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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 2016

FINANCIAL HIGHLIGHTS

	This reporting period	**Corresponding period of last year**	**Change**
	RMB	RMB	
Revenue	1,136,399,277.71	837,719,325.84	35.65%
Net profit attributable to shareholders of the listed company	63,487,549.38	53,540,843.43	18.58%
Net profit after non-recurring gains and losses attributable to shareholders of the listed company	47,850,300.22	40,617,320.50	17.81%
Net cash flow from operating activities	92,021,041.83	75,760,490.13	21.46%
Basic earnings per share (RMB/Share)	0.2010	0.1695	18.58%
Diluted earnings per share (RMB/Share)	0.2010	0.1695	18.58%
Weighted average return on net assets (%)	4.35%	3.73%	0.62%
	At the end of this reporting period	**At the end of last year end**	**Change**
	RMB	RMB	
Total assets	2,074,741,559.47	1,885,802,663.68	10.02%
Net assets attributable to shareholders of the listed company	1,473,509,760.40	1,442,583,124.07	2.14%

* *For identification purpose only*

AUDITED ANNUAL RESULTS

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 2016 prepared pursuant to China Accounting Standards for Business Enterprises ("**CASBE**"), together with the comparative figures in 2015. The consolidated annual results for 2016 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

31 December 2016

Item	Note 4	31 December 2016	31 December 2015
Current assets:			
Cash on hand and at bank		145,160,290.11	503,377,298.34
Notes receivable		162,714,933.93	92,274,842.99
Accounts receivable	1	398,849,055.72	326,067,978.19
Prepayments		4,851,250.24	6,530,189.97
Other receivables		6,244,280.21	3,230,857.02
Inventories		244,998,559.78	252,400,451.28
Other current assets		316,808,874.28	8,711,198.50
Total current assets		1,279,627,244.27	1,192,592,816.29
Non-current assets:			
Fixed assets		599,101,741.36	451,819,102.65
Construction in progress		56,498,367.41	43,970,877.69
Intangible assets		105,682,338.89	115,053,639.13
Goodwill		4,694,482.34	4,694,482.34
Deferred income tax assets		4,238,146.41	5,999,463.17
Other non-current assets		24,899,238.79	71,672,282.41
Total non-current assets		795,114,315.20	693,209,847.39
Total assets		2,074,741,559.47	1,885,802,663.68

Item	Note 4	31 December 2016	31 December 2015
Current liabilities:			
Short-term loans	2	-	25,000,000.00
Notes payable		118,716,837.78	74,239,657.73
Accounts payable	3	340,234,033.23	233,827,116.38
Receipts in advance		5,358,989.68	6,044,129.53
Staff cost payable		18,917,105.69	14,757,240.75
Tax payable		11,124,131.47	7,039,167.52
Interest payable		917,833.33	991,364.84
Other payables		5,329,991.89	4,854,383.45
Non-current liabilities due within one year	4	-	8,800,000.00
Other current liabilities		26,010,383.35	15,528,531.26
Total current liabilities		526,609,306.42	391,081,591.46
Non-current liabilities:			
Long-term borrowings	5	9,630,000.00	1,380,000.00
Deferred income		40,390,847.99	25,761,023.76
Deferred income tax liabilities		4,243,897.76	5,118,323.51
Total non-current liabilities		54,264,745.75	32,259,347.27
Total liabilities		580,874,052.17	423,340,938.73
Equity:			
Share capital		315,857,855.00	315,857,855.00
Capital reserve		659,036,954.21	660,012,081.76
Surplus reserve		130,760,053.19	125,531,891.62
Retained earnings		367,854,898.00	341,181,295.69
Equity attributable to shareholders of the listed company		1,473,509,760.40	1,442,583,124.07
Minority interests		20,357,746.90	19,878,600.88
Total equity		1,493,867,507.30	1,462,461,724.95
Total liabilities and equity		2,074,741,559.47	1,885,802,663.68

