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Zhejiang Shibao Company Limited*

浙江世寶股份有限公司

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

(Stock Code: 1057)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	2017	2016	Change
	RMB	RMB	
Revenue	1,154,256,267.96	1,136,399,277.71	1.57%
Net profit attributable to shareholders of the listed company	32,656,134.48	63,487,549.38	-48.56%
Net profit after non-recurring gains and losses attributable to shareholders of the listed company	13,850,145.51	47,850,300.22	-71.06%
Net cash flow from operating activities	-38,102,398.05	92,021,041.83	-141.41%
Basic earnings per share (RMB/Share) (note)	0.0414	0.0804	-48.51%
Diluted earnings per share (RMB/Share) (note)	0.0414	0.0804	-48.51%
Weighted average return on net assets (%)	2.21%	4.35%	-2.14%
	31 December 2017	31 December 2016	Change
	RMB	RMB	
Total assets	2,104,424,460.90	2,074,741,559.47	1.43%
Net assets attributable to shareholders of the listed company	1,474,580,109.38	1,473,509,760.40	0.07%

Note : Basic and diluted earnings per share for last year were calculated based on the diluted share capital as at the end of the reporting period.

* For identification purpose only

AUDITED ANNUAL RESULTS

The board of directors (the “**Board**”) of Zhejiang Shibao Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2017 prepared pursuant to China Accounting Standards for Business Enterprises (“**CASBE**”), together with the comparative figures in 2016. The consolidated annual results for 2017 have been reviewed by the Company’s audit committee.

1) FINANCIAL STATEMENTS

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

CONSOLIDATED BALANCE SHEET

31 December 2017

Item	Note 4	31 December 2017	31 December 2016
Current assets:			
Cash on hand and at bank		184,342,739.55	145,160,290.11
Notes receivable		114,302,216.24	162,714,933.93
Accounts receivable	1	512,761,243.71	398,849,055.72
Prepayments		7,004,776.38	4,851,250.24
Other receivables		6,468,067.86	6,244,280.21
Inventories		279,634,663.89	244,998,559.78
Other current assets		139,737,784.36	316,808,874.28
Total current assets		1,244,251,491.99	1,279,627,244.27
Non-current assets:			
Fixed assets		592,681,978.24	599,101,741.36
Construction in progress		119,801,083.84	56,498,367.41
Intangible assets		97,344,007.19	105,682,338.89
Goodwill		4,694,482.34	4,694,482.34
Deferred income tax assets		3,302,768.13	4,238,146.41
Other non-current assets		42,348,649.17	24,899,238.79
Total non-current assets		860,172,968.91	795,114,315.20
Total assets		2,104,424,460.90	2,074,741,559.47

Item	Note 4	31 December 2017	31 December 2016
Current liabilities:			
Notes payable		105,976,263.36	118,716,837.78
Accounts payable	2	391,592,296.47	340,234,033.23
Receipts in advance		3,382,424.14	5,358,989.68
Staff cost payable		15,671,079.38	18,917,105.69
Tax payable		8,252,072.77	11,124,131.47
Interest payable		882,136.11	917,833.33
Other payables		4,682,867.66	5,329,991.89
Other current liabilities		23,955,021.97	26,010,383.35
Total current liabilities		554,394,161.86	526,609,306.42
Non-current liabilities:			
Long-term borrowings	3	11,080,000.00	9,630,000.00
Deferred income		46,477,939.98	40,390,847.99
Deferred income tax liabilities		3,456,833.99	4,243,897.76
Total non-current liabilities		61,014,773.97	54,264,745.75
Total liabilities		615,408,935.83	580,874,052.17
Equity:			
Share capital		789,644,637.00	315,857,855.00
Capital reserve		185,250,172.21	659,036,954.21
Surplus reserve		134,912,363.87	130,760,053.19
Retained earnings		364,772,936.30	367,854,898.00
Equity attributable to shareholders of the listed company		1,474,580,109.38	1,473,509,760.40
Minority interests		14,435,415.69	20,357,746.90
Total equity		1,489,015,525.07	1,493,867,507.30
Total liabilities and equity		2,104,424,460.90	2,074,741,559.47

