



**浙江世寶股份有限公司**

ZHEJIANG SHIBAO COMPANY LIMITED\*

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

Stock Code: 1057

\* For identification purposes only

*Steering*  
*THE FUTURE*  
**2014**  
*Annual Report*

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**Important Notice:**

This annual report is prepared in both Chinese and English. In the event that different interpretation occurs, the Chinese version shall prevail.

# CORPORATE INFORMATION

<b>Legal Name</b>	Zhejiang Shibao Company Limited* 浙江世寶股份有限公司
<b>Board of Directors</b>	<b>Executive Directors</b> Mr. Zhang Shi Quan (張世權) ( <i>Chairman and General Manager</i> ) Mr. Zhang Bao Yi (張寶義) ( <i>Vice Chairman and Deputy General Manager</i> ) Mr. Tang Hao Han (湯浩瀚) ( <i>Vice Chairman and Deputy General Manager</i> ) Mr. Zhu Jie Rong (朱頡榕) Ms. Zhang Lan Jun (張蘭君) ( <i>Finance Director</i> )  <b>Non-executive Directors</b> Mr. Zhang Shi Zhong (張世忠) Mr. Lou Run Zheng (樓潤正)  <b>Independent Non-executive Directors</b> Mr. Zhao Chun Zhi (趙春智) Mr. Chau Kam Wing, Donald (周錦榮) Mr. Zhang Hong Zhi (張洪智) Mr. Guo Kong Hui (郭孔輝)
<b>Supervisors</b>	Mr. Du Min (杜敏) Mr. Yang Di Shan (楊迪山) Mr. Wu Lang Ping (吳琅平) Mr. Shen Song Sheng (沈松生) Mr. Wang Kui Quan (王奎泉)
<b>Senior Management</b>	Mr. Yu Zhong Chao (虞忠潮) Ms. Liu Xiao Ping (劉曉平)
<b>Audit Committee</b>	Mr. Chau Kam Wing, Donald (周錦榮) ( <i>Chairman</i> ) Mr. Zhang Shi Zhong (張世忠) Mr. Zhang Hong Zhi (張洪智)
<b>Remuneration Committee</b>	Mr. Chau Kam Wing, Donald (周錦榮) ( <i>Chairman</i> ) Mr. Zhang Shi Zhong (張世忠) Mr. Zhang Hong Zhi (張洪智)
<b>Nomination Committee</b>	Mr. Chau Kam Wing, Donald (周錦榮) ( <i>Chairman</i> ) Mr. Zhao Chun Zhi (趙春智) Ms. Zhang Lan Jun (張蘭君)
<b>Investment &amp; Strategy Committee</b>	Mr. Zhang Shi Quan (張世權) ( <i>Chairman</i> ) Mr. Zhang Bao Yi (張寶義) Mr. Tang Hao Han (湯浩瀚)

\* For identification only

# CORPORATE INFORMATION

<b>Compliance Officer</b>	Mr. Zhu Jie Rong (朱韻榕)
<b>Secretary of The Board</b>	Ms. Liu Xiao Ping (劉曉平)
<b>Company Secretary</b>	Ms. Huen Lai Chun (禰麗珍)
<b>Authorised Representatives</b>	Mr. Zhu Jie Rong (朱韻榕) Ms. Huen Lai Chun (禰麗珍)
<b>Registered Office</b>	No. 1, Shuanglin Road Fotang Town Yiwu Zhejiang Province China (Post code: 322002)
<b>Principal Place of Business in Hong Kong</b>	Room 1204 C C Wu Building 302-308 Hennessy Road Wanchai Hong Kong
<b>Legal Advisers</b>	<i>as to PRC law</i> Grandall Legal Group (Shanghai) 45th-46th Floor Nan Zheng Building 580 Nanjing Xilu Jingan District, Shanghai China
<b>Auditors</b>	Pan-China Certified Public Accountants LLP 4th-10th Floor Xinhu Commercial Tower No. 128 Xixi Road Hangzhou, China

# CORPORATE INFORMATION

## Principal Bankers

Agricultural Bank of China, Yiwu Branch

– Fotang Sub-branch

85 Jianshe Road, Fotang

Yiwu, Zhejiang Province, China

Industrial and Commercial Bank of China, Yiwu Branch

– Yiwu Sub-branch

128 Huangyuan Road

Yiwu, Zhejiang Province, China

China CITIC Bank

Hangzhou Economic and Technology Development Zone Branch

Building 2, Singapore Hangzhou Technology Zone

6th Avenue,

Hangzhou Economic and Technology Development Zone

Hangzhou, Zhejiang Province, China

China Zheshang Bank

Hangzhou Yuquan Branch

52 Qiushi Road,

Hangzhou, Zhejiang Province, China

Industrial and Commercial Bank of China, Siping Branch

– Zhongyang Dong Lu Sub-branch

1 Tiedong District

Siping, Jilin Province, China

Industrial and Commercial Bank of China, Hangzhou Branch

– Jingkai Sub-branch

No. 5, 6th Avenue

Hangzhou Economic and Technological Development Zone

Hangzhou, Zhejiang Province, China

China Construction Bank, Siping Branch

– Tiedong Sub-branch

No. 1155, Zhongyang Dong Lu, Tiedong District

Siping, Jilin Province, China

Industrial and Commercial Bank of China, Beijing Branch

– Zi Zhu Yuan Road Sub-branch

No. 10, Zhong Guan Cun South Road Jia

Hai Dian District

Beijing, China

# CORPORATE INFORMATION

## Hong Kong H Share Registrar and Transfer Office

## Contact Information

Bank of Communications of China, Wuhu Branch  
Economic and Technology Development Zone Sub-branch  
No. 33, Yin Hu Road North  
Wuhu Economic and Technology Development Zone  
Wuhu, China

Erdos Rural Commercial Bank  
Dong Huan Road Branch  
Ground floor, Complex building of Inter-city Bus Station  
Dong Huan Road, Dong Sheng District  
Erdos, China

Industrial and Commercial Bank of China (Asia) Limited  
Hong Kong Headquarters  
33rd Floor ICBC Tower  
3 Garden Road  
Central  
Hong Kong

Computershare Hong Kong Investor Services Limited  
Rooms 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## Corporate communication/Investor relations

Ms. Liu Xiao Ping (劉曉平) Secretary of the Board  
No.6, 17th Avenue  
Hangzhou Economic and Technology Development Zone  
Hangzhou  
Zhejiang Province  
China (Post code: 310018)  
Tel.: +86 571 2802 5692  
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Email: ir@zjshibao.com

# CORPORATE INFORMATION

## **Company secretary services**

Ms. Huen Lai Chun (禰麗珍) Company Secretary

Room 1204

C C Wu Building

302-308 Hennessy Road

Wanchai

Hong Kong

Tel.: +852 31048118

Fax: +852 31048119

Email: [ir@zjshibao.com](mailto:ir@zjshibao.com)

## **Place of Listing**

A Shares: Shenzhen Stock Exchange

Stock Name: Zhejiang Shibao Stock Code: 002703

H Shares: The Stock Exchange of Hong Kong Limited

Stock Name: Zhejiang Shibao Stock Code: 1057

## **Website**

[www.zjshibao.com](http://www.zjshibao.com)

# CORPORATE PROFILE

The Company is a joint stock limited company registered in the People's Republic of China on 12 July 2004 under the Company Law of the PRC. Its Ultimate Holding Company is Shibao Holding, a limited liability company established in the PRC. The Company's H Shares were listed on the Growth Enterprise Market of Hong Kong Stock Exchange on 16 May 2006 and were transfer listed on the Main Board of Hong Kong Stock Exchange on 9 March 2011, and its stock code is 1057. The Company's A Shares were listed on Shenzhen Stock Exchange on 2 November 2012, and its stock code is 002703.

The Group is a leading OEM supplier of automotive steering system in the PRC.

The Group has committed itself to the research and development of automotive steering technologies and products and mainly engaged in the develop, design, manufacture and sales of automotive steering gears and other key components and parts of steering system, and accumulating extensive industry experience in the PRC. The Group is one of the early movers in the development of hydraulic power steering gears in the PRC, and also the early domestic enterprise having built the capacity of independent mechanical-electrical integration technologies and volume production of electric power steering (EPS) system.

Mr. Zhang Shi Quan, the founder of the Group and Chairman and General Manager, entered into the manufacture of automotive steering gear products in 1984, and established Zhejiang Shibao Steering Gear Co., Ltd., the predecessor of the Company, in Yiwu, Zhejiang Province in 1993, which was reorganized into a joint stock company in 2004.

The Group has established manufacturing and research bases in Hangzhou and Yiwu, Zhejiang Province, Siping, Jilin Province, Wuhu, Anhui Province and Beijing respectively, and supply four types of steering products to large automakers: power recirculating ball steering gear for use in light, medium and heavy duty trucks and buses, power rack-and-pinion steering gear and steering knuckle for use in passenger cars and EPS system for use in energy-saving and new energy vehicles (with own intellectual property rights).

The Group has a large and reputable customer base of automakers, including FAW Group, Dongfeng Group, JAC, Xiamen King Long Motor Group Co., Ltd., Beiqi Foton Motor Co., Ltd., Chery Auto, Geely Automobile Holdings Limited, BAIC Motor, Changan Mazda, SGMW, Iran Saipa Automotive Group and Mercedes-Bens Daimler. The Group also is the core supplier of FAW Car and the qualified supplier of FAW-VW Automobile Co., Ltd.. In order to develop aftermarket sales, the Group has also set up aftermarket sales network that covers major areas in the PRC.

The Group has rich OEM experiences, strong R&D and design capacity and adopted lean production system. By continuously investing on research and development, the Group is now capable of joint-design with the local and international vehicle design team. The Group is further exploring opportunities with leading auto-makers in modular supply and "Just-In-Time" delivery. The Group's business objective is to be an outstanding steering system supplier as well as reliable and long-term partner of China and International leading automakers.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the past five years ended 31 December 2014 are set out below. The relevant information were prepared on a consolidated basis and based on China Accounting Standards for Business Enterprises.

### RESULTS

	For the year ended 31 December				
	2014 RMB0,000	2013 RMB0,000	2012 RMB0,000	2011 RMB0,000	2010 RMB0,000
Revenue	<b>81,124</b>	67,460	54,838	62,592	54,594
Total profit	<b>4,216</b>	5,076	7,950	12,589	11,866
Net profit	<b>3,648</b>	4,553	6,889	11,065	10,434
Minority interests	<b>(690)</b>	(329)	(323)	(222)	94
Net profits attributable to equity holders of the Parent	<b>4,337</b>	4,882	7,213	11,287	10,340
Basic earnings per share (RMB)	<b>0.16</b>	0.18	0.27	0.43	0.39
Diluted earnings per share (RMB)	<b>0.16</b>	0.18	0.27	0.43	0.39

### ASSETS AND LIABILITIES

	As at 31 December				
	2014 RMB0,000	2013 RMB0,000	2012 RMB0,000	2011 RMB0,000	2010 RMB0,000
Non-current assets	<b>67,495</b>	62,945	54,257	52,709	40,778
Current assets	<b>142,612</b>	68,471	63,967	52,426	40,324
Current liabilities	<b>62,089</b>	50,070	40,329	33,145	20,751
Net current assets	<b>80,524</b>	18,401	23,638	19,281	19,573
Equity attributable to equity holders of the Parent	<b>142,063</b>	74,355	71,694	64,137	55,205
Total liabilities and shareholders' equity	<b>210,107</b>	131,416	118,224	105,135	81,102

# CHAIRMAN'S STATEMENT

I would like to present on behalf of the Board the report of the audited results of the Group for the year ended 31 December 2014.

The Group has committed itself to the research and development of automotive steering technologies and products and mainly engaged in the develop, design, manufacture and sales of automotive steering gears and other key components and parts of steering system. The Group is also the early domestic enterprise having built the capacity of independent mechanical-electrical integration technologies and volume production of electric power steering (EPS) system.

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

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

For the year ended 31 December 2014, net profit of the Company was RMB36,478,310.91 (2013: RMB45,529,097.19), representing a decrease of 19.88% as compared with 2013. Net profit after non-recurring gains and losses attributable to equity holders of the parent of RMB39,175,804.24 (2013: RMB31,120,519.88), representing an increase of 25.88% as compared with 2013. However, due to the decreased investment gains during the period, net profit attributable to equity holders of the Parent was RMB43,374,711.66 (2013: RMB48,823,967.72), representing a decrease of 11.16% as compared with 2013.

During the year under review, revenue from top five customers of the Group accounted for 75.32% of the total revenue.

On 26 December 2014, the Company's A Shares of 38,200,000 shares were listed on the Shenzhen Stock Exchange by way of non-public offering.

# CHAIRMAN'S STATEMENT

## OUTLOOK

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

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

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

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

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

### **Zhang Shi Quan**

*Chairman*

Hangzhou, Zhejiang, the PRC  
27 March 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF CHINA AUTOMOBILE INDUSTRY

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

## COMPETITIVE ADVANTAGES OF THE COMPANY

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

- 1) **Leading R&D and engineering capacity:** the Company is the owner of 80 patents issued by the State Intellectual Property Office of the P.R.C., among which 6 patents are the patents of invention. All of these patents are associated with steering technologies for passenger car, commercial vehicles, hydraulic steering and electric steering etc.. The Company also is the owner of 3 software copyrights associated with EPS electronic control unit. Furthermore, in order to prepared for the new opportunities and challenges arised from the technology innovation in the automobile industry, the Company has pioneered the R&D associated with intelligent driving technologies.
- 2) **State-of-the-art manufacturing processes:** all of the major plants of the Company adopt lean production management system and are certified by ISO:TS16949 quality certification system, with an aim to provide high-tech and high quality products to the clients with the most competitive price.
- 3) **Loyalty and professional team:** the Company has established a flexible staff recruitment and incentive scheme. It's key management and technical team are loyal and has extensive industry experiences.
- 4) **High corporate governance standard and strong financing capability:** the Company is a list company with its shares trading on both stock exchanges of mainland China and Hong Kong.

## OPERATING RESULTS AND FINANCIAL REVIEW

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

## FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

## PLEDGE OF ASSETS

As at 31 December, 2014, save for the assets with restricted ownership rights and rights in use as set out on page 96 of this annual report, the Group did not have any other material security on its assets.

The aggregate of the above assets with restricted ownership rights and rights in use amounted to RMB66,987,349.69, including secured notes receivable of RMB23,213,826.85, representing the security for the issuance of the bank acceptance bills, and restricted monetary fund of RMB17,556,145.17, representing the guarantee deposits for the issuance of the bank acceptance bills and letters of credit.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL ACQUISITION AND DISPOSAL

### **Acquisition of remaining equity interests in Siping Steering**

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

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

## FOREIGN CURRENCY EXPOSURE

During the year under review, both the sales and purchases of the Group were principally denominated in Renminbi. The Group was not subject to significant exposure in foreign currency risk. No hedge arrangement has been entered into by the Group.

## CAPITAL COMMITMENTS

As at 31 December 2014, apart from commitments set out in page 107 in the annual report, the Group has no other material capital commitments.

## CONTINGENT LIABILITIES

As at 31 December 2014, the Group has no material contingent liabilities.

## EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 1,658 employees as at 31 December 2014 (2013: 1,650). For the year ended 31 December 2014, total staff salaries and welfares costs amounted to RMB109,013,371.52 (2013: RMB91,277,307.09).

The Group provided substantial remuneration benefits to employees in accordance with market practice, and provided retirement benefits in accordance with the related laws of the PRC.

Our Company and its subsidiaries make contributions to municipal government retirement scheme for their respective qualified employees in the PRC. According to applicable PRC laws, both employers and employees are required to make contributions to the scheme at the specified rates pursuant to the rules of the scheme. The only obligation of our Company and its subsidiaries with respect to the scheme is to make the required contributions. The contributions payable under the scheme were properly accrued during the reporting period.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

Mr. Zhang Shi Quan (張世權), aged 65, is the Chairman and General Manager of the Company. He is a Chinese national with no permanent residence abroad. He is a senior economist. Since 12 June 2004, he has been appointed as the Chairman and General Manager of the Company. Mr. Zhang was awarded the title of “China Outstanding Private Entrepreneurs” (中國優秀民營企業家). He was also awarded “Top Ten Distinguished Persons for the Second Year for China’s Industrial Economy” (第二屆中國工業經濟年度十大傑出人物) granted by the Office for Election of Distinguished Persons for China’s Industrial Economy (中國工業經濟年度人物評選辦公室) in 2006. Mr. Zhang’s current term was effective from 25 May 2012 and is valid till 24 May 2015. Mr. Zhang is also a director of Shibao Holding; an executive director of Hangzhou Shibao; the chairman of Siping Steering and Wuhu Sterling; and a director of Jilin Shibao, Hangzhou New Shibao, Beijing Autonics and Anhui Changshan.

Mr. Zhang Bao Yi (張寶義), aged 42, is a vice Chairman and deputy general manager of the Company. He is a Chinese national with no permanent residence abroad. He has a bachelor’s degree. Since 12 June 2004, he has been appointed as vice Chairman and deputy general manager of the Company. Mr. Zhang was granted the title of “Labour Model of Yiwu City” (義烏市勞動模範) in 2004. Mr. Zhang’s current term was effective from 25 May 2012 and is valid till 24 May 2015. Mr. Zhang is also the chairman of Hangzhou New Shibao and Beijing Autonics; a director of Wuhu Sterling and Anhui Changshan; and the general manager of Hangzhou Shibao.

Mr. Tang Hao Han (湯浩瀚), aged 47, is a vice Chairman and deputy general manager of the Company. He is a Chinese national with no permanent residence abroad. He has a doctor’s degree. Since 12 June 2004, he has been appointed as vice Chairman and deputy general manager of the Company. Mr. Tang was awarded the “Outstanding Entrepreneur of Jilin Province” (吉林省優秀企業家), “Labour Model of Jilin Province” (吉林省勞動模範), “National Outstanding Youth Entrepreneur Leader” (全國青年興業領頭人), “Outstanding Entrepreneur of National Privately-Owned Technological Enterprises” (全國優秀民營科技企業家) and “National Labour Day Medal” (國家「五一」勞動獎章). Mr. Tang’s current term was effective from 25 May 2012 and is valid till 24 May 2015. Mr. Tang is also the chairman of Jilin Shibao; a director and the general manager of Siping Steering; and a director of Anhui Changshan.

Ms. Zhang Lan Jun (張蘭君), aged 40, is the finance Director of the Company. She is a Chinese national with no permanent residence abroad. She has a master’s degree. Since 12 June 2004, she has been appointed as the finance Director of the Company. Ms. Zhang has over 10 years of experience in finance and accounting. Ms. Zhang’s current term was effective from 25 May 2012 and is valid till 24 May 2015. Ms. Zhang is also a finance manager of Hangzhou Shibao and a director of Anhui Changshan.

Mr. Zhu Jie Rong (朱頡榕), aged 67, is a Director of the Company. He is a Chinese national with no permanent residence abroad. He has a college’s degree and is an engineer. From 12 June 2004 to 31 December 2012, he was a deputy general manager of the Company. Since 12 June 2004, he has been appointed as a Director of the Company. Mr. Zhu’s current term was effective from 25 May 2012 and is valid till 24 May 2015. Mr. Zhu is also a supervisor of Shibao Holding.

## NON-EXECUTIVE DIRECTORS

Mr. Zhang Shi Zhong (張世忠), aged 54, is a Director of the Company. He is a Chinese national with no permanent residence abroad. Since 12 June 2004, he has been appointed as a Director of the Company. Mr. Zhang’s current term was effective from 25 May 2012 and is valid till 24 May 2015. Mr. Zhang is also the chairman of Shibao Holding and Anhui Changshan.

Mr. Lou Run Zheng (樓潤正), aged 51, is a Director of the Company. He is a Chinese national with no permanent residence abroad. He has a master’s degree. He has been appointed as the general manager of Zhejiang Yuan Zheng Hotel Management Co. Ltd. (浙江圓正賓館管理有限公司) since 2009. Since 4 November 2009, Mr. Lou has been appointed as a Director of the Company. His current term was effective from 25 May 2012 and is valid till 24 May 2015.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Kam Wing, Donald (周錦榮), aged 52, is an independent Director of the Company. He is a Chinese national and permanent resident of Hong Kong Special Administrative Region of the People's Republic of China. He has a master's degree. Mr. Chau has over 20 years' experience in corporate finance. He is a fellow of The Association of Chartered Certified Accountants and a practising member of Hong Kong Institute of Certified Public Accountants. He is now practising as a Certified Public Accountant in Hong Kong and is a council member of The Society of Chinese Accountants & Auditors in Hong Kong. He is an independent director of China Water Affairs Group Limited and Carpenter Tan Holdings Limited (both are listed on the main board of Hong Kong Stock Exchange); an independent director of Eco-Tek Holdings Limited and Zhejiang Chang'an Renheng Technology Co., Ltd. (both are listed on the Growth Enterprise Market of Hong Kong Stock Exchange); and a finance director of Winox Holdings Limited (a company listed on the main board of Hong Kong Stock Exchange). Since 4 November 2009, Mr. Chau has been appointed as an independent Director of the Company. His current term was effective from 25 May 2012 and is valid till 24 May 2015.

Mr. Zhao Chun Zhi (趙春智), aged 69, is an independent Director of the Company. He is a Chinese national with no permanent residence abroad. He is a senior economist. Mr. Zhao retired from FAW Group in 2006. Since 5 June 2009, he has been appointed as an independent Director of the Company. Mr. Zhao's current term was effective from 25 May 2012 and is valid till 24 May 2015.

Mr. Zhang Hong Zhi (張洪智), aged 49, is an independent Director of the Company. He is a Chinese national with no permanent residence abroad. He has a bachelor's degree and is an economist. Mr. Zhang has over 20 years of experience in areas of banking, securities and investment. From April 2007 to December 2009, Mr. Zhang was the chief representative of Beijing Office of Henan Hui Cheng Investment Co., Ltd. (河南滙誠投資有限公司). From January 2010 to December 2012, he was a vice general manager of Henan Nanyang Cijan Auto Shock Absorber Co., Ltd. (河南南陽浙減汽車減振器有限公司). Since September 2008, he has been a supervisor of Henan Honghui Technology Co., Ltd. (湖南鴻輝科技有限公司). Since September 2012, he has been a vice president of First Capital Fund Management Co., Ltd. (首控基金管理有限公司). Since 20 June 2011, Mr. Zhang has been appointed as an independent Director of the Company. His current term was effective from 25 May 2012 and is valid till 24 May 2015.

Mr. Guo Kong Hui (郭孔輝), aged 80, is an independent Director of the Company. He is a Chinese national with no permanent residence abroad, has a Bachelor's degree. Mr. Guo is a professor, PHD supervisor, academician of China Academy of Engineering (中國工程院院士). Mr. Guo was the vice-chancellor, professor and PHD supervisor of Jilin University of Technology (吉林工業大學副校長、教授、博導) and was the president of college of automobile of Jilin University (吉林大學汽車學院院長). Currently, Mr. Guo is Honorary President of College of Automotive Engineering of Jilin University (吉林大學汽車工程學院名譽院長), Chairman of Technology Committee of Vehicle Dynamics Sub-Committee of National Automotive Standardization Technical Committee (全國汽車標準化技術委員會車輛動力學分會技術委員會主任委員), a specially invited member of Specialists Committee of China Machinery Industry Federation (中國機械工業聯合會專家委員會特邀委員), a specially invited director of China Mechanical Engineering Society (中國機械工程學會特邀理事), a member of National Auto Calculation Platform Engineering Strategic Guidance Team of China Ministry of Industry and Information Technology (中國工業和資訊化部“國家汽車計算平台工程戰略指導組”成員), a honorary member of China Association for Science and Technology (中國科學技術協會榮譽委員), an advisor of Society of Automotive Engineers of China (中國汽車工程學會顧問) and an advisor of Academic Committee of State Key Laboratory of Automotive Simulation and Control (汽車動態模擬國家重點實驗室學術委員會顧問). In 2013, Mr. Guo was selected as one of the “Ten Outstanding Contributed Person of the 60th Anniversary of China Automobile Industry” (“中國汽車工業60周年10位卓越貢獻人物”). Mr. Guo obtained a certificate of qualified independent director of listing company issued by Shanghai Stock Exchange in August 2011. Currently, Mr. Guo is an independent director of Hualing Xingma Automobile Co., Ltd. (a company listed on Shanghai Stock Exchange) (stock code: 600375). Since 30 June 2014, Mr. Guo has been appointed as an independent Director of the Company. His current term was effective from 30 June 2014 and is valid till 24 May 2015.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## SUPERVISORS

Mr. Du Min (杜敏), aged 60, is the chairman of the Supervisory Committee of the Company. He is a Chinese national with no permanent residence abroad. He has a bachelor's degree. Since 2002, he was appointed as an assistant to general manager of Siping Steering. Since 1 June 2007, Mr. Du has been appointed as the chairman of the Supervisory Committee of the Company. His current term was effective from 25 May 2012 and is valid till 24 May 2015.

Mr. Yang Di Shan (楊迪山), aged 77, is a Supervisor of the Company. He is a Chinese national with no permanent residence abroad. He has a bachelor's degree and is a senior engineer. Mr. Yang retired from FAW Group in 1998. From 2006 to 2011, he was a deputy general manager of Beijing Keguan Vehicle Hi-tech Development Co., Ltd. (北京科冠車輛新技術開發有限公司). Since 5 June 2009, Mr. Yang has been appointed as a Supervisor of the Company. His current term was effective from 25 May 2012 and is valid till 24 May 2015. Mr. Yang is also a director of Shibao Holding.

Mr. Wu Lang Ping (吳琅平), aged 52, is a Supervisor of the Company. He is a Chinese national with no permanent residence abroad. He has a college's degree. Since 1993, he has been appointed as a manager of technical and process department of Hangzhou Shibao. Since 5 June 2009, he has been appointed as a Supervisor of the Company. His current term was effective from 25 May 2012 and is valid till 24 May 2015.

Mr. Shen Song Sheng (沈松生), aged 78, is a Supervisor of the Company. He is a Chinese national with no permanent residence abroad. He retired from the Company in 2009. Since 12 June 2004, Mr. Shen has been appointed as a Supervisor of the Company. His current term was effective from 25 May 2012 and is valid till 24 May 2015.

Mr. Wang Kui Quan (王奎泉), aged 51, is a Supervisor of the Company. He is a Chinese national with no permanent residence abroad. He has a master's degree. Since September 2000, Mr. Wang is a professor of Zhejiang University of Finance & Economics (浙江財經學院). Since 12 June 2004, Mr. Wang has been appointed as a Supervisor of the Company. His current term was effective from 25 May 2012 and is valid till 24 May 2015.

## SENIOR MANAGEMENT

Mr. Yu Zhong Chao (虞忠潮), aged 50, is a deputy general manager of the Company. He is a Chinese national with no permanent residence abroad. He has a bachelor's degree and is an engineer. Since 11 August 2006, he was appointed as a deputy general manager of the Company.

Ms. Liu Xiao Ping (劉曉平), aged 44, is a deputy general manager and the Board secretary of the Company. She is a Chinese national with no permanent residence abroad. She has a master's degree. Since 2006, she was appointed as a director of securities and investment department of the Company. Since 13 May 2011, she was appointed as the Board secretary of the Company. Since 27 December 2013, she was appointed as a deputy general manager and the Board secretary of the Company.

