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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 UNAUDITED REUSLTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	2019 (unaudited)	**2018 (audited)**	**Change**
	RMB	RMB	
Revenue	982,370,362.06	1,133,097,729.85	-13.30%
Net profit attributable to shareholders of the listed company	-176,711,604.44	7,278,368.34	N/A
Net profit after non-recurring gains and losses attributable to shareholders of the listed company	-193,462,191.87	-23,018,650.44	740.46%
Basic earnings per share (RMB/Share)	-0.2238	0.0092	N/A
Diluted earnings per share (RMB/Share)	-0.2238	0.0092	N/A
	31 December 2019 (unaudited)	**31 December 2018 (audited)**	**Change**
	RMB	RMB	
Total assets	1,960,622,845.18	2,045,077,333.85	-4.13%
Net assets attributable to shareholders of the listed company	1,301,835,078.37	1,478,546,682.81	-11.95%

* *For identification purpose only*

UNAUDITED ANNUAL RESULTS

For the reasons explained below under "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of Zhejiang Shibao Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") has not been completed. In the meantime, the board of directors of the Company (the "**Board**") is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 prepared pursuant to China Accounting Standards for Business Enterprises ("**CASBE**"), together with the comparative figures in 2018. The consolidated unaudited annual results for 2019 have been reviewed by the Company's audit committee.

1. FINANCIAL STATEMENTS

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

CONSOLIDATED BALANCE SHEET
31 December 2019

Item	Note 4	31 December 2019 (unaudited)	31 December 2018 (audited)
Current assets:			
Cash on hand and at bank		130,823,115.52	129,531,349.92
Financial assets held for trading		71,000,000.00	60,000,000.00
Notes receivable		141,483,082.75	142,065,764.04
Accounts receivable	1	398,748,866.89	468,614,553.04
Prepayments		6,563,922.61	5,961,331.19
Other receivables		6,624,835.27	7,223,954.38
Inventories		216,838,013.54	296,617,482.37
Other current assets		18,876,728.92	14,024,896.78
Total current assets		990,958,565.50	1,124,039,331.72
Non-current assets:			
Investment real estate		45,608,029.75	23,875,050.98
Fixed assets		716,268,848.51	648,472,200.05
Construction in progress		104,403,320.93	101,847,457.97
Intangible assets		83,246,762.75	90,633,988.60
Goodwill			4,694,482.34
Deferred income tax assets		11,644,197.00	3,795,739.02
Other non-current assets		8,493,120.74	47,719,083.17
Total non-current assets		969,664,279.68	921,038,002.13
Total assets		1,960,622,845.18	2,045,077,333.85

Item	Note 4	31 December 2019 (unaudited)	31 December 2018 (audited)
Current liabilities:			
Short-term borrowings		143,000,000.00	20,000,000.00
Notes payable		78,049,284.98	120,498,802.21
Accounts payable	2	339,030,223.16	308,232,664.17
Receipts in advance		5,180,624.33	2,090,618.17
Staff cost payable		12,942,278.97	13,581,085.61
Tax payable		2,615,274.29	1,905,954.69
Other payables		1,808,469.13	1,884,413.39
Include: Interest payable		186,095.89	910,048.62
Contract liabilities		3,725,547.15	3,902,211.90
Other current liabilities		24,493,970.73	18,038,269.86
Total current liabilities		610,845,672.74	490,134,020.00
Non-current liabilities:			
Long-term borrowings	3	8,800,000.00	9,080,000.00
Deferred income		43,582,481.56	52,234,573.03
Deferred income tax liabilities		2,756,325.71	3,106,579.85
Total non-current liabilities		55,138,807.27	64,421,152.88
Total liabilities		665,984,480.01	554,555,172.88
Equity:			
Share capital		789,644,637.00	789,644,637.00
Capital reserve		182,334,093.78	182,334,093.78
Surplus reserve		135,379,620.20	135,379,620.20
Retained earnings		194,476,727.39	371,188,331.83
Equity attributable to shareholders of the listed company		1,301,835,078.37	1,478,546,682.81
Minority interests		-7,196,713.20	11,975,478.16
Total equity		1,294,638,365.17	1,490,522,160.97
Total liabilities and equity		1,960,622,845.18	2,045,077,333.85