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

Item	Note 4	2017	2016
Total Revenue	4	1,154,256,267.96	1,136,399,277.71
Including: Revenue	4	1,154,256,267.96	1,136,399,277.71
Total operating costs		1,142,643,391.78	1,073,947,891.58
Including: Operating costs	4	949,375,060.68	878,619,909.18
Business taxes and surcharges		10,062,932.55	7,684,971.78
Selling expenses		71,112,952.13	70,548,830.53
General and administrative expenses		112,815,376.43	114,656,640.40
Financial expenses	5	-519,681.98	-1,835,285.41
Assets impairment losses		-203,248.03	4,272,825.10
Add : Investment gains		7,975,271.12	7,161,219.04
Losses from disposal of assets		-689,980.17	557,779.90
Other gains		13,558,372.54	-
Operating profit		32,456,539.67	70,170,385.07
Add : Non-operating income		264,753.45	11,297,603.03
Less : Non-operating expenses		403,128.52	875,311.65
Total profit		32,318,164.60	80,592,676.45
Less : Income tax expenses	6	5,584,361.33	14,601,108.60
Net profit (continuing operation)		26,733,803.27	65,991,567.85
Net profit attributable to shareholders of the listed company		32,656,134.48	63,487,549.38
Minority interests		-5,922,331.21	2,504,018.47
Total comprehensive income		26,733,803.27	65,991,567.85
Total comprehensive income attributable to shareholders of the listed company		32,656,134.48	63,487,549.38
Total comprehensive income attributable to minority shareholders		-5,922,331.21	2,504,018.47
Earnings per share:	8		
Basic earnings per share		0.0414	0.0804
Diluted earnings per share		0.0414	0.0804

2) NOTES TO THE FINANCIAL STATEMENTS

1、 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of Preparation

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

2. Evaluation on ability of continuing operation

The Company does not have any event or circumstance that arises material concerns about assumptions on continuing operation within 12 months from the end of the reporting period.

2、 MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

2. Accounting period

The accounting year is from 1 January to 31 December.

3. Functional currency

Renminbi (“RMB”) is adopted as functional currency.

4. Material changes in accounting policies

Impacts on accounting policies caused by changes in Accounting Standards for Business Enterprises

(1) The Company has implemented the “Accounting Standard for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Group and Termination of Operation” promulgated by the Ministry of Finance on 28 May 2017 and the revised “Accounting Standard for Business Enterprises No. 16 – Government Grants” on 12 June 2017. The changes of such accounting policies are subject to prospective application approach and was considered and approved at the 26th meeting of the 5th session of the Board of Directors of the Company.

(2) The Company has prepared its 2017 annual statements in accordance with the Notice on Revised Format of General Financial Statements of Enterprises promulgated by the Ministry of Finance (Cai Kuai [2017] No. 30). Gain or loss from disposal of non-current assets and gain or loss from exchanging of non-monetary assets, which were originally recorded as “non-operating income” and “non-operating expense”, are now listed as ‘gains from disposal of assets’. Such change of accounting policy is subject to retrospective adjustment approach. Non-operating income of 2016 was reduced by RMB1,113,328.44 and non-operating expense by RMB555,548.54 while gain from disposal of assets was

increased by RMB557,779.90. Such changes were considered and approved at the 34th meeting of the 5th session of the Board of Directors of the Company.

3、 TAXATION

1. Major types of tax and tax rates

Type of tax	Basis	Tax rate
Value added tax	Sales of goods or rendering of taxable services	17% (Note 1) 、 11%、 6%
Property tax	On the property value less 30%, or on rents	1.2%、 12%
Urban maintenance and construction tax	Amount of payable turnover tax	7%、 5%
Education surcharge	Amount of payable turnover tax	3%
Local education surcharge	Amount of payable turnover tax	2%
Corporate income tax	Amount of taxable income	15%、 25%

Note : Hangzhou Shibao Auto Steering Gear Co., Ltd. and Jilin Shibao Machinery Manufacturing Co., Ltd., the Company's subsidiaries, enjoy the tax policy of "exempt, credit, refund" for export goods with an export tax refund rate of 17%.

Details of corporate income tax rates of different entities:

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

2. Tax concession and approval documents

(1) According to the "Letter Regarding 2017 1st Batch Filing of High-tech Enterprises of Zhejiang Province" issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. [2017] 201), the Company's subsidiaries, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. obtained the High-tech Enterprise Certificates (No. GR201733000242 and GR201733001928 respectively) during 2017, with a valid period from 2017 to 2019. They are subject to a corporate income tax rate of 15% during the period.