## COMPANY SECRETARY AS DEFINED BY THE LISTING RULES OF HONG KONG STOCK EXCHANGE

Ms. Huen Lai Chun (禰麗珍), aged 49, is the company secretary of the Company. Since May 2009, she has been appointed as the company secretary and authorised representative of the Company under the Listing Rules of Hong Kong Stock Exchange. Ms. Huen is a fellow of The Association of Chartered Certified Accountants, and an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Huen has over 10 years of professional experience in company secretarial work, professional auditing, accounting and financial management.

# REPORT OF THE DIRECTORS

The Board hereby presents the annual report and audited financial statements of the Group for the year ended 31 December 2014.

## PRINCIPAL ACTIVITIES

The Group has committed itself to the research and development of automotive steering gear products and mainly engaged in the develop, design, manufacture and sales of automotive steering gears and other key components and parts of steering system. The activities of its subsidiaries are set out in pages 98 and 99 in the annual report.

Segmental analysis is set out in the note 5.(2)1 to the consolidated financial statements and page 108 in the annual report.

## RESULTS

Results of the Group for the year ended 31 December 2014 are set out in page 37 in the annual report.

## FINANCIAL SUMMARY

Summary of the Group's results, assets and liabilities for the past five financial years are set out in page 8 in the annual report.

## FINAL DIVIDENDS

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

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

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

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

### **Withholding and payment of income tax on Final Dividend**

#### Withholding and Payment of Enterprise Income Tax on behalf of Overseas Non-Resident Enterprises Shareholders

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementing rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes Final Dividend to non-resident enterprise holders of H Shares (including any H Shares registered in the name of HKSCC Nominees Limited).

# REPORT OF THE DIRECTORS

## FINAL DIVIDENDS *(continued)*

### **Withholding and payment of income tax on Final Dividend *(continued)***

#### Withholding and Payment of Individual Income Tax on behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementing rules as well as the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No.124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)) ("Tax Notice"), the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of individual holders of H Shares who are entitled to receive the Final Dividend ("Individual H Shareholders"):

- For Individual H Shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders in the distribution of Final Dividend;
- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders in the distribution of Final Dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice. Qualified shareholders please submit in time a letter of entrustment and all application materials as required under the Tax Notice to the Company's H share registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to competent tax authorities and, after their examination and approval, the Company will assist in refunding the excess amount of tax withheld and paid;
- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of the Individual H Shareholders in the distribution of Final Dividend; and
- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the Individual H Shareholders in the distribution of Final Dividend.

Should the holders of H Shares of the Company have any doubt as to the aforesaid arrangements, they are recommended to consult their tax advisors on the relevant tax impact in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of H Shares of the Company.

## SHARE CAPITAL

Details of changes of the Company's share capital during the year are set out in note 5.(1)27 to the consolidated financial statements in the annual report.

## CONVERTIBLE DEBENTURES

The Group has not granted any convertible debentures, futures, options or other similar rights during the year.

# REPORT OF THE DIRECTORS

## RESERVES

Reserves of the Group and its changes during the year prepared in accordance with China Accounting Standards for Business Enterprises are set out in the Consolidated Statement of Changes in Equity, and details of the relevant reserves are set out in notes 5.(1)28, 29 and 30 to the consolidated financial statements in the annual report.

## DISTRIBUTABLE RESERVE

As at 31 December 2014, the Company's distributable reserve is RMB323,380,540.91 (2013: RMB309,696,780.40), and the relevant details are set out in note 5.(1)30 to the consolidated financial statements in the annual report.

## PROPERTIES, PLANT AND EQUIPMENT

Details of changes of the Group's properties, plant and equipment during the year are set out in note 5.(1)9 to the consolidated financial statements in the annual report.

## BORROWINGS AND OTHERS

Details of the Group's bank and other borrowings as at 31 December 2014 are set out in notes 5.(1)15, 23 and 25 to the consolidated financial statements in the annual report.

## DIRECTORS AND SUPERVISORS

The Company's Directors and Supervisors during the year and as at the date of this report are as follows:

### **Executive Directors**

Mr. Zhang Shi Quan (張世權) (*Chairman and General Manager*)  
Mr. Zhang Bao Yi (張寶義)  
Mr. Tang Hao Han (湯浩瀚)  
Mr. Zhu Jie Rong (朱頡榕)  
Ms. Zhang Lan Jun (張蘭君)

### **Non-executive Directors**

Mr. Zhang Shi Zhong (張世忠)  
Mr. Lou Run Zheng (樓潤正)

### **Independent Non-executive Directors**

Mr. Zhao Chun Zhi (趙春智)  
Mr. Chau Kam Wing, Donald (周錦榮)  
Mr. Zhang Hong Zhi (張洪智)  
Mr. Guo Kong Hui (郭孔輝)

### **Supervisors**

Mr. Du Min (杜敏)  
Mr. Yang Di Shan (楊迪山)  
Mr. Wu Lang Ping (吳琅平)  
Mr. Shen Song Sheng (沈松生)  
Mr. Wang Kui Quan (王奎泉)

# REPORT OF THE DIRECTORS

## SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and each of the Supervisors has entered into a service contract with the Company for a term of three years and thereafter to be renewed subject to the consent of both parties and re-election of the directors in accordance with the provisions of the Articles of Association until terminated by either party by giving no less than one month notice in writing to the other party thereafter or by the Company upon the occurrence of certain events as set out in the contract.

None of the Directors and Supervisors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

The Company confirms that it has received annual letter of confirmation from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. The Company considers that they are independent parties pursuant to Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

## REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of Directors, Supervisors and the five highest paid employees are set out in pages 105 and 106 in the annual report.

During the year, the five highest paid employees include four Directors, the remuneration of the remaining one disclosed by band is as follows: -

Remuneration by band	Number of person
RMB500,000 – RMB1,000,000	1

## STANDARDS FOR DETERMINING THE REMUNERATION OF DIRECTORS AND SUPERVISORS

The Company's remuneration policies are applicable to Directors and Supervisors. When determining the remuneration of Directors and Supervisors, besides taking reference to market basis, considerations will also be made on personal responsibilities, experiences, workload, the time of service in the Company and its subsidiaries. Other welfare benefits such as medical insurance which the Directors and Supervisors are entitled to shall be in accordance with the relevant laws and regulations of the PRC and the Company's internal regulations. The Directors are entitled to discretionary bonuses as determined under the full discretionary of the Board. In addition to the above service fees and discretionary bonuses, the Directors shall also be entitled to allowances and benefits given by the Company to other staff. The Directors are entitled to share option schemes (if any) under the relevant provisions of the Company.

## CONNECTED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2014 are set out in note 8.(2) to the consolidated financial statements in the annual report. These related party transactions are not those discloseable connected transactions governed by Chapter 14A of the Listing Rules.

# REPORT OF THE DIRECTORS

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

Save for the only connected transaction above regarding the acquisition of the remaining interests in Siping Steering which shall comply with the reporting and announcement requirements, the Company has no other transactions which are subject to the connected transaction disclosure requirements under the Listing Rules of Hong Kong Stock Exchange for the year ended 31 December 2014. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

## DISCLOSURE OF THE INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests and short positions of each Director, Supervisor and Chief Executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be entered in the register pursuant to Section 352 of the SFO, or interests or short positions which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

### (1) Long position in A Shares of the Company:

Name of Director	Capacity	Number of A Shares	Approximate percentage of shareholding in same class of shares	Approximate percentage in the Company's total issued share capital
Mr. Zhang Shi Quan	Interest in a controlled corporation ( <i>Note</i> )	165,387,223	72.18%	52.36%
	Beneficial owner	10,556,632	4.61%	3.34%

*Note:* Mr. Zhang holds 40% interest in the registered capital of Shibao Holding, the Ultimate Holding Company of the Company, which in turn holds 165,387,223 A Shares. As Mr. Zhang is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Shibao Holding, Mr. Zhang is taken or deemed to be interested in all of the 165,387,223 A Shares held by Shibao Holding.

# REPORT OF THE DIRECTORS

DISCLOSURE OF THE INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(continued)*

**(2) Long positions in the registered capital of the Ultimate Holding Company, Shibao Holding, an associated corporation of the Company:**

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Shibao Holding
Mr. Zhang	Beneficial owner	RMB20,000,000	40%
Mr. Zhang Bao Yi	Beneficial owner	RMB10,000,000	20%
Mr. Tang Hao Han	Beneficial owner	RMB10,000,000	20%
Ms. Zhang Lan Jun	Beneficial owner	RMB7,500,000	15%
Mr. Zhang Shi Zhong	Beneficial owner	RMB2,500,000	5%

Note: Shibao Holding holds 165,387,223 A Shares, representing 72.18% of A Shares in issue and 52.36% of the total issued share capital of the Company, and accordingly is an associated corporation of the Company.

**(3) Long positions in the registered capital of a fellow subsidiary of the Company, Anhui Changshan, an associated corporation of the Company:**

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Anhui Changshan
Mr. Zhang	Interest in a controlled corporation	RMB10,000,000	100%

Note: Anhui Changshan, a subsidiary of Shibao Holding, the Ultimate Holding Company of the Company, is owned as to 100% by Shibao Holding. As Mr. Zhang holds 40% interest in the registered capital of Shibao Holding and therefore is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Shibao Holding, Mr. Zhang is taken or deemed to be interested in the 100% interest directly held by Shibao Holding in Anhui Changshan.

Save as disclosed above, as at 31 December 2014, the Directors are not aware of any Director, Supervisor and Chief Executive of the Company had or was deemed to have any interests or short positions in the Shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Division 7 & 8 of Part XV of the SFO, or will be required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company, or will be required pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS

As of 31 December 2014, so far as is known to the Directors of the Company, the following persons (other than the Directors, Supervisors and Chief Executive of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions and short positions in shares of the Company:

Name of Shareholder	Capacity	Number and class of shares	Approximate percentage of shareholding in same class of shares	Approximate percentage in the Company's total issued share capital
Shibao Holding	Beneficial owner (Note 1&2)	165,387,223 A Shares (Long positions)	72.18%	52.36%
Mr. Zhang	Interest in controlled corporation (Note 1&2)	165,387,223 A Shares (Long positions)	72.18%	52.36%
	Beneficial owner (Note 2)	10,556,632 A Shares (Long positions)	4.61%	3.34%
UBS AG	Beneficial owner	6,934,000 H Shares (Long positions)	8.00%	2.20%
		8,000 H Shares (Short positions)	0.009%	0.003%
UBS Group AG	Interest in controlled corporation	6,934,000 H Shares (Long positions)	8.00%	2.20%
		8,000 H Shares (Short positions)	0.009%	0.003%
Deutsche Bank Aktiengesellschaft	Beneficial owner	5,714,000 H Shares (Long positions)	6.59%	1.81%
Segantii Capital Management Limited	Beneficial owner	5,114,000 H Shares (Long positions)	5.90%	1.62%

Note:

- As at 31 December 2014, Shibao Holding owned 165,387,223 A Shares of the Company. As Mr. Zhang holds 40% interest in the registered capital of Shibao Holding, Mr. Zhang is deemed to be interested in all of the 165,387,223 A Shares of the Company held by Shibao Holding.
- Mr. Zhang's interest in these 175,943,855 A Shares of the Company, including 165,387,223 A Shares owned by Shibao Holding and 10,556,632 A Share directly owned by himself, are also disclosed in the paragraph headed "Disclosure of the interests and short positions of Directors, Supervisors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its associated corporations". These 165,387,223 A Shares owned by Shibao Holding represent the same interest and therefore duplicate amongst Shibao Holding and Mr. Zhang.

Save as disclosed above, as at 31 December 2014, the Directors are not aware of any other person (other than the Directors, Supervisors and Chief Executive of the Company as disclosed above) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

# REPORT OF THE DIRECTORS

## ARRANGEMENTS FOR PURCHASE OF SHARES OR DEBENTURES

During the year under review, none of the Company, its ultimate holding company or any subsidiaries of its ultimate holding company has entered into any arrangement, allowing Directors of the Company can be benefited from the purchase of the shares or debentures of the Company or any other legal person entities, and none of the Directors, Supervisors and Chief Executive or their respectively spouse or children under 18 has any right or has exercised any right to subscribe for securities of the Company.

## SHARE OPTION SCHEME

For the year ended 31 December 2014, the Company has not implemented any share option scheme.

## DIRECTORS' INTERESTS IN CONTRACTS

Other than the service contracts of Directors and Supervisors as disclosed above, no contract of significance to which the Company, any of its subsidiaries, its controlling shareholder or any of its subsidiaries was a party and in which the Directors and Supervisors had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

## EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the Group had a total of 1,658 employees, total staff salaries and welfares costs amounted to RMB109,013,371.52. The Group provided substantial remuneration benefits to employees in accordance with market practices, and provided retirement benefits in accordance with the related laws of the PRC.

Our Directors believe that our Group maintains good working relationships with its employees and has not experienced any significant difficulties in recruiting and retaining employees. Our Group has not experienced any significant disruption in its operations due to labour disputes.

Our Company and its subsidiaries make contributions to municipal government retirement scheme for their respective qualified employees in the PRC. According to applicable PRC laws, both employers and employees are required to make contributions to the scheme at the specified rates pursuant to the rules of the scheme. The only obligation of our Company and its subsidiaries with respect to the scheme is to make the required contributions. The contributions payable under the scheme were properly accrued for the year ended 31 December 2014.

The contributions to be made by employees under the scheme are charged to the income statement at the respective rates equivalent to the contributions paid or payable by our Company and its subsidiaries under the rules of the scheme.

## COMPETING INTERESTS

During the year under review, none of the Directors, the substantial shareholders or the management shareholders of the Company (as defined in the Listing Rules of Hong Kong Stock Exchange) or their respective associates has an interest in a business which competes or may compete with the business of the Group, or has an interest in a Company which may have conflicts of interest with the Group's business.

## MANAGEMENT CONTRACTS

There were no management or administrative contract relating to the entire or any material operation of the Company entered or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, purchases attributable to the Group's five largest suppliers and revenue attributable to the five largest customers represented 26.25% and 75.32% of the Group's total purchases and total revenue respectively. In addition, the largest supplier and the largest customer represented 8.68% and 32.69% of the Group's total purchases and revenue respectively.

To the best of the Directors' knowledge, neither the Directors, their respective associates nor any shareholders who to the knowledge of the Directors owned more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers during the year.

# REPORT OF THE DIRECTORS

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive right under the Articles of Association and the laws of the PRC, the place of jurisdiction where the Company established, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this report, the Company was in compliance with the Listing Rules of Hong Kong Stock Exchange which required at least 25% of the total issued share capital of the Company be held by the public.

## POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in page 107 in the annual report.

## CORPORATE GOVERNANCE

The Corporate Governance Report adopted by the Company is set out in page 27 to page 32 in the annual report.

## AUDITORS

As disclosed in the Company's announcement dated 22 April 2013, in order to control costs, the Board decided not to re-appoint Ernst & Young Hua Ming as the auditor of the Company. The appointment for Ernst & Young Hua Ming ended at the conclusion of the 2012 annual general meeting. The Board further decided to propose the appointment of Pan-China Certified Public Accountants LLP as the auditor of the Company in the 2012 annual general meeting of the Company. Pan-China shall hold office from the conclusion of 2012 annual general meeting to the conclusion of the next annual general meeting. On the annual general meeting held on 14 June 2013, resolution of not to re-appoint Ernst & Young Hua Ming and to appoint Pan-China as the Company's auditor has been passed.

The financial statements for the year ended 31 December 2014 have been audited by Pan-China Certified Public Accountants LLP.

By order of the Board

**Zhang Shi Quan**

*Chairman and General Manager*

Hangzhou, Zhejiang, the PRC

27 March 2015

# REPORT OF THE SUPERVISORY COMMITTEE

To all shareholders:

For the year 2014, the Supervisory Committee carefully discharged its duties in strict compliance with the related provisions of the Company Law of the PRC, the Listing Rules of Hong Kong Stock Exchange, the Stock Listing Rules of Shenzhen Stock Exchange, the Articles of Association and the Organization and Procedural Rules and Regulations for the Meetings of the Supervisory Committee.

During the reporting period, the Supervisory Committee held seven meetings, attended Board meetings and shareholders' meeting, and heard reports regarding the finance and profit distribution, connected transactions, operating results and the use of proceeds of the Company. Through the aforementioned work, the Supervisory Committee reinforced its supervision over the financial staff and senior management of the Company during their discharge of duties, improved the effect of supervision and protected the interests of shareholders and the Company.

The Supervisory Committee is of the view that all members of the Board and other senior management of the Company have honestly and diligently discharged their duties, strived to maintain the interests of shareholders and made great efforts to the operating results of the Company in 2014. No violation of laws and regulations of the PRC or the place of listing and the Articles of Association of the Company have been discovered during the discharge of their duties. The Supervisory Committee is optimistic about the prospect of the Company.

Having reviewed the financial statements for the year ended 31 December 2014 prepared by Pan-China Certified Public Accountants LLP based on China Accounting Standards for Business Enterprises, the Supervisory Committee is of the view that the financial statements provide an objective, true and full view of the financial position and operating results of the Company.

In the coming year, the Supervisory Committee will continue to strictly comply with the Articles of Association of the Company and the relevant provisions, so as to maintain the interests of the Company and shareholders as its own duty, and to supervise the Company to realize its commitments to the shareholders for the best of performance.

By order of the Supervisory Committee

**Du Min**

*Convenor of the Supervisory Committee*

Hangzhou, Zhejiang, the PRC

27 March 2015

# CORPORATE GOVERNANCE REPORT

The Company firmly believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interest of all of its stakeholders. The Company's commitment to the highest standards of corporate governance is driven by the Board who, led by the Chairman, assume overall responsibility for the governance of the Company, taking into account the interests of the Company's stakeholders, the development of its business, and the changing external environment. This report describes how the principles of the CG Code have applied during the year ended 31 December 2014 under different aspects.

For the period under review, the Company had been in compliance with the majority of the code provisions set out in the CG Code with the exception of code provision A.2.1, code provision A.1.8 and code provision A.6.7.

Under code provision A.2.1, the roles of the chairman and the chief executive shall be separated, and shall not be undertaken by the same individual. Mr. Zhang Shi Quan has been the Chairman and General Manager of the Company during the year under review. Mr. Zhang Shi Quan is the Company's founder, and is responsible for overseeing the overall strategic planning, new business development, acquisition and merging. In view of the nature of the Company's business, the Board considers that the current management structure arrangement is considerably effective in making response over market changes and finalization of strategic plans. The Board will review the efficiency of this management structure arrangement from time to time.

Under code provision A.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Board has not arranged a liability insurance 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. Certain independent non-executive Directors and other non-executive Directors were unable to attend the Company's annual general meeting held on 30 June 2014 due to their other important business engagements.

## MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company 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. 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 year under review.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

### Composition of the Board and Board Practices

The Board comprises eleven Directors, of which five are executive Directors, two are non-executive Directors and four are independent non-executive Directors.

The Board holds regular board meetings at least four times each year. For the year under review, the Board held nine meetings in total.

Meeting attendance records of Directors and committees' members during the year under review are as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment and Strategy Committee	AGM 2013
Number of meetings	9	5	2	2	1	1
<b>Executive Directors</b>						
Zhang Shi Quan ( <i>Chairman and General Manager</i> )	9/9				1/1	1/1
Zhang Bao Yi	9/9				1/1	1/1
Tang Hao Han	9/9				1/1	1/1
Zhu Jie Rong	9/9					1/1
Zhang Lan Jun	9/9			2/2		1/1
<b>Non-executive Directors</b>						
Zhang Shi Zhong	9/9	5/5	2/2			1/1
Lou Run Zheng	9/9					0/1
<b>Independent non-executive Directors</b>						
Zhao Chun Zhi	9/9			2/2		1/1
Chau Kam Wing, Donald	9/9	5/5	2/2	2/2		1/1
Zhang Hong Zhi	9/9	5/5	2/2			0/1
Guo Kong Hui	4/4					0/0

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and each of the Supervisors has entered into a service contract with the Company for a term of three years and thereafter to be renewed subject to the consent of both parties and re-election of the Directors in accordance with the provisions of the Articles of Association until terminated by either party by giving no less than one month notice in writing to the other party thereafter or by the Company upon the occurrences of certain events as set out in the contract.

None of the Directors and Supervisors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

The Company has fully complied with Rule 3.10(1) and (2) of the Listing Rules of Hong Kong Stock Exchange, and has appointed four independent non-executive Directors, of which at least one possesses appropriate professional qualification or accounting or related financial management expertise. The Board considers that all the independent non-executive Directors are independent parties under Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange, and has received annual independence confirmation letters from each of the independent non-executive Directors as required by the Listing Rules of Hong Kong Stock Exchange.

# CORPORATE GOVERNANCE REPORT

Mr. Zhang Shi Zhong (a non-executive Director of the Company) is the younger brother of Mr. Zhang Shi Quan (Chairman and General Manager of the Company). Mr. Zhang Bao Yi (an executive Director of the Company) is the son of Mr. Zhang Shi Quan. Ms. Zhang Lan Jun (an executive Director of the Company) is the daughter of Mr. Zhang Shi Quan. Mr. Tang Hao Han (an executive Director of the Company) is the son-in-law of Mr. Zhang Shi Quan. Save for the above, there is no other financial, business, family or material relationship between the members of the Board.

The Board is responsible for the approval and supervision of the overall strategies and policies of the Company, approval of business plans, assessment of the Group's performance and supervision on the management. The Board is also responsible to instruct and supervise the Company's businesses to promote the success of the Company and its businesses.

The Board is focused on the overall strategies and policies, in particular on the growth and financial performance of the Group. The Company's strategic objective is to be an intelligent driving solution provider to global automakers. Therefore, in the next few years, the Company is planning to develop the mechanical and electronic integration technology that make driving safer and comfort jointly by independent R&D and merger & acquisition. Meanwhile, the Company is also focused on the market expansion to the middle to high end market and global sourcing business, as well as the volume production of EPS products.

The Board designates the Group's daily operation works to be handled by the executive Directors and senior management. The Board makes decisions on certain important matters, including annual business plans; annual financial budgets; annual remuneration plans; interim and annual financial reports; preliminary distribution plans in respect of interim profit and full year profit; and material issues involving development, acquisition or corporate reorganization of the Company. The Board transmits its decisions to the management through executive Directors who attend Board meetings.

## INDUCTION AND DEVELOPMENT

All new Directors receive a personalized induction programme, tailed to their experience and background, which is designed to enhance their knowledge and understanding of the Group's culture and operations. The programme usually includes a briefing on the Group's structure, businesses and governance practices.

During the year under review, the Company arranged one training for the Directors, relating to the listing rules of Shenzhen Stock Exchange. All Directors shall provide their training record to the Company once every six months.

## INTERNAL CONTROL

An effective internal control system is very important for the protection of the Group's assets and shareholders' investments, ensuring the reliability of financial information announcements and compliance with the Listing Rules of Hong Kong Stock Exchange. The Board is also aware of its responsibility towards the Group's internal control, financial control and risk management, and its responsibility of supervising the efficiency from time to time.

Our internal audit department reviews the internal control of the Group from time to time, which covers all the material aspects of monitoring, including financial control, operation control, compliance control and risk management functions, and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. Our internal audit department has submitted the internal audit report in relation to the review of internal control for the year 2014.

In addition, the Company engaged Pan-China Certified Public Accountants LLP to be our internal control auditor during the reporting period. Pan-China Certified Public Accountants LLP is of the view that the Company has maintained effective internal control of financial report in all material aspects as of 31 December 2014 in accordance with the Basic Standard for Corporate Internal Control and relevant regulations.

The Board considers that the existing internal control system of the Company is adequate and effective with reference to the review of the Audit Committee on the internal audit report prepared by the internal audit department and the internal control review report prepared by Pan-China Certified Public Accountants LLP.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 26 April 2006 and has stipulated written terms of reference for the Remuneration Committee. The main duties of the Remuneration Committee include (i) propose to the Board in respect of the remuneration policy and structure of the Company's Directors and senior management; (ii) set up a formal and transparent procedure for the determination of such remuneration policy; and (iii) assess performances and set up remuneration policy based on such assessment.

The Remuneration Committee consists of three members, namely Mr. Chau Kam Wing, Donald (Chairman of the Remuneration Committee) and Mr. Zhang Hong Zhi (both are independent non-executive Directors), and Mr. Zhang Shi Zhong (non-executive Director). During the year under review, the Remuneration Committee held two meetings to review and approve the resolution on the proposed remuneration of a candidate for independent Director to the Board and the resolution on the proposed remuneration of Directors, Supervisors and senior management for the year 2015 to the Board. Records of attendance of each member of the committee are set out in page 28 under "Board of Directors" section of this annual report.

## NOMINATION COMMITTEE

The Company established the Nomination Committee on 13 May 2011 and has stipulated written terms of reference for the Nomination Committee. The main duties of the Nomination Committee include (i) study the criteria and processes for the selection of directors, general manager and other senior executives, and provide suggestions to the Board; (ii) look for qualified candidates of directors, general manager and other senior executives in a wide scope; (iii) review and provide suggestions on the candidates of directors, general manager and other senior executives; and (iv) review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes of the Board to complement the Company's corporate strategy.

The Nomination Committee consists of three members, namely Mr. Chau Kam Wing, Donald (Chairman of the Nomination Committee) and Mr. Zhao Chun Zhi (both are independent non-executive Directors), and Ms. Zhang Lan Jun (executive Director). During the year under review, the Nomination Committee held two meetings to review and approve the resolution on the nomination of a candidate for independent Director proposed to the Board and the resolution on confirming the structure, number of members and composition of the Board (including their skills, knowledge and experience and the benefit of Board diversity) that fits the corporate strategy of the Company, and assessment on the independence of the independent non-executive Directors. Records of attendance of each member of the committee are set out in page 28 under "Board of Directors" section of this annual report.

In 2013, the Nomination Committee reviewed and approved the resolution on the "Board diversity policy of Zhejiang Shibao" and the correspondingly revised "Rules of Procedures for the Nomination Committee under the Board of Directors of Zhejiang Shibao". The Nomination Committee shall select from candidates based on the diversity principle such as education background, professional experience, skills, knowledge and service tenure, including but not limited to, gender, age, cultural background and ethnicity.

## AUDIT COMMITTEE

The Company established the Audit Committee on 26 April 2006 and has stipulated written terms of reference for the Audit Committee. The main responsibilities of the Audit Committee are to provide proposals to the Board in respect of the appointment and removal of external auditors, approve the remuneration and appointment terms of external auditors, review financial information and supervise financial reporting system and internal control procedures.

The Audit Committee has three members, namely Mr. Chau Kam Wing, Donald (Chairman of the Audit Committee) and Mr. Zhang Hong Zhi (both are independent non-executive Directors), and Mr. Zhang Shi Zhong (non-executive Director). During the year under review, the Audit Committee held five meetings to review and approve the annual audit report for the year 2013, self-assessment report on internal control for the year 2013, and unaudited financial report, internal audit report and internal audit working plan for first quarter, first half and third quarter of 2014 of the Company. Also, the Audit Committee reviewed and approved the resolution on the re-appointment of Pan-China Certified Public Accountants LLP as the auditors of the Company for the year 2014, and submitted to the Board for review. Records of attendance of each member of the committee are set out in page 28 under "Board of Directors" section of this annual report.

The Company's audited financial report for the year ended 31 December 2014 has been reviewed by the Audit Committee.

# CORPORATE GOVERNANCE REPORT

## SUPERVISORY COMMITTEE

The Supervisory Committee is established in compliance with the Company Law of the PRC. The Supervisory Committee of the Company comprises five members, Mr. Du Min (the convenor of the Supervisory Committee), Mr. Yang Di Shan, Mr. Wu Lang Ping, Mr. Shen Song Sheng and Mr. Wang Kui Quan. Each of the Supervisors have made their best efforts to discharge their duties, and effectively supervise whether the financial matters of the Company are in compliance with the laws and regulatory requirements, and supervise the Directors and senior management in performing their duties.