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2016

Item	Note 4	2016	2015
Total Revenue	6	1,136,399,277.71	837,719,325.84
Including: Revenue	6	1,136,399,277.71	837,719,325.84
Total operating costs		1,073,947,891.58	793,626,643.19
Including: Operating costs	6	878,619,909.18	620,617,460.76
Business taxes and surcharges		7,684,971.78	4,781,339.02
Selling expenses		70,548,830.53	49,576,514.32
General and administrative expenses		114,656,640.40	112,288,632.34
Financial expenses	7	-1,835,285.41	3,945,269.12
Assets impairment losses		4,272,825.10	2,417,427.63
Add： Investment gains		7,161,219.04	10,778,912.32
Operating profit		69,612,605.17	54,871,594.97
Add：Non-operating income		12,410,931.47	7,410,140.32
Including：Gain on disposal of non-current assets		1,113,328.44	201,806.20
Less：Non-operating expenses		1,430,860.19	2,409,878.33
Including：Loss on disposal of non-current assets		555,548.54	1,452,300.17
Total profit		80,592,676.45	59,871,856.96
Less：Income tax expenses	8	14,601,108.60	7,935,424.24
Net profit		65,991,567.85	51,936,432.72
Net profit attributable to shareholders of the listed company		63,487,549.38	53,540,843.43
Minority interests		2,504,018.47	-1,604,410.71
Total comprehensive income		65,991,567.85	51,936,432.72
Total comprehensive income attributable to shareholders of the listed company		63,487,549.38	53,540,843.43
Total comprehensive income attributable to minority shareholders		2,504,018.47	-1,604,410.71
Earnings per share	12		
Basic earnings per share		0.20	0.17
Diluted earnings per share		0.20	0.17

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 12 months from the end of the reporting period.

2、 MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company have been prepared in accordance with the requirements of CASBE, which have truly and fully reflected the information of the Company, including the financial position, results of operations and cash flows.

2. Accounting period

The accounting year is from 1 January to 31 December.

3. 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] 、11%、6%
Business tax	Amount of taxable revenue	5% [Note 2]
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 income	15%、25%

Note 1: Hangzhou Shibao Auto Steering Gear Co., Ltd., a subsidiary of the Company, enjoys the tax policy of “exempt, credit, refund” for export goods with an export tax refund rate of 17%.

Note 2: According to the requirement of the document “Cai Shui No. [2016] 36” of the Ministry of Finance and the State Administration of Taxation, effective from 1 May 2016, value-added tax is levied in lieu of business tax on a portion of the business of the Company.

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 subsidiaries, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. obtained the High-tech Enterprise Certificates (No. GR201433000685 and GR201433000159 respectively) during 2014, with a valid period from 2014 to 2016. They are subject to a corporate income tax rate of 15% during the period.

2. 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 Company’s subsidiary, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201411000968) during 2015, with a valid period from 2015 to 2017. It is subject to a corporate income tax rate of 15% during the period.

3. 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 Company’s subsidiary, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201434000449) during 2014, 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	396,577,811.46	97.65	-	317,909,089.92	96.24	-
1–2 years	4,578,768.38	1.13	2,900,412.69	6,830,773.39	2.07	731,314.19
2–3 years	1,101,389.87	0.27	810,327.93	2,517,980.00	0.76	908,466.57
Over 3 years	3,860,070.77	0.95	3,558,244.14	3,076,535.74	0.93	2,626,620.10
Sub-total	406,118,040.48	100.00	7,268,984.76	330,334,379.05	100.00	4,266,400.86

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

The 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
Guaranteed loans	-	25,000,000.00
Total	-	25,000,000.00

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	324,139,724.56	222,179,512.69
1-2 years	9,851,904.70	7,403,569.58
2-3 years	2,747,397.62	2,433,777.15
Over 3 years	3,495,006.35	1,810,256.96
Total	340,234,033.23	233,827,116.38

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

4. 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
Total	-	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
Sub-total	-	8,800,000.00

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	830,000.00[Note 1]	1,380,000.00
Long-term borrowings	8,800,000.00[Note 2]	-
Total	9,630,000.00	1,380,000.00

Note 1: 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 the Company's subsidiary, Siping Steering Gear Co., Ltd.

Note 2: These loans represented the interest-free capital loans from the Management Committee of the Tiedong Economic Development Zone in Siping to the Company's subsidiary, Jilin Shibao Machinery Manufacturing Co., Ltd., to expand production. The Company's subsidiary, Jilin Shibao Machinery Manufacturing Co., Ltd., extended the expand production project to the end of 2018. The corresponding loans are not yet due for settlement.