- (2) According to the “Administrative Measures for the Recognition of High-tech Enterprises” (CTP No. [2016] 32) and the “Guidelines for the Recognition Management Work of High-tech Enterprises” (CTP No. [2016] 195), the Company’s subsidiary, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201711007542) during 2017, with a valid period from 2017 to 2019. It is subject to a corporate income tax rate of 15% during the period.
- (3) According to the “Notification Regarding the Announcement of the List of the First Batch of High-tech Enterprises of Anhui Province Recognized in 2017” (Ke Gao No. [2017] 62) issued by the Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance, Anhui Provincial Office, SAT and Anhui Local Taxation Bureau, the Company’s subsidiary, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201734000456) during 2017, with a valid period from 2017 to 2019. It is subject to a corporate income tax rate of 15% during the period.

4、 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounts receivable

The aging analysis of accounts receivable is as follows:

Age	31 December 2017			31 December 2016		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	(%)		Amount	(%)	
Within 1 year	508,867,443.02	98.12	-	396,577,811.46	97.65	-
1–2 years	3,162,471.75	0.61	127,504.36	4,578,768.38	1.13	2,900,412.69
2–3 years	2,228,700.00	0.43	1,886,522.94	1,101,389.87	0.27	810,327.93
Over 3 years	4,347,832.86	0.84	3,831,176.62	3,860,070.77	0.95	3,558,244.14
Total	518,606,447.63	100.00	5,845,203.92	406,118,040.48	100.00	7,268,984.76

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

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

2. Accounts payable

The aging analysis of accounts payable is as follows:

Age	31 December 2017	31 December 2016
Within 1 year	379,869,070.23	324,139,724.56
1-2 years	8,982,445.81	9,851,904.70
2-3 years	572,171.65	2,747,397.62
Over 3 years	2,168,608.78	3,495,006.35
Total	391,592,296.47	340,234,033.23

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

3. Long-term borrowings

(1) Breakdown

Item	31 December 2017	31 December 2016
Special funds for treasury bonds	280,000.00 (Note 1)	830,000.00 (Note 1)
Long-term borrowings	8,800,000.00 (Note 2)	8,800,000.00 (Note 2)
Guaranteed loans	2,000,000.00 (Note 3)	-
Total	11,080,000.00	9,630,000.00

Note 1: These loans represented special funds for treasury bonds on key technological improvement projects of the State provided by the Ministry of Finance in Siping to the Company's subsidiary, Siping Steering Gear Co., Ltd.

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

Note 3: These loans represented loans granted to the innovative ability incubation project under the "Small Technology Giants" plan of Wuhu City which was applied by Wuhu Sterling Steering System Co., Ltd., a subsidiary of the Company, according to the "Incubating Measures for the Enterprise Innovative Ability under the "Small Technology Giants" of Wuhu City" (Wu Zheng Ban Notification No. [2014] 15). In March 2016, the subsidiary, the Science and Technology Bureau of Wuhu City and the Science and Technology Innovation Bureau of the Economic Development Zone signed an incubation contract named the "Research and Development and Commercial Production of the Integral Aluminum Alloy Structural Steering Engine". An entrusted loan of RMB2,000,000.00 which shall be

specifically used for the incubation of small technology gains was granted by Wuhu City Small and Medium-sized Enterprise Service Center Company Limited during the period, and the entrusted loan will be changed to government grants upon achieving all or over 80% of the expected goals of the incubation.

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

Item	31 December 2017	31 December 2016
Current or within 1 year	-	-
Over 1 year but within 2 years	-	-
Over 2 years but within 5 years	11,080,000.00	9,630,000.00
Over 5 years	-	-
Sub-total	11,080,000.00	9,630,000.00
Including: Long-term loans due within 1 year	-	-
Long-term loans due over 1 year	11,080,000.00	9,630,000.00

4. Revenue/operating costs

Item	2017		2016	
	Revenue	Cost	Revenue	Cost
Revenue from main business	1,138,328,762.71	944,003,187.42	1,123,616,241.32	873,075,222.60
Revenue from other business	15,927,505.25	5,371,873.26	12,783,036.39	5,544,686.58
Total	1,154,256,267.96	949,375,060.68	1,136,399,277.71	878,619,909.18

5. Financial expenses

Item	2017	2016
Interest expenses	1,020,578.90	615,268.47
Including : Bank loans, interests of other loans fully repayable within 5 years	1,020,578.90	615,268.47
Interests of other loans not fully repayable within 5 years	-	-
Interest income	-1,767,119.27	-3,019,350.23
Other	226,858.39	568,796.35
Including : Net exchange losses	-79,065.03	5,060.37
Total	-519,681.98	-1,835,285.41

During 2017 and 2016, there was no interest capitalization.