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2019

Item	Note 4	2019 (unaudited)	2018 (audited)
Total Revenue	4	982,370,362.06	1,133,097,729.85
Include: Revenue	4	982,370,362.06	1,133,097,729.85
Total operating costs		1,114,125,442.28	1,163,687,229.96
Include: Operating costs	4	844,312,514.70	938,862,512.28
Business taxed and surcharges		9,803,786.48	8,448,316.41
Selling expenses		124,329,014.21	78,345,952.20
General and administrative expenses		70,949,989.21	72,020,750.48
Research and development expenses		61,712,823.86	66,456,611.17
Financial expenses	5	3,017,313.82	-446,912.58
Include: Interests expenses		4,064,119.68	1,830,859.94
Interests income		1,153,386.98	3,672,267.93
Add: Other gains		15,214,440.01	19,967,062.85
Investment gains		1,209,913.87	4,275,660.37
Credit impairment losses		-51,813,811.94	-503.96
Asset impairment losses		-38,053,636.54	-3,430,074.89
Gains from disposal of assets		531,164.21	11,896,367.95
Total profit		-204,667,010.61	2,119,012.21
Add: Non-operating income		1,148,571.53	308,431.56
Less: Non-operating expenses		652,600.38	535,293.70
Total profit		-204,171,039.46	1,892,150.07
Less: income tax expenses	6	-8,287,243.66	-73,624.49
Net profit (continuing operation)		-195,883,795.80	1,965,774.56
Net profit attributable to shareholders of the listed company		-176,711,604.44	7,278,368.34
Minority interests		-19,172,191.36	-5,312,593.78
Total comprehensive income		-195,883,795.80	1,965,774.56
Total comprehensive income attributable to shareholders of the listed company		-176,711,604.44	7,278,368.34
Total comprehensive income attributable to minority shareholders		-19,172,191.36	-5,312,593.78
Earnings per share:	8		
Basic earnings per share		-0.2238	0.0092
Diluted earnings per share		-0.2238	0.0092

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 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. Operating Cycle

The operating business cycle of the Company is relatively short. A period of 12 months is taken to identify the current nature of assets and liabilities.

4. Functional currency

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

5. Material changes in accounting policies

Changes in accounting policies caused by changes in Accounting Standards for Business Enterprises

(1) The financial statements of the Company for the year 2019 and the subsequent periods will be prepared in accordance with the requirements of the Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Edition) (Cai Kuai [2019] No.16) issued by the Ministry of Finance on 19 September 2019. This change has been considered and approved at the tenth meeting of the sixth session of the Board of the Company.

(2) The Company has adopted the Notice on Revising and Issuing the Accounting Standards for Business Enterprises No. 21 - Leases (Cai Kuai [2018] No.35) issued by the Ministry of Finance on 7 December 2018, with effect from 1 January 2019. This change has been considered and approved at the tenth meeting of the sixth session of the Board of the Company.

(3) In accordance with the Notice on Revising and Issuing the Accounting Standards for Business Enterprises No.7 – Exchange of Non-monetary Assets (Cai Kuai [2019] No.8) issued by the Ministry of Finance on 9 May 2019 and the Notice on Revising and Issuing the Accounting Standards for Business Enterprises No.12 –Debt Restructuring (Cai Kuai [2019] No.9) issued by the Ministry of Finance on 16 May 2019, the Company has adopted the aforesaid new and revised accounting policies. This change has been considered and approved at the tenth meeting of the sixth session of the Board of the Company.

(3) TAXATION

1. Major types of tax and tax rates

Type of tax	Basis	Tax rate
Value added tax	Sales of goods or rendering of taxable services	16%/13%、10%/9% [Note]、6%、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 income	15%、25%

Note: In accordance with the announcement (Ministry of Finance, State Taxation Administration and General Administration of Customs [2019] No.39), from 1 April 2019, the tax rates on sales behaviors or import goods of the Company and subsidiaries subject to the value-added tax at the former rates of 16% and 10% have been changed to 13% and 9%; the sale of the steering systems, parts and other commodities by the Company has been subject to the value-added tax at the rate of 16%/13%, and the transfer of patented technologies and provision of services and otherwise have been subject to the value-added tax at the rate of 6%, and the house leasing business and otherwise have been subject to the tax at the simplified rate of 5%; the "exemption, offset and rebate" tax policy has applied to export goods of Hangzhou Shibao Auto Steering Gear Co., Ltd. and Jilin Shibao Machinery Manufacturing Co., Ltd., both are subsidiaries of the Company; the export rebate rate on export goods previously subject to the tax rate of 16% and the export rebate rate of 16% is adjusted to 13%, which is applicable to goods exported after 1 July 2019.