(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	-	-
Over 2 years but within 5 years	9,630,000.00	1,080,000.00
Over 5 years	-	-
Total	9,630,000.00	1,380,000.00

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	1,123,616,241.32	873,075,222.60	830,146,184.07	616,527,267.36
Revenue from other business	12,783,036.39	5,544,686.58	7,573,141.77	4,090,193.40
Total	1,136,399,277.71	878,619,909.18	837,719,325.84	620,617,460.76

7. Financial expenses

Item	Balance for the current period	Balance for the corresponding period last year
Interest expenses	615,268.47	6,117,635.77
Including : Bank loans, interests of other loans fully repayable within 5 years	615,268.47	6,117,635.77
Interests of other loans not fully repayable within 5 years	-	-
Interest income	-3,019,350.23	-3,606,114.71
Other	568,796.35	1,433,748.06
Including：Net exchange gains and losses	5,060.37	391,466.61
Total	-1,835,285.41	3,945,269.12

During 2015 and 2016, there was no interest capitalization.

8. 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	13,714,217.59	10,118,669.83
Adjustment of deferred income tax	886,891.01	-2,183,245.59
Total	14,601,108.60	7,935,424.24

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries had no profits generated in or arising from Hong Kong in 2016 and 2015.

9. 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 assets	58,051,820.09	55,150,450.96
Amortization of intangible assets	9,480,408.04	9,669,215.60
Total	67,532,228.13	64,819,666.56

10. Distribution of profit for 2016

Pursuant to the profit distribution proposal passed at the 21st meeting of the fifth session of the Board of the Company held on 24 March 2017, based on the total share capital of 315,857,855 shares, a cash dividend of RMB1.00 (before tax) per 10 shares held will be distributed to all shareholders. In addition, 15 shares will be transferred to all shareholders for every 10 shares held out of the capital reserve fund. The aforementioned profit distribution proposal is subject to approval at an annual general meeting.

11. Other 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 where 86.17% of the revenue was generated from domestic sales，no further detailed segmental information needs to be disclosed.

(2) Other financial information

Item	Balance at the end of the period	Balance at the beginning of the period
Net current assets	753,017,937.85	801,511,224.83
Total assets less current liabilities	1,548,132,253.05	1,494,721,072.22

12. Earnings per share

(1) Breakdown

Profit for the reporting period	Earnings per share (RMB/share)			
	Basic earnings per share		Diluted earnings per share	
	2016	2015	2016	2015
Net profit attributable to the ordinary shareholders of the Company	0.20	0.17	0.20	0.17
Net profit after deducting non-recurring gains and losses attributable to the ordinary shareholders of the Company	0.15	0.13	0.15	0.13

(2) Calculations of basic and diluted earnings per share

1. Calculations of basic earnings per share

Item	Number	2016
Net profit attributable to the ordinary shareholders of the Company	A	63,487,549.38
Non-recurring gains and losses	B	15,637,249.16
Net profit after deducting non-recurring gains and losses attributable to the ordinary shareholders shareholdof the Company	C=A-B	47,850,300.22
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	0.20
Basic earnings per share after deducting non-recurring gains and losses	N=C/L	0.15

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

3) PROFIT DISTRIBUTION PROPOSAL FOR 2016

As discussed and approved by the Board of the Company on 24 March 2017, a cash dividend of RMB1.00 (before tax) for every 10 shares held by the shareholders is proposed based on the total share number of 315,857,855 (including 86,714,000 H Shares and 229,143,855 A Shares)(with a nominal value of RMB1.00 each) at the end of 2016 (the "**Final Cash Dividend**"), amounting to a proposed cash dividend of RMB31,585,785.50. In addition, it is proposed that a total of 473,786,783 shares will be transferred to all shareholders out of the capital reserve fund on the basis of 15 shares for every 10 shares held (the "**Share Transfer Out of Capital Reserve Fund**"). Upon the completion of transfer, the total share capital of the Company will be 789,644,638 shares. The profit distribution proposal is subject to approval at the 2016 annual general meeting of the Company.