6. Income tax expenses

Item	2017	2016
Current income tax calculated according to tax law and relevant provisions	5,436,046.82	13,714,217.59
Adjustment of deferred income tax	148,314.51	886,891.01
Total	5,584,361.33	14,601,108.60

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries had no profits generated in or arising from Hong Kong in 2017 and 2016.

7. Distribution of profit for 2017

Pursuant to the profit distribution proposal passed at the 34th meeting of the 5th session of the Board of Directors of the Company held on 23 March 2018, the Company will not pay cash dividend, issue bonus shares or increase capital by transferring from capital reserve fund. The aforementioned profit distribution proposal is subject to approval at annual general meeting.

8. Earnings per share

(1) Breakdown

Profit for the reporting period	Earnings per share (RMB/share)			
	Basic earnings per share		Diluted earnings per share	
	2017	2016	2017	2016
Net profit attributable to the ordinary shareholders of the Company	0.0414	0.0804	0.0414	0.0804
Net profit after deducting non-recurring gains and losses attributable to the ordinary shareholders of the Company	0.0175	0.0606	0.0175	0.0606

(2) Calculations of basic and diluted earnings per share

1. Calculations of basic earnings per share

Item	Number	2017	2016
Net profit attributable to the ordinary shareholders of the Company	A	32,656,134.48	63,487,549.38
Non-recurring gains and losses	B	18,805,988.97	15,637,249.16
Net profit after deducting non-recurring gains and losses attributable to the ordinary shareholders of the Company	C=A-B	13,850,145.51	47,850,300.22

Total number of shares at beginning	D	315,857,855.00	315,857,855.00
Increase in number of shares due to transfer from reserves to capital or distribution of scrip dividend	E	473,786,782.00	473,786,782.00
Increase in number of shares due to issuance of new shares or convertibles	F		
Number of months calculated from the month after increase in shares to end of reporting period	G		
Decrease in number of shares due to repurchase	H		
Number of months calculated from the month after decrease in shares to end of reporting period	I		
Reduction in number of shares during the reporting period	J		
Number of months in the reporting period	K	12.00	12.00
Weighted average number of issued ordinary shares	$L = D + E + F \times G / K - H \times I / K - J$	789,644,637.00	789,644,637.00
Basic earnings per share	$M = A / L$	0.0414	0.0804
Basic earnings per share after deducting non-recurring gains and losses	$N = C / L$	0.0175	0.0606

Basic and diluted earnings per share for 2016 were calculated based on the diluted share capital as at the end of the reporting period.

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

9. Other supplemental information

(1) Segmental information – Operating segment

As the operations and assets of both the Company and its subsidiaries are related to automotive steering system and components, and are mainly located in Mainland China where 93.96% of the revenue was generated from domestic sales, no further detailed segmental information needs to be disclosed.

(2) Depreciation and amortization expenses

Item	2017	2016
Depreciation of fixed assets, oil and gas assets and production related biological assets	64,559,912.20	58,051,820.09
Amortization of intangible assets	9,229,126.20	9,480,408.04
Total	73,789,038.40	67,532,228.13

(3) Item and amount of non-recurring gain and loss

Item	2017	2016
Gain or loss on disposal of non-current assets, inclusive of provision for assets impairment write-off	-689,980.17	557,779.90
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	13,558,372.54	10,514,414.10
Gain or loss on entrusted investment or asset management	7,975,271.12	7,161,219.04
Reversal of impairment provisions for receivables subject to individual impairment test	999,496.98	355,591.37
Other non-operating income and expenses apart from those stated above	137,177.00	698,960.85
Sub-total	21,980,337.47	19,287,965.26
Less: Effect on corporate income tax	2,511,286.03	2,757,961.77
Effect on interest of minority shareholders (after tax)	663,062.47	892,754.33
Net non-recurring gains or losses attributable to equity holders of the parent	18,805,988.97	15,637,249.16

Note: The Company did not classify any non-recurring gains or losses items (as defined and listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains or Losses items) as recurring gains or losses items during the reporting period.