Details of corporate income tax rates of different entities:

Name of entity	Income tax
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

(1) According to the “Letter Regarding 2017 First 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. [2017] 201), the Company’s subsidiaries, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. obtained the High-tech Enterprise Certificates (No. GR201733000242 and GR201733001928 respectively) during 2017, with a valid period from 2017 to 2019. They are subject to a corporate income tax rate of 15% during the period.

(2) According to the “Administrative Measures for the Recognition of High-tech Enterprises” (CTP No. [2016] 32) and the “Guidelines for the Recognition Management Work of High-tech Enterprises” (CTP No. [2016] 195), the Company’s subsidiary, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201711007542) during 2017, with a valid period from 2017 to 2019. It is subject to a corporate income tax rate of 15% during the period.

(3) According to the “Notification Regarding the Announcement of the List of the First Batch of High-tech Enterprises of Anhui Province Recognized in 2017” (Ke Gao No. [2017] 62) issued by the Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance, Anhui Provincial State Taxation Bureau and Anhui Provincial Local Taxation Bureau, the Company’s subsidiary, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201734000456) during 2017, with a valid period from 2017 to 2019. 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	31 December 2019 (unaudited)			31 December 2018 (audited)		
	Carrying amount		Provision for bad debt	Carrying amount		Provision for bad debt
	Amount	%		Amount	%	
Within 1 year	417,590,591.03	91.62	26,002,595.30	453,488,096.59	96.56	292,027.34
1-2 years	30,080,472.69	6.60	24,464,226.47	15,079,464.71	2.44	673,619.34
2-3 years	3,271,066.31	0.72	1,726,441.37	1,867,853.03	0.30	855,214.61
Over 3 years	4,822,471.59	1.06	4,822,471.59	4,318,396.33	0.70	4,318,396.33
Total	455,764,601.62	100.00	57,015,734.73	474,753,810.66	100.00	6,139,257.62

The aging analysis of notes receivable and 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. The notes generally expire within 180 days from the date of issue. Overdue balances are reviewed regularly by senior management.

2. Accounts payable

The aging analysis of accounts payable is as follows:

Age	31 December 2019 (unaudited)	31 December 2018 (audited)
Within 1 year	320,624,757.44	297,625,066.68
1-2 years	10,354,208.86	3,744,206.81
2-3 years	2,945,278.35	4,202,557.32
Over 3 years	5,105,978.51	2,660,833.36
Total	339,030,223.16	308,232,664.17

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.

3. Long-term borrowings

(1) Breakdown

Item	31 December 2019 (unaudited)	31 December 2018 (audited)
Special funds for treasure bonds (Note 1)		280,000.00
Long-term borrowings (Note 2)	8,800,000.00	8,800,000.00
Guaranteed loans		
Total	8,800,000.00	9,080,000.00

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, Jilin Shibao Machinery Manufacturing 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 corresponding loans are not yet due for settlement.

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

Item	31 December 2019 (unaudited)	31 December 2018 (audited)
Current or within 1 year		
Over 1 year but within 2 years		
Over 2 years but within 5 years	8,800,000.00	9,080,000.00
Over 5 years		
Sub-total	8,800,000.00	9,080,000.00
Include: Long-term loans due within 1 year		
Long-term loans due over 1 year	8,800,000.00	9,080,000.00

4. Revenue/operating costs

Item	2019 (unaudited)		2018 (audited)	
	Revenue	Cost	Revenue	Cost
Revenue from main business	964,554,512.66	837,149,050.62	1,110,658,761.08	926,099,671.85
Revenue from other business	17,815,849.40	7,163,464.08	22,438,968.77	12,762,840.43
Total	982,370,362.06	844,312,514.70	1,133,097,729.85	938,862,512.28

5. Financial expenses

Item	2019 (unaudited)	2018 (audited)
Interest expenses	4,064,119.68	1,830,859.94
Include: Interests on bank loans and interests on other loans fully repayable within 5 years	4,064,119.68	1,830,859.94
Interests on other loans not fully repayable within 5 years		
Interest income	-1,153,386.98	-3,672,267.93
Other	106,581.12	1,394,495.41
Include: Net exchange losses	-124,276.65	7,326.32
Total	3,017,313.82	-446,912.58

During 2019 and 2018, there was no interest capitalization.