The Share Transfer Out of Capital Reserve Fund is subject to the satisfaction of the following conditions:

(i) Approval from shareholders of the Company at the 2016 annual general meeting is obtained;

(ii) Approval of the listing and trading of the new H shares to be allocated and issued under the Share Transfer Out of Capital Reserve Fund (the "**Transfer Shares**") is granted by the Hong Kong Stock Exchange; and

(iii) Relevant laws and regulations under the applicable company law of the People's Republic of China relating to the Share Transfer Out of Capital Reserve Fund are complied with.

Subject to the approval by the shareholders at the 2016 annual general meeting of the Company, the Final Cash Dividend and Transfer Shares are expected to be distributed, and issued and delivered to the holders of H shares of the Company, respectively, on or before 31 August 2017. A circular containing details regarding the proposed Share Transfer Out of Capital Reserve Fund will be despatched to the holders of H shares as soon as practicable.

4) DISCUSSION AND ANALYSIS OF OPERATIONS

1. REVIEW OF CHINA AUTOMOBILE INDUSTRY

In 2016, production and sales volume of China automobile industry were 28,119,000 units and 28,028,000 units respectively, representing an increase of 14.50% and 13.70% respectively as compared with 2015. Production and sales of passenger cars were 24,421,000 units and 24,377,000 units respectively, representing an increase of 15.50% and 14.90% respectively as compared with 2015. Among these, sales volume of China-brand passenger cars was 10,529,000 units, representing an increase of 20.50% as compared with 2015. Production and sales volume of new energy cars were 517,000 units and 507,000 units respectively, representing an increase of 51.70% and 53.00% respectively as compared with 2015. Production and sales of commercial vehicles were 3,698,000 units and 3,651,000 units respectively, representing an increase of 8.00% and 5.80% respectively as compared with 2015. Among commercial vehicles, production and sales volume of buses decreased by 7.40% and 8.70% respectively as compared with 2015; production and sales volume of trucks increased by 11.20% and 8.80% respectively as compared with 2015. The top ten automaker groups in China sold 24,760,000 units of automobiles, representing an increase of 12.90%

as compared with 2015. Their sales represented 88.30% of the total sales of the automobile industry, representing a decrease of 0.60% as compared with 2015.

2. ANALYSIS OF MAIN BUSINESS

1、Overview

During the reporting period, benefited from the rapid growth of the automotive industry and the significant increase in the production capacity of the Company's steering gear product, the Company’s sales volume of steering system products continued to increase, among which sales volume of electric power steering system products for energy saving and new energy automobiles increased significantly. During the reporting period, the Company recorded a revenue of RMB1,136,399,277.71, representing a year-on-year increase of 35.65%.

During the reporting period, the gross profit margin of the Company’s main business was 22.30% (2015: 25.73%). The decrease in gross profit margin of the Company was mainly attributable to combined effects of the reduction in selling price of certain traditional products after entering into a matured stage and the increase in the start-up expenses for new projects, including the expenses on intelligent steering gear system products for intelligent driving.

During the reporting period, the Company’s selling expenses was RMB70,548,830.53, representing an increase of 42.30% as compared with 2015. Increase in selling expenses was mainly due to the corresponding increase in transportation fees and warranty expenses as a result of the expansion of sales. General and administrative expenses were RMB114,656,640.40, representing a year-on-year increase of 2.11%, among which staff costs and research and development expenses recorded a year-on-year increase of 16.39% and 11.73%, respectively, due to the expansion of operation. Professional service fee decreased by 45.91% when compared to last year due to the absence of agency fee expenses for material asset restructuring. Tax expenses decreased by 67.04% over last year. The decrease was mainly due to that stamp duty, real estate tax, land use tax, and vehicles and vessels use tax arising from the period between May and December 2016 were presented in “taxes and surcharges”, while those arising for the period prior to May 2016 were presented in “general and administrative expenses”, in accordance with the “Provisions Concerning the Accounting Treatments on Value-Added Tax” (Cai Hui No.: [2016] 22) and “Interpretation of Issues Concerning Provisions Concerning the Accounting Treatments on Value-Added Tax” of the Ministry of Finance. Financial expenses were -RMB1,835,285.41, representing a decrease of 146.52% as compared with 2015. Decrease in financial expenses was mainly due to a decrease in bank borrowings resulted in decrease of interest expenses.