## REMUNERATION OF THE AUDITORS

For the year ended 31 December 2014, remuneration received by Pan-China Certified Public Accountants LLP, the auditors of the Company, in respect of their audit services and non-audit services are as follows:

	<b>RMB</b>
Statutory audit services	600,000
Non-statutory audit services – internal control	200,000
Total	<u>800,000</u>

## COMPANY SECRETARY

The Company engages an external service provider as its company secretary, the Board Secretary of the Company is a contact person of the external service provider. The biography of the Company Secretary and the Board Secretary of the Company are set out in the “Directors, Supervisors and Senior Management” section of this annual report. During the year under review, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

## RESPONSIBILITY OF DIRECTORS AND AUDITORS ON THE ACCOUNTS

The Board confirms its responsibilities on the preparation of the Group’s financial statements. The Directors shall ensure that the Group’s financial statements have been prepared in accordance with the statutory requirements and the applicable accounting standards.

Statements of the Company’s auditors in respect of their reporting responsibilities on the Group’s financial statements are set out in the Auditors’ Report in page 33 in the annual report.

## SHAREHOLDERS’ RIGHTS

Shareholders singly or jointly holding more than ten per cent (10%) (inclusive) of the shares carrying voting rights (excluding proxy voting rights) of the Company have the right to propose in written form the convention of extraordinary general meeting to the Board. Where the Board disapproves the convention of extraordinary general meeting or fails to issue the feedback within ten (10) days after receiving the request, the shareholders singly or jointly holding more than ten per cent (10%) (inclusive) of the shares carrying voting rights (excluding proxy voting rights) of the Company is entitled to propose in written form the convention of extraordinary general meeting to Supervisory Committee. Where Supervisory Committee fails to issue the notice within the prescribed time limit, it shall be deemed refused to convene and preside over the general meeting and the shareholders singly or jointly holding more than ten per cent (10%) (inclusive) of the shares carrying voting rights (excluding proxy voting rights) for more than ninety (90) consecutive days may convene and preside over the meeting themselves. Procedures of convening such general meeting shall follow the same procedures as of convening such meeting by the Board as far as possible. The relevant written requisition shall be delivered to the Board Secretary at the registered office of the Company and the objects of the meeting must be stated in the written requisition.

The Board always ensure that shareholders’ and stakeholders’ views are heard and understood, and welcomes their questions and concerns relating to the Group’s management and governance. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to Board Secretary or Company Secretary by post or email at ir@zjshibao.com. The contact details is set out in the “Corporate Information” section of this annual report.

# CORPORATE GOVERNANCE REPORT

Shareholders singly or jointly holding more than three per cent (3%) (inclusive) of the shares carrying voting rights are entitled to raise proposal to the Company. The Company shall include such items of the proposal that are within the scope of duty of the general meeting in the meeting agenda. Motions at a general meeting shall meet the following requirements: (i) the contents shall not run counter to provisions of the laws, administrative regulations and the Articles of Association and shall fall within the scope of business of the Company and terms of reference of a general meeting; (ii) the motions shall cover specific topics for discussion and specific issues to be resolved; and (iii) the motions shall be submitted or delivered to the Board in written form. Shareholders either individually or in aggregate holding over three per cent (3%) (inclusive) of the shares carrying voting rights may submit their proposed resolutions in writing to the convener ten (10) days prior to the general meeting. The relevant written request shall be delivered to the Board Secretary at the registered office of the Company.

## SIGNIFICANT CHANGES IN ARTICLES OF ASSOCIATION

As a result of the issue of new A Shares pursuant to the additional A Shares issue, the shareholding structure of the Company will change upon completion of the additional A Shares issue and as such, the Articles of Association will need to be amended to reflect the relevant changes. The amendments were approved at the extraordinary general meeting and the class meetings for holders of H Shares and domestic Shares held on 20 March 2014.

Pursuant to the “Regulatory Guidance to the Listed Companies No. 3 – Distribution of Cash Dividends by the Listed Companies” dated 30 November 2013 issued by the CSRC regarding requirements on improvement to the distribution of cash dividends by the listed companies, enhancement of transparency in cash dividends and safeguard of investors’ legitimate interests, the Company proposed to make amendments to the Articles of Association. The proposed amendments were approved at the annual general meeting held on 30 June 2014.

## RELATIONSHIP WITH SHAREHOLDERS

The Company has undertaken to maintain the highest level of transparency, and to apply the policy of making public and timely disclosures of relevant information to shareholders. The Company also maintains communications with Shareholders through its annual reports and interim reports.

## RELATIONSHIP WITH INVESTORS

The Company regularly met with analysts and attended various forums, so as to strengthen relationship with the investment sector.

# AUDITORS' REPORT



Pan-China Audit (2015) No. 1768

## TO THE SHAREHOLDERS OF ZHEJIANG SHIBAO COMPANY LIMITED

We have audited the accompanying financial statements of Zhejiang Shibao Company Limited (hereinafter "Zhejiang Shibao Company"), which comprise the consolidated and parent company balance sheet as at 31 December 2014, the consolidated and parent company income statements, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in equity for the year then ended, and the notes to the financial statements.

### I. Management's Responsibility for the Financial Statements

Management of Zhejiang Shibao Company is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### II. Certified Public Accountants' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the China Standards on Auditing. Those standards require that we comply with Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### III. OPINION

In our opinion, the financial statements present fairly, in all material aspects, the consolidated and parent company's financial position of Zhejiang Shibao Company as at 31 December 2014 and the consolidated and parent company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Pan-China Certified Public Accountants LLP  
Hangzhou, the PRC

Chinese Certified Public Accountant: Gu Chuan  
Chinese Certified Public Accountant: Yu Jia Nan

27 March 2015

# CONSOLIDATED BALANCE SHEET

31 December 2014 | (RMB Yuan) | (English translation for reference only)

Item	Note 5.(1)	Balance at the end of the period	Balance at the beginning of the period
<b>Assets</b>			
<b>Current assets</b>			
Cash on hand and at bank	1	760,413,906.65	66,950,127.71
Notes receivable	2	110,001,880.87	107,726,195.93
Accounts receivable	3	328,448,994.53	278,671,401.35
Prepayments	4	10,618,954.07	6,645,582.97
Other receivables	5	6,348,421.04	14,656,634.69
Assets classified as held for sale	7	–	10,467,600.00
Inventories	6	202,149,703.92	180,906,462.73
Other current assets	8	8,139,857.40	18,682,541.03
Total current assets		<u>1,426,121,718.48</u>	<u>684,706,546.41</u>
<b>Non-current assets</b>			
Fixed assets	9	449,185,309.04	436,022,601.37
Construction in progress	10	37,830,098.68	50,226,907.30
Intangible assets	11	123,778,255.54	111,106,921.94
Goodwill	12	4,694,482.34	4,694,482.34
Deferred income tax assets	13	4,690,643.38	4,655,061.06
Other non-current assets	14	54,767,380.74	22,743,120.05
Total non-current assets		<u>674,946,169.72</u>	<u>629,449,094.06</u>
<b>Total assets</b>		<u><u>2,101,067,888.20</u></u>	<u><u>1,314,155,640.47</u></u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term loans	15	268,260,000.00	234,750,000.00
Notes payable	16	65,791,655.53	39,542,300.00
Accounts payable	17	237,195,243.19	182,042,731.52
Receipts in advance	18	4,886,192.92	4,591,550.94
Staff cost payable	19	13,657,975.74	6,935,081.29
Tax payable	20	6,053,251.21	6,442,301.09
Interest payable	21	1,538,256.74	1,508,401.59
Other payables	22	2,228,853.18	1,898,639.32
Non-current liabilities due within one year	23	8,800,000.00	13,050,400.00
Other current liabilities	24	12,473,903.33	9,934,306.59
Total current liabilities		<u>620,885,331.84</u>	<u>500,695,712.34</u>

# CONSOLIDATED BALANCE SHEET

31 December 2014 | (RMB Yuan) | (English translation for reference only)

Item	Note 5.(1)	Balance at the end of the period	Balance at the beginning of the period
<b>Non-current liabilities</b>			
Long-term borrowings	25	1,900,000.00	2,830,000.00
Deferred income tax liabilities	13	5,992,749.26	9,104,181.29
Deferred Income	26	30,178,729.37	26,093,228.66
Total non-current liabilities		38,071,478.63	38,027,409.95
Total liabilities		658,956,810.47	538,723,122.29
<b>Equity</b>			
Share capital	27	315,857,855.00	277,657,855.00
Capital reserve	28	660,012,081.76	42,299,204.72
Surplus reserve	29	121,377,588.47	113,899,265.72
Retained earnings	30	323,380,540.91	309,696,780.40
Equity attributable to equity holders of the parent		1,420,628,066.14	743,553,105.84
Minority interests		21,483,011.59	31,879,412.34
Total equity		1,442,111,077.73	775,432,518.18
<b>Total liabilities and equity</b>		<b>2,101,067,888.20</b>	<b>1,314,155,640.47</b>

The notes form an integral part of the financial statements.

The financial statements as set out from page 34 to page 42 have been signed by:

**Zhang Shi Quan**  
Legal representative

**Zhang Lan Jun**  
Chief Financial Officer

**Li Gen Mei**  
Head of Finance Section

# BALANCE SHEET OF THE PARENT COMPANY

31 December 2014 | (RMB Yuan) | (English translation for reference only)

Item	Note 12.(1)	Balance at the end of the period	Balance at the beginning of the period
<b>Assets</b>			
<b>Current assets:</b>			
Cash on hand and at bank		312,492,858.93	10,360,957.46
Notes receivable		1,657,287.33	387,288.00
Accounts receivable	1	49,337,894.17	43,153,425.67
Prepayments		4,006,976.33	484,737.71
Dividends receivable		–	5,000,000.00
Other receivables	2	271,488,372.56	241,125,230.80
Inventories		10,310,137.01	7,056,514.69
Assets classified as held for sale		–	10,467,600.00
Other current assets		9,119.50	4,487.16
Total current assets		649,302,645.83	318,040,241.49
<b>Non-current assets:</b>			
Long-term accounts receivable		368,000,000.00	–
Long-term equity investments	3	182,159,214.87	177,159,214.87
Fixed assets		8,945,573.05	8,354,001.06
Construction in progress		5,903,783.88	–
Intangible assets		38,238,828.16	5,442,865.45
Deferred income tax assets		73,244.75	73,244.75
Other non-current assets		6,620,000.00	6,000,000.00
Total non-current assets		609,940,644.71	197,029,326.13
<b>Total Assets</b>		<b>1,259,243,290.54</b>	<b>515,069,567.62</b>
<b>Current liabilities:</b>			
Short-term loans		159,000,000.00	99,000,000.00
Notes payable		5,300,000.00	–
Accounts payable		7,212,191.94	4,895,911.10
Receipts in advance		1,500.00	78,456.39
Staff cost payable		969,217.42	702,555.34
Tax payable		863,280.51	540,210.21
Interest payable		316,501.42	204,081.42
Other payables		8,718,583.23	117,704.40
Other current liabilities		800,000.00	800,000.00
Total current liabilities		183,181,274.52	106,338,918.86
<b>Non-current liabilities:</b>			
Total non-current liabilities		–	–
Total liabilities		183,181,274.52	106,338,918.86
<b>Shareholders' Equity:</b>			
Share capital		315,857,855.00	277,657,855.00
Capital reserve		661,553,840.72	41,590,963.68
Surplus reserve		61,517,561.92	58,379,450.06
Retained earnings		37,132,758.38	31,102,380.02
Total Shareholders' Equity		1,076,062,016.02	408,730,648.76
<b>Total Liabilities and Shareholders' Equity</b>		<b>1,259,243,290.54</b>	<b>515,069,567.62</b>

# CONSOLIDATED INCOME STATEMENT

For the year 2014 | (RMB Yuan) | (English translation for reference only)

Item	Note 5.(2)	Current year	Last year
Revenue	1	811,241,906.13	674,596,299.70
Less: Operating costs	1	593,984,877.42	496,308,510.32
Business taxes and surcharges	2	4,414,843.67	3,532,722.11
Selling expenses	3	55,003,757.42	50,068,677.27
General and administrative expenses	4	98,093,231.08	78,930,895.74
Financial expenses	5	18,628,701.30	11,464,634.83
Assets impairment losses/(gains)	6	1,692,279.77	1,347,824.64
Add: Investment gains/(losses)	7	-	10,668,873.53
Including: Share of investment gains/(losses) from associates	7	-	(424,431.25)
Operating profit		39,424,215.47	43,611,908.32
Add: Non-operating income	8	9,378,178.39	8,212,352.15
Including: Gain on disposal of non-current assets	8	100,581.75	159,924.09
Less: Non-operating expenses	9	6,644,502.88	1,068,073.47
Including: Loss on disposal of non-current assets	9	5,242,813.64	275,462.61
Total profit		42,157,890.98	50,756,187.00
Less: Income tax expenses	10	5,679,580.07	5,227,089.81
Net profit		36,478,310.91	45,529,097.19
Net profit attributable to equity holders of the parent		43,374,711.66	48,823,967.72
Minority interests		(6,896,400.75)	(3,294,870.53)
Earnings per share			
Basic earnings per share		0.16	0.18
Diluted earnings per share		0.16	0.18
Other comprehensive income		-	-
Total comprehensive income		36,478,310.91	45,529,097.19
Including:			
Total comprehensive income attributable to equity holders of the parent		43,374,711.66	48,823,967.72
Total comprehensive income attributable to minority shareholders		(6,896,400.75)	(3,294,870.53)

# INCOME STATEMENT OF THE PARENT COMPANY

For the year 2014 | (RMB Yuan) | (English translation for reference only)

Item	Note 12.(2)	Current year	Last year
1. Revenue	1	40,557,404.65	39,082,724.42
Less: Operating costs	1	27,274,235.96	27,582,129.86
Business taxes and surcharges		251,375.51	206,202.68
Selling expenses		431,908.79	355,898.78
General and administrative expenses		8,109,369.86	6,038,318.99
Financial expenses		2,468,071.56	4,062,877.87
Assets impairment losses		–	(94,702.91)
Add: Investment gains	2	30,000,000.00	25,071,200.19
Including: Investment gains from associates and jointly controlled entities		–	71,200.19
2. Operating profit		32,022,442.97	26,003,199.34
Add: Non-operating income		87,689.86	50,487.25
Including: Gain on disposal of non-current assets		–	41,929.35
Less: Non-operating expenses		115,454.81	126,466.00
Including: Loss on disposal of non-current assets		–	31,503.20
3. Total profit		31,994,678.02	25,927,220.59
Less: Income tax expenses		613,559.40	104,024.67
4. Net profit		31,381,118.62	25,823,195.92
5. Net other comprehensive income after tax		–	–
6. Total comprehensive income		31,381,118.62	25,823,195.92

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year 2014 | (RMB Yuan) | (English translation for reference only)

Item	Note 5.(3)	Current year	Last year
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		444,437,344.61	437,141,123.79
Return of taxes and levies		693,734.02	809,997.78
Cash received relating to other operating activities	1	17,171,397.38	11,331,799.54
Sub-total of cash inflow		462,302,476.01	449,282,921.11
Cash paid for goods and services		156,529,371.83	192,322,019.86
Cash paid to and on behalf of employees		102,001,548.33	88,566,092.72
Payment of taxes and levies		41,330,237.10	47,379,370.47
Cash paid relating to other operating activities	2	73,715,735.95	62,909,773.45
Sub-total of cash outflow		373,576,893.21	391,177,256.50
Net cash flow from operating activities		88,725,582.80	58,105,664.61
2. Cash flows from investing activities:			
Cash received for investments		10,467,600.00	–
Cash received from investment gains		–	14,739.73
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6,358,074.79	2,089,660.22
Cash received relating to other investing activities	3	17,954,700.00	10,990,000.00
Sub-total of cash inflow		34,780,374.79	13,094,399.95
Cash paid to acquire fixed assets, intangible assets and other long-term assets		78,060,448.88	31,208,479.14
Cash paid for investments		5,000,000.00	10,467,600.00
Net cash paid to acquire subsidiaries and other business entities		–	2,655,381.55
Cash paid relating to other investing activities	4	620,000.00	14,869,000.00
Sub-total of cash outflow		83,680,448.88	59,200,460.69
Net cash flow from investing activities		(48,900,074.09)	(46,106,060.74)
3. Cash flows from financing activities:			
Cash received from investments		660,046,164.00	–
Cash received from borrowings		344,860,000.00	326,500,000.00
Cash received relating to other financing activities	5	–	69,200,000.00
Sub-total of cash inflow		1,004,906,164.00	395,700,000.00
Cash paid for debt repayments		316,530,400.00	319,790,000.00
Cash paid for distribution of dividends, profit or interest expenses		39,910,067.21	37,120,496.91
<i>Including: dividends and profit to minority interests by subsidiaries</i>		750,000.00	500,000.00
Cash paid relating to other financing activities	6	1,603,286.96	69,200,000.00
Sub-total of cash outflow		358,043,754.17	426,110,496.91
Net cash flow from financing activities		646,862,409.83	(30,410,496.91)
4. Effect of changes in foreign exchange rate on cash and cash equivalents		(2,439,581.42)	247,150.26
5. Net increase in cash and cash equivalents		684,248,337.12	(18,163,742.78)
Add: opening balance of cash and cash equivalents		58,609,424.36	76,773,167.14
6. Closing balance of cash and cash equivalents		742,857,761.48	58,609,424.36

# STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

For the year 2014 | (RMB Yuan) | (English translation for reference only)

Item	Note	Current year	Last year
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		34,520,347.78	13,898,732.46
Cash received relating to other operating activities		60,715,272.51	20,008,063.80
Sub-total of cash inflow		95,235,620.29	33,906,796.26
Cash paid for goods and services		15,544,933.55	20,534,841.25
Cash paid to and on behalf of employees		6,176,411.98	4,710,735.30
Payment of taxes and levies		2,957,455.83	2,440,667.62
Cash paid relating to other operating activities		102,271,818.68	28,110,473.59
Sub-total of cash outflow		126,950,620.04	55,796,717.76
Net cash flow from operating activities		(31,714,999.75)	(21,889,921.50)
2. Cash flows from investing activities:			
Cash received for investments		10,467,600.00	–
Cash received from investment gains		35,000,000.00	55,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	83,240.00
Cash received relating to other investing activities		8,869,000.00	5,600,000.00
Sub-total of cash inflow		54,336,600.00	60,683,240.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		37,243,403.29	2,171,193.46
Cash paid for investments		5,000,000.00	47,179,407.49
Net cash paid to acquire subsidiaries and other business entities		–	3,000,000.00
Cash paid relating to other investing activities		368,620,000.00	14,869,000.00
Sub-total of cash outflow		410,863,403.29	67,219,600.95
Net cash flow from investing activities		(356,526,803.29)	(6,536,360.95)
3. Cash flows from financing activities:			
Cash received from investments		660,046,164.00	–
Cash received from borrowings		179,000,000.00	139,000,000.00
Cash received relating to other financing activities		–	49,700,000.00
Sub-total of cash inflow		839,046,164.00	188,700,000.00
Cash paid for debt repayments		119,000,000.00	105,000,000.00
Cash paid for distribution of dividends, profit or interest expenses		29,600,425.59	26,565,511.78
Cash paid relating to other financing activities		1,603,286.96	49,700,000.00
Sub-total of cash outflow		150,203,712.55	181,265,511.78
Net cash flow from financing activities		688,842,451.45	7,434,488.22
4. Effect of changes in foreign exchange rate on cash and cash equivalents		(58,746.94)	15,763.84
5. Net increase in cash and cash equivalents		300,541,901.47	(20,976,030.39)
Add: opening balance of cash and cash equivalents		10,360,957.46	31,336,987.85
6. Closing balance of cash and cash equivalents		310,902,858.93	10,360,957.46

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year 2014 | (RMB Yuan) | (English translation for reference only)

## Current year

Item	Current year					Total shareholders' equity
	Attributable to equity holders of the Parent					
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Minority interests	
1. Balance at the end of last year	277,657,855.00	42,299,204.72	113,899,265.72	309,696,780.40	31,879,412.34	775,432,518.18
2. Balance at the beginning of year	277,657,855.00	42,299,204.72	113,899,265.72	309,696,780.40	31,879,412.34	775,432,518.18
3. Increase/(decrease) during the period	38,200,000.00	617,712,877.04	7,478,322.75	13,683,760.51	(10,396,400.75)	666,678,559.55
(1) Total comprehensive income	-	-	-	43,374,711.66	(6,896,400.75)	36,478,310.91
(2) Contribution by shareholders and decrease in capital	38,200,000.00	617,712,877.04	-	-	(2,750,000.00)	653,162,877.04
1. Ordinary shares contributed by shareholders	38,200,000.00	619,962,877.04	-	-	-	658,162,877.04
2. Other	-	(2,250,000.00)	-	-	(2,750,000.00)	(5,000,000.00)
(3) Appropriation of profits	-	-	7,478,322.75	(29,690,951.15)	(750,000.00)	(22,962,628.40)
1. Transfer to surplus reserve	-	-	7,478,322.75	(7,478,322.75)	-	-
2. Distribution to shareholders	-	-	-	(22,212,628.40)	(750,000.00)	(22,962,628.40)
4. Balance at the end of year	<u>315,857,855.00</u>	<u>660,012,081.76</u>	<u>121,377,588.47</u>	<u>323,380,540.91</u>	<u>21,483,011.59</u>	<u>1,442,111,077.73</u>

## Last year

Item	Last year					Total shareholders' equity
	Attributable to equity holders of the Parent					
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Minority interests	
1. Balance at the end of last year	277,657,855.00	42,299,204.72	107,210,809.82	289,773,896.98	16,884,093.76	733,825,860.28
2. Balance at the beginning of year	277,657,855.00	42,299,204.72	107,210,809.82	289,773,896.98	16,884,093.76	733,825,860.28
3. Increase/(decrease) during the period	-	-	6,688,455.90	19,922,883.42	14,995,318.58	41,606,657.90
(1) Total comprehensive income	-	-	-	48,823,967.72	(3,294,870.53)	45,529,097.19
(2) Contribution by shareholders and decrease in capital	-	-	-	-	18,790,189.11	18,790,189.11
1. Other	-	-	-	-	18,790,189.11	18,790,189.11
(3) Appropriation of profits	-	-	6,688,455.90	(28,901,084.30)	(500,000.00)	(22,712,628.40)
1. Transfer to surplus reserve	-	-	6,688,455.90	(6,688,455.90)	-	-
2. Distribution to shareholders	-	-	-	(22,212,628.40)	(500,000.00)	(22,712,628.40)
4. Balance at the end of year	<u>277,657,855.00</u>	<u>42,299,204.72</u>	<u>113,899,265.72</u>	<u>309,696,780.40</u>	<u>31,879,412.34</u>	<u>775,432,518.18</u>

# STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

For the year 2014 | (RMB Yuan) | (English translation for reference only)

## Current year

Item	Current year				Total shareholders' equity
	Share capital	Capital reserve	Surplus reserve	Retained earnings	
1. Balance at the end of last year	277,657,855.00	41,590,963.68	58,379,450.06	31,102,380.02	408,730,648.76
2. Balance at the beginning of year	277,657,855.00	41,590,963.68	58,379,450.06	31,102,380.02	408,730,648.76
3. Increase/(decrease) during the period	38,200,000.00	619,962,877.04	3,138,111.86	6,030,378.36	667,331,367.26
(1) Total comprehensive income	-	-	-	31,381,118.62	31,381,118.62
(2) Contribution by shareholders and decrease in capital	38,200,000.00	619,962,877.04	-	-	658,162,877.04
1. Ordinary shares contributed by shareholders	38,200,000.00	619,962,877.04	-	-	658,162,877.04
(3) Appropriation of profits	-	-	3,138,111.86	(25,350,740.26)	(22,212,628.40)
1. Transfer to surplus reserve	-	-	3,138,111.86	(3,138,111.86)	-
2. Distribution to shareholders	-	-	-	(22,212,628.40)	(22,212,628.40)
4. Balance at the end of year	<u>315,857,855.00</u>	<u>661,553,840.72</u>	<u>61,517,561.92</u>	<u>37,132,758.38</u>	<u>1,076,062,016.02</u>

## Last year

Item	Last year				Total shareholders' equity
	Share capital	Capital reserve	Surplus reserve	Retained earnings	
1. Balance at the end of last year	277,657,855.00	41,590,963.68	55,797,130.47	30,074,132.09	405,120,081.24
2. Balance at the beginning of year	277,657,855.00	41,590,963.68	55,797,130.47	30,074,132.09	405,120,081.24
3. Increase/(decrease) during the period	-	-	2,582,319.59	1,028,247.93	3,610,567.52
(1) Total comprehensive income	-	-	-	25,823,195.92	25,823,195.92
(2) Appropriation of profits	-	-	2,582,319.59	(24,794,947.99)	(22,212,628.40)
1. Transfer to surplus reserve	-	-	2,582,319.59	(2,582,319.59)	-
2. Distribution to shareholders	-	-	-	(22,212,628.40)	(22,212,628.40)
4. Balance at the end of year	<u>277,657,855.00</u>	<u>41,590,963.68</u>	<u>58,379,450.06</u>	<u>31,102,380.02</u>	<u>408,730,648.76</u>

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 1. GENERAL

Zhejiang Shibao Company Limited (hereafter referred to as the "Company") is a joint stock limited company approved by the document (ZHE SHANG SHI [2004] 37) (浙上市[2004]37號) issued by the Listing Affair Team (上市工作領導小組) of the People's Government of Zhejiang Province. The Company was established by ways of promotion jointly by Zhejiang Shibao Holding Group Co., Ltd., Wu Wei Xu (吳偉旭), Wu Lang Yue (吳琅躍), Du Chun Mao (杜春茂) and Chen Wen Hong (陳文洪) on the basis of Zhejiang Shibao Steering Gear Co., Ltd.. The Company was registered and incorporated with Zhejiang Administration for Industry & Commerce on 30 April 2004. Its business license registration number is 330000400002163. The current share capital of the Company is RMB315,857,855 divided into a total of 315,857,855 shares (RMB1 for each share). Of which, shares with selling restrictions include 214,143,855 A shares and 0 H shares; shares without selling restrictions include 15,000,000 A shares and 86,714,000 H shares.

According to the approval of ZHENG JIAN GUO HE ZI [2005] 22 (證監國合字[2005]22號) issued by the China Securities Regulatory Commission, the Company completed the initial public offer of H Shares and was listed on the GEM of the Hong Kong Stock Exchange on 16 May 2006. On 9 March 2011, the Company's H Shares were approved to be listed and traded on the Main Board of the Hong Kong Stock Exchange.

According to the CSRC Approval [2012] No.898, the Company commenced the initial public offering of A Shares on 2 November 2012, and was listed on the Shenzhen Stock Exchange.

The Company operates in the automotive components manufacturing industry. The business scope of the Company is: manufacture and sales of automotive components, sales of metal materials, electromechanical products and electronic products, sales of automobiles. As for those projects pending approval according to laws, the operations of them can be commenced upon approval of the relevant authorities.

The financial statements have been adapted for publication at the 24th meeting of the fourth Board of Directors on 27 March 2015.