6. Income tax expenses

Item	2019 (unaudited)	2018 (audited)
Current income tax	-88,531.54	700,647.46
Deferred income tax	-8,198,712.12	-774,271.95
Total	-8,287,243.66	-73,624.49

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 2019 and 2018.

7. Distribution of profit for 2019

The Board will discuss and approve the profit distribution proposal for 2019 together with the audited annual results for 2019.

8. Earnings per share

(1) Breakdown

Profit for the reporting period	Earnings per share (RMB/share)			
	Basic earnings per share		Diluted earnings per share	
	2019 (unaudited)	2018 (audited)	2019 (unaudited)	2018 (audited)
Net profit attributable to the ordinary shareholders of the	-0.2238	0.0092	-0.2238	0.0092
Net profit after deducting non-recurring gains and losses attributable to the ordinary shareholders of the Company	-0.2450	-0.0292	-0.2450	-0.0292

(2) Calculations of basic and diluted earnings per share

1. Calculations of basic earnings per share

Item	Number	2019 (unaudited)	2018 (audited)
Net profit attributable to the ordinary shareholders of the Company	A	-176,711,604.44	7,278,368.34
Non-recurring gains and losses	B	16,750,587.43	30,297,018.78
Net profit after deducting non-recurring gains and losses attributable to the ordinary shareholders of the Company	C=A-B	-193,462,191.87	-23,018,650.44
Total number of shares at beginning	D	789,644,637.00	789,644,637.00
Increase in number of shares due to transfer from reserves to capital or distribution of scrip dividend	E		
Increase in number of shares due	F		

to issuance of new shares or convertibles			
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	12.00
Weighted average number of issued ordinary shares	L=D+E+F×G/K-H×I/K-J	789,644,637.00	789,644,637.00
Basic earnings per shares	M=A/L	-0.2238	0.0092
Basic earnings per share after deducting non-recurring gains and losses	N=C/L	-0.2450	-0.0292

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

9. Other supplemental information

(1) Segmental information – 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 93.27% of the revenue was generated from domestic sales, no further detailed segmental information needs to be disclosed.

(2) Non-recurring gains and losses

1. Breakdown

Item	2019 (unaudited)	2018 (audited)
Gain or loss on disposal of non-current assets, inclusive of provision for assets impairment write-off	531,164.21	11,896,367.95
Government grants (except for government grants which are closely related to the Company's ordinary business and conforms with the national policies as well as standard amount and quantities or continuous government grants) recognized in gains or losses during the current period	15,214,440.01	19,967,062.85
Gain or loss on entrusted investment or asset management	1,209,913.87	4,275,660.37
Reversal of impairment provisions for accounts receivable and contract assets subject to individual impairment test		1,202,003.00
Other non-operating income and expenses apart from those stated above	633,267.85	-94,273.88
Sub-total	17,588,785.94	37,246,820.29

Less: Effect on corporate income		5,146,716.03
Effect on interest of minority shareholders (after tax)	838,198.51	1,803,085.48
Net non-recurring gains or losses attributable to equity holders of the parent	16,750,587.43	30,297,018.78

(3) Depreciation and amortization expenses

Item	2019 (unaudited)	2018 (audited)
Depreciation of fixed assets	78,006,400.59	70,348,737.35
Amortization of intangible assets	5,313,850.79	7,564,285.95
Total	83,320,251.38	77,913,023.30

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

Item	31 December 2019 (unaudited)	31 December 2018 (audited)
Net current assets	380,112,892.76	633,905,311.72
Total assets less current liabilities	1,349,777,172.44	1,554,943,313.85

(5) Important events after the reporting period

There are no important events after the reporting period.

