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 AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	2019	2018	Change
	RMB	RMB	
Revenue	982,370,362.06	1,133,097,729.85	-13.30%
Net profit attributable to shareholders of listed company	-176,711,694.44	7,278,368.34	-2,527.90%
Net profit after non-recurring gains and losses attributable to shareholders of listed company	-193,462,281.87	-23,018,650.44	-740.46%
Net cash flows from operating activities	39,800,748.05	-12,849,643.30	409.74%
Basic earnings per share (RMB/Share)	-0.2238	0.0092	-2,532.61%
Diluted earnings per share (RMB/Share)	-0.2238	0.0092	-2,532.61%
	31 December 2019	**31 December 2018**	**Change**
	RMB	RMB	
Total assets	1,975,196,092.31	2,045,077,333.85	-3.42%
Net assets attributable to shareholders of listed company	1,301,834,988.37	1,478,546,682.81	-11.95%

* *For identification purpose only*

AUDITED ANNUAL RESULTS

The board of directors (the "**Board**") of Zhejiang Shibao Company Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 prepared in accordance with China Accounting Standards for Business Enterprises ("**Accounting Standards for Business Enterprises**"), together with the comparative figures in 2018. The consolidated 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	31 December 2018
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
Accounts receivable	1	398,848,776.89	468,614,553.04
Accounts receivable financing		141,483,082.75	142,065,764.04
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		991,058,475.50	1,124,039,331.72
Non-current assets:			
Investment property		45,608,029.75	23,875,050.98
Fixed assets		716,268,848.51	648,472,200.05
Construction in progress		118,148,294.12	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		9,221,484.68	47,719,083.17
Total non-current assets		984,137,616.81	921,038,002.13
Total assets		1,975,196,092.31	2,045,077,333.85

Item	Note 4	31 December 2019	31 December 2018
Current liabilities:			
Short-term borrowings		143,186,095.89	20,027,912.50
Notes payable		78,049,284.98	120,498,802.21
Accounts payable	2	353,444,997.15	308,232,664.17
Receipts in advance		5,180,624.33	2,090,618.17
Contract liabilities		3,296,944.39	3,902,211.90
Staff cost payable		12,942,278.97	13,581,085.61
Tax payable		2,615,274.29	1,905,954.69
Other payables		1,780,936.38	974,364.77
Other current liabilities		24,922,573.49	18,038,269.86
Total current liabilities		625,419,009.87	489,251,883.88
Non-current liabilities:			
Long-term borrowings	3	8,800,000.00	9,962,136.12
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	65,303,289.00
Total liabilities		680,557,817.14	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		194,476,637.39	371,188,331.83
Equity attributable to shareholders of listed company		1,301,834,988.37	1,478,546,682.81
Minority interests		-7,196,713.20	11,975,478.16
Total equity		1,294,638,275.17	1,490,522,160.97
Total liabilities and equity		1,975,196,092.31	2,045,077,333.85

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2019

Item	Note 4	2019	2018
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: Interest expenses		4,407,765.65	1,830,859.94
Interest income		1,490,709.13	3,672,267.93
Add: Other gains		15,241,440.01	19,967,062.85
Investment gains		1,209,913.87	4,275,660.37
Credit impairment losses		-51,813,901.94	-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		-204,640,100.61	2,119,012.21
Add: Non-operating income		904,532.97	308,431.56
Less: Non-operating expenses		435,561.82	535,293.70
Total profit		-204,171,129.46	1,892,150.07
Less: Income tax expenses	6	-8,287,243.66	-73,624.49
Net profit (continuing operations)		-195,883,885.80	1,965,774.56
Net profit attributable to shareholders of listed company		-176,711,694.44	7,278,368.34
Minority interests		-19,172,191.36	-5,312,593.78
Total comprehensive income		-195,883,885.80	1,965,774.56
Total comprehensive income attributable to shareholders of listed company		-176,711,694.44	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, which have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises, 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 2019 financial statements were prepared by the Company in accordance with the Notice on Revising and Issuing the Format of 2019 Financial Statements of General Enterprises (Cai Kuai [2019] No.6) and 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 and the Accounting Standards for Business Enterprises, and such change of accounting policy is subject to retrospective adjustments.

2) From 1 January 2019, the Company has adopted the revised Accounting Standards for Business Enterprises No.21 – Lease (hereinafter referred to as the New Lease Standard).

   (1) For contracts that already existed prior to 1 January 2019, the Company did not assess whether such contracts were or contained a lease.

   (2) In accordance with the New Lease Standard, as a lessee, the Company did not need to make any adjustment to the information for the comparative period; on the date of first-time adoption, with regard to the difference between the New Lease Standard and the original standard, the retained earnings and other relevant items in the

financial statements at the beginning of the reporting period are subject to retrospective adjustments. The adoption of the New Lease Standard did not impose any impact on the financial statements of the Company as at 1 January 2019.