The Company has included 7 subsidiaries to the consolidated financial report, i.e. Hangzhou Shibao, Hangzhou New Shibao, Jilin Shibao, Siping Steering, Beijing Autonics, Wuhu Sterling and Erdos Sterling. Details refer to the change of scope of consolidation and equity interests in other entities of the notes to the financial statements.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### (1) Basis of Preparation

The financial statements of the Company are presented on the going concern basis.

### (2) Evaluation on ability of continuing operation

The Company does not have any event or circumstance that arises material concerns about assumptions on continuing operation within twelve months from the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Important Note: The Company has made specific accounting policies and accounting estimates regarding making provisions for the bad-debts on receivables, depreciation of fixed assets, amortisation of intangible asset and income recognition according to actual production and operation features.

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

### (2) Accounting Year

The accounting year is from 1 January to 31 December.

### (3) Operating Cycle

The operating business cycle of the Company is relatively shorter. 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) Accounting Treatment for Business Combinations Involving and Not Involving Entities Under Common Control

#### 1. Accounting treatment for business combinations involving entities under common control

Assets and liabilities obtained by the Company in the business combination are recognised at their carrying amounts at the combination date as recorded by the party being combined. The Company adjusts its capital reserves by the difference between the carrying amount of the ownership rights in the acquiree accounted for in the consolidated financial statement of the ultimate controlling party and the carrying amount of the consideration paid for the business combination (or aggregate carrying amount of the shares issued). If the balance of the capital reserve is insufficient for the written-off, then the retained profits will be adjusted accordingly.

#### 2. Accounting treatment for business combinations not involving entities under common control

The excess of the consideration paid for business combination over the share of the attributable net identifiable assets of the acquiree, measured at fair value at the combination date, was recognised as goodwill. In case the fair value of the consideration paid is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities of the acquiree and the consideration paid for the combination is conducted. If the review indicates that the fair value of the consideration paid is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognised in current profit or loss.

### (6) Preparation Basis of Consolidated Financial Statements

The parent includes all subsidiaries under its control in the consolidation scope for consolidated financial statements, which are prepared by the parent pursuant to ASBE 33 — Consolidated financial statements based on the financial statements of the parent and its subsidiaries and other relevant information.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### (7) Recognition Standards for Cash and Cash Equivalents

Cash shown in the Statement of Cash Flows comprises cash on hand and deposits readily available for payments. Cash equivalents represent short-term highly liquid investments which are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

### (8) Foreign Currency Translation

Upon initial recognition, foreign currency transactions are translated into Renminbi amounts using the spot exchange rate at the dates of the transactions. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. The translation differences arising from different exchange rates, except those relating to the principle of and interests on the foreign currency borrowings for the acquisition, construction or production of assets eligible for capitalization, are recognised in current profit or loss. Also at the balance sheet date, foreign currency non-monetary items measured at historical cost continue to be translated using the spot exchange rate at the dates of the transactions and it does not change its carrying amount in Renminbi. Foreign currency nonmonetary items measured at fair value are translated using the spot exchange rate at the fair value recognition dates. The differences arising from the above translations are recognised in current profit or loss or capital reserves.

### (9) Financial Instruments

#### 1. Classification of financial assets and financial liabilities

The Company classifies its financial assets into four categories at initial recognition: financial assets at fair value through profit or loss (FVTPL) (including financial assets held for trading and financial assets designated as at FVTPL at initial recognition), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

The Company classifies its financial liabilities into two categories at initial recognition: financial liabilities at FVTPL (including financial liabilities held for trading and financial liabilities designated at FVTPL at initial recognition) and other financial liabilities.

#### 2. Recognition, measurement and derecognition of financial assets and financial liabilities

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument. Financial assets or financial liabilities are initially recognised at fair value. For financial assets or financial liabilities at FVTPL, the relevant transaction costs are directly recognised in current profit or loss; for other financial assets or financial liabilities, the relevant transaction costs are recognised in their initial recognition amount.

Financial assets are subsequently measured at fair value without deduction of the possible transaction costs upon the disposal thereof in the future, except that: (1) held-to-maturity investments and loans and receivables are measured using the effective interest method on the basis of amortised cost; and (2) equity investments not quoted in an active market and whose fair value cannot be reliably measured and derivatives linked to and settled by way of delivery of such equity investments are carried at cost.

Financial liabilities are subsequently measured using the effective interest method on the basis of amortised cost, except that: (1) financial liabilities at FVTPL are measured at fair value without deduction of the possible transaction costs upon the settlement thereof in the future; (2) derivative financial liabilities linked to and settled by way of delivery of equity investments not quoted in an active market and whose fair value cannot be reliably measured are carried at cost; and (3) Financial guarantee contracts not classified as financial liabilities designated as at FVTPL or the loan commitment for loans to be granted at an interest rate below the market rate which is not designated as at FVTPL, after initial recognition, are subsequently measured at the higher of: 1) the amount determined under ASBE 13 – Contingency; and 2) the initial recognised amount less accumulated amortisation determined according to ASBE 14 – Revenue.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (9) Financial Instruments (continued)

#### 2. Recognition, measurement and derecognition of financial assets and financial liabilities (continued)

Any gains or losses arising from the change in fair value on financial assets or financial liabilities, except for those falling under cash flow hedging, are accounted for as follows: (1) gains or losses arising from the change in fair value on financial assets or financial liabilities at FVTPL are recorded as gain or loss from changes in fair value. Interests or cash dividends received during the period in which such assets are held, are recognised as investment income. On disposal, the differences between the consideration received and initial recognised amount are recognised as investment income and adjust the gain or loss from changes in fair value accordingly; and (2) changes in fair value of available-for-sale financial assets are recorded in capital reserves. Interests calculated using the effective interest method for the period in which the assets are held, are recognised as investment income. Cash dividends from available-for-sale equity investments are recognised as investment income when the dividends are declared by the investee. On disposal, the differences between the consideration received and the carrying amount of assets after deducting the accumulated fair value adjustments previously recorded in capital reserves are recorded as investment income.

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired, or substantially all the risks and rewards associated with the ownership of the asset have been transferred. A financial liability is derecognised when the underlying present obligations (or part of it) are discharged.

#### 3. Recognition and measurement of transfer of financial assets

If the Company has transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee, the asset should be derecognised. If the Company retains substantially all the risks and rewards of ownership of a financial asset, the transferred asset should continue to be recognised, with the received consideration recognised as a financial liability. When the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it may (1) derecognise the financial asset and recognise any associated assets and liabilities if control of the financial asset has not been retained; or (2) recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability if control has been retained.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and the accumulated fair value adjustments previously recorded in total shareholders' equity, is recognised in current profit or loss. If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and the accumulated fair value adjustments allocated to the part derecognised which has been previously recorded in total shareholders' equity, is recognised in current profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### (9) Financial Instruments *(continued)*

#### 4. Determination of fair value of primary financial assets and financial liabilities

The Company recognizes the fair values of relevant financial assets and financial liabilities by adopting valuation techniques which are currently applicable and have sufficient data available and other information support. The Company categorizes inputs of the valuation techniques into the following levels:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (2) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the relevant asset or liability, either directly or indirectly; including similar quoted prices of assets and liabilities in active markets, the same or similar quoted prices of assets and liabilities in non-active markets, other significant inputs other than quoted prices such as observable interest rate curves and return curves in the normal quoting intervals, and the inputs verified by the markets etc;
- (3) Level 3 inputs are unobservable inputs for the relevant asset or liability. including interest rate, volatility in equity prices, future cash flows in respect of the abandoned obligations committed in the business combination, financial predictions using own data etc. which cannot be directly observed or verified by observable market data.

#### 5. Assessment and provision for impairment on financial assets

- (1) The carrying amount of financial assets, other than financial assets at FVTPL, is assessed at the balance sheet date. Provision for impairment is made when there is objective evidence indicating that a financial asset is impaired.
- (2) For held-to-maturity investments, loans and receivables, the financial assets with separate significant amounts are differentiated for the purpose of single impairment test. For a financial asset that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. In the event that the impairment test shows it is impaired, the impairment losses are recognized according to the difference between the carrying amount and the current value of future cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### (9) Financial Instruments *(continued)*

#### 5. Assessment and provision for impairment on financial assets *(continued)*

##### (3) *Objective evidence for the impairment of the available-for-sale financial assets*

- 1) Objective evidence that the available-for-sale financial instruments are impaired include:
  - 1 significant financial difficulty of the debtor;
  - 2 a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
  - 3 creditors, for economic or legal reasons, grant concessions to the debtors with financial difficulties;
  - 4 it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
  - 5 the disappearance of an active market for that debt instrument because of financial difficulties faced by the issuer;
  - 6 other objective evidence showing signs of impairment on available-for-sale debt instruments.
- 2) Objective evidence of impairment on available-for-sale investments includes that the fair value of those equity instruments is exposed to significant or prolonged decline, and significant adverse changes in technologies in, or markets, economic or legal environments where the operation of the investee locates resulting in probable non-recovery of the Company's investment cost.

In the case of a significant or prolonged decline in the fair value of an available-for-sale financial asset, the cumulative loss arising from the decline in fair value that had been recognised directly in other comprehensive revenue is removed from equity and recognised in impairment loss. If after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in other comprehensive revenue directly.

When the available-for-sale investment instruments measured by cost are impaired, the impairment losses are recognized as the difference between the carrying amount of the investment instruments and the current value identified as discounted future cash flows according to the then market return of the similar financial assets and the losses are recognized in profit or loss. Once the impairment losses are recognized, it cannot be reversed.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (10) Receivables

#### 1. Individually significant receivables for which separate bad-debt provision is made

Basis of individually significant	A receivable amounts to RMB1 million or above
Basis of individually significant and for which bad debt provision has been separately made	Individually assessed for impairment with bad-debt provisions made based on the difference between the present value of its estimated future cash flows and its carrying amount.

#### 2. Receivables for which collective bad debt provision is made

Basis for determining the group	
Groups of receivables which are individually insignificant but have significant credit risks.	The amount of receivables are not more than RMB1 million but overdue for more than one year and the amount of receivables are not more than RMB1 million without any impairment in individual tests but overdue for more than one year.
Method of provisioning for bad debt	
Groups of receivables which are individually insignificant but have significant credit risks	According to the structure of the group of receivables and similar credit risk features (debtors' ability to settle outstanding amounts based on contracted terms), taking into account historical experience of losses and possible losses that are expected to incur based on the economic conditions of the debtors and the amount of the present value of the future cash flows from the receivables below the carrying amount shall be accounted for as provision for bad debts.

#### 3. Individually insignificant receivables for which separate bad-debt provision is made

Reason for making separate bad-debt provision	Positive evidence indicates that there is obvious difference in recoverability.
Method of provisioning for bad debt	Individually assessed for impairment with bad-debt provisions made based on the difference between the present value of its estimated future cash flows and its carrying amount.

For other receivables such as bill receivables, prepayments, interests receivable, and long-term receivables, bad-debt provisions are made based on the difference between the present value of its estimated future cash flows and its carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### (11) Inventories

#### 1. Classifications of inventories

Inventories are finished goods or merchandise held for sale in the ordinary course of business, or work in progress in the process of production for such sale, or materials or supplies to be consumed in the production process or in the rendering of services.

#### 2. Cost of inventories transferred out

Cost of inventories transferred out is determined using the weighted average method at the end of every month.

#### 3. Basis for determining the net realisable value of inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Any excess of the cost over the net realisable value of each item/class of inventories is recognised as a provision for diminution in the value of inventories. For inventories directly for sale, net realisable value is measured based on the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. For inventories that need processing, net realisable value is measured based on the estimated selling price of finished goods in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. At the balance sheet date, for an item of inventories where a portion is subject to contractual price while the remainder is not, their net realisable values are determined and compared with their corresponding costs respectively to recognise the amount of provision, or reversal of provision, for diminution in the value of inventories.

#### 4. Inventory system

The Company maintains a perpetual inventory system.

#### 5. Amortisation methods for consumables including low-value consumables and packaging materials

##### (1) *Low-value consumables*

Low-value consumables are amortised in full when received for use.

##### (2) *Packaging materials*

Packaging materials are amortised in full when received for use.

### (12) Assets classified as held-for-sale

The Company classifies the non-current assets (excluding financial assets) which meet the following conditions as held-for sale assets: 1 The components should be able to be immediately sold currently only according to usual or common terms of selling similar components. 2 The resolutions have been passed regarding the disposal of such components. 3 An irrevocable transfer agreement has been entered into with the transferee. 4 The transfer is very likely to be completed within one year.

### (13) Long-Term Equity Investments

#### 1. Judgement on joint control and significant effects

Joint control is recognized as control held for a certain arrangement under the relevant agreement, the relevant activity of which should be unanimously agreed by the parties sharing the control. The influence is deemed as significant if there involves the power of participating in decision making on the financial and operational policies of the investee, but the power cannot control or jointly control with other parties the formulation of the policies.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### (13) Long-Term Equity Investments *(continued)*

#### 2. Determination of investment cost

- (1) If formed through corporate merge under joint control, and the consideration for such combination is settled by cash payment, transfer of non-cash assets, debt obligation and issuance of equity securities by the merging party, the initial investment cost shall be the Company's share of the carrying amount of shareholders' equity of the party being combined showed in the consolidated financial statement of the equities under common control at the combination date. The difference between the initial investment cost of the long term equity investment and the carrying amount of paid combined consideration or the total par value of the shares issued shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.

The Company realizes long-term equity investment formed through business combination under joint control by trading step by step and judges whether the trade belongs to "package deal".

For the trade which belongs to "package deal", the trades are handled as one trade which has obtained the right to control. For the trades which do not belong to "package deal", the initial investment cost shall be the share of the carrying amount shown on the consolidated financial statement of the equities under common control based on the net assets of the party being combined after combination at the combination date. The difference between the initial investment cost of long-term equity investment at the combination date and the carrying amount of the long-term equity investment before combination plus the carrying amount of new share consideration further obtained at the combination date shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.

- (2) For a long-term equity investment obtained through a business combination not involving entities under common control, the initial investment cost is the fair value of the consideration given for combination at the acquisition date.

As for business combinations which involve enterprises not under common control and are carried out in stages, the accounting treatment of separate financial report and consolidated financial report shall be different:

- 1) In the separate financial report, the initial investment cost which is accounted for using the newly adopted cost method is the sum of carrying value of equity investment originally held and the addition of investment cost.
- 2) To judge whether the transaction is a "package deal" for the purpose of the consolidated financial statement.

For the transaction which is categorized as a "package deal", the accounting treatment will be applied on it as if they were of a transaction obtaining the right to control the acquiree. For those which is not categorized as a "package deal", the equity interest of the acquiree held before the date of acquisition is re-measured according to its fair value at the date of acquisition. The difference between the fair value and its carrying amount is recognized as investment income of the applicable period. If the equity interests of the acquiree held before the date of acquisition involves other comprehensive income accounted for using equity accounting method, they are transferred to income for the period covering the date of acquisition together with the relevant other comprehensive income, excluding other comprehensive income resulting from changes in net liabilities or net assets arising from the designated benefit plan through the re-measurement on the investee.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### (13) Long-Term Equity Investments *(continued)*

#### 2. Determination of investment cost *(continued)*

- (3) A long-term equity investment acquired otherwise than through a business combination is initially recognised at the actual consideration paid if the investment is acquired by cash, or at the fair value of the equity securities issued if the investment is acquired by issuing equity securities. For those obtained through debt restructuring, the initial investment cost is recognized pursuant to CASBE No.12 – debt restructuring. For those obtained through exchange of non-monetary assets, the initial investment cost is recognized pursuant to CASBE No.7 – exchange of non-monetary assets.

#### 3. Subsequent measurement and recognition

When the Company controls the investee, a long-term equity investment is accounted for using the cost method. The cost method is used for long-term equity investment of associates and joint ventures.

#### 4. Accounting treatment on disposal of investment in a subsidiary to loss of its right to control in stages through various transactions

##### *(1) Separate financial statements*

For equity interests disposed of, the difference between the carrying amount and the actual consideration obtained is recognized as profit or loss. For the remaining equity interests, those which are still entitled to a significant influence on the investee or perform joint control with other parties are accounted for using equity method. Those which do not control, jointly control or have a significant influence on the investee are recognized as available-for-sale financial assets and accounted for pursuant to the relevant regulations of CASEB No. 22 – Recognition and measurement of financial instruments.

##### *(2) Consolidated financial statements*

- 1) Accounting treatment on disposal of investment in a subsidiary to loss of its right to control in stages through various transactions that are not categorized as “package deal”

Prior to the loss of right to control, the capital reserve (capital premium) is adjusted with the difference between the consideration of the disposal and the entitled share of the net assets of the subsidiary that would have been entitled to by the disposed long-term equity investment and continuously accounted for from the acquisition date or combination date. If the balance of the capital premium is insufficient for the written-off, then the retained profits will be written off accordingly.

When the right to control the former subsidiary is lost, the remaining equities are re-measured at fair value at the date when the right to control is lost. The sum of the consideration obtained from disposal and the fair value of the remaining equity interests less the share of the net assets of the subsidiary that would have been entitled to and continuously accounted for according to the original shareholding percentage from the acquisition date or combination date is recognized as investment income for the period covering the date of loss of control, offsetting the goodwill at the same time. Other comprehensive income related to the equity investment in the former subsidiary shall be transferred to the investment income for the period covering the date of loss of control.

- 2) Disposal of investment in a subsidiary to loss of its right to control in stages through various transactions that are not categorized as “package deal”

The transactions are treated as one single transaction of disposal of a subsidiary and loss of right to control. However, prior to the loss of right to control, the difference between each of the consideration of disposal and the share of net assets of that subsidiary that would have been entitled to by the disposed investment is recognized as other comprehensive income in the consolidated financial statements and transferred to profit or loss for the period covering when the right of control is lost.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (14) Fixed Assets

#### 1. Recognition of fixed assets

Fixed assets represent the tangible assets held for production or supply of goods or services, rental or for administrative purposes with useful lives over one accounting year, and is measured at the actual cost incurred till it is ready for intended use.

#### 2. Depreciation of fixed assets

Class	Depreciation method	Useful life (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Life average	10-70	5	9.50-1.36
Machinery and equipment	Life average	5-15	5	19.00-6.33
Motor vehicles	Life average	4-8	5	23.75-11.88
Office equipment and others	Life average	3-10	5	31.67-9.50

### (15) Construction in Progress

1. Construction-in-progress is recognised when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured at the actual cost incurred till it is ready for intended use.
2. Construction-in-progress is transferred into fixed assets when it is ready for its intended use based on the actual cost. For a completed project ready for intended use but with final account unsettled, the asset is transferred into fixed assets based on estimated value. After final account of the project has been settled, the Company shall base on actual cost to make adjustment on the previous estimated value, but need not to adjust the depreciation retrospectively.

### (16) Borrowing Costs

#### 1. Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalization are capitalized as part of the cost of those assets. Other borrowing costs are expensed and charged to current profit or loss when incurred.

#### 2. Timing of borrowing costs capitalization

- (1) Borrowing costs shall be capitalized when: 1) capital expenditures and 2) borrowing costs have been incurred, and 3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.
- (2) Capitalization of borrowing costs should be suspended during periods in which abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets qualified for capitalization. The borrowing cost incurred during interruption is recognised as current expenses until the acquisition, construction or production activities resume.
- (3) The capitalization of borrowing costs ceases when the assets acquired, constructed or produced and qualified for capitalization are ready for their intended use or sale.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (16) Borrowing Costs (continued)

#### 3. Capitalization rate and amount of borrowing costs

For specific borrowings used to acquire, construct or produce assets qualified for capitalization, the amount of interest costs (including amortization of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalized after deducting any interest earned from depositing the unused borrowings in the bank or any investment income arising from the temporary investment of those borrowings during the capitalization period. For general borrowings used to acquire, construct or produce assets qualified for capitalization, the capitalized amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).

### (17) Intangible Assets

1. Intangible assets, including land use rights, patent rights and non-patented technologies, are initially measured at cost.
2. Intangible assets with definite useful lives are reasonably amortized over their useful lives based on the pattern of the economic benefits relating to the intangible assets are expected to be realised. Intangible assets whose economic benefits realization pattern cannot be reliably anticipated are amortised on a straight-line basis over the following useful life:

Item	Estimated useful life (year)
Land use rights	50
Patented technology	10
Non-patented technology	5-10
Management software	5

3. Expenditures for internal research and development activities are expensed in the period as incurred. The expenses of internal research and development projects during the development stage are recognised as intangible assets when all of the following conditions are satisfied: (1) The completion of such intangible assets for use or sale is technically feasible; (2) The Company has the intention to use or sell the intangible assets upon completion; (3) The way in which the intangible assets bring economic benefits shows that there exists consumption market for the products with use of these intangible assets or the intangible assets themselves, or that they are useful in case of internal utilisation; (4) The Company has sufficient technological, financial and other resources to complete the development of the intangible assets and the ability to make them available for use or sale; (5) The expenses attributable to such intangible assets can be measured reliably at the development stage.

### (18) Partial long-term asset impairment

For long-term assets such as long-term equity investment, fixed assets, construction in progress and intangible assets with definite useful lives, when there is evidence at the balance sheet date that the assets are impaired, the recoverable amounts are estimated. For goodwill arising from business combination, whether there is evidence of impairment or not, impairment test is conducted annually. Impairment test is performed on goodwill together with its relevant asset group or asset group combination.

The result of the measurement of the recoverable amounts shows that, if the recoverable amount of the long-term asset is lower than its carrying amount, the carrying amount of the asset is written down to the recoverable amount. The amount written down is recognized as impairment loss through profit or loss and is provided for the corresponding asset impairment.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (19) Employee Benefits

1. Employee benefits include short-term benefits, post-employment benefits, dismissal benefits and other long-term employee benefits.

#### 2. Accounting treatment for short-term remuneration

During the accounting period when the staff is providing services for the Company, the actual short-term remuneration is recognized as liabilities and charged over profit or loss or relevant cost of asset for the current period.

#### 3. Accounting treatment of post-employment benefits

Post-employment benefits are divided into the established withdrawal and deposit plan and the established benefit plan.

(1) The Company will recognize the amounts shall be deposited as the debts according to the established withdrawal and deposit plan and recognize them in the current profit or loss or relevant assets cost during the period when the employee provides services to the Company.

(2) The accounting treatment on the established benefit plan generally include the following procedures:

1) According to the projected unit credit method, the Company adopted unbiased and mutually agreed actuarial assumptions to estimate the relevant demographic variables and financial variables, calculate the obligations arising from the defined benefit plan and determine the period of relevant obligations belonging to. Meanwhile, the obligation arising from the defined benefit plan is discounted to determine the present value of such obligation under the defined benefit plan and the service cost for the current period;

2) Where there are assets in the defined benefit plan, the deficit or surplus from the present value of the defined benefit plan less the fair value of the defined benefit plan are recognised as a net debt or asset of a defined benefit plan. Where there are surplus in the defined benefit plan, the lower of the surplus of the defined benefit plan and the upper limit of the assets will be used to calculate the net assets of the defined benefit plan;

3) At the end of the period, the cost of employee benefits from the defined benefit plan will be recognised as the service cost, the net interest on the net assets or net debts from the defined benefit plan and the changes arising from the remeasurement of the net assets or net debts from the defined benefit plan. Of which, the service cost and the net interest on the net assets or net debts from the defined benefit plan will be recognised in the current profit or loss or relevant assets cost. The changes arising from the remeasurement of the net assets or net debts from the defined benefit plan will be recognised in other comprehensive income and shall not be reversed to the profit or loss in subsequent accounting periods, but the amounts recognised in other comprehensive income can be transferred within the scope of interests.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### **(19) Employee Benefits** *(continued)*

#### 4. Accounting treatment of dismissal benefits

When provide dismissal benefits to the employee, the employee benefits debts arising from the recognition of dismissal will be recognised in the current profit or loss at the earlier of: (1) when the Company cannot unilaterally withdraw the dismissal benefits for the release of the labour relationship or the dismissal proposal; (2) when the Company recognised relevant costs or expenses associated with the reorganization of the payment of the dismissal benefits.

#### 5. Accounting treatment of other long-term benefits

Other long-term benefits provided by the Company to the employee, when meeting the determined conditions for withdrawal and deposit plan will conduct accounting treatment according to the determined withdrawal and deposit plan. Other long-term benefits other than this will conduct accounting treatment according to the determined benefit plan. In order to simplify the relevant accounting treatment, the generated staff remuneration is recognized as service cost and the total net amount of the components such as net interest amount of net liabilities or net assets in terms of other long-term employees' benefits and changes arising from re-measuring the net liabilities or net assets in terms of other long-term employees' benefits is recognized as profit or loss or relevant cost of asset for the current period.

### **(20) Provision for liability**

1. Provisions for liability are recognized when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, product quality warranty, and loss-making contract, and it is very likely that an outflow of economic benefits will be resulted from settlement of the obligation, and a reliable estimate of the amount of the obligation can be made.
2. Provisions are initially stated at the best estimate of the expenditure expected to be required for settling the present obligation. Carrying values of all provisions for liability are reviewed at balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### **(21) Revenue**

#### 1. Recognition of revenue

##### *(1) Sales of goods*

Revenue from sales of goods is recognised when: (1) the significant risks and rewards of ownership have been transferred to the buyer; (2) the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) related economic benefits are likely to flow into the Company; and (5) related costs incurred or to be incurred can be measured reliably.

##### *(2) Rendering of services*

At the balance sheet date, when transaction result of the rendering of services could be measured reliably (which means the amount of revenue can be measured reliably, the relevant economic benefits will probably flow to the Company, the percentage of construction work and relevant cost incurred or to be incurred can be measured reliably), related revenue from rendering of services is recognised according to the percentage of completion. The percentage of completion is based on the percentage of services rendered relative to the total volume of services to be rendered. When transaction result of the rendering of services could not be measured reliably at the balance sheet date, revenue from rendering of services is recognised as the service cost incurred which is carried forward if the costs of services rendered are expected to be compensated, otherwise it is not recognised with such costs recorded in the current profit or loss.

##### *(3) Transfer of assets use rights*

Revenue from transfer of assets use rights is recognised when the relevant economic benefits will probably flow to the Company, and the amount of revenue can be measured reliably. Interest income is recognised according to the length of time for which the Company's monetary funds are used by others and the effective interest rate. Income from usage fee is recognised according to timing and method as agreed under relevant contracts or agreements.

#### 2. Methods of revenue recognition

The Company is mainly engaged in the sales of automotive steering gears and other components and parts. Revenue of products for domestic sales are recognised when the following conditions are satisfied: the Company has delivered the goods to buyers according to contracts, the sales amounts are certain, the payment or payment receipts have been collected, the future economic benefits associated with the items will probably flow to the Company and the costs of the relevant products can be measured reliably. Revenue of products for export sales are recognised when the following conditions are satisfied: the Company has completed the procedures for Customs clearance and shipped out the products, the bills of lading have been collected, the payments or payment receipts have been collected, the future economic benefits associated with the items will probably flow to the Company and the costs of the relevant products can be measured reliably.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (22) Government Grant

#### 1. Judgment basis and accounting methods on the government subsidies relating to assets

The government subsidies obtained by the Company to purchase or construct long-term assets or otherwise are government subsidies pertinent to assets. Government grants relating to assets are recognised as a deferred income and allocated to current profit or loss over the expected useful life of the relevant asset by equal annual instalments. However, the government subsidies measured in nominal amount are directly recognised in the then profit or loss.

#### 2. Judgment basis and accounting methods on the government subsidies relating to revenue

Other than government subsidies pertinent to assets, other government subsidies are government subsidies pertinent to income. Government grants relating to income and applied towards reimbursement of related costs or losses in subsequent periods are recognised as deferred income and taken to current profit or loss for the period in which the related costs are recognised. Government grants, applied towards reimbursement of related costs or losses already incurred, are directly recognised in current profit or loss.