3. DISCUSSION AND ANALYSIS OF OPERATIONS

(1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

In 2019, production and sales volume of China automobile industry were 25,721,000 units and 25,769,000 units respectively, representing a decrease of 7.50% and 8.20% respectively as compared with last year. Production and sales of passenger cars were 21,360,000 units and 21,444,000 units respectively, representing a decrease of 9.20% and 9.60% respectively as compared with last year. Among passenger cars, sales volume of China-brand passenger cars was 8,407,000 units, representing a decrease of 15.80% as compared with last year. Production and sales volume of new energy cars were 1,242,000 units and 1,206,000 units respectively, representing a decrease of 2.30% and 4.00% respectively as compared with last year. Production and sales of commercial vehicles were 4,360,000 units and 4,324,000 units respectively, representing an increase of 1.90% and a decrease of 1.10% respectively as compared with last year. Among commercial vehicles, production and sales volume of buses decreased by 3.50% and 2.20% respectively as compared with last year. Production of trucks increased by 2.60% and sales volume of trucks decreased by 0.90% as compared with last year. The top ten automaker groups in China sold 23,294,000 units of automobiles, representing a decrease of 6.70% as compared with last year, and their sales represented 90.40% of the total sales of the automobile, representing an increase of 1.5 percentage point as compared with last year.

(2) ANALYSIS OF MAIN BUSINESS

During the reporting period, due to the combined effect of several factors such as an overall unsatisfactory performance of the automobile industry, non-performance of relevant supply agreements by certain customers of the Company who encountered business deterioration and suspension of supply due to quality issue of some export products, the Company achieved a revenue of RMB982,370,362.06, representing a decrease of 13.30% as compared with last year.

During the reporting period, the gross profit of the Company's main business was RMB127,405,462.04, representing a decrease of RMB57,153,627.19 as compared with last year. The gross profit margin of the Company's main business was 13.21% (2018: 16.62%). The decrease in gross profit margin of the Company was mainly due to the combined effect of a decrease in sales price of our products and an increase in the costs.

During the reporting period, the Company's selling expenses was RMB124,329,014.21, representing an increase of 58.69% as compared with last year. The increase in selling expenses of the Company was mainly due to the increase in warranty expenses, including the costs for replacement and repair for some export products with defects which were borne by the Company.

During the reporting period, the Company's general and administrative expenses were RMB70,949,989.21, representing a decrease of 1.49% as compared with last year.

During the reporting period, the Company's research and development expenses amounted to RMB61,712,823.86, representing a decrease of 7.14% as compared with last year. However, there was a year-on-year increase in the proportion of research and development expenses to the revenue. The Company's research and development expenses are mainly used on the technical research of automotive steering system's safety, intelligent, automation, energy saving and light weight, so as to maintain the Company's competitive edge in respect of sustainable development.

During the reporting period, the Company's financial expenses was RMB3,017,313.82, representing an increase of 775.15% as compared with last year, which was mainly attributable to the increase in interest expenses due to an increase in bank borrowings as well as the decrease in deposit interest.

During the reporting period, the Company's other gains amounted to RMB15,214,440.01, which is government grants. The investment gains amounted to RMB1,209,913.87, representing a decrease of 71.70% as compared with last year, which was mainly due to the decrease in purchase of bank wealth management products, leading to the decrease in relevant gains. Credit impairment losses were RMB-51,813,811.94, representing an increase of 10,281,234.22% as compared with last year, mainly due to the provision for bad debts made for accounts receivable of customers such as Zotye Companies, Lifan Companies and Hubei Meiyang. Assets impairment losses was RMB-38,053,636.54, representing an increase of 1,009.41% as compared with last year, mainly due to the provision for price decline of inventories for customers such as Zotye Companies, Lifan Companies and Hubei Meiyang. Gains from disposal of assets were RMB531,164.21, representing a decrease of 95.54% as compared with last year, mainly due to no material amount of gains from disposal of assets recorded.

During the reporting period, the Company's income tax expenses amounted to RMB-8,287,243.66, representing a decrease of 11,156.10% as compared with last year, mainly due to the increase in deductible temporary difference and a corresponding increase in provision for deferred income tax assets, leading to change in the deferred income tax for the period.

In view of the above, the Company recorded a net profit attributable to shareholders of the listed company of RMB-176,711,604.44 (2018: RMB7,278,368.34).

(3) ASSETS WITH RESTRICTIONS IN OWNERSHIP 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	13,709,633.73	Security deposit for letter of credit and notes pool
Notes receivable	54,073,059.29	Pledge for notes pool
Fixed assets	3,960,944.38	Pledge for loan credit
Intangible assets	3,106,053.36	Pledge for loan credit
Total	74,849,690.76	

(4) ACQUISITION AND DISPOSAL OF MATERIAL ASSETS AND EQUITY DURING THE YEAR

During the reporting period, the Company did not have any acquisition and disposal concerning material assets and equity.