During the reporting period, the Company’s research and development expenses was RMB41,416,415.87, representing an increase of 11.73% as compared with 2015. The Company’s research and development expenses are mainly used on the technical research of automotive steering system’s safety, intelligent, energy saving, light weight, in order to maintain competitiveness of the Company to support its continuous growth.

During the reporting period, non-operating income amounted to RMB12,410,931.47, representing a year-on-year increase of 67.49%. Non-operating income mainly consists of government grants of RMB10,514,414.10.

In view of the above, the Company recorded a net profit attributable to shareholders of the listed company of RMB63,487,549.38, representing an increase of 18.58% as compared with 2015.

2、Revenue and Cost

(1) Revenue

	2016		2015		Change
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Total Revenue	1,136,399,277.71	100%	837,719,325.84	100%	35.65%
By industry					
Manufacture of automotive components and parts	1,123,616,241.32	98.88%	830,146,184.07	99.10%	35.35%
Others	12,783,036.39	1.12%	7,573,141.77	0.90%	68.79%
By products					
Steering system and parts	1,083,392,069.43	95.34%	783,996,478.42	93.59%	38.19%
Parts and others	40,224,171.89	3.54%	46,149,705.65	5.51%	-12.84%
Others	12,783,036.39	1.12%	7,573,141.77	0.90%	68.79%

(2) Details of industry and product accounted for over 10% of the Company's revenue or operating profit

	Revenue	Operating costs	Gross profit margin	Change of revenue over last year	Change of operating costs over last year	Change of gross profit margin over last year
By industry						
Manufacture of automotive components and parts	1,123,616,241.32	873,075,222.60	22.30%	35.35%	41.61%	-3.43%
By products						
Steering system and parts	1,083,392,069.43	842,167,587.34	22.27%	38.19%	45.30%	-3.80%

3、Cash Flow

Item	2016	2015	Change
Sub-total of cash inflow from operating activities	647,420,619.35	570,552,522.68	13.47%
Sub-total of cash outflow from operating activities	555,399,577.52	494,792,032.55	12.25%
Net cash flow from operating activities	92,021,041.83	75,760,490.13	21.46%
Sub-total of cash inflow from investing activities	1,155,685,226.93	924,497,049.99	25.01%
Sub-total of cash outflow from investing activities	1,555,624,458.98	974,286,475.45	59.67%
Net cash flow from investing activities	-399,939,232.05	-49,789,425.46	703.26%
Sub-total of cash inflow from financing activities	200,000,000.00	165,000,000.00	21.21%
Sub-total of cash outflow from financing activities	260,794,840.80	447,388,686.23	-41.71%
Net cash flow from financing activities	-60,794,840.80	-282,388,686.23	-78.47%
Net increase in cash and cash equivalents	-368,718,091.39	-256,809,088.17	43.58%

During the reporting period, net cash outflow from investing activities increased by 703.26% as compared to last year, mainly due to purchase of bank short-term wealth management products; net cash outflow from financing activities decreased by 78.47% as compared to last year, mainly due to a decrease in repayment of bank borrowings. In view of above, during the reporting period, net increase in cash and cash equivalents decreased by 43.58% as compared to last year.

3. ANALYSIS OF ASSETS AND LIABILITIES

1、Significant changes in composition of assets

No significant changes in composition of assets at the end of reporting period. Details of changes in assets accounted for over 5% of the total assets are set out below.