### (23) Deferred Tax Assets and Deferred Tax Liabilities

1. Deferred tax assets or deferred tax liabilities are recognised based on the difference between the carrying amounts of the assets or liabilities and their tax bases (or, for an item not recognised as assets or liabilities but whose tax base can be determined under tax laws, the difference between the tax base and the carrying amount), and are calculated at the tax rates expected to apply to the period in which the assets are recovered or the liabilities are settled.
2. Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At the balance sheet date, deferred tax assets unrecognised in prior periods are recognised to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilised.
3. The carrying amount of deferred tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be utilised. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.
4. The Company's current and deferred income taxes are recognised in current profit or loss as tax expense or profit, excluding income tax arising from business combination, as well as transactions or items directly recognised in equity.

### (24) Operating leases

When the company acts as lessee, rental expenses under operating leases are recognised as relevant asset costs or in current profit or loss on the straight-line basis over the lease term, with any initial direct cost incurred directly charged to current profit or loss. Contingent rental is charged to current profit or loss when incurred.

When the company acts as lessor, rental under operating leases are recognised in current profit or loss on the straight-line basis over the lease term, with any initial direct cost incurred (other than those with huge amounts to be capitalised and charged into profit or loss phase by phase) directly charged to current profit or loss. Contingent rental is credited to current profit or loss when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### **(25) Changes of Significant Accounting Policies**

As stated in Note 3(1) to the Financial Statements, since 1 January 2014, the Company had adopted two specific accounting standards, namely “CASBE No. 41 Disclosure Of Interest In Other Entities” which are newly issued by the Ministry of Finance of the PRC in 2014, and “CASBE No. 37 Report Of Financial Instruments” which are revised by the Ministry of Finance of the PRC in 2014.

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

### **(26) Significant Accounting Judgments and Estimates**

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Key assumptions of the estimates and judgments of uncertain factors are reviewed on an ongoing basis by the Company. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The following accounting estimates and key assumptions contain significant risks which would result in significant adjustment of the carrying amount of assets and liabilities for next fiscal year.

#### 1. Recognition of deferred tax assets

As stated in Note 3(23) to the Financial Statements, deferred tax assets are recognised by the Company at the deductible temporary difference between the carrying amount of assets and liabilities and their tax bases (or, for an item not recognised as assets or liabilities but whose tax base can be determined under tax laws, the difference between the tax base and the carrying amount) based on the tax rate applicable to the period when the asset is recovered or the liability is settled. Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. At the balance sheet date, deferred tax assets unrecognised in prior periods are recognised to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be utilized. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.

#### 2. Provision for doubtful debt

As stated in Note 3(10) to the Financial Statements, the Company conducts individual impairment tests for receivables that are individually significant and are provided for doubtful debts on individual basis, provision for doubtful debts will then be made for the difference if the present value of future cash flow is lower than its carrying amounts; For receivable portfolios that are individually insignificant but with relatively high credit risk, provision for doubtful debts will be made for the difference if the present value of future cash flow is lower than its carrying amounts, based on the structure of the receivable portfolio and similar credit risk characteristics (debtors' ability to settle outstanding amounts based on contracted terms) and taking into account the historical losses and the expected potential losses arising from the debtor's economic conditions; For receivables that are individually insignificant but are provided for doubtful debts on individual basis, individual impairment tests will be conducted and provision for doubtful debts will then be made for the difference if the present value of future cash flow is lower than its carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (26) Significant Accounting Judgments and Estimates (continued)

#### 3. Provision for inventory obsolescence

As stated in Note 3(11) to the Financial Statements, as at the balance sheet date, the Company's inventories are stated at the lower of cost and net realizable value, provision for inventory obsolescence will be made based on the surplus of cost over net realizable value of inventories on an individual basis; For inventories for direct sales, net realizable value is recognised at the estimated selling price of such inventories in the ordinary course of business, less estimated costs necessary to make the sale and relevant taxes; For inventories which require processing before sale, net realizable value is recognised at the estimated selling price of the finished goods produced in the ordinary course of business, less estimated costs to be incurred upon completion, costs necessary to make the sale and relevant taxes; As at the balance sheet date, for an item of inventories where a portion is subject to contractual price while the remainder is not, their net realizable values are determined and compared with their corresponding costs respectively to recognize the amount of provision, or reversal of provision, for inventory obsolescence.

#### 4. Long-term asset impairment

As mentioned in Note 3(18) of the financial statements, for long-term assets such as long-term equity investment, fixed assets, construction in progress and intangible assets with definite useful lives, when there is evidence that the assets are impaired as at the balance sheet date, the recoverable amount is estimated. For goodwill arising from business combination, whether there is evidence of impairment or not, impairment test is conducted annually. Impairment test is performed on goodwill together with its relevant asset group or asset group combination. The result of the measurement of the recoverable amounts shows that, if the recoverable amount of the long-term asset is lower than its carrying amount, the carrying amount of the asset is written down to the recoverable amount. The amount written down is recognized as impairment loss through profit or loss and is provided for the corresponding asset impairment.

## 4. 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)
Business tax	Amount of payable business tax	5%
Property tax	On the property value less 30%, or on rents	1.2%, 12%
Urban maintenance and construction tax	Amount of payable turnover tax	7%, 5%
Education surcharge	Amount of payable turnover tax	3%
Local education surcharge	Amount of payable turnover tax	2%
Corporate income tax	Amount of taxable profit	15%, 25%

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

Details of income tax subjected:

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 4. TAXATION (continued)

### (2) Tax Concession and Approval Documents

1. According to the letter regarding Zhejiang 2014 filing the First Innovative and High-tech Corporations issued by Team-in-day Office of National High-tech Recognition and Management (CTP No. [2015]29), the controlling subsidiary, Hangzhou Shibao Auto Steering Gear Co., Ltd. was recognised as an Innovative and High-tech Corporation during the current period and obtained the Certificate of Innovative and High-tech Corporation (Certificate No. GR201433000685) with a valid period from 2014 to 2016. It is subjected to an income tax rate of 15% during this period.
2. According to the letter regarding Zhejiang 2014 filing of the First Innovative and High-tech Corporations issued by Team-in-day Office of National High-tech Recognition and Management (CTP No. [2015]29), the controlling subsidiary, Hangzhou New Shibao Electric Power Steering Co., Ltd. was recognised as an Innovative and High-tech Corporation during the current period and obtained the Certificate of Innovative and High-tech Corporation (Certificate No. GR201433000159) with a valid period from 2014 to 2016. It is subjected to an income tax rate of 15% during this period.
3. According to the Document (Ji Ke Ban Zi [2012] No.182) issued by the Department of Science and Technology, the Department of Finance, the Bureau of State Taxation and the Bureau of Local Taxation of Jilin province, Siping Steering Gear Co., Ltd., a controlling subsidiary of the Company, was recognised as a high-tech enterprise in 2012 with a valid period from 2012 to 2014. It is subjected to an income tax rate of 15% during this period.

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) Notes to the Consolidated Balance Sheet

#### 1. Cash on hand and at bank

##### (1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Cash	89,871.21	352,452.51
Bank deposits	742,767,890.27	58,256,971.85
Other monetary funds	17,556,145.17	8,340,703.35
Total	760,413,906.65	66,950,127.71
Include: total monetary funds deposited overseas	16,991.67	17,172.95

##### (2) Notes on funds restricted in use, placed overseas, or facing potential recovery risks due to charge, pledge, or freeze:

Other monetary funds at the end of the period represents the guarantee deposits of RMB10,110,146.28 for the issuance of the bank acceptance bills and the guarantee deposits of RMB7,445,998.89 for the issuance of the letter of credit.

Monetary funds deposited overseas at the end of the period amounted to HKD21,539.25, equivalent to RMB16,991.67.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 2. Notes receivable

##### (1) Breakdown

Type	Balance at the end of the period			Balance at the beginning of the period		
	Carrying amount	Provision for bad debts	Book value	Carrying amount	Provision for bad debts	Book value
Bank acceptance bills	110,001,880.87		110,001,880.87	107,726,195.93		107,726,195.93
Total	<u>110,001,880.87</u>		<u>110,001,880.87</u>	<u>107,726,195.93</u>		<u>107,726,195.93</u>

##### (2) Notes receivable pledged at the end of the period

Item	Pledged amount at the end of the period
Bank acceptance bills (Note)	23,213,826.85
Sub-total	<u>23,213,826.85</u>

(Note): Pledged as guarantee for issuance of bank acceptance bills

##### (3) At the end of period, the bills receivable that were not matured as at the balance sheet date but had been endorsed or discounted by the Company are as follows

Item	Amounts derecognised at end of the period	Amounts not yet derecognised at end of the period
Bank acceptance bills	215,663,102.02	
Sub-total	<u>215,663,102.02</u>	

##### (4) At the end of the period, bills receivable which are reversed to accounts receivables because of drawer's failure to perform are as follows

Item	Amount of receivables at the end of the period
Bank acceptance bills	50,000.00
Sub-total	<u>50,000.00</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 3. Accounts receivable

##### (1) Breakdown

##### 1) Breakdown by types

Types	Balance at the end of the period				Balance at the beginning of the period					
	Carrying amount Amount	Provision for bad debts (%)	Amount	(%) Book value	Carrying amount Amount	Provision for bad debts (%)	Amount	(%) Book value	Book value	
Individually significant amount with bad debt provision on individual basis	300,972,826.63	90.97		300,972,826.63	252,592,597.66	90.23			252,592,597.66	
Individually insignificant but significant based on credit risk characteristics	4,226,272.44	1.28	2,383,578.15	56.40	1,842,694.29	5,144,761.82	1.84	1,257,588.12	24.44	3,887,173.70
Individually insignificant amount with bad debt provision on individual basis	25,633,473.61	7.75		25,633,473.61	22,191,629.99	7.93			22,191,629.99	
<b>Total</b>	<b>330,832,572.68</b>	<b>100.00</b>	<b>2,383,578.15</b>	<b>0.72</b>	<b>328,448,994.53</b>	<b>279,928,989.47</b>	<b>100.00</b>	<b>1,257,588.12</b>	<b>0.45</b>	<b>278,671,401.35</b>

##### 2) 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 Amount	Proportion (%)	Provision for bad debts	Carrying amount Amount	Proportion (%)	Provision for bad debts
Within 1 year	320,244,690.89	96.79		270,959,461.83	96.80	
1-2 years	7,199,611.43	2.18	38,049.52	5,583,980.77	1.99	16,345.62
2-3 years	320,434.76	0.10	126,836.40	1,300,522.42	0.46	157,317.29
Over 3 years	3,067,835.60	0.93	2,218,692.23	2,085,024.45	0.75	1,083,925.21
<b>Subtotal</b>	<b>330,832,572.68</b>	<b>100.00</b>	<b>2,383,578.15</b>	<b>279,928,989.47</b>	<b>100.00</b>	<b>1,257,588.12</b>

Trading terms of the Company and its subsidiaries with their customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 days, extending up to 180 days for major customers. Overdue balances are reviewed regularly by senior management.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 3. Accounts receivable (continued)

##### (1) Breakdown (continued)

##### 3) Individually significant amount with bad debt provision on individual basis

Description	Carrying amount	Provision for bad debt	Provision(%)	Reason for provision
Receivables of sales payment from FAW-Car Co., Ltd. and others	300,972,826.63			Individual impairment test showed no risk was expected of balance recover
Sub-total	300,972,826.63			

##### 4) Provision for bad debt by groups

Group	Carrying amount	Provision (%)	Provision for bad debts
Individually insignificant but significant based on credit risk characteristics	4,226,272.44	56.40	2,383,578.15
Sub-total	4,226,272.44	56.40	2,383,578.15

##### 5) Individually insignificant amount with bad debt provision on individual basis

Description	Carrying amount	Provision for bad debts	Provision(%)	Reason for provision
Receivables of sales payment from Sinotruk Jinan Commercial Vehicle Co., Ltd. and others	25,633,473.60			Individual impairment test showed no risk was expected of balance recover
Sub-total	25,633,473.60			

##### (2) Bad debts provision provided, recovered or reversed during the period

Bad debts provision provided during the period amounted to RMB1,232,727.72 and provisions for bad debt reversed correspondingly from recovered account receivables during the period amount to RMB73,287.57.

##### (3) Receivables from products actually sold during the period

Receivables from products actually sold during the period amounted to RMB33,450.12.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 3. Accounts receivable (continued)

##### (4) The five largest accounts receivable

Name	Carrying amount	Percentage of total accounts receivable (%)	Provision for bad debts
FAW-Car Co., Ltd. (一汽轎車股份有限公司)	48,272,146.65	14.59	
SAZEH GOSTAR SAIPA CO.	38,347,781.34	11.59	
FAW Jiefang Qingdao Automobile Co., Ltd. (一汽解放青島汽車有限公司)	38,290,115.93	11.57	
Chery Automobile Co., Ltd. (奇瑞汽車股份有限公司)	24,079,067.62	7.28	
Dongfeng Liuzhou Motor Co., Ltd. (東風柳州汽車有限公司)	19,971,797.80	6.04	
Sub-total	168,960,909.34	51.07	

#### 4. Prepayments

##### (1) Aging analysis

Aging	Balance at the end of the period				Balance at the beginning of the period			
	Carrying amount	Provision for bad debts (%)	Book value	Carrying amount	Provision for bad debts (%)	Book value		
Within 1 year	10,247,788.26	96.51	10,247,788.26	5,922,199.46	89.11	5,922,199.46		
1-2 years	227,748.30	2.14	227,748.30	556,216.43	8.37	556,216.43		
2-3 years	143,417.51	1.35	143,417.51	167,167.08	2.52	167,167.08		
Total	10,618,954.07	100.00	10,618,954.07	6,645,582.97	100.00	6,645,582.97		

##### (2) The five largest prepayments

Name	Carrying amount	Percentage of the total prepayments carrying amount (%)
Laifu Iron&Steel Group Co., Ltd. Nanjing Sales Sub-company (萊蕪鋼鐵集團有限公司南京銷售分公司)	3,499,999.61	32.96
National Grid Jilin Province Electricity Co.,Ltd. Siping City Suburb Electricity Distribution Sub-company (國網吉林省電力有限公司 四平市城郊供電分公司)	1,407,060.36	13.25
Jinhua City Shoucang Tooling Factory (金華市壽昌工具廠)	532,012.85	5.01
Hangzhou Yuan Wei Machinery Manufacturing Co.,Ltd. (杭州遠威機械製造有限公司)	451,693.08	4.25
Beijing Li Er Da Technology Co., Ltd. (北京利爾達科技有限公司)	354,871.00	3.34
Sub-total	6,245,636.90	58.81

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 5. Other receivables

##### (1) Breakdown

##### 1) Breakdown by types

Types	Balance at the end of the period					Balance at the beginning of the period				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
Individually significant amount with bad debt provision on individual basis	4,594,374.16	72.10			4,594,374.16	12,369,000.00	84.39			12,369,000.00
Individually insignificant but significant based on credit risk characteristics	480,530.89	7.54	24,237.64	5.04	456,293.25	880,392.80	6.01			880,392.80
Individually insignificant amount with bad debt provision on individual basis	1,297,753.63	20.36			1,297,753.63	1,407,241.89	9.60			1,407,241.89
<b>Total</b>	<b>6,372,658.68</b>	<b>100.00</b>	<b>24,237.64</b>	<b>0.38</b>	<b>6,348,421.04</b>	<b>14,656,634.69</b>	<b>100.00</b>			<b>14,656,634.69</b>

##### 2) Aging analysis of other receivables

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	Proportion (%)		Amount	Proportion (%)	
Within 1 year	3,392,127.79	53.23		10,276,241.89	70.11	
1-2 years	68,321.82	1.07		1,816,156.20	12.39	
2-3 years	1,351,324.21	21.21		2,501,200.00	17.07	
Over 3 years	1,560,884.86	24.49	24,237.64	63,036.60	0.43	
<b>Sub-total</b>	<b>6,372,658.68</b>	<b>100.00</b>	<b>24,237.64</b>	<b>14,656,634.69</b>	<b>100.00</b>	

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 5. Other receivables (continued)

##### (1) Breakdown (continued)

##### 3) Individually significant amount with bad debt provision on individual basis

Description	Carrying amount	Provision for bad debt	Provision(%)	Reason for provision
Jilin Tiedong Economic Development Zone Administrative Committee imprest and others (吉林鐵東經濟開發區管理委員會暫借款等款項)	4,594,374.16			Individual impairment test showed no risk was expected of balance recover
Sub-total	<u>4,594,374.16</u>			

##### 4) Provision for bad debt by groups

Group	Carrying amount	Provision (%)	Provision for bad debts
Individually insignificant but significant based on credit risk characteristics	480,530.89	5.04	24,237.64
Sub-total	<u>480,530.89</u>	<u>5.04</u>	<u>24,237.64</u>

##### 5) Individually insignificant amount with bad debt provision on individual basis

Description	Carrying amount	Provision for bad debt	Provision(%)	Reason for provision
Other receivables of individual imprest and others	1,297,753.63			Individual impairment test showed no risk was expected of balance recover
Sub-total	<u>1,297,753.63</u>			

##### (2) Bad debts provision provided, recovered or reversed during the period

Bad debts provision provided during the period amounted to RMB24,237.64.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 5. Other receivables (continued)

##### (3) Classification by nature of other receivables

Nature of the receivables	Balance at the end of the period	Balance at the beginning of the period
Security deposits	270,559.00	8,934,200.00
Land transfer	2,094,374.16	
Provisional borrowings	2,925,652.50	4,150,000.00
Imprest	747,356.80	732,998.30
Others	334,716.22	839,436.39
Sub-total	6,372,658.68	14,656,634.69

##### (4) The five largest other receivables

Name	Nature of the receivables	Carrying amount	Aging	Percentage of other receivables carrying amount (%)	Provision for bad debts
Jilin Tiedong Economic Development Zone Administrative Committee (吉林鐵東經濟開發區管理委員會)	Provisional borrowings	2,500,000.00	2-3 years, over 3 years	39.23	
Wuhu Economic and Technology Development Area Construction and Investment Company (蕪湖經濟技術開發區建設投資公司)	Land transfer	2,094,374.16	Within 1 year	32.86	
Siping City Dong Da Industry & Trading Co., Ltd. (四平市東達工貿有限公司)	Provisional borrowings	216,152.50	2-3 years	3.39	
Cai Li Ming (蔡黎明)	Provisional borrowings	209,500.00	Within 1 year	3.29	
Yiwu City Housing and Urban & County Construction Bureau (義烏市住房和城鄉建設局)	Security deposits	187,059.00	Within 1 year	2.94	
Sub-total		5,207,085.66		81.71	

## 6. Inventories

### (1) Breakdown

Item	Balance at the end of the period			Balance at the beginning of the period		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Raw materials	79,170,222.67		79,170,222.67	70,044,657.26		70,044,657.26
Work-in-progress	33,369,857.42		33,369,857.42	30,926,489.81		30,926,489.81
Finished goods	88,423,103.48	508,601.98	87,914,501.50	80,389,267.97	964,857.80	79,424,410.17
Low-value consumables	1,695,122.33		1,695,122.33	510,905.49		510,905.49
Total	202,658,305.90	508,601.98	202,149,703.92	181,871,320.53	964,857.80	180,906,462.73

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 6. Inventories (continued)

##### (2) Provision

##### 1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period		Balance at the end of the period
			Reversal	Transfer (Note)	
Finished goods	964,857.80	508,601.98		964,857.80	508,601.98
Sub-total	964,857.80	508,601.98		964,857.80	508,601.98

(Note): Move away from provision due to the sales of inventories during the period

- 2) Description of the basis of and reasons for provision and reversal of provision for inventory obsolescence during the period as well as the proportion of written back in the closing balance of inventory of an item during the period

Item	Basis of provision for inventory obsolescence	Reasons for reversal of provision for inventory obsolescence during the period	Proportion of written back in the closing balance of inventory of an item during the period (%)
Finished goods	Stated at the lower of cost and net realizable value		

#### 7. Assets classified as held for sale

Item	Balance at the end of the period	Balance at the beginning of the period
Long-term equity investments held for sale (Note)		10,467,600.00
Total		10,467,600.00

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 8. Other current assets

Item	Balance at the end of the period	Balance at the beginning of the period
Value added tax recoverable	7,308,026.91	18,073,492.79
Prepaid expenses	831,830.49	609,048.24
Total	8,139,857.40	18,682,541.03

#### 9. Fixed assets

Item	Buildings and structures	Equipment	Transportation vehicles	Other office equipment and others	Total
Cost					
Balance at the beginning of the period	187,794,019.16	427,403,116.79	22,621,451.08	14,789,347.98	652,607,935.01
Increase during the period	2,504,003.12	59,724,443.77	2,521,212.84	1,436,358.94	66,186,018.67
1) Purchase	475,522.62	13,004,853.47	1,144,941.10	1,262,427.31	15,887,744.50
2) Transfer from construction in progress	2,028,480.50	46,719,590.30	1,376,271.74	173,931.63	50,298,274.17
Decrease during the period		6,613,334.39	1,389,540.35	165,465.00	8,168,339.74
1) Disposal		6,613,334.39	1,389,540.35	165,465.00	8,168,339.74
Balance at the end of the period	190,298,022.28	480,514,226.17	23,753,123.57	16,060,241.92	710,625,613.94
Accumulated depreciation					
Balance at the beginning of the period	35,840,971.04	157,205,058.52	13,972,062.74	8,495,999.34	215,514,091.64
Increase during the period	5,623,187.47	39,200,358.99	2,704,862.18	1,823,828.42	49,352,237.06
1) Provision	5,623,187.47	39,200,358.99	2,704,862.18	1,823,828.42	49,352,237.06
Decrease during the period		3,260,084.58	1,131,483.45	105,697.77	4,497,265.80
1) Disposal		3,260,084.58	1,131,483.45	105,697.77	4,497,265.80
Balance at the end of the period	41,464,158.51	193,145,332.93	15,545,441.47	10,214,129.99	260,369,062.90
Provision					
Balance at the beginning of the period	825,717.39	245,524.61			1,071,242.00
Increase during the period					
1) Provision					
Decrease during the period					
1) Disposal					
Balance at the end of the period	825,717.39	245,524.61			1,071,242.00
Book value					
Book value at the end of the period	148,008,146.38	287,123,368.63	8,207,682.10	5,846,111.93	449,185,309.04
Book value at the beginning of the period	151,127,330.73	269,952,533.66	8,649,388.34	6,293,348.64	436,022,601.37

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 10. Construction in progress

##### (1) Breakdown

Project name	Balance at the end of the period			Balance at the beginning of the period		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
The precious casting and processing of automotive components project	5,758,557.10		5,758,557.10	24,014,211.73		24,014,211.73
The increase of production of power automotive steering gears project	19,530,203.77		19,530,203.77	15,544,374.31		15,544,374.31
Capacity expansion project of Hangzhou New Shibao	5,663,528.00		5,663,528.00	9,568,381.01		9,568,381.01
The research and development, examination and inspection and trial production centre of automotive steering gear system project	267,521.36		267,521.36	111,538.46		111,538.46
The annual production of 2,100,000 automotive steering gear (EPS) components series industrialization investment and development project	5,903,783.88		5,903,783.88			
Other sundry projects	706,504.57		706,504.57	988,401.79		988,401.79
<b>Total</b>	<b>37,830,098.68</b>		<b>37,830,098.68</b>	<b>50,226,907.30</b>		<b>50,226,907.30</b>

##### (2) Movement during the period

Project name	Budget (RMB0,000)	Balance at the beginning of the period	Increase during the period	Transfer to		Percentage of invested amount to budget (%)
				fixed assets	Other decrease	
The precious casting and processing of automotive components project	23,536.41	24,014,211.73	2,197,164.84	20,452,819.47		15.00
The increase of production of power automotive steering gears project	18,123.47	15,544,374.31	24,179,900.38	20,194,070.92		53.94
Capacity expansion project of Hangzhou New Shibao		9,568,381.01	1,624,423.14	5,529,276.15		
The research and development, examination and inspection and trial production centre of automotive steering gear system project	4,500.00	111,538.46	1,624,678.57	1,468,695.67		16.49
The annual production of 2,100,000 automotive steering gear (EPS) components series industrialization investment and development project	36,067.10		5,903,783.88			1.64
Other sundry projects		988,401.79	2,371,514.74	2,653,411.96		
<b>Total</b>		<b>50,226,907.30</b>	<b>37,901,465.55</b>	<b>50,298,274.17</b>		

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 10. Construction in progress (continued)

##### (2) Movement during the period (continued)

Project name	Construction progress (%)	Accumulated amount of capitalized interests	Amount of capitalized interests during the period	Interest rate of capitalized interests during the period (%)	Source of fund	Balance at the end of the period
The precious casting and processing of automotive components project	15.00	3,029,442.84	285,866.64	7.68	Internal fund, Bank loans, Proceeds	5,758,557.10
The increase of production of power automotive steering gears project	50.00	2,957,831.01	391,617.96	6.03	Internal fund, Bank loans, Proceeds	19,530,203.77
Capacity expansion project of Hangzhou New Shibao					Internal fund	5,663,528.00
The research and development, examination and inspection and trial production centre of automotive steering gear system project	20.00				Internal fund, Proceeds	267,521.36
The annual production of 2,100,000 automotive steering gear (EPS) components series industrialization investment and development project	5.00				Internal fund, Proceeds	5,903,783.88
Other sundry projects					Internal fund	706,504.57
<b>Total</b>		<b>5,987,273.85</b>	<b>677,484.60</b>			<b>37,830,098.68</b>

#### 11. Intangible assets

##### (1) Breakdown

Item	Land use right	Patented technology	Non-patented technology	Management software	Total
<b>Cost</b>					
Balance at the beginning of the period	84,362,290.09	1,281,666.67	48,696,372.12	2,400,583.92	136,740,912.80
Increase during the period	34,056,712.18			536,000.23	34,592,712.41
1) Purchase	34,056,712.18			536,000.23	34,592,712.41
Decrease during the period	13,214,384.84				13,214,384.84
1) Disposal	13,214,384.84				13,214,384.84
Balance at the end of the period	105,204,617.43	1,281,666.67	48,696,372.12	2,936,584.15	158,119,240.37
<b>Accumulated amortization</b>					
Balance at the beginning of the period	11,451,869.26	405,861.03	12,876,382.97	899,877.60	25,633,990.86
Increase during the period	4,472,793.90	128,166.65	4,782,474.08	395,387.28	9,778,821.91
1) Provision	4,472,793.90	128,166.65	4,782,474.08	395,387.28	9,778,821.91
Decrease during the period	1,071,827.94				1,071,827.94
1) Disposal	1,071,827.94				1,071,827.94
Balance at the end of the period	14,852,835.22	534,027.68	17,658,857.05	1,295,264.88	34,340,984.83
<b>Book value</b>					
Book value at the end of the period	90,351,782.21	747,638.99	31,037,515.07	1,641,319.27	123,778,255.54
Book value at the beginning of the period	72,910,420.83	875,805.64	35,819,989.15	1,500,706.32	111,106,921.94

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 11. Intangible assets (continued)

##### (2) Analysis of carrying amount of the land use rights

Item	Balance at the end of the period	Balance at the beginning of the period
Outside Hong Kong	90,351,782.21	72,910,420.83
including: interim lease	90,351,782.21	72,910,420.83
Sub-total	90,351,782.21	72,910,420.83

#### 12. Goodwill

##### (1) Original carrying amount of goodwill

Name of the investee	Balance as at the beginning of the period	Arising from business combination during the period	Decreased during the period		Amounts at the end of the period
			Disposal	Others	
Wuhu Sterling Steering System Co., Ltd	4,694,482.34				4,694,482.34
Total	4,694,482.34				4,694,482.34

##### (2) The process of goodwill impairment testing, parameters and the recognition method of impairment loss on goodwill

The carrying amount of goodwill acquired in a business combination was allocated to each of the related asset groups from the acquisition date on a reasonable basis, and the Company has completed impairment test on the related asset groups, including goodwill, and has found no indication that the goodwill related asset groups need impairment.