(5) CAPITAL COMMITMENTS

As at 31 December 2019, other than the following major capital commitments, the Group did not have any other major capital commitments.

Item	31 December 2019 (unaudited)	31 December 2018 (audited)
Material contracts in relation to acquisition of assets contracted but not recognized	130,217,773.67	98,750,837.23

(6) CONTINGENT LIABILITIES

As at 31 December 2019, the Company did not have any significant contingent liabilities.

(7) OUTLOOK INTO THE FUTURE DEVELOPMENT OF THE COMPANY

In 2019, the overall performance of the automobile industry was unsatisfactory. The Company has made substantial provision for asset impairment due to its failure in collecting trade receivables as a result of non-performance of goods supply agreement by certain customers of the Company who encountered business deterioration. In addition, the Company was liable to bear the related costs for replacement and repair for some export products with defects. Due to the aforesaid factors, the Company recorded substantial loss in net profit for the year 2019.

Due to the outbreak of COVID-19 since early 2020, strict travel restriction was imposed in most areas across China during later January to late March. As at the date of this announcement, the impact arising from such travel restriction has not been fully eliminated. Being affected by such negative factor, market demand for automobiles was dampened and the operation of the upstream and downstream enterprises of the automobile industry was impacted, leaving the Company under great operation pressure.

Looking ahead, the Company will adopt a more prudent investment strategy, properly slow the construction pace of new production lines, adjust and improve its existing production lines, focus on its core business, and accelerate the research and development and pilot production of technologies and products in intelligent steering automobiles and unmanned automobiles, with an aim to maintain stable operation and make arrangements for future development.

4. OTHER MAJOR EVENTS

During the reporting period, the Company did not have any other major events needed to be disclosed.

5. REMUNERATION POLICY AND TRAINING PLANS

On 31 December 2019, the Group had approximately 1,537 full-time employees, including production, sales, technical, financial, administrative and other employees.

The Company has established an employee remuneration and evaluation system, which is in line with its operation and development. Meanwhile, the Company paid attention to skill training of employees and team building, so as to ensure that the personnel reserve of the Company met its development demands. In addition, the Company has established a flexible talent introduction and incentive policy to attract external excellent talents to join the Company.

The Company provided substantial remuneration benefits to employees in accordance with market practice, and provided retirement benefits in accordance with the related laws of the PRC. The Company's Human Resources Department is responsible for making the employee training plans, providing job skills training and comprehensive management training, mainly in the form of in-house training. Meanwhile, we invite external experts and professors to give trainings according to needs, and provide expatriate training opportunities for employees. The Company also carries out team building activities and otherwise every year to build up team spirit and intensify the employee cohesion.

6. 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 the Hong Kong Stock Exchange with the exception of code provision A.1.8.

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 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.

7. AUDIT COMMITTEE

The audit committee of the Company together with the senior management have reviewed the unaudited consolidated results for 2019.

8. MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. The Company had made specific enquiry of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding directors' securities transactions during the reporting period.

9. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As at 31 December 2019, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

10. REVIEW OF UNAUDITED ANNUAL RESULTS

Due to strict travel restriction imposed in some areas in China to combat against the COVID-19 outbreak and the restriction on resumption of work, there has been a prolonged delay in the audit work (including but not limited to arrangement to obtain supporting evidence, on-site inspection and examination on the original documents, etc.) was imposed in most areas across China during later January to late March. As at the date of this announcement, the impact arising from such restrictions has not been fully eliminated. Due to the aforesaid reasons, the auditing process for the annual results for the year ended 31 December 2019 has not been completed as at the date of this announcement. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2). The unaudited annual results contained herein have been reviewed by the audit committee.

This announcement will be published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.zjshibao.com).

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

11. PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORTS

The Company will issue further announcements as and when necessary if there is other major development in the completion of the auditing process. The Company expects that the audit process will be completed on 23 April 2020. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants.

The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be published on the aforesaid website and dispatched to the shareholders of the Company by the end of April 2020.

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

Hangzhou, Zhejiang, the PRC
30 March 2020

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