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

Item	31 December 2017	31 December 2016
Net current assets	689,857,330.13	753,017,937.85
Total assets less current liabilities	1,550,030,299.04	1,548,132,253.05

(5) Important events after the reporting period

There are no important events after the reporting period.

3) PROFIT DISTRIBUTION PROPOSAL FOR 2017

As considered and approved at the Board meeting held on 23 March 2018, the Board proposed not to declare cash dividend, issue bonus shares or increase capital by transferring from capital reserve fund. The profit distribution proposal is subject to approval at the 2017 annual general meeting of the Company.

During the reporting period, the Company did not pay any interim dividends to shareholders.

Reasons for not distributing profits

The Company is mainly engaged in the provision of customized products such as automotive steering assembly products and relevant components to automobile manufacturers meeting their technology and quality requirements. The Company has accumulated over 30 years of experience in OEM supply in automobile industry with diverse customer resources worldwide, enabling the Company to become a Tier-1 OEM supplier among the automakers with good reputation.

In light of the characteristics of the automobile industry, the Company usually grants its customers a credit period ranging from three to six months. Meanwhile, as the steering assembly are customized development products with long preliminary development and experiment cycles, a lot of start-up expenses will be incurred. These products have a higher percentage of special parts, which make stocking complicated. This requires the Company to have sufficient working capitals for daily operation.

In recent years, the automobile industry is developing towards digitalization and intelligent steering. The product mix of the Company is transferring from traditional fuel-driven automobile to hydraulic power steering gears and expanding to new energy automobiles and energy-saving automobiles under the electric power steering (EPS) system. The Company has also achieved fruitful advancements in intelligent steering technology and the research and development of products in intelligent steering automobiles, and unmanned automobiles. The Company is expected to invest additional working capital in an attempt to facilitate market expansion with special focus on the development of new products and new customers. Meanwhile, the Company also needs to invest further capital for product development and testing so as to secure more new projects.

Therefore, in comprehensive consideration of the characteristics of industry where the Company operates, the Company's own operation conditions and development stage, the Board of the Company is of the opinion that the Company is in a critical stage of product technology innovation and upgrade, and is required to invest substantial funds to various innovative operation activities, accordingly, it will be in the long-term interest of the Company to retain profits for future operation and development. Meanwhile, sustainable development of the Company is conducive to safeguarding the interests of shareholders as a whole, especially the minority shareholders of the Company. Thus, the Board of the Company proposed not to declare cash dividend, issue bonus shares or increase capital by transferring from reserves for 2017.

Use and using plan of the undistributed profits of the Company

The undistributed profits of the Company in 2017 will roll over to the following year to fulfil the Company's requirement for general working capital and future profit distribution. In the future, the Company will attach great importance to providing returns to its shareholders by ways of cash dividends as always, making reference to various factors relating to profit distribution and from a prospective which is beneficial to the development of the Company and generating returns to shareholders, and actively implement its profit distribution policies in strict compliance with relevant laws and regulations and the Articles of Association, thus sharing the results of the Company's development with investors.

4) DISCUSSION AND ANALYSIS OF OPERATIONS

1. REVIEW OF CHINA AUTOMOBILE INDUSTRY

In 2017, production and sales volume of China automobile industry were 29,015,000 units and 28,879,000 units respectively, representing an increase of 3.20% and 3.00% respectively as compared with last year. Production and sales of passenger cars were 24,807,000 units and 24,718,000 units respectively, representing an increase of 1.60% and 1.40% respectively as compared with last year. Among these, sales volume of China-brand passenger cars was 10,847,000 units, representing an increase of 3.00% as compared with last year. Production and sales volume of new energy cars were 794,000 units and 777,000 units respectively, representing an increase of 53.80% and 53.30% respectively as compared with last year. Production and sales of commercial vehicles were 4,209,000 units and 4,161,000 units respectively, representing an increase of 13.80% and 14.00% respectively as compared with last year. Among commercial vehicles, production and sales volume of buses decreased by 3.80% and 3.00% respectively as compared with last year; production and sales volume of trucks both increased by 16.90% as compared with last year. The top ten automaker groups in China sold 25,562,000 units of automobiles, representing an increase of 3.20% as compared with last year. Their sales represented 88.50% of the total sales of the automobile industry, representing an increase of 0.20% as compared with last year.