#### 13. Deferred income tax assets and deferred income tax liabilities

##### (1) Deferred income tax assets which are not offset

Item	Balance at the end of the period		Balance at the beginning of the period	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	2,383,578.15	386,834.62	1,257,588.12	217,936.11
Profits not realized from intra-group transactions	3,191,592.94	574,341.36		
Deductible loss	12,080,158.98	3,020,039.74	15,509,322.75	3,877,330.69
Warranty expenses	4,729,517.73	709,427.66	3,731,961.72	559,794.26
Total	22,384,847.80	4,690,643.38	20,498,872.59	4,655,061.06

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 13. Deferred income tax assets and deferred income tax liabilities (continued)

##### (2) Deferred income tax liabilities which are not offset

Item	Balance at the end of the period		Balance at the beginning of the period	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset valuation surplus arising from business combination not under the common control (Note)	23,970,997.04	5,992,749.26	36,416,725.16	9,104,181.29
Total	23,970,997.04	5,992,749.26	36,416,725.16	9,104,181.29

(Note): There are taxable temporary differences arising from fair value adjustment on various identifiable assets and liabilities in acquiring Wuhu Sterling Steering System Co., Ltd through business combination not under the common control in stages during 2013. The balance as at the beginning of 2014 was RMB31,161,891.83. During the period, taxable temporary differences of the reversal of fair value amortization was RMB2,942,469.72. In addition, the taxable temporary differences reversed from the partly disposal of land use rights during the period amounted to RMB8,734,258.45. As at 31 December, 2014, the taxable temporary differences arising from such fair value adjustment amounted to RMB19,485,163.66.

In previous years, there were taxable temporary differences arising from fair value adjustment in various identifiable assets and liabilities in acquiring Beijing Autonics Technology Co., Ltd through business combination not under the common control. Its balance as at the beginning of 2014 was RMB5,254,833.34. During the period, taxable temporary differences of the reversal of fair value amortization was RMB768,999.96. As at 31 December, 2014, the taxable temporary differences arising from such fair value adjustment amounted to RMB4,485,833.38.

##### (3) Analysis of unrecognized deferred income tax assets

Item	Balance at the end of the period	Balance at the beginning of the period
Provision for decline in price of inventories	508,601.98	
Deductible loss	62,340,923.78	49,472,984.93

##### (4) Deductible losses from unrecognized deferred income tax assets will be mature in the following years

Year	Balance at the end of the period	Balance at the beginning of the period	Note
2014		432,306.76	
2015	1,300,024.96	1,300,024.96	
2016	12,922,371.46	13,334,698.90	
2017	17,333,411.00	21,263,551.62	
2018	13,181,402.00	13,142,402.69	
2019	17,603,714.36		
Sub-total	62,340,923.78	49,472,984.93	

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 14. Other non-current assets

Item	Balance at the end of the period	Balance at the beginning of the period
Prepaid for purchase of long term assets	48,147,380.74	16,743,120.05
Deposit to fulfill the contract	6,620,000.00	6,000,000.00
Total	54,767,380.74	22,743,120.05

#### 15. Short-term loans

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

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

#### 16. Notes payable

##### (1) Breakdown

Type	Balance at the end of the period	Balance at the beginning of the period
Bank acceptance bills	65,791,655.53	39,542,300.00
Total	65,791,655.53	39,542,300.00

##### (2) Other descriptions

- 1) There are no mature but unpaid bill payables at the end of the period.
- 2) Of the balance at the end of the period, the issuance of bank acceptance bills amounting to RMB126,173.15 accounts for the bills amount of the non-associated party, Wuhu Chery Technology Co., Ltd. The related guarantees are provided by the company.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 17. Accounts payable

##### (1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Purchase of inventory	227,460,702.08	168,181,251.85
Purchase of long term assets	9,734,541.11	13,861,479.67
Total	237,195,243.19	182,042,731.52

##### (2) The aging analysis of accounts payable is as follows

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

##### (3) As at the end of the period, no large accounts payable aged over 1 year.

#### 18. Receipts in advance

##### (1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Receipts in advance from sales of goods	4,886,192.92	4,591,550.94
Total	4,886,192.92	4,591,550.94

##### (2) Aging analysis

Age	Balance at the end of the period	Balance at the beginning of the period
Within 1 year	3,303,735.46	3,639,497.96
1-2 years	1,582,457.46	952,052.98
Total	4,886,192.92	4,591,550.94

##### (3) As at the end of the period, no large receipts in advance aged over 1 year.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 19. Staff costs payable

##### (1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Short-term remuneration	6,880,173.75	99,997,570.95	94,251,723.94	12,626,020.76
Post-employment benefits – established withdrawal and deposit plan	54,907.54	9,015,800.57	8,038,753.13	1,031,954.98
Sub-total	6,935,081.29	109,013,371.52	102,290,477.07	13,657,975.74

##### (2) Breakdown of short-term remuneration

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Salaries, bonus, allowances and subsidies	6,319,174.76	85,398,391.92	80,429,977.16	11,287,589.52
Staff welfare		6,894,885.55	6,894,885.55	
Social insurance	45,201.31	5,727,394.07	4,917,999.94	854,595.44
Including: Medical insurance	39,680.55	4,783,516.97	4,081,479.88	741,717.64
Work injury insurance	1,380.21	492,557.41	458,456.44	35,481.18
Maternity insurance	4,140.55	451,319.69	378,063.62	77,396.62
Housing funds		582,611.00	582,611.00	
Labour union funds and employee education funds	515,797.68	1,394,288.41	1,426,250.29	483,835.80
Sub-total	6,880,173.75	99,997,570.95	94,251,723.94	12,626,020.76

##### (3) Breakdown of established withdrawal and deposit plan

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Basic pension insurance	48,006.62	8,162,159.02	7,307,205.03	902,960.61
Unemployment insurance	6,900.92	853,641.55	731,548.10	128,994.37
Sub-total	54,907.54	9,015,800.57	8,038,753.13	1,031,954.98

According to the “Labor Law of the People’s Republic of China” and the relevant laws and regulations, the Company and its subsidiaries shall contribute to basic pension insurance for their employees. Pension will be paid by authorities of social insurances to employees in accordance with the law when such employees reach the retirement age stipulated by the nation or leave the labour force for some reasons. The Company and its subsidiaries will then be no longer responsible for providing further retirement benefits to the employees.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 20. Taxes payable

Item	Balance at the end of the period	Balance at the beginning of the period
Value added tax	1,368,796.19	1,686,464.54
Corporate income tax	3,697,094.82	3,197,417.43
Withhold of individual income tax	247,691.34	167,954.46
Urban maintenance and construction tax	295,372.88	640,245.85
Others	444,295.98	750,218.81
Total	6,053,251.21	6,442,301.09

#### 21. Interests payable

Item	Balance at the end of the period	Balance at the beginning of the period
Interests payable for short-term loans	533,423.41	424,168.26
Interests payable for long-term borrowings due in one year		9,386.67
Interest of long-term borrowings with periodic payments of interest and return of principal at maturity	1,004,833.33	1,074,846.66
Total	1,538,256.74	1,508,401.59

#### 22. Other payables

##### (1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Payable of temporary receipts	712,334.01	1,064,440.41
Deposits	600,050.00	156,250.00
Labour service company management fees	326,195.14	301,696.91
Others	590,274.03	376,252.00
Total	2,228,853.18	1,898,639.32

(2) As at the end of the period, no large other payables aged over 1 year.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 23. Non-current liabilities due within one year

##### (1) Breakdown

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

##### (2) Long-term loans due within one year

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

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

#### 24. Other current liabilities

Item	Balance at the end of the period	Balance at the beginning of the period
Deferred income-assets related government grants (Note)	4,417,705.65	3,266,710.41
Accrued expenses	8,056,197.68	6,667,596.18
Total	12,473,903.33	9,934,306.59

(Note): For details of government grants to be amortized by and in relation to the assets of Jilin Shibao Machinery Manufacturing Co., Ltd., Hangzhou New Shibao Electric Power Steering Co., Ltd., and Hangzhou Shibao Auto Steering Gear Co., Ltd., all are subsidiaries of the Company, during the period of use of relevant assets in the next year, please refer to the explanatory notes provided for deferred income.

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 25. Long-term borrowings

##### (1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Special funds for treasury bonds	1,900,000.00 (Note)	2,830,000.00
Total	1,900,000.00	2,830,000.00

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

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

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

#### 26. Deferred income

##### (1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Reason
Government grants	26,093,228.66	9,085,700.00	5,000,199.29	30,178,729.37	
Total	26,093,228.66	9,085,700.00	5,000,199.29	30,178,729.37	

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 26. Deferred income (continued)

##### (2) Breakdown of government grants

Item	Balance at the beginning of the period	Addition of grants during the period	Amount included in non-operating income during the period	Other movement	Balance at the end of the period	Assets related/ income related
Special funds for adjustment and improvement project for traditional industry bases including the Northeast area	23,242,500.00	2,000,000.00	3,023,333.32		22,219,166.68	Assets related
Subsidy funds for the precious casting and processing of automotive components project	4,741,918.24		102,960.40		4,638,957.84	Assets related
Special funds for establishment of a platform for public services provided in foreign trading	1,375,520.83	1,340,000.00	205,654.76		2,509,866.07	Assets related
Technical improvement project of production capacity increasing of 350,000 units/sets of steering gear		4,874,400.00	433,280.00		4,441,120.00	Assets related
Heavy load hydraulic rack-and-pinion steering gear for high class market		577,600.00	51,342.24		526,257.76	Assets related
Subsidies for R&D equipment		293,700.00	32,633.33		261,066.67	Assets related
Sub-total	<u>29,359,939.07</u>	<u>9,085,700.00</u>	<u>3,849,204.05</u>		<u>34,596,435.02</u>	
Including: transferred to other current liabilities	3,266,710.41				4,417,705.65	

#### 27. Share capital

##### (1) Breakdown

Item	Balance at the beginning of the period	Increase/(decrease) during the period				Sub-total	Balance at the end of the period
		Issuance of new shares	Bonus shares	Transfer from reserves	Others		
Shares with selling restrictions							
Shares held by domestic legal person	165,387,223.00	38,200,000.00			38,200,000.00	203,587,223.00	
Shares held by domestic natural person	10,556,632.00					10,556,632.00	
Shares without selling restrictions							
A Shares	15,000,000.00					15,000,000.00	
H Shares	86,714,000.00					86,714,000.00	
Total	<u>277,657,855.00</u>	<u>38,200,000.00</u>			<u>38,200,000.00</u>	<u>315,857,855.00</u>	

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 27. Share capital (continued)

##### (2) Other description

Pursuant to the thirteenth meeting of the fourth Board of the Company, the first extraordinary general meeting in 2014, the first A Shares Class Meeting in 2014 and the first H Shares Class Meeting and upon approval of Non-public offer of Shares of Zhejiang Shibao Company Limited made by China Securities Regulatory Commission (CSRC No. (2014) 1101), the Company was approved to issue no more than 38.2 million (inclusive) shares of ordinary RMB shares (A Shares). As of 11 December, 2014, the Company has actually issue 38.2 million ordinary RMB shares (A Shares) of RMB 1 each to 6 placees by way of private placement at issue price of RMB18.46 per share for raising fund of totalling RMB705,172,000.00. Deducted the expenses involved in the issue of RMB47,009,122.96, the net amount of fund raised amounted to RMB658,162,877.04, among which RMB38,200,000.00 was recognized as share capital and RMB619,962,877.04 was recognized as capital reserve (capital premium). The registered change of share capital amounted to RMB315,857,855.00. The aforementioned increase of share capital were reviewed and audited by Pan-China Certified Public Accountants LLP and the auditor had issued the relevant Verification Report (Pan-China, 2014, 265). The Company completed the requisite procedures of its registration of business change on 28 January, 2015

#### 28. Capital reserve

##### (1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Share premium	35,854,815.68	619,962,877.04	2,250,000.00	653,567,692.72
Other capital reserve	6,444,389.04			6,444,389.04
Total	42,299,204.72	619,962,877.04	2,250,000.00	660,012,081.76

##### (2) Other description

- 1) Details of the addition during the period can be referred to the section of share capital in the notes to the financial statements.
- 2) According to the Shareholding Transfer Agreement entered into between the Company and PROMISED LAND VENTURES LLC, the Company purchased 25% equity interest of Siping Steering, a subsidiary of PROMISED LAND VENTURES LLC at a consideration of RMB5 million. The difference between the newly obtained long-term equity investment of the Company and the entitled identifiable share of net assets of Siping Steering accounted for continuously from the business combination date according to the new shareholding percentage was amounting to RMB2,250,000.00 was written off the capital reserve.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (1) Notes to the Consolidated Balance Sheet (continued)

#### 29. Surplus reserve

##### (1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Statutory reserve funds	113,899,265.72	7,478,322.75		121,377,588.47
Total	113,899,265.72	7,478,322.75		121,377,588.47

##### (2) Other description

According to the Company's articles of association, the Company and Hangzhou Shibao, its controlling subsidiary both transferred 10% of their recorded net profit as statutory reserve funds respectively, the total amount was RMB7,478,322.75.

#### 30. Retained earnings

Item	Balance for the current period	Balance for the corresponding period last year
Retained earnings at end of last year before adjustment	309,696,780.40	289,773,896.98
Total amount of adjustment		
Retained earnings at the beginning of the year after adjustment	309,696,780.40	289,773,896.98
Add: Net profit attributable to equity holders of the Parent	43,374,711.66	48,823,967.72
Less: Transfer to statutory reserve funds	7,478,322.75	6,688,455.90
Dividends payable	22,212,628.40	22,212,628.40
Retained earnings at the end of the period	323,380,540.91	309,696,780.40

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (2) Notes to the Consolidated Income Statement

#### 1. Revenue/cost of sales

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

#### 2. Business taxes and surcharges

Item	Balance for the current period	Balance for the corresponding period last year
Business tax	40,842.07	24,367.50
Urban maintenance and construction tax	2,533,995.57	2,030,483.53
Education surcharge	1,104,144.39	886,761.34
Local education surcharge	735,861.64	591,109.74
Total	<u>4,414,843.67</u>	<u>3,532,722.11</u>

#### 3. Sales expenses

Item	Balance for the current period	Balance for the corresponding period last year
Transportation cost	18,605,623.20	15,915,580.34
Warranty fee	15,540,730.16	12,804,350.80
Wages, welfare and bonuses	6,723,629.04	6,062,354.20
Travelling expenses	4,320,966.19	5,080,231.95
Entertainment charge	2,630,339.56	2,350,528.39
Agent fee	2,320,023.52	2,655,369.69
Depreciation of fixed assets	520,152.04	502,746.67
Others	4,342,293.71	4,697,515.23
Total	<u>55,003,757.42</u>	<u>50,068,677.27</u>

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (2) Notes to the Consolidated Income Statement (continued)

#### 4. General and administration expenses

Item	Balance for the current period	Balance for the corresponding period last year
Wages, welfare and bonuses	30,971,122.58	23,573,636.42
Research and development expenses	33,841,224.75	25,503,480.73
Office cost	6,943,463.24	6,568,019.06
Professional service fee	4,293,883.26	4,389,807.86
Depreciation of fixed assets	4,455,826.11	4,656,672.56
Amortization of intangible assets	6,555,037.44	4,082,414.36
Other taxation	5,042,900.25	4,979,972.08
Travelling expenses	2,221,116.57	2,354,200.69
Entertainment charge	2,088,576.36	1,126,650.44
Others	1,680,080.52	1,696,041.54
Total	98,093,231.08	78,930,895.74

The audit fee of 2014 was RMB600,000.00 (2013: RMB600,000.00).

#### 5. Financial expenses

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

#### 6. Assets impairment losses

Item	Balance for the current period	Balance for the corresponding period last year
Bad debts losses	1,183,677.79	382,966.84
Provision for inventories losses	508,601.98	964,857.80
Total	1,692,279.77	1,347,824.64

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (2) Notes to the Consolidated Income Statement (continued)

#### 7. Investment gains/(losses)

##### (1) Breakdown

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

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

Item	Balance for the current period	Balance for the corresponding period last year
Investment gains from investment of non-listed company		10,668,873.53
Sub-total		10,668,873.53

#### 8. Non-operating income

##### (1) Breakdown

Item	Balance for this period	Balance for the same period last year	Amount recognized as non-recurring gain and loss during the period
Total gains from disposal of non-current assets	100,581.75	159,924.09	100,581.75
Including: gains from disposal of fixed assets	100,581.75	159,924.09	100,581.75
Government grants	8,377,972.00	7,730,737.71	8,377,972.00
Others	899,624.64	321,690.35	899,624.64
Total	9,378,178.39	8,212,352.15	9,378,178.39

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (2) Notes to the Consolidated Income Statement (continued)

#### 8. Non-operating income (continued)

##### (2) Breakdown of government grants

Item	Balance for the current period	Balance for the corresponding period last year	Asset related/revenue related	Description
Special funds for adjustment and improvement project for traditional industry bases including the Northeast Area	3,023,333.32	2,990,000.00	Asset related	Note 1
Technical improvement project of production capacity increasing of 350,000 units/sets of steering gear	433,280.00		Asset related	Note 2
Subsidy funds for the precious casting and processing of automotive components project	102,960.40	102,960.40	Asset related	Note 3
Special funds for establishment of a platform for public services provided in foreign trading	205,654.76	14,479.17	Asset related	Note 4
Heavy load hydraulic rack-and-pinion steering gear for high class market	51,342.24		Asset related	Note 5
Subsidies for purchasing of equipment	12,411.11		Asset related	Note 6
Payment of subsidies of Provincial innovation policies	20,222.22		Asset related	Note 7
Tax rebate	561,678.14	809,997.78	Revenue related	Note 8

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (2) Notes to the Consolidated Income Statement (continued)

#### 8. Non-operating income (continued)

##### (2) Breakdown of government grants (continued)

Item	Balance for the current period	Balance for the corresponding period last year	Asset related/revenue related	Description
Subsidies expenses for enterprises by Finance Bureau of Hangzhou Economic and Technological Development Area	729,700.00		Revenue related	Note 9
Incentive funds in respect of land use tax in cities and towns	740,100.00	677,800.00	Revenue related	Note 10
Award to Modelling Industrial Enterprises 2013 by Finance Bureau of Hangzhou Economic and Technological Development Area	604,300.00		Revenue related	Note 11
Subsidies for senior talented people in enterprises of development zone	500,000.00		Revenue related	Note 12
Special fund for technical innovation	300,000.00		Revenue related	Note 13
Incentive funds for enterprises' investment in R&D	213,600.00		Revenue related	Note 14
Subsidies on Trademark by Industrial and Commercial Administrative Bureau of Anhui Province	180,000.00		Revenue related	Note 15
Subsidy funds for employment and promoting employment	179,847.00	217,487.00	Revenue related	Note 16
Subsidy funds of social insurance for entities promoting employment by employment administrative and service bureau of Hangzhou	173,675.68		Revenue related	Note 17

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (2) Notes to the Consolidated Income Statement (continued)

#### 8. Non-operating income (continued)

##### (2) Breakdown of government grants (continued)

Item	Balance for the current period	Balance for the corresponding period last year	Asset related/revenue related	Description
Incentive funds for enterprises technical innovation	100,000.00		Revenue related	Note 18
Subsidy funds for business projects initiated by personal with overseas education background		1,000,000.00	Revenue related	Note 19
Incentive funds for enterprises' investment in R&D		406,900.00	Revenue related	Note 20
Funds for technological innovation		300,000.00	Revenue related	Note 21
Subsidy funds for enterprise technological improvement projects		250,000.00	Revenue related	Note 22
Special funds for talent scheme in Qianjiang		200,000.00	Revenue related	Note 23
Subsidy funds for social insurance in relation to stabilizing employment		179,113.36	Revenue related	Note 24
Incentive funds for project investment		178,800.00	Revenue related	Note 25
Subsidy funds for innovation		100,000.00	Revenue related	Note 26
Others	245,867.13	303,200.00	Revenue related	
Sub-total	<u>8,377,972.00</u>	<u>7,730,737.71</u>		

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (2) Notes to the Consolidated Income Statement (continued)

#### 8. Non-operating income (continued)

##### (2) Breakdown of government grants (continued)

- (Note 1) "Reply of the Office of NDRC on Investment Project for Adjustment and Improvement for Traditional Industry Bases Including the Northeast Area within National Budget in 2010" (《國家發展改革委辦公廳關於東北等老工業基地調整改造2010年中央預算內投資項目的復函》) (Fa Gai Ban Chan Ye (2010) No.2684) (發改辦產產業[2010] 2684號) issued by National Development and Reform Commission (國家發展改革委員會)
- (Note 2) "Notice of Granting of Supporting Fund of Industrial Pooling of Capital for Major Innovation Projects of Hangzhou in 2013" (《關於下達2013年杭州市工業統籌資金重大創新等項目資助資金的通知》) (Hang Cai Qi (2013) No.1550) (杭財企[2013] 1550號) issued by Hangzhou Municipal Bureau of Finance and Economy and Information Committee (杭州市財政局、杭州市經濟和信息化委員會).
- (Note 3) "Description of Subsidy Funds for the Precious Casting and Processing of Automotive Components Project" (《關於汽車零部件精密鑄件及加工建設項目補貼資金的說明》) issued by Siping Tiedong Economic and Technology Development Zone Management Committee (四平鐵東經濟技術開發區管理委員會)
- (Note 4) "Notice of Granting of Special Funds for Public Services Provided in Foreign Trading 2012" (《關於下達浙江省2012年度外貿公共服務平臺建設專項資金的通知》) (Hang Cai Qi (2013) No. 898) (杭財企[2013] 898號) and "Notice of Granting of Special Funds for Public Services Provided in Foreign Trading 2013" (《關於下達浙江省2013年度外貿公共服務平臺建設專項資金的通知》) (Hang Cai Qi (2014) No.648) (杭財企[2014] 648號) issued by Hangzhou Bureau of Finance and Hangzhou Foreign Trade and Economic Cooperation Bureau (杭州市財政局、杭州市對外貿易經濟合作局)
- (Note 5) "Notice of Granting of Supporting Fund of Industrial Pooling of Capital for Major Innovation Projects of Hangzhou in 2013" (《關於下達2013年杭州市工業統籌資金重大創新等項目資助資金的通知》) (Hang Cai Qi (2013) No.1550) (杭財企[2013] 1550號) issued by Hangzhou Municipal Bureau of Finance and Economy and Information Committee.
- (Note 6) "Publicity of Acceptance of Industry Transform Projects and Investment of Individual Equipment Subsidies Projects" (《關於承接產業轉移項目和單台設備投資補助項目的公示》) issued by Wuhu Municipal economy and information technology department (蕪湖市經信委技術科)
- (Note 7) "Notice of Granting of Special Fund Program (Incentives and Subsidies) on Building Innovative Province of Anhui Province 2014" (《關於下達2014年安徽省創新型省份建設專項資金計劃(獎補類)的通知》) (Ke Ji (2014) No.58) (科計[2014] 58號) issued by Anhui Province Department of Science and Technology (安徽省科技廳)
- (Note 8) Replay notice of special tax treatment of Development Zone Branch of District Tax Bureau, Hangzhou
- (Note 9) "Publicity of Award to Modelling Industrial Enterprises (entities) 2013" (《關於對2013年度先進工業企業(單位)予以表彰獎勵的通報》) (Hang Jing Kai Guan Fa (2014) No.35/Hang Jing Kai Guan Fa (2014) No.36) (杭經開管發[2014] 35號/杭經開管發[2014] 36號) issued by Hangzhou Economic and Technological Development Area Administrative Committee (杭州經濟技術開發區管理委員會)
- (Note 10) "Notice of the Publication of 'Measures for Implementation of Incentive Fund Scheme in respect of Land Use Tax in Cities and Towns within Wuhu Economic and Technology Development Zone'" (《關於印發〈蕪湖經濟技術開發區城鎮土地使用稅獎勵實施辦法〉的通知》) (Kai Ban (2013) no. 201) (開辦[2013] 201號) issued by Wuhu Economic and Technology Development Zone Administrative Committee (蕪湖經濟技術開發區管委會)
- (Note 11) "Notice of Award to the second batch of Modelling Technical Innovation Enterprises 2013" (《關於對2013年度科技創新先進企業(第二批)予以表彰獎勵的通知》) (Hang Jing Kai Guan Fa (2014) No.250) (杭經開管發[2014] 250號) issued by Hangzhou Economic and Technological Development Area Administrative Committee
- (Note 12) "Notice of Granting of Subsidies for Talented People of Development Zone 2013" (《關於下達2013年度開發區各類人才資助的通知》) (Hang Jing Kai Guan Fa (2014) No.260) (杭經開管發[2014] 260號) issued by Hangzhou Economic and Technological Development Area Administrative Committee

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (2) Notes to the Consolidated Income Statement (continued)