	2016		2015		Change
	Amount	Percentage of total assets	Amount	Percentage of total assets	
Cash on hand and at bank	145,160,290.11	7.00%	503,377,298.34	26.69%	-19.69%
Notes receivable	162,714,933.93	7.84%	92,274,842.99	4.89%	2.95%
Accounts receivable	398,849,055.72	19.22%	326,067,978.19	17.29%	1.93%
Inventories	244,998,559.78	11.81%	252,400,451.28	13.38%	-1.57%
Other current assets	316,808,874.28	15.27%	8,711,198.50	0.46%	14.81%
Fixed assets	599,101,741.36	28.88%	451,819,102.65	23.96%	4.92%
Intangible assets	105,682,338.89	5.09%	115,053,639.13	6.10%	-1.01%
Notes payable	118,716,837.78	5.72%	74,239,657.73	3.94%	1.78%
Accounts payable	340,234,033.23	16.40%	233,827,116.38	12.40%	4.00%

2、Assets with restrictions in ownership or use rights at end of the reporting period

Assets with restrictions in ownership or use rights

Item	Carrying amount at the end of the period	Reason for restriction
Cash on hand and at bank	27,829,708.19	Security deposits
Notes receivable	54,087,876.87	Pledge
Fixed assets	4,929,560.14	Charge
Intangible assets	3,280,044.38	Charge
Total	90,127,189.58	

3、Financial resources and capital structure

At the end of the reporting period, the amount of total loans and borrowings was RMB9,630,000.00 (31 December 2015: RMB35,180,000.00). Total loans and borrowings decreased by RMB25,550,000.00 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 zero (31 December 2015: RMB33,800,000.00), representing a share of 0% (31 December 2015: 96.08%) in total loans and borrowings. Loans and borrowings at fixed interest rates amounted to RMB830,000.00 (31 December 2015: RMB26,380,000.00).

The Company issued 38.2 million RMB ordinary shares (A Shares) by way of non-public issue in 2014 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 after deducting the related costs. On 11 December 2014, the proceeds were credited into the regulatory proceeds account of the Company. The amount of the proceeds actually utilized by the Company in 2016 was RMB111,507,800, and RMB200,000,000 was used for temporary supplement of working capital. As at 31 December 2016, balance of proceeds amounted to RMB268,605,400, which included the net accumulated amount of interests received 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 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 various types of capital. The Company will balance its overall capital structure through the payment of dividends, new share issues or repayment of bank borrowings.

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. At the end of the reporting period, the Company's gearing ratio was -7.77% (2015: -44.57%).

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

4. MATERIAL ACQUISITION AND DISPOSAL

In 2016, the Group did not have any material acquisition and disposal concerning subsidiaries and associates.

5. OUTLOOK INTO THE FUTURE DEVELOPMENT OF THE COMPANY

1、Industry landscape and trend

In recent years, Chinese automobile market has undergone rapid development and it leads to a surge in the automotive component industry. At the same time, to relieve the stress on the energy and environmental fronts in the PRC, the promotion and popularization of energy-saving and new energy automobiles have become top priority in Chinese automobile industry in the long run. The development of the automobile industry characterized by energy-saving, new energy, light-duty and intelligent application has been significantly faster, resulting in corresponding changes in product structure of the automotive component industry.

Society of Automotive Engineers of China published “Roadmap of Energy-saving and New Energy Automobile Technology” in October 2016 to establish the objectives of development of energy-saving and new energy automobiles in the coming 15 years: it is expected that the market share of energy-saving automobiles will reach 30%, 40% and 50% in 2020, 2025 and 2030, respectively. Battery electric automobiles and plug-in hybrid electric automobiles are anticipated to make up for 7% to 10%, 15% to 20% and 40% to 50% of the annual sales of automobile in 2020, 2025 and 2030, respectively. “Roadmap of Energy-saving and New Energy Automobile Technology” predicts that the scale of Chinese automobile market will reach 30 million, 35 million and 38 million units in 2020, 2025 and 2030, respectively, where 50% of new automobiles in the PRC will be equipped with conditional automation or automation of lower levels (DA, PA, CA) in 2020; 80% of new automobiles will be equipped with DA, PA, CA, HA and FA in 2030.

2、Development strategy of the Company

The Company commits itself to improving safety and comfortability in driving. The Company endeavors to become a supplier to provide global leading automotive groups with safe, intelligent, energy-saving and light-duty automotive steering system and raise the R&D and production capability of steering system and key components for each series of automobile model to international standard. Meanwhile, the Company is tapping into key automotive components in relation to integration modulation of steering system. Its strategic goal is to provide intelligent driving solutions and products to global leading automotive groups. The Company will adopt a development strategy that facilitates both organic growth, and merger and acquisition. It will concentrate on the automotive component industry, particularly the area of steering system, and pioneer the development of the industry in respect of intelligent application and innovation.