(3) For the operating leases of leased assets that were low value assets which were entered into prior to 1 January 2019, the Company adopted a simplified approach. The Company did not recognize right-of-use assets and leasing liabilities, and did not make retrospective adjustments in respect of these leases.

(4) For leases to which the Company acts as a leesor, the Company did not make retrospective adjustments in respect of these leases.

3) The Company has adopted the revised Accounting Standards for Business Enterprises No.7 – Exchange of Non-monetary Assets with effect from 10 June 2019 and the revised Accounting Standards for Business Enterprises No.12 – Debt Restructuring with effect from 17 June 2019, and such changes of accounting policies are subject to prospective adjustments.

(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%、6%、5% [Note 1]
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 2]

[Note 1]: Sale of the steering systems, parts and other commodities by the Company has been previously subject to the value added tax (VAT) at the rate of 16%, while leasing of the properties acquired after 30 April 2016 has been previously subject to the VAT at the rate of 10%. 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 being subsidiaries of the Company; and the previous export rebate rate on export goods was 16%. In accordance with the Announcement on Policies for Deepening the VAT Reform (Announcement [2019] No.39) issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs, the VAT rates on sales behaviors or import goods of the taxpayers at the previous rates of 16% and 10% have been changed to 13% and 9% respectively, with effect from 1 April 2019. The export rebate rate for export goods and labour services, which were previously subject to the VAT rate and export rebate rate of 16% and 16%, was adjusted to 13%, with effect from 1 July 2019 covering all export goods.

The transfer of patented technologies and provision of services by the Company and otherwise have been subject to the VAT at the rate of 6%, and leasing of properties acquired prior to 30 April 2016 has been subject to the VAT at the simplified rate of 5%.

[Note 2]: 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), 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), 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), with a valid period from 2017 to 2019. It is subject to a corporate income tax rate of 15% during the period.

(4) According to the "Announcement on Policies for Deepening the VAT Reform" (Announcement [2019] No.39) issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs, the Company met the conditions for return of the deductible input VAT as at the end of the period, and the deductible input VAT returned in 2019 was RMB5,661,332.90.

(4) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounts receivable

The aging analysis of accounts receivable is as follows:

Age	31 December 2019			31 December 2018		
	Carrying amount	Provision for bad debt	Provision (%)	Carrying amount	Provision for bad debt	Provision (%)
Within 1 year	417,690,591.03	26,002,685.30	6.23	453,488,096.59	292,027.34	0.06
1-2 years	30,080,472.69	24,464,226.47	81.33	15,079,464.71	673,619.34	4.47
2-3 years	3,271,066.31	1,726,441.37	52.78	1,867,853.03	855,214.61	45.79
Over 3 years	4,822,471.59	4,822,471.59	100.00	4,318,396.33	4,318,396.33	100.00
Total	455,864,601.62	57,015,824.73	12.51	474,753,810.66	6,139,257.62	1.29

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. Accounts payable

The aging analysis of accounts payable is as follows:

Age	31 December 2019	31 December 2018
Within 1 year	335,039,531.43	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	353,444,997.15	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	31 December 2018
Long-term borrowings (Note 1)	8,800,000.00	8,800,000.00
Special funds for treasure bonds (Note 2)		1,162,136.12
Total	8,800,000.00	9,962,136.12

Note 1: These loans represented the interest-free capital loans from the Management Committee of the Tiedong Economic Development Zone in Jilin to the Company's subsidiary, Jilin Shibao Machinery Manufacturing Co., Ltd., to expand production. The corresponding loans are not yet due for settlement.

Note 2: 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..

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

Item	31 December 2019	31 December 2018
Current or within 1 year		
1-2 years		
2-5 years	8,800,000.00	9,962,136.12
Over 5 years		
Sub-total	8,800,000.00	9,962,136.12
Include: Long-term loans due within 1 year		
Long-term loans due over 1 year	8,800,000.00	9,962,136.12

4. Revenue/operating costs

Item	2019		2018	
	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	2018
Interest expenses	4,407,765.65	1,830,859.94
Interest income	-1,490,709.13	-3,672,267.93
Other	100,257.30	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	2018
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 2019 profit distribution proposal was approved at the 11th meeting of the sixth session of the Board held on 23 April 2020, the Company will not to declare cash dividend, issue bonus shares or increase capital by transferring from capital reserve fund (2018: Nil). The aforesaid profit distribution proposal is subject to approval at the forthcoming annual general meeting of the Company.