#### 8. Non-operating income (continued)

##### (2) Breakdown of government grants (continued)

- (Note 13) "Notice of Special Fund for Technical Innovation of Jilin Province 2014" (《關於下達2014年度吉林省科技創新專項資金的通知》) (Ji Cai Jiao Zhi (2014) No.549) (吉財教指[2014] 549號) issued by Department of Finance of Jilin Province (吉林省財政廳)
- (Note 14) "Notice of the publication of Enterprises being Awarded Incentive Funds for their Investment in R&D 2012" (《關於公佈2012年度企業研發投入資助名單的通知》) (Hang Jing Kai Gan Fa (2013) No. 306) (杭經開管發[2013] 306號) issued by the Management Committee of Hangzhou Economic and Technological Development Zone (杭州經濟技術開發區管理委員會)
- (Note 15) "Notice of Recognition of Famous Trademark of Anhui Province 2013" (《關於認定2013年安徽省著名商標的通知》) (Gong Shang Shang Zi (2013) No.115) (工商商字[2013] 115號) issued by Industrial and Commercial Administrative Bureau of Anhui Province (安徽省工商行政管理局)
- (Note 16) "Announcement of Matters in Relation to an Application for a Subsidy for Employment and Promoting Employment" (《關於申報穩崗補貼和促進就業補貼有關事項的公告》) issued by Human Resources and Social Security Bureau of Wuhu city (蕪湖市人力資源和社會保障局)
- (Note 17) "Notice of Implement Subsidy Tasks of social insurance for entities promoting employment 2013" (《關於開展2013年度穩定就業單位社會保險補貼工作的通知》) by Hangzhou Economic and Technological Development Area
- (Note 18) "Notice of Publishing of Policies Related to Improvement of Enterprise Innovation by Wuhu Municipal Government" (《蕪湖市人民政府關於印發提升企業科技創新能力若干政策規定的通知》) (Wu Zheng (2013) No.75) (蕪政[2013] 75號) issued by Wuhu Municipal Government
- (Note 19) "Notice of Granting of Subsidy Funds for Business Projects in Development Zone Initiated by Personnel with Overseas Education Background 2011" (《關於下達2011年度開發區留學人員創業項目資助的通知》) (Hang Jing Kai Gan Fa [2013] No. 253) (杭經開管發[2013] 253號) issued by the Hangzhou Economic and Technological Development Area Administrative Committee (杭州經濟技術開發區管理委員會)
- (Note 20) "Notice of the publication of Enterprises being Awarded Incentive Funds for their Investment in R&D 2011" (《關於公佈2011年度企業研發投入獎勵名單的通知》) (Hang Jing Kai Gan Fa (2013) No. 43) (杭經開管發[2013] 43號) issued by the Hangzhou Economic and Technological Development Area Administrative Committee (杭州經濟技術開發區管理委員會)
- (Note 21) "Notice of Granting of Funds for Technological Innovation in the Establishment of Innovative Enterprise under the Transformation Scheme of Technological Innovation and R&D in Jilin Province 2013" (《關於下達2013吉林省科技創新和科研成果轉化計畫創新型企業科技創新資金的通知》) (Ji Cai Jiao Zhi (2013) No. 695) (吉財教指[2013] 695號) issued by Science and Technology Department and Financial Department of Jilin Province (吉林省科技廳、財政廳)
- (Note 22) "Notice of Organization of and Application for Special Subsidy Funds in the Financial Year of 2013" (《關於組織申報2013年財政專項資金項目的通知》) (Wan Jing Xin Ji Gai (2013) No. 61) (皖經信技改[2013] 61號) issued by Anhui Provincial Economy and Informatization Commission (安徽省經濟和信息化委員)
- (Note 23) In accordance with "Notice of Granting of Funds for Talent Scheme in Qinjiang 2013 by Zhejiang Province Science and Technology Bureau" (《浙江省科學技術廳關於下達2013年度省級錢江人才計畫項目的通知》) (Zhe Ke Fa Ji (2013) No. 127) (浙科發技[2013] 127號) issued by Zhejiang Province Science and Technology Bureau (浙江省科學技術廳)
- (Note 24) "Notice of Granting of Subsidy Funds for Social Insurance in Relation to Stabilizing employment in Hangzhou Economic and Technology Zone 2012" (《關於開展杭州經濟技術開發區2012年度穩定就業單位社會保險補貼工作的通知》) issued by Administrative Bureau for Employment of Hangzhou City (杭州市就業管理服務局)
- (Note 25) An Agreement signed by Wuhu Economic and Technology Development Zone Administrative Committee (蕪湖經濟技術開發區管委會) on 1 November 2004
- (Note 26) "Implementation Opinions of an Enhancement in the Promotion of a Continuous and Healthy Economic Development" (《關於促進經濟持續健康較快發展的實施意見》) (Wu Zheng (2013) No. 33) (蕪政[2013] 33號) issued by the People's Government of Wuhu City

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (2) Notes to the Consolidated Income Statement (continued)

#### 9. Non-operating expenses

Item	Balance for the current period	Balance for the corresponding period last year	Amount recognized as non-recurring gain and loss during the period
Total losses from disposal of non-current assets	5,242,813.64	275,462.61	5,242,813.64
Including: losses from disposal of fixed assets	81,503.94	275,462.61	81,503.94
losses from disposal of intangible assets	5,161,309.70		5,161,309.70
Local water conservancy construction fund	621,594.09	561,037.94	
Others	780,095.15	231,572.92	780,095.15
Total	<u>6,644,502.88</u>	<u>1,068,073.47</u>	<u>6,022,908.79</u>

#### 10. Income tax expenses

##### (1) Breakdown

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

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

##### (2) Adjusting process for accounting profits and income tax expenses

Item	Number during the period
Total profit	42,157,890.98
Income tax expenses calculated at legal/applicable tax rate	10,539,472.74
Effects of different applicable tax rates on subsidiaries	(4,246,799.80)
Effects of adjusting income tax of prior periods	65,473.53
Effects of non-taxable income	(3,858,873.73)
Effects of including and excluding R&D expenses	(1,568,273.96)
Effects of non-deductible costs, expenses and losses	395,572.66
Effects of deductible temporary differences or deductible loss of deferred income tax assets unrecognized during the period	<u>4,353,008.63</u>
Income tax expenses	<u>5,679,580.07</u>

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (3) Notes to the Consolidated Statement of Cash Flows

#### 1. Cash received in relation to operating activities

Item	Balance for the current period	Balance for the corresponding period last year
Recovery of deposits including banker's acceptances	8,340,703.35	4,682,509.77
Receipt of government grants which are revenue related	3,967,089.81	3,813,300.36
Collection of current accounts	3,490,000.00	1,000,000.00
Interest income	585,349.44	651,657.51
Others	788,254.78	1,184,331.90
<b>Total</b>	<b>17,171,397.38</b>	<b>11,331,799.54</b>

#### 2. Cash paid in relation to operating activities

Item	Balance for the current period	Balance for the corresponding period last year
Cash paid as selling expenses	37,055,198.66	38,655,587.05
Cash paid as general and administrative expenses	17,008,727.39	15,435,180.58
Payment of deposits including banker's acceptances	17,556,145.17	8,340,703.35
Others	2,095,664.73	478,302.47
<b>Total</b>	<b>73,715,735.95</b>	<b>62,909,773.45</b>

#### 3. Cash received in relation to investing activities

Item	Balance for the current period	Balance for the corresponding period last year
Recovery of performance deposit for construction	8,869,000.00	
Recovery of tender deposits		5,600,000.00
Redemption of financial products		4,000,000.00
Receipt of government grants which are asset related	9,085,700.00	1,390,000.00
<b>Total</b>	<b>17,954,700.00</b>	<b>10,990,000.00</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (3) Notes to the Consolidated Statement of Cash Flows (continued)

#### 4. Cash paid in relation to investing activities

Item	Balance for the current period	Balance for the corresponding period last year
Cash paid as performance deposit for construction		8,869,000.00
Cash paid as performance deposit of contracts	620,000.00	6,000,000.00
Total	620,000.00	14,869,000.00

#### 5. Cash received in relation to financing activities

Item	Balance for the current period	Balance for the corresponding period last year
Receipt of provisional borrowings		69,200,000.00
Total		69,200,000.00

#### 6. Cash paid in relation to financing activities

Item	Balance for the current period	Balance for the corresponding period last year
Non-public issuance fees	1,603,286.96	
Repayment of provisional borrowings		69,200,000.00
Total	1,603,286.96	69,200,000.00

# NOTES TO THE FINANCIAL STATEMENTS

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## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (3) Notes to the Consolidated Statement of Cash Flows (continued)

#### 7. Supplemental information on the statement of cash flows

##### (1) Supplemental information on the statement of cash flows

Supplemental information	Balance for the current period	Balance for the corresponding period last year
1) Net profit adjusted to cash flows in relation to operating activities:		
Net profit	36,478,310.91	45,529,097.19
Add: Provision for impairment to assets	1,692,279.77	1,347,824.64
Depreciation of fixed assets, oil and gas assets and production	49,352,237.06	41,128,627.58
Amortization of intangible assets	9,778,821.91	8,115,992.10
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets	5,142,231.89	115,538.52
Losses on write-off of fixed assets		
Losses on changes of fair value		
Finance expenses	18,739,390.78	11,648,879.85
Investment gains		(10,668,873.53)
Increase in deferred income tax assets	(35,582.32)	(1,114,858.38)
Decrease in deferred income tax liabilities	(3,111,432.03)	(682,661.61)
Increase in inventories	(21,751,843.17)	(28,247,268.54)
Increase in operational receivables	(96,798,988.50)	(1,723,564.21)
Increase/(decrease) in operational payables	89,240,156.50	(7,343,069.00)
Others		
Net cash flows from operating activities	88,725,582.80	58,105,664.61
2) Significant investment and financing activities not related to cash receipts and payments:		
Debt transfer to capital		
Convertible company bonds due within one year		
Fixed assets under financing lease		
3) Net change in cash and cash equivalents:		
Cash at the end of the period	742,857,761.48	58,609,424.36
Less: Cash at the beginning of the period	58,609,424.36	76,773,167.14
Add: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	684,248,337.12	(18,163,742.78)

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (3) Notes to the Consolidated Statement of Cash Flows (continued)

#### 7. Supplemental information on the statement of cash flows (continued)

##### (2) Cash and cash equivalents

Item	Balance for the current period	Balance for the corresponding period last year
1) Cash	742,857,761.48	58,609,424.36
Including: Cash on hand	89,871.21	352,452.51
Bank deposit readily available	742,767,890.27	58,256,971.85
Other monetary fund readily available		
Central bank deposit readily available		
Interbank deposit		
Interbank offer		
2) Cash equivalents		
Including: Bond investment due in three months		
3) Closing balance of cash and cash equivalents	742,857,761.48	58,609,424.36

Closing balance of cash and cash equivalents in the statement of cash flows for the year 2014 was RMB742,857,761.48 and closing balance of cash on hand and at bank in the balance sheet as at 31 December 2014 was RMB760,413,906.65. The difference of RMB17,556,145.17 was other monetary funds unqualified as cash and cash equivalents and having been deducted from the closing cash balance of the statement of cash flows.

Closing balance of cash and cash equivalents in the statement of cash flows for the year 2013 was RMB58,609,424.36 and closing balance of cash on hand and at bank in the balance sheet as at 31 December 2013 was RMB66,950,127.71. The difference of RMB8,340,703.35 was other monetary funds unqualified as cash and cash equivalents and having been deducted from the closing cash balance of the statement of cash flows.

### (4) Others

#### 1. Assets with restrictions in ownership or use rights

Item	Carrying amount at the end of the period	Reason for restriction
Monetary funds	17,556,145.17	Security deposits
Bills receivable	23,213,826.85	Pledge
Trade receivables	7,800,000.00	Pledge
Fixed assets	5,576,236.78	Charge
Intangible assets	12,841,140.89	Charge
Total	66,987,349.69	

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (4) Others (continued)

#### 2. Monetary items in foreign currencies

Item	Foreign currency balance at the end of the period	Exchange rate	Balance translated into RMB at the end of the period
Monetary funds			5,345,518.77
Including: US Dollar	7,242.60	6.1190	44,317.47
Euro	707,204.10	7.4556	5,272,630.89
HKD	21,539.25	0.78887	16,991.67
Japanese Yen	218,630.00	0.051371	11,231.24
Swiss Franc	55.41	6.2715	347.50
Trade receivables			1,979,971.36
Including: US Dollar	1,580.00	6.1190	9,668.02
Euro	264,271.60	7.4556	1,970,303.34

#### 3. Interest expenses

Item	During the period	Corresponding period of the previous year
Interest expenses	16,977,293.96	14,419,086.60
Interests of other loans fully repayable within 5 years	16,910,793.96	14,277,586.60
Interests of other loans not fully repayable within 5 years	66,500.00	141,500.00
Less: Capitalized interests	677,484.60	2,523,056.49
Finance cost – interest expenses	16,299,809.36	11,896,030.11

During 2014, the annual interest capitalization rate was 6.03%-7.68% (2013: 6.06%-7.78%).

# NOTES TO THE FINANCIAL STATEMENTS

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## 6. OWNER'S EQUITY IN OTHER ENTITIES

### (1) Owner's equity in significant subsidiaries

#### 1. Particulars of significant subsidiaries

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Percentage of shareholding(%)		Method of ownership
				Direct	Indirect	
Hangzhou Shibao Auto Steering Gear Co., Ltd.	Zhejiang Hangzhou/PRC	Zhejiang Hangzhou/PRC	Manufacturing	100.00		Establishment
Hangzhou New Shibao Electric Power Steering Co., Ltd.	Zhejiang Hangzhou/PRC	Zhejiang Hangzhou/PRC	Manufacturing	70.00		Establishment
Jilin Shibao Machinery Manufacturing Co., Ltd.	Jilin Siping/PRC	Jilin Siping/PRC	Manufacturing	100.00		Establishment
Siping Steering Gear Co., Ltd.	Jilin Siping/PRC	Jilin Siping/PRC	Manufacturing	100.00		Establishment
Beijing Autonics Technology Co., Ltd.	Beijing/PRC	Beijing/PRC	Manufacturing	70.00		Business combination not under common control
Wuhu Sterling Steering System Co., Ltd.	Anhui Wuhu/PRC	Anhui Wuhu/PRC	Manufacturing	57.89		Business combination not under common control
Erdos Sterling Steering System Co., Ltd.	Inner Mongolia/PRC	Inner Mongolia/PRC	Manufacturing		57.89	Business combination not under common control

#### 2. Significant non-wholly owned subsidiaries

Name of subsidiary	Percentage of shareholding of minority shareholders	Profit/loss contributed to minority shareholders of the current period	Declared dividends distribution to minority shareholders of the current period	Balance of minority shareholders' equity at the end of the period
Hangzhou New Shibao Electric Power Steering Co., Ltd.	30.00	(4,608,995.33)		3,005,465.30
Beijing Autonics Technology Co., Ltd.	30.00	(764,446.92)		1,579,876.08
Wuhu Sterling Steering System Co., Ltd.	42.11	(1,772,958.50)		16,897,670.21
Siping Steering Gear Co., Ltd.(Note)		250,000.00		

(Note) : According to the Shareholding Transfer Agreement entered into between the Company and PROMISED LAND VENTURES LLC, the Company purchased 25% equity interest of Siping Steering, a subsidiary of PROMISED LAND VENTURES LLC at a consideration of RMB5 million.

#### 3. Major financial information of significant non-wholly owned subsidiaries

##### (1) Assets and liabilities

Name of subsidiary	As at the end of the period						As at the beginning of the period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou New Shibao Electric Power Steering Co., Ltd.	85,951,128.16	61,969,391.88	147,920,520.04	135,757,614.87	2,144,687.50	137,902,302.37	48,886,423.84	68,939,198.36	117,825,622.20	91,242,315.94	1,201,770.83	92,444,086.77
Beijing Autonics Technology Co., Ltd.	25,483,031.73	40,317,148.42	65,800,180.15	59,412,468.22	1,121,458.35	60,533,926.57	14,227,823.36	11,019,641.62	25,247,464.98	17,945,721.55	1,313,708.34	19,259,429.89
Wuhu Sterling Steering System Co., Ltd.	90,596,447.20	63,195,540.89	153,791,988.09	108,564,811.42	5,099,724.25	113,664,535.67	64,317,511.23	80,913,375.84	145,230,887.07	93,102,658.93	7,790,472.95	100,893,131.88

# NOTES TO THE FINANCIAL STATEMENTS

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## 6. OWNER'S EQUITY IN OTHER ENTITIES (continued)

### (1) Owner's equity in significant subsidiaries (continued)

#### 3. Major financial information of significant non-wholly owned subsidiaries (continued)

##### (2) Profit/loss and cash flows

Name of subsidiary	Balance for the current period				Balance for the corresponding period last year			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Hangzhou New Shibao Electric Power Steering Co., Ltd.	47,602,244.51	(15,363,317.76)	(15,363,317.76)	(891,712.23)	30,651,247.35	(12,019,986.93)	(12,019,986.93)	2,570,704.57
Beijing Autonics Technology Co., Ltd.	19,180,837.70	(721,781.51)	(721,781.51)	15,151,016.14	7,554,774.50	(807,796.82)	(807,796.82)	4,576,999.42
Wuhu Sterling Steering System Co., Ltd.	112,100,553.02	(4,210,302.77)	(4,210,302.77)	3,029,320.51	68,326,298.10	(283,924.01)	(283,924.01)	8,628,860.88

### (2) Transaction where the share of equity interest in the subsidiary by its owner has changed but control retained over the subsidiary

#### 1. Description on changes in the share of equity interests in the subsidiary by its owner

Name of the subsidiary	Date of change	Shareholding percentage prior to the change	Shareholding percentage after the change
Siping Steering Gear Co., Ltd.	June 2014	75.00%	100.00%

#### 2. Effects of transaction on interests of minority shareholders and the interests attributed to ownership equity of the parent company

Item	Siping Steering
Purchase cost	5,000,000.00
Cash	5,000,000.00
Total purchase cost	5,000,000.00
Less: share of net assets of the subsidiary calculated according to the acquired shareholding percentage	2,750,000.00
Difference	2,250,000.00
Including: adjustment on capital reserve	2,250,000.00

# NOTES TO THE FINANCIAL STATEMENTS

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## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### (1) Details of financial instruments

Item	Balance at the end of the period	Balance at the beginning of the period
Financial assets	1,205,213,203.09	468,004,359.68
Including: Cash on hand and at bank	760,413,906.65	66,950,127.71
Notes receivable	110,001,880.87	107,726,195.93
Accounts receivable	328,448,994.53	278,671,401.35
Other receivables	6,348,421.04	14,656,634.69
Financial liabilities	599,371,984.38	482,557,553.72
Including: Bank borrowings	278,960,000.00	250,630,400.00
Notes payable	65,791,655.53	39,542,300.00
Accounts payable	237,195,243.19	182,042,731.52
Employee benefits payable	13,657,975.74	6,935,081.29
Interests payable	1,538,256.74	1,508,401.59
Other payables	2,228,853.18	1,898,639.32

With an objective of achieving a balance between risk and revenue through risk management, the Company minimizes the negative impact of risk to its operating results in order to maximize the interest of its Shareholders and other equity investors. According to the objective set for risk management, the basic strategies of the Company's risk management includes an identification and analysis of the Company's exposures to risk, establishment of an appropriate tolerance thresholds and operation of risk management. In addition, the Company supervises various risks on a timely and reliable manner in order to manage and monitor the exposures to ensure they are confined in a controlled scope.

During the daily operation, the main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. Management reviews and agrees policies for managing each of these risks and they are summarized below.

### (2) Credit risk

Credit risk is the risk of financial losses arising from default of the counterparty.

Credit risk of the Company mainly relates to receivables. The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, accounts receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant.

Since the Company trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. As at 31 December 2014, the Group had specific concentration of credit risk as 51.07% (31 December 2013: 53.59%) of the Company's accounts receivable were due from the five largest customers. The Group does not hold any collateral or other credit enhancements over the balance of receivables.

# NOTES TO THE FINANCIAL STATEMENTS

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## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### (2) Credit risk (continued)

The amounts of financial assets that are not past due or impaired, and the aging analysis of the financial assets that are past due but are not impaired are as follows:

Item	Neither past due nor impaired	Balance at the end of the period			Total	Neither past due nor impaired	Balance at the beginning of the period			Total
		Past due but not impaired					Past due but not impaired			
		Within 1 year	1-2 years	Over 2 years		Within 1 year	1-2 years	Over 2 years		
Cash on hand and at bank	760,413,906.65				760,413,906.65	66,950,127.71				66,950,127.71
Notes receivable	110,001,880.87				110,001,880.87	107,726,195.93				107,726,195.93
Accounts receivable	252,832,843.52	74,523,587.39	1,092,563.62		328,448,994.53	258,591,780.21	12,367,681.62	5,567,635.15	2,144,304.37	278,671,401.35
Other receivables	6,348,421.04				6,348,421.04	14,656,634.69				14,656,634.69
<b>Total</b>	<b>1,129,597,052.08</b>	<b>74,523,587.39</b>	<b>1,092,563.62</b>		<b>1,205,213,203.09</b>	<b>447,924,738.54</b>	<b>12,367,681.62</b>	<b>5,567,635.15</b>	<b>2,144,304.37</b>	<b>468,004,359.68</b>

### (3) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may arise when an entity is not able to sell financial assets at fair value in a timely manner; or the counterparties encounter difficulty in repaying contractual liabilities; or the entity could be required to pay its liabilities earlier than expected; or the entity could not obtain sufficient cash flow as expected.

For the purpose of controlling the risk, the Company sets its objective as maintaining a balance between continuity of funding and flexibility through the use of several financing methods such as notes settlement and bank borrowings, as well as optimizing financing structure through the combination of long and short-term financing. The Company has obtained banking facilities from several commercial banks to fund the working capital requirements and capital expenditure.

Management of the Company monitors the liquidity position of the Company on an ongoing basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Company's financial resources.

#### 1. Classification of financial assets based on the remaining maturity:

Item	Carrying value	Balance at the end of the period			Carrying value	Balance at the beginning of the period		
		Contractual undiscounted amount				Contractual undiscounted amount		
		Within 1 year	1-3 years	Over 3 years	Within 1 year	1-3 years	Over 3 years	
Cash on hand and at bank	760,413,906.65	760,413,906.65	760,413,906.65		66,950,127.71	66,950,127.71	66,950,127.71	
Notes receivable	110,001,880.87	110,001,880.87	110,001,880.87		107,726,195.93	107,726,195.93	107,726,195.93	
Accounts receivable	328,448,994.53	328,448,994.53	328,448,994.53		278,671,401.35	278,671,401.35	278,671,401.35	
Other receivables	6,348,421.04	6,348,421.04	6,348,421.04		14,656,634.69	14,656,634.69	14,656,634.69	
<b>Total</b>	<b>1,205,213,203.09</b>	<b>1,205,213,203.09</b>	<b>1,205,213,203.09</b>		<b>468,004,359.68</b>	<b>468,004,359.68</b>	<b>468,004,359.68</b>	

# NOTES TO THE FINANCIAL STATEMENTS

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## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### (3) Liquidity risk (continued)

#### 2. Classification of financial liabilities based on the remaining maturity:

Item	Balance at the end of the period					Balance at the beginning of the period				
	Carrying value	Contractual undiscounted amount	Within 1 year	1-3 years	Over 3 years	Carrying value	Contractual undiscounted amount	Within 1 year	1-3 years	Over 3 years
Bank borrowings	278,960,000.00	288,559,094.11	286,203,094.11	627,000.00	1,729,000.00	250,630,400.00	261,860,312.93	258,039,812.93		3,820,500.00
Notes payable	65,791,655.53	65,791,655.53	65,791,655.53			39,542,300.00	39,542,300.00	39,542,300.00		
Accounts payable	237,195,243.19	237,195,243.19	237,195,243.19			182,042,731.52	182,042,731.52	182,042,731.52		
Employee benefits payable	13,657,975.74	13,657,975.74	13,657,975.74			6,935,081.29	6,935,081.29	6,935,081.29		
Interest payable	1,538,256.74	1,538,256.74	1,538,256.74			1,508,401.59	1,508,401.59	1,508,401.59		
Other payables	2,228,853.18	2,228,853.18	2,228,853.18			1,898,639.32	1,898,639.32	1,898,639.32		
Total	599,371,984.38	608,971,078.49	606,615,078.49	627,000.00	1,729,000.00	482,557,553.72	493,787,466.65	489,966,966.65		3,820,500.00

### (4) Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

#### 1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to interest rate risk for changes in interest rates relates primarily to the long-term interest-bearing borrowings with floating interest rates.

As at 31 December 2014, the bank borrowings of the Company with floating interest rates were RMB20,000,000.00 (31 December 2013: RMB61,000,000.00), and a reasonable and possible 50% base point change in interest rates, with all other variables held constant, will not have any significant impact on total profit and shareholders' equity of the Company.

#### 2. Foreign exchange risk

Foreign exchange risk is a risk caused by changes in exchange rates. The Company operates in Mainland China, and transactions of its main operation are presented in RMB. Therefore, the Company's exposure to foreign exchange risk is not significant.

# NOTES TO THE FINANCIAL STATEMENTS

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## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### (5) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern, provide returns to shareholders and benefits to other stakeholders, while maintaining the optimal capital structure to reduce the cost of capital.

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

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. As at 31 December 2014, the Company's gearing ratio was -47.42% (2013: 19.85%). The calculation is described as follow:

Item	Balance at the end of the period	Balance at the beginning of the period
Total borrowings	278,960,000.00	250,630,400.00
Less: Cash and cash equivalents	742,857,761.48	58,609,424.36
Net debt	(463,897,761.48)	192,020,975.64
Equity	1,442,111,077.73	775,432,518.18
Total capital	978,213,316.25	967,453,493.82
Gearing ratio	(47.42%)	19.85%

## 8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) Related parties

#### 1. Parent company

##### (1) Parent company

Name of parent company	Relationship	Corporate type	Place of registration	Corporate representative	Nature of business
Shibao Holding	The largest shareholder	Limited liability	Zhejiang Yiwu	Zhang Shi Zhong	Industrial investment

Name of parent company	Place of registration	Nature of business	Registered capital (RMB0,000)	Shareholding % in the Company	Voting % in the Company
Shibao Holding	Zhejiang Yiwu	Industrial investment	5,000.00	52.36	52.36

(2) The ultimate shareholder of the Company is Mr. Zhang Shi Quan and his family members Mr. Zhang Bao Yi, Mr. Tang Hao Han, Ms. Zhang Lan Jun and Mr. Zhang Shi Zhong.

2. Details of the Company's subsidiaries are listed in owner's equity in other entities of the notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

### (2) Related parties transactions

#### 1. Guarantee with related parties

##### (1) Particulars

The Company and its subsidiaries as the secured parties

Guarantor	Guaranteed amount (RMB0,000)	Commencement date of the guarantee	Expiry date of the guarantee	Guarantee fully fulfilled	Remarks
Zhang Shi Quan	7,400.00	2014.03.06 – 2014.11.28	2015.02.06 – 2015.11.24	No	Borrowings
Shibao Holding, Zhang Shi Quan, Zhang Shi Zhong	2,000.00	2014.08.08	2015.08.05	No	Borrowings
Shibao Holding, Zhang Shi Quan, Zhang Shi Zhong (Note)	4,000.00	2014.10.02 – 2014.12.18	2015.09.18 – 2015.12.15	No	Borrowings
Shibao Holding, Zhang Shi Quan, Zhang Shi Zhong	371.00	2014.07.24 – 2014.11.26	2015.01.24 – 2015.05.26	No	Notes
Shibao Holding	7,500.00	2014.12.04 – 2014.11.20	2015.03.22 – 2015.12.04	No	Borrowings
Shibao Holding	2,000.00	2014.02.26	2015.02.25	No	Borrowings
Shibao Holding	3,313.17	2014.07.29 – 2014.11.04	2015.01.29 – 2015.05.04	No	Notes

(Note): Guarantee is secured by Yiwu City He Feng Automotive Spareparts Co., Ltd. (義烏市和豐汽車配件有限公司) and individuals of Lei Wei Zhu (雷衛珠) · Wang Zheng Xiao (王正校).

### (3) Receivable and payable with related parties

Item	Related party	Balance at the end of the period	Balance at the beginning of the period
Notes payable	Zhejiang Shibao (Note 1)	17,109,600.00	4,550,000.00
	Hangzhou Shibao (Note 1)	5,324,022.04	3,159,286.84
	Jilin Shibao (Note 1)	2,500,000.00	2,400,000.00
	Hangzhou New Shibao (note 1)	790,000.00	200,000.00
Accounts payable	Hangzhou Shibao (Note 2)	27,500,000.00	
Total		53,223,622.04	10,309,286.84

(Note 1): Notes payable are banker's acceptances issued by the controlling subsidiaries Hangzhou Shibao, Hangzhou New Shibao, Siping Steering and Wuhu Sterling. Zhejiang Shibao, Hangzhou Shibao, Jilin Shibao and Hangzhou New Shibao, after received such banker's acceptances, have been endorsed to other parties.

