 47.42%).

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

MATERIAL ACQUISITION AND DISPOSAL

In 2015, the Group did not have any material acquisition and disposal concerning subsidiaries and associates.

OUTLOOK

1. Industry landscape and Trend

The growth of vehicle sales volume in the PRC declined and tended to become stable, posing both challenges and great opportunities to the automotive components manufacturing corporates. The industry is seen with high concentration and will face a new round of mergers and acquisitions. The Company will be more focused on the innovation, quality and efficiency of new energy vehicles and smart internet automotive accessory products and pursue to be more customer-driven and meet the demand of its customers by stepping up its bargaining power. As a result, the Company will emerge as a top-notch prominent international automotive component brand.

Internet technologies accelerates the change over the traditional automobile as autonomous cars are putting into trial operation in some regions in U.S. implying that application of intelligent systems in automobile is an inevitable trend. Automotive component corporates intend to go beyond the Chinese market in terms of business development and seek to speed up their paces to break into the international arena strategically and promote international cooperation of production capacities.

In 2015, ZF Group (German) completed its acquisition of TRW Systems Group (U.S.) and emerged as one of the top three automotive suppliers in the world. Playing the role as an automotive component supplier (driveline system and chassis technologies), ZF Group complemented itself with active and passive safety technology and turned out to be a system supply giant with leadership in the automotive industry.

2. Development strategy of the Company

Zhejiang Shibao commits itself to improving safety and comfortability in driving. The Company endeavors to become a supplier to provide global leading automotive groups with safe, energy-saving, light-duty and new energy automotive steering system. Meanwhile, Zhejiang Shibao will develop and enhance the mechanical and electronic integration technology that make driving safer and comfort through both independent R&D, and mergers and acquisitions, eventually achieving its strategic goal of becoming a global leading automotive group providing intelligent driving solutions.

Automotive steering system is the core safety system for automotive. OEM business for automotive steering system entails certification of ISO:TS16949 quality certification system which is recognized by the global automotive industry and the supplier qualification evaluation of automotive groups. As a result, the entry barrier of this industry is high. Customized development is required for the automotive steering system used in new car models, for which the development cycle is long while technological requirement is high. Moreover, the industry also has more rigorous requirements for overall competence of suppliers including capital, R&D and management quality.

The Company is one of the early movers in the independent development of hydraulic power steering system and electric power steering (EPS) system in the PRC with over 30 years of OEM experience in the automotive industry. The Group has a diversified customer base of international automakers, making itself a top-class OEM supplier for a bunch of reputable automotive groups. Leveraging its profound experience in automotive electronic technologies for so many years, the Company makes its EPS electronic technologies standing apart from that of its peers in the PRC. The Company plans to pioneer the intelligent driving technology and mechanical-electrical integration technologies in the industry through acquisition of state-of-the-art technologies and corporates abroad, complemented by its rich experience accumulated, in order to keep up its competitive strength for sustainable development.

3. Business plan

During the reporting period, the Company recorded a profit in line with its forecast. During the reporting period, the progress of two fund-raising investment projects, namely "Automotive Hydraulic Power Steering System Project Expansion" (汽車液壓助力轉向器擴產項目) and Automotive Steering System R&D, Inspection and Trial Production Centre Project (汽車轉向系統研發、檢測及試制中心項目) executed by Hangzhou Shibao, a subsidiary of the Company, lagged behind the planned schedule, primarily attributed to a review across the Board on Hangzhou Shibao conducted by the Daimle Group. As at the date of this announcement, approval of the Board was obtained for the extension of the above two fund raising investment projects.

During the reporting period, the Company negotiated with an enterprise of the same industry which is headquartered in Germany regarding the acquisition of control. During the period, due to the fierce economic and financial volatility home and abroad, and the extreme uncertainties anticipated in the future, the Board will take step to cease the decision on negotiation of such acquisition in avoidance of risks to safeguard the interests of the listed Company. In early 2016, upon amicable negotiation, the Company resumed to the negotiation on acquisition of control of such corporate. The potential acquisition constitutes a substantial asset reorganization of the Company. Please refer to the announcements published by the Company in Securities Times, and on www.cninfo.com.cn (巨潮資訊網) and Hong Kong Stock Exchange's website for the relevant particulars.

Despite the continuous slowdown of automotive market in the PRC in 2016, the Company's new energy technology innovation introduced and our progress to break into the international arena accelerated in the recent years, resulting in a remarkable increase in efficiency. It is expected that sales and net profit will remain to increase by a greater extent while the investment in intelligent driving technology will continue to increase and become full-fledged in 2016, making us a pioneer in the industry to achieve marketization and large-scale production in the PRC.

5) CORPORATE GOVERNANCE

During the year under review, the Company had been in compliance with the majority of the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange with the exception of code provision A.2.1, A.1.8 and A.6.7.

Under code provision A.2.1, the roles of the chairman and the chief executive shall be separated, and shall not be undertaken by the same individual. 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 Company's founder, and is responsible for overseeing the overall strategic planning, new business development, 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 making response over market changes and finalization of strategic plans. The Board will review the efficiency of this management structure arrangement from time to time.

Under code provision A.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Board has not arranged a liability insurance cover for the Directors and senior executives taking into the consideration that the industry, business and financial situation of the Company are stable at present, and the Company has established sufficient internal control system. The Board will review the need for the insurance cover from time to time.

Under code provision A.6.7, 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. Lou Run Zheng (non-executive Director), Mr. Guo Kong Hui (independent non-executive Director) and Mr. Chau Kam Wing, Donald (independent non-executive Director) were unable to attend the Company's annual general meeting held on 30 June 2015 due to their other important business engagements.

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

As at 31 December 2015, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

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

Hangzhou, Zhejiang, the PRC
24 March 2016

As at the date of this announcement, the Board comprises Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han and Ms. Zhang Lan Jun as executive Directors; Mr. Zhang Shi Zhong and Mr. Zhu Jie Rong as non-executive Directors; and Mr. Zhang Hong Zhi, Mr. Guo Kong Hui and Mr. Shum Shing Kei as independent non-executive Directors.