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	2018	2019	2018
Net profit attributable to the ordinary shareholders of the Company	-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	2018
Net profit attributable to the ordinary shareholders of the Company	A	-176,711,694.44	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	-193,462,281.87	-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 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	12.00	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	2018
Gain or loss on disposal of non-current assets, inclusive of provision for assets impairment write-off	531,164.21	11,896,367.95
Unauthorized approval, or without formal approval documents, or occasional tax returns, deductions	27,000.00	
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	606,267.85	-94,273.88
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	2018
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	31 December 2018
Net current assets	365,639,465.63	634,787,447.84
Total assets less current liabilities	1,349,777,082.44	1,555,825,449.97

(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 comprised of government grants amounting to RMB15,214,440.01. 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 amounted to RMB-51,813,901.94 (2018: RMB-503.96), 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 amounted to 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 listed company of RMB-176,711,694.44 (2018: RMB7,278,368.34).

(3) FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At the end of the Reporting Period, the amount of total loans and borrowings amounted to RMB151,800,000.00 (31 December 2018: RMB29,080,000.00). Total loans and borrowings increased by RMB122,720,000.00 when compared with the beginning of the year, mainly due to the increase in guaranteed loans. RMB9,080,000.00 of the total loans and borrowings of the Company shall be repaid over 2 years but within 5 years. Loans and borrowings at fixed interest rates amounted to RMB90,0000,000.00 (31 December 2018: RMB280,000.00).

The Company issued 38,200,000 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 RMB705,172,000.00 and a net proceeds of RMB658,162,877.04 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 2019 was RMB139,206,297.69, and RMB170,000,000.00 was used for temporary supplement of working capital. As at 31 December 2019, balance of proceeds amounted to RMB11,128,335.54, 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 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 2.62% (2018: -6.45%).

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

(4) 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	13,709,633.73	Security deposit for notes pool
Notes receivable	54,073,059.29	Pledge for notes pool
Fixed assets	3,960,944.38	Pledge for letter of credit and notes
Intangible assets	3,106,053.65	Pledge for letter of credit and notes
Total	74,849,691.05	

(5) 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.

(6) 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	31 December 2018
Material contracts in relation to acquisition of assets contracted but not recognized	130,217,773.67	98,750,837.23

(7) CONTINGENT LIABILITIES

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

(8) EVENTS AFTER THE BALANCE SHEET DATE

(1) Resolution on Termination of Some Investment Projects Financed by Proceeds from Private Placement and Use Relevant Proceeds from Private Placement to Permanently Replenish the Working Capital

On 31 October 2019, the sixth session of the Board of the Company considered and approved the written Resolution on Termination of Some Investment Projects Financed by Proceeds from Private Placement and Use Relevant Proceeds from Private Placement to Permanently Replenish the Working Capital. It was the Company's original intention to apply the proceeds of RMB200 million from the non-public issuance of A Shares in 2014 to finance the "precious casting and processing of automotive components project". Given the recent decline in the vehicle market and the vehicle parts market and in light of the actual operation performance of the Company, the Company, after serious consideration, proposed to terminate the implementation of the "precious casting and processing of automotive components project", one of the projects of investment of raised funds from the non-public issuance of A Shares in 2014, and proposed to use all of the remaining raised funds of the project and the interest accrued thereon to permanently replenish the working capital for the purpose of production and operation of the Company, so as to improve the efficiency in using raised funds. According to the poll results of the extraordinary general meeting held on 13 January 2020, the Resolution on Termination of Some Investment Projects Financed by Proceeds from Private Placement and Use Relevant Proceeds from Private Placement to Permanently Replenish the Working Capital was duly passed by the shareholders.

(2) Distribution of profit after the balance sheet date

The 2019 profit distribution proposal was approved at the 11th meeting of the sixth session of the Board held on 23 April 2020, the Company will not to declare cash dividend, issue bonus shares or increase capital by transferring from capital reserve fund (2018: Nil). The aforesaid profit distribution proposal is subject to approval at the forthcoming annual general meeting of the Company.

(3) The Company expects that the outbreak of the COVID-19 epidemic and the prevention and control measures taken to fight against the epidemic will impose certain impacts on the Company and the industry, and the magnitude of the impact will depend on how long the epidemic will last and the implementation of the prevention and control measures. The Company will continue to keep a close watch on the development of the epidemic, and evaluate and take proactive measures to mitigate its impacts on the financial condition, operating results and other aspects of the Company. As of the date on which these financial statements were approved for issue, we are not aware of any material adverse impact.

(9) 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 the COVID-19 since early 2020, strict travel restriction was imposed in most areas across China during late 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

As at 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 audited 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.

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

Hangzhou, Zhejiang, the PRC
23 April 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.