3、 Business plan

During the reporting period, due to the rapid growth of Chinese automobile industry, revenue and net profit of the Company increased by a larger margin and meet the predicted annual profit of 2016 set out in the third quarter report of 2016.

During the reporting period, the two fund-raising investment projects, namely “The increase of production of power automotive steering gears project” (汽車液壓助力轉向器擴產項目) and “The research and development, examination and inspection and trial production centre of automotive steering gear system project” (汽車轉向系統研發、檢測及試製中心項目) executed by Hangzhou Shibao, a subsidiary of the Company, had become ready for use. Part of the production capacity for 700,000 units/sets of hydraulic power steering gears financed and set up under “The increase of production of power automotive steering gears project” had been commissioned into operation during the reporting period, and contributed to growth in operating scale and revenue. During the reporting period, two fund-raising investment projects, namely “The precise casting and processing of automotive components project” (汽車零部件精密鑄件及加工建設項目) implemented by the Company’s subsidiary, Jilin Shibao, and “The annual production of 2,100,000 unit(set) of automotive steering gear (EPS) components series industrialization investment and development project” (年產210萬件（套）汽車轉向（電動EPS）元件等系列產品產業化投資建設項目) implemented by the Company could not complete the investment and development phase as scheduled. Upon consideration and approval at the 19th meeting of the 5th session of the Board of the Company, the target completion of these projects had been extended to 31 December 2018.

During the reporting period, in respect of the acquisition of controlling interest in an enterprise of the same industry which is headquartered in Germany, the Company negotiated with its shareholders. The transaction constituted a substantial asset reorganization of the Company. As the parties involved eventually failed to reach an agreement on the material transaction terms, the Board decided to terminate this substantial asset reorganization. Please refer to the announcement of the Company dated 27 May 2016 for the relevant particulars.

In 2017, the Company expects continuous growth for revenue and profit, and a new record in production and sales volume of electric power steering system used in energy-saving and new energy automobiles. The Company will focus on R&D efforts and capacity building for intelligent steering product and intelligent driving technology, with a planned investment of not more than RMB1.35 billion in developing "The annual production of 1,200,000 automotive intelligent steering assembly technology transformation project" (新增年產120萬台套汽車智慧轉向總成技術改造項目), "The annual production of 100,000 medium and heavy duty commercial vehicles intelligent steering industrialization development project" (年產10萬套中重型商用車智慧轉向產業化建設項目), "The annual production of 500,000 passenger cars intelligent brake booster industrialization project" (年產50萬套乘用車智慧制動助力器產業化項目), "The automotive intelligent control unit industrialization project" (汽車智慧控制單元產業化項目) and "The research and development centre of automotive intelligent technology project" (汽車智慧技術研發中心項目) in the coming two years. In this regard, the Company has initiated a re-financing project and intends to fund the development of the five mentioned projects with the proceeds from the issuance of A shares. For the relevant particulars of the non-public issuance of A shares of the Company, please refer to (i) the Company's circular to the Shareholders dated 23 November 2016, and (ii) the Company's announcements dated 24 October 2016, 12 December 2016, 26 December 2016, 9 March 2017 and 14 March 2017, in relation to the non-public issuance (which has been approved at the 2016 Second Extraordinary General Meeting, the 2016 First A Shareholders' Class Meeting and the 2016 First H Shareholders' Class Meeting); and (iii) the Company's announcement dated 20 March 2017 in relation to the proposed adjustments to certain resolutions of the non-public issuance of A shares.

Investors are reminded that the operation plan does not constitute a result guarantee of the Company to the investors. Investors should be fully aware of such risk and the difference between an operation plan and result guarantee.

5) CORPORATE GOVERNANCE

During the reporting period, the Company had been in compliance with the majority of the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules of 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 reporting period. 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. Zhang Shi Zhong (non-executive Director), Mr. Zhang Hong Zhi (independent non-executive Director) and Mr. Guo Kong Hui (independent non-executive Director) were unable to attend the Company's annual general meeting held on 21 June 2016 due to their other important business engagements.

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

As at 31 December 2016, 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 2017

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.