(Note 2): Accounts payable is domestic letter of credit issued by the controlling subsidiaries Hangzhou New Shibao. Hangzhou Shibao, after received such domestic letter of credit, has been discounted.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

### (4) Remuneration/fee of key management

#### 1. Breakdown

Item	Balance for the current period	Balance for the corresponding period last year
Directors and Supervisors	2,404,292.52	2,109,939.25
Other key management	428,216.96	405,640.00
Total	2,832,509.48	2,515,579.25

#### 2. Independent non-executive Directors

Name	Balance for the current period	Balance for the corresponding period last year
Chau Kam Wing, Donald	127,275.12	120,000.00
Zhao Chun Zhi	30,000.00	30,000.00
Zhang Hong Zhi	30,000.00	30,000.00
Li Zi Biao	12,500.00	30,000.00
Guo Kong Hui	25,000.05	
Total	224,775.17	210,000.00

#### 3. Executive Directors, Non-executive Directors and Chief Executive

Name	Balance for the current period			Balance for the corresponding period last year		
	Salaries, bonus, allowances and subsidies	Social insurance	Total	Salaries, bonus, allowances and subsidies	Social insurance	Total
Zhang Shi Quan	400,000.00		400,000.00	400,000.00		400,000.00
Tang Hao Han	300,000.00	10,800.00	310,800.00	300,000.00	11,400.00	311,400.00
Zhang Bao Yi	492,000.04	18,480.00	510,480.04	300,000.00	12,859.20	312,859.20
Zhu Jie Rong	180,000.00		180,000.00	180,000.00		180,000.00
Zhang Lan Jun	322,000.12	16,507.71	338,507.83	222,000.00	15,757.37	237,757.37
Zhang Shi Zhong	96,000.00	15,002.40	111,002.40	96,000.00	12,859.20	108,859.20
Lou Run Zheng	30,000.00		30,000.00	30,000.00		30,000.00
Total	1,820,000.16	60,790.11	1,880,790.27	1,528,000.00	52,875.77	1,580,875.77

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

### (4) Remuneration/fee of key management (continued)

#### 4. Supervisors

Name	Balance for the current period			Balance for the corresponding period last year		
	Salaries, bonus, allowances and subsidies	Social insurance	Total	Salaries, bonus, allowances and subsidies	Social insurance	Total
Wu Lang Ping	98,599.88	11,827.20	110,427.08	111,819.88	11,289.60	123,109.48
Du Min	104,700.00		104,700.00	117,000.00		117,000.00
Sheng Song Sheng	35,600.00		35,600.00	30,954.00		30,954.00
Yang Di Shan	24,000.00		24,000.00	24,000.00		24,000.00
Wang Kui Quan	24,000.00		24,000.00	24,000.00		24,000.00
Total	286,899.88	11,827.20	298,727.08	307,773.88	11,289.60	319,063.48

#### 5. Remuneration of five highest paid employees

During the year, the five highest paid employees include four (2013: four) Directors and details of their remunerations are set out in note 8.(4)3 to the financial statements. The remuneration of the remaining one (2013: one) employee who is not a director is as follows:

Item	Balance for the current period	Balance for the corresponding period last year
Salaries, allowances and non-cash benefits contribution to pension scheme	557,085.80	528,085.80
Total	557,085.80	528,085.80

## 9. COMMITMENTS

### (1) Lease arrangement

According to the lease contract signed with lessor, the group had the minimum lease payments under non-cancellable operating leases as follows:

Item	Balance at the end of the period	Balance at the beginning of the period
Within 1 year	702,999.54	192,546.00
1-2 years	170,349.89	192,546.00
Total	873,349.43	385,092.00

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 9. COMMITMENTS (continued)

### (2) Major commitments

Item	Balance at the end of the period	Balance at the beginning of the period
Material contracts in relation to acquisition of assets contracted but not recognized	20,881,027.21	46,551,479.10

- (3) During the current period, the controlling subsidiary Hangzhou Shibao issued letter of credit at Citic Bank Hangzhou Economic and Technological Development Area Branch. As at 31 December 2014, amount of unsettled letter of credit was EURO 261,000.

## 10. POST BALANCE SHEET DATE EVENTS

- (1) According to the Proposals on Using Part Of Idle Funds to Temporarily Make up for the Current Funds which was reviewed and passed in the 21st meeting of the fourth Board of the Company held on 31 December, 2014, the Company agreed to use Idle Raised Funds totaling RMB65 million to temporarily make up for the current funds. The period for the use is twelve months from the date of approval by the Board. The Company used part of idle funds to make up for current funds solely used for production and operation related to its main businesses. The Company should not directly or indirectly use them for the placement of new shares, subscription, or transaction of equities and their derivatives and convertible corporate bonds. No risk investments should be performed during the period. As at 8 January, 2015 and 21 January, 2015, the idle funds of the Company which were transferred from the raised funds were RMB35 million and RMB30 million respectively and those funds were used to temporarily make up for the current funds.
- (2) According to the Proposals on Replacing self-raised Funds for bidding projects with raised funds which was reviewed and passed in the 22nd meeting of the fourth Board of the Company held on 6 February, 2015, the Company used raised funds totaling RMB37.037 million, RMB5.9947 million, RMB891,900 and RMB5.8471 million to replace the self-raised funds for bidding investment projects of "Production Expansion Project of Automotive Liquid Power Steering", "Processing and manufacturing Project of Automobile Parts and Components", "Project of R&D, Testing of Pre-manufacturing Centers of Automobile steering system" and "Investment and manufacturing projects on Industrialization of Powered EPS components and other series with an annual capacity of 2.1 million parts (sets)" respectively.
- (3) **Distribution of profit for 2014**  
At the 24th Board meeting of the 4th Term Board held on 27 March 2015, a Board resolution has been passed to recommend the payment of a final cash dividend of RMB0.10 per share (inclusive of applicable tax) for the year ended 31 December 2014 ("Final Dividend"), with a total amount of dividend RMB31,585,785.50. The distribution proposal is subject to consideration and approval at the general meeting of the Company and will be recognized as a liability after the approval at the general meeting of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

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## 11. OTHER IMPORTANT MATTERS

### (1) Segmented Reporting

#### 1. Operating segment

As the operations and assets of both the Company and its subsidiaries are related to automotive steering system and components and are mainly located in Mainland China where 87.12% of the revenue was generated from domestic sales, no detailed segment information is required to be disclosed.

#### 2 Information about major customers

- (1) Information on customers from whom the revenue individually accounted for 10% or more of the total revenue of the Company in 2014 is as follows:

Name of customer	Revenue	Proportion to total revenue of the Company(%)
FAW Car Co., Ltd. (一汽轎車股份有限公司)	172,122,586.95	21.22
SAZEH GOSTAR SAIPA CO.	104,505,747.29	12.88
Anhui Jianghuai Automobile Co., Ltd. (安徽江淮汽車股份有限公司)	83,563,479.25	10.30

- (2) Information on customers from whom the revenue individually accounted for 10% or more of the total revenue of the Company in 2013 is as follows:

Name of customer	Revenue	Proportion to total revenue of the Company(%)
FAW Car Co., Ltd. (一汽轎車股份有限公司)	150,757,743.63	22.35
Anhui Jianghuai Automobile Co., Ltd. (安徽江淮汽車股份有限公司)	80,692,932.98	11.96
SAZEH GOSTAR SAIPA CO.	71,355,292.68	10.58

### (2) Other financial information

Item	Balance at the end of the period		Balance at the beginning of the period	
	Consolidated	The Parent	Consolidated	The Parent
Net current assets	805,236,386.64	466,121,371.31	184,010,834.07	211,701,322.63
Total assets less current liabilities	<u>1,480,182,556.36</u>	<u>1,076,062,016.02</u>	<u>813,459,928.13</u>	<u>408,730,648.76</u>

- (3) As at the date of the approval of this financial report, both the Company and its subsidiaries have not completed the procedures for the settlement of the Enterprise Income Tax for 2014.

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 12. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### (1) Notes to the Balance Sheet of the Parent Company

#### 1. Accounts receivable

##### (1) Breakdown

##### 1) Breakdown by types

Types	Balance at the end of the period				Book value
	Carrying amount		Provision for bad debts		
	Amount	%	Amount	%	
Individually significant amount with bad debt provision on individual basis	49,337,894.17	99.41			49,337,894.17
Individually insignificant but significant based on credit risk characteristics	292,979.00	0.59	292,979.00	100.00	
Individually insignificant amount with bad debt provision on individual basis					
<b>Total</b>	<b>49,630,873.17</b>	<b>100.00</b>	<b>292,979.00</b>	<b>0.59</b>	<b>49,337,894.17</b>

Types	Balance at the beginning of the period				Book value
	Carrying amount		Provision for bad debts		
	Amount	%	Amount	%	
Individually significant amount with bad debt provision on individual basis	43,153,425.67	99.33			43,153,425.67
Individually insignificant but significant based on credit risk characteristics	292,979.00	0.67	292,979.00	100.00	
Individually insignificant amount with bad debt provision on individual basis					
<b>Total</b>	<b>43,446,404.67</b>	<b>100.00</b>	<b>292,979.00</b>	<b>0.67</b>	<b>43,153,425.67</b>

##### 2) 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	Proportion (%)		Amount	Proportion (%)	
Within 1 year	29,964,468.47	60.37		31,011,870.87	71.38	
1-2 years	19,373,425.70	39.04		12,141,554.80	27.95	
2-3 years						
Over 3 years	292,979.00	0.59	292,979.00	292,979.00	0.67	
<b>Sub-total</b>	<b>49,630,873.17</b>	<b>100.00</b>	<b>292,979.00</b>	<b>43,446,404.67</b>	<b>100.00</b>	

##### 3) Individually significant amount with bad debt provision on individual basis

Description	Carrying amount	Provision for bad debt	Provision(%)	Reason for provision
Receivables of sales payment from Wuhu Sterling	49,337,894.17			Individual impairment test showed no risk was expected of balance recover
<b>Sub-total</b>	<b>49,337,894.17</b>			

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 12. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

### (1) Notes to the Balance Sheet of the Parent Company (continued)

#### 1. Accounts receivable (continued)

##### (1) Breakdown (continued)

##### 4) Provision for bad debt by groups

Group	Carrying amount	Provision (%)	Provision for bad debts
Individually insignificant but significant based on credit risk characteristics	292,979.00	100.00	292,979.00
Sub-total	292,979.00	100.00	292,979.00

##### (2) Bad debts provision provided, recovered or reversed during the period

There are no bad debts provision made, recovered or reversed during the period.

##### (3) Receivables from products actually sold during the period

There are no receivables from products actually sold during the period.

##### (4) The five largest accounts receivable

Name	Carrying amount	Percentage of total accounts receivable(%)	Provision for bad debts
Wuhu Sterling	49,337,894.17	99.41	
Ganzhou Jiang Huan Automobile Manufacturing Co., Ltd. (贛州江環汽車製造有限公司)	125,000.00	0.25	125,000.00
Hubei San Huan Special Vehicle Co., Ltd. (湖北三環專用汽車有限公司)	43,400.00	0.09	43,400.00
Dongfeng Motor Transmission Shaft Co., Ltd. Shiyan Sub- company (東風汽車傳動軸有限公司十堰分公司)	36,000.00	0.07	36,000.00
Luoyang Biao Ma Vehicle Co., Ltd. (洛陽彪馬車輛有限公司)	32,770.00	0.07	32,770.00
Sub-total	49,575,064.17	99.89	237,170.00

# NOTES TO THE FINANCIAL STATEMENTS

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## 12. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

### (1) Notes to the Balance Sheet of the Parent Company (continued)

#### 2. Other receivables

##### (1) Breakdown

##### 1) Breakdown by types

Types	Balance at the end of the period				
	Carrying amount		Provision for bad debts		Book value
	Amount	%	Amount	%	
Individually significant amount with bad debt provision on individual basis	270,921,411.29	99.79			270,921,411.29
Individually insignificant but significant based on credit risk characteristics	64,504.42	0.02			64,504.42
Individually insignificant amount with bad debt provision on individual basis	502,456.85	0.19			502,456.85
<b>Total</b>	<b>271,488,372.56</b>	<b>100.00</b>			<b>271,488,372.56</b>

Types	Balance at the beginning of the period				
	Carrying amount		Provision for bad debts		Book value
	Amount	%	Amount	%	
Individually significant amount with bad debt provision on individual basis	240,864,853.01	99.89			240,864,853.01
Individually insignificant but significant based on credit risk characteristics	54,504.42	0.02			54,504.42
Individually insignificant amount with bad debt provision on individual basis	205,873.37	0.09			205,873.37
<b>Total</b>	<b>241,125,230.80</b>	<b>100.00</b>			<b>241,125,230.80</b>

##### 2) The aging analysis of other receivables 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	Proportion (%)		Amount	Proportion (%)	
Within 1 year	59,477,384.23	21.91		69,900,626.85	28.99	
1-2 years	53,966,483.91	19.88		101,229,156.73	41.98	
2-3 years	88,049,057.20	32.43		17,700,000.00	7.34	
Over 3 years	69,995,447.22	25.78		52,295,447.22	21.69	
<b>Sub-total</b>	<b>271,488,372.56</b>	<b>100.00</b>		<b>241,125,230.80</b>	<b>100.00</b>	

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 12. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

### (1) Notes to the Balance Sheet of the Parent Company (continued)

#### 2. Other receivables (continued)

##### (1) Breakdown (continued)

##### 3) Individually significant amount with bad debt provision on individual basis

Description	Carrying amount	Provision for bad debt	Provision(%)	Reason for provision
Receivables of sales payment from Jilin Shibao and others	270,921,411.29			Individual impairment test showed no risk was expected of balance recover
Sub-total	270,921,411.29			

##### 4) Provision for bad debt by groups

Group	Carrying amount	Provision (%)	Provision for bad debts
Individually insignificant but significant based on credit risk characteristics	64,504.42		
Sub-total	64,504.42		

##### 5) Individually insignificant amount with bad debt provision on individual basis

Description	Carrying amount	Provision for bad debt	Provision(%)	Reason for provision
Other receivables of individual imprest and others	502,456.85			Individual impairment test showed no risk was expected of balance recover
Sub-total	502,456.85			

##### (2) Bad debts provision made, recovered or reversed during the period

There are no bad debts provision made, recovered or reversed during the period.

##### (3) Classification by nature of other receivables

Nature of the receivables	Balance at the end of the period	Balance at the beginning of the period
Current accounts	270,921,411.29	240,864,853.01
Security deposits	197,059.00	10,000.00
Imprest	89,114.61	80,867.21
Others	280,787.66	169,510.58
Sub-total	271,488,372.56	241,125,230.80

# NOTES TO THE FINANCIAL STATEMENTS

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## 12. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

### (1) Notes to the Balance Sheet of the Parent Company (continued)

#### 2. Other receivables (continued)

##### (4) The five largest other receivables

Name	Nature of the receivables	Carrying amount	Age	Percentage to the balance of other receivables(%)	Provision for bad debts
Jilin Shibao	Current account	112,290,000.00	Within 1 year, 1-2 years, 2-3 years, Over 3 years	41.36	
Hangzhou New Shibao	Current account	77,348,366.67	Within 1 year, 1-2 years, 2-3 years, Over 3 years	28.49	
Beijing Autonics	Current account	51,900,000.00	1-2 years, 2-3 years, Over 3 years	19.12	
Siping Steering	Current account	29,383,044.62	Within 1 year, 1-2 years	10.82	
Yiwu City Housing and Urban&County Construction Bureau (義烏市住房和城鄉建設局)	Deposit	187,059.00	Within 1 year	0.07	
Sub-total		271,108,470.29		99.86	

#### 3. Long-term equity investments

##### (1) Breakdown

Item	Balance at the end of the period			Balance at the beginning of the period		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investments in subsidiaries	182,159,214.87		182,159,214.87	177,159,214.87		177,159,214.87
Total	182,159,214.87		182,159,214.87	177,159,214.87		177,159,214.87

##### (2) Investment in subsidiaries

Investees	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Provision for impairment during the period	Provision for impairment at the end of the period
	Hangzhou Shibao	70,461,807.49			70,461,807.49	
Hangzhou New Shibao	42,000,000.00			42,000,000.00		
Siping Steering	8,250,000.00	5,000,000.00		13,250,000.00		
Jilin Shibao	30,000,000.00			30,000,000.00		
Beijing Autonics	7,000,000.00			7,000,000.00		
Wuhu Sterling	19,447,407.38			19,447,407.38		
Sub-total	177,159,214.87	5,000,000.00		182,159,214.87		

##### (3) Investment in non-public listed companies and public listed companies

Item	Balance at the end of the period	Balance at the beginning of the period
Investment in non-public listed companies	182,159,214.87	177,159,214.87
Total	182,159,214.87	177,159,214.87

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 12. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

### (2) Notes to the Income Statement of the Parent Company

#### 1. 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	40,264,367.47	27,022,252.30	38,947,292.58	27,446,698.02
Revenue from other business	293,037.18	251,983.66	135,431.84	135,431.84
Total	<u>40,557,404.65</u>	<u>27,274,235.96</u>	<u>39,082,724.42</u>	<u>27,582,129.86</u>

#### 2. Investment gains

##### (1) Breakdown

Item	Balance for the current period	Balance for the corresponding period last year
Investment gains from long-term equity investments under cost method of accounting	30,000,000.00	25,000,000.00
Investment gains from long-term equity investments under equity method of accounting		71,200.19
Total	<u>30,000,000.00</u>	<u>25,071,200.19</u>

##### (2) Investment gains from long-term equity investments under cost method of accounting

Investee	Balance for the current period	Balance for the corresponding period last year	Reasons of increase/decrease as compared with the previous period
Hangzhou Shibao	25,000,000.00	20,000,000.00	Increase of dividends distribution of the investee
Siping Steering	<u>5,000,000.00</u>	<u>5,000,000.00</u>	
Sub-total	<u>30,000,000.00</u>	<u>25,000,000.00</u>	

##### (3) Investment gains from long-term equity investments under equity method of accounting

Investee	Balance for the current period	Balance for the corresponding period last year	Reasons of increase/decrease as compared with the previous period
Wuhu Sterling		71,200.19	The investee has been consolidated in the Company's financial statements from May 2013
Sub-total		<u>71,200.19</u>	

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 12. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

### (2) Notes to the Income Statement of the Parent Company (continued)

#### 2. Investment gains (continued)

(4) Description of investment gains from non-public listed companies and public listed companies

Item	Balance for the current period	Balance for the corresponding period last year
Investment gains from non-public listed companies	30,000,000.00	25,071,200.19
Sub-total	30,000,000.00	25,071,200.19

(5) Description of major restriction on the remittance of investment gains

There was no major restriction on the remittance of investment gains by the Company.

### (3) Supplemental information on the statement of cash flows of the Parent Company

Supplemental information	Balance for the current period	Balance for the corresponding period last year
1) Net profit adjusted to cash flows in relation to operating activities:		
Net profit	31,381,118.62	25,823,195.92
Add: Provision for impairment to assets		(94,702.91)
Depreciation of fixed assets, oil and gas assets and production	1,162,956.18	1,075,702.66
Amortization of intangible assets	850,749.47	199,483.64
Amortization of long-term deferred expenses		
Gains on disposal of fixed assets, intangible assets and other long-term assets		(10,426.15)
Losses on write-off of fixed assets		
Losses on changes of fair value		
Finance expenses	7,558,964.13	4,413,360.47
Investment gains	(30,000,000.00)	(25,071,200.19)
Decrease in deferred income tax assets		23,675.73
Increase in deferred income tax liabilities		
Increase in inventories	(3,253,622.32)	(1,951,617.34)
Increase in operational receivables	(55,603,480.55)	(24,819,492.50)
Increase/(decrease) in operational payables	16,188,314.72	(1,477,900.83)
Others		
Net cash flows from operating activities	(31,714,999.75)	(21,889,921.50)
2) Significant investment and financing activities not related to cash receipts and payments:		
Debt transfer to capital		
Convertible company bonds due within one year		
Fixed assets under financing lease		
3) Net change in cash and cash equivalents:		
Cash at the end of the period	310,902,858.93	10,360,957.46
Less: Cash at the beginning of the period	10,360,957.46	31,336,987.85
Add: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	300,541,901.47	(20,976,030.39)

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 13. OTHER IMPORTANT MATTERS

### (1) Non-recurring gain and loss

Item	Amount	Description
Gain or loss on disposal of non-current assets, inclusive of provision for assets impairment write-off	(5,142,231.89)	
Unauthorised approvals or items without duly approved documents, or occasional tax rebate or tax credits		
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	8,377,972.04	
Fees for usage of funds received from non-financial enterprises recognized in profits and losses during the current period		
Investment costs paid by the investor in acquiring the subsidiaries, associates and joint ventures less the gain derived from the fair value of the investee's identifiable net assets at the time of investment		
Profit and loss from exchange of non-monetary assets		
Gains or losses from discretionary investment or asset management		
Impairment provisions for assets due to force majeure factors such as natural disasters		
Gains or losses from debt restructuring		
Corporate restructuring fees such as staff resettlement expenses, consolidation charges, etc.		
Gains or losses arising from transactions at unfair trading prices over their fair value		
Net gains or losses from the subsidiary formed by merging jointly controlled enterprises from the beginning of the reporting period to the date of merger attributable to the current period		
Gains or losses from contingency items unrelated to the normal business operations of the Company		
Change in gains or losses generated from held for trading financial assets, change in fair value generated from trading financial liabilities, investment gains from disposal of trading financial assets and trading financial liabilities and financial assets available for sale, other than effective hedging activities associated with normal business operations of the Company		
Reversal of impairment provisions for receivables subject to individual impairment test	73,287.57	
Gains or losses from external entrusted loans		
Gains or losses from changes in fair value of investment properties adopting fair value method for follow-up measurements		
Effect on gains and losses for the current period from one-off adjustment to gains and losses for the period according to the requirements of the tax and accounting laws and regulations		
Discretionary fee income received from discretionary operations		
Other non-operating income and expenses apart from those stated above	119,529.45	
Other gains and losses items conforming with the definition of non-recurring gains or losses		
Sub-total	3,428,557.17	
Less: Effect on enterprise income tax (reduction in income tax)	(388,703.11)	
Effect on interest of minority shareholders (after tax)	(381,647.14)	
Items of non-recurring gains or losses attributable to equity holders of the parent	4,198,907.42	

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 13. OTHER IMPORTANT MATTERS (continued)

### (2) Return on net assets and earnings per share

#### 1. Details

Profit during the period	Weighted average return on net assets ratio %	Earnings per share (RMB/share)	
		Basic	Diluted
Net profit attributable to the holders of the Company's ordinary shares	5.75	0.16	0.16
Net profit, after deduction of non-recurring gain and loss, attributable to the holders of the Company's ordinary shares	5.19	0.14	0.14

#### 2. Calculation of weighted average return on net assets ratio

Item	No.	Balance for the current period
Net profit attributable to ordinary shareholders of the Company	A	43,374,711.66
Non-recurring gain and loss	B	4,198,907.42
Net profit net of non-recurring gain and loss attributable to ordinary shareholders of the Company	C=A-B	39,175,804.24
Net assets at the beginning of the period attributable to ordinary shareholders of the Company	D	743,553,105.84
Additions to net assets as a result of an issue of shares, conversion of loans, etc. attributable to ordinary shareholders of the Company	E	658,162,877.04
Number of months from the month after increase in assets to end of reporting period	F	
Decrease in net assets net of repurchase, bonus, etc. attributable to ordinary shareholders of the Company	G	22,212,628.40
Number of months from the month after decrease in assets to end of reporting period	H	5.00
Others		
Reclassification adjustment for net profit of loss included in other consolidated income	I1	2,250,000.00
Number of months from the month after change in assets to end of reporting period	J1	6.00
Net gain (loss) from financial assets available for sale	I2	
Number of months from the month after change in assets to end of reporting period	J2	
Foreign currency translation differences for financial statements	I3	
Number of months from the month after change in assets to end of reporting period	J3	
Number of months during the reporting period	K	12.00
	$L=D+A/2+E \times F/K-G \times H/$	
Weighted average net assets	$K \pm I \times J/K$	754,860,199.84
Weighted average return on net assets ratio	$M=A/L$	5.75%
Weighted average return on net assets ratio, after deduction of non-recurring gain and loss	$N=C/L$	5.19%

# NOTES TO THE FINANCIAL STATEMENTS

2014 Year | RMB Yuan | (English Translation for Reference Only)

## 13. OTHER IMPORTANT MATTERS (continued)

### (2) Return on net assets and earnings per share (continued)

#### 3. Calculations of basic and diluted earnings per share

##### (1) *Calculations of basic earnings per share*

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

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

### (3) Differences in preparation of financial statements between domestic and overseas accounting standards

The financial statements of the Company were prepared in accordance with Accounting Standards of Business Enterprises. In 2011, according to "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" issued by the Hong Kong Stock Exchange in December 2010, the Company decided to prepare the financial statements in accordance with Accounting Standards of Business Enterprises for information disclosure on the Hong Kong Stock Exchange.

Zhejiang Shibao Company Limited

27 March 2015

# GLOSSARY

“A Share(s)”	Ordinary share(s) with a nominal value of RMB1.00 each in the capital of the Company issued in China and listed on Shenzhen Stock Exchange, and are subscribed for and traded in RMB
“Anhui Changshan”	Anhui Changshan Auto Parts Manufacturing Co., Ltd., a subsidiary controlled by Shibao Holding
“Articles of Association”	Articles of association of the Company
“Audit Committee”	Audit committee of the Company
“BAIC Motor”	Beijing Automobile Group Company Limited
“Board”	Board of Directors of the Company
“Changan Mazda”	Changan Mazda Automobile Company Limited
“Chery Auto”	Chery Automobile Co., Ltd.
“Company or Zhejiang Shibao or Zhejiang Shibao Company”	Zhejiang Shibao Company Limited
“Corporate Governance Code or CG Code”	Corporate Governance Code and Corporate Governance Report, Appendix 14 to the Listing Rules of Hong Kong Stock Exchange
“CSRC”	China Securities Regulatory Committee
“Director(s)”	Director(s) of the Company
“Dongfeng Group”	Dongfeng Motor Company
“FAW Group”	FAW Group Corporation
“Group”	The Company and its subsidiaries

# GLOSSARY

“H Share(s)”	Ordinary share(s) with a nominal value of RMB1.00 each in the capital of the Company issued overseas and listed on Hong Kong Stock Exchange, and are subscribed for and traded in Hong Kong dollars
“Hangzhou New Shibao”	Hangzhou New Shibao Electric Power Steering Co., Ltd., a subsidiary controlled by the Company
“Hangzhou Shibao”	Hangzhou Shibao Auto Steering Gear Co., Ltd., a wholly-owned subsidiary of the Company
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“JAC”	Anhui Jianghuai Automobile Group Co., Ltd.
“Jilin Shibao”	Jilin Shibao Machinery Manufacturing Co., Ltd., a wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on Hong Kong Stock Exchange
“Mercedes-Benz Daimler”	Daimler AG, the largest commercial vehicle manufacturer, the second largest luxury car manufacture and the second largest truck manufacturer, consisting of four business divisions, i.e. Mercedes-Benz cars, Mercedes-Benz vans, Daimler heavy duty trucks and Daimler financial services
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange
“Mr. Zhang”	Mr. Zhang Shi Quan
“Nomination Committee”	Nomination committee of the Company
“PRC or China or Mainland China”	People’s Republic of China
“Remuneration Committee”	Remuneration committee of the Company
“RMB”	Renminbi
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGMW”	Shanghai General Motor Wuling Automobile Company Limited (SGMW) is a joint venture of Shanghai Automobile Group Company, General Motor (China) Investment Company Limited and Liuzhou Wuling Automobile Company Limited
“Shibao Holding or Zhejiang Shibao Holding or Ultimate Holding Company”	Zhejiang Shibao Holding Group Co., Ltd.
“Siping Steering”	Siping Steering Gear Co., Ltd., a wholly-owned subsidiary of the Company since 11 June 2014
“Supervisor(s)”	Supervisor(s) of the Company
“Supervisory Committee”	Supervisory committee of the Company