2. ANALYSIS OF MAIN BUSINESS

1 · Overview

During the reporting period, due to the effect of fall back of the growth rate of domestic automotive industry and the export business of the Company underperformed the expectation, the Company recorded a revenue of RMB1,154,256,267.96, representing an increase of 1.57% as compared with last year.

During the reporting period, the gross profit of the Company's main business was RMB194,325,575.29, representing a decrease of RMB56,215,443.43 as compared with last year; the gross profit margin of the Company's main business was 17.07% (2016: 22.30%). The decrease in gross profit margin of the Company was mainly due to (1) the export sales business, which normally enjoys a higher gross profit margin, underperformed the expectation; (2) the significant increase in production and sales of EPS (電動助力轉向系統) products, however, due to the relatively high cost of certain projects at the early stage of mass production

in the second half of 2017, no profit was recorded from such projects; (3) the number of pilotless intelligent steering projects recorded a significant increase, resulting in the continuous increase of the investment in the development, testing and marketing of intelligent steering by the Company; and (4) the decrease in sales prices of traditional products.

During the reporting period, the Company's taxes and surcharges were RMB10,062,932.55, representing an increase of 30.94% as compared with last year, which was mainly due to that stamp duty, real estate tax, land use tax, and vehicles and vessels use tax arising from the period between May and December 2016 and in 2017 were presented in "taxes and surcharges", while those arising for the period prior to May 2016 were presented in "general and administrative expenses", in accordance with the "Provisions Concerning the Accounting Treatments on Value-Added Tax" (Cai Hui No.: [2016] 22) and "Interpretation of Issues Concerning Provisions Concerning the Accounting Treatments on Value-Added Tax" of the Ministry of Finance.

During the reporting period, the Company's selling expenses was RMB71,112,952.13, representing an increase of 0.80% as compared with last year, which was basically same as last year.

During the reporting period, the Company's general and administrative expenses were RMB112,815,376.43, representing a decrease of 1.61% as compared with last year, of which research and development expenses amounted to RMB47,668,732.19, representing an increase of 15.10% as compared with last year, which was mainly attributable to the increase in research and development of new technology and new products. The Company's research and development expenses were mainly used on the technical research of automotive steering system's safety, intelligent, energy saving, light weight, in order to maintain competitiveness of the Company to support its continuous growth.

During the reporting period, the Company's financial expenses was RMB-519,681.98 (2016: RMB-1,835,285.41), the change was mainly due to a decrease in interest income.

During the reporting period, the Company's other gains amounted to RMB13,558,372.54, mainly comprises government grants. The government grants have been separately presented in the item of "other gains" under "operating profit" in the income statement since the interim financial report of 2017 according to the provisions under the revised "Accounting Standards for Business Enterprises No. 16 - Government Grants" issued by the Ministry of Finance, and therefore there was no comparable figures for the corresponding period last year. Meanwhile, the non-operating income of the Company decreased by 97.66% year on year during the reporting period due to the separate presentation of the government grants in the item of "other gains".

During the reporting period, the Company's income tax expenses amounted to RMB5,584,361.33, representing a decrease of 61.75% as compared with last year, mainly due to the decrease in total profit.

In view of the above, the Company recorded a net profit attributable to shareholders of the listed company of RMB32,656,134.48, representing a decrease of 48.56% as compared with last year.

2 · Revenue and Cost

(1) Composition of revenue

	2017		2016		Change
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Total Revenue	1,154,256,267.96	100%	1,136,399,277.71	100%	1.57%
By industry					
Manufacture of automotive components and parts	1,138,328,762.71	98.62%	1,123,616,241.32	98.88%	1.31%
Others	15,927,505.25	1.38%	12,783,036.39	1.12%	24.60%
By products					
Steering system and parts	1,086,351,867.97	94.12%	1,083,392,069.43	95.34%	0.27%
Parts and others	51,976,894.74	4.50%	40,224,171.89	3.54%	29.22%
Others	15,927,505.25	1.38%	12,783,036.39	1.12%	24.60%

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

	Revenue	Operating costs	Gross profit margin	Change of revenue over last year	Change of operating costs over last year	Change of gross profit margin over last year
By industry						
Manufacture of automotive components and parts	1,138,328,762.71	944,003,187.42	17.07%	1.31%	8.12%	-5.23%
By products						
Steering system and parts	1,086,351,867.97	900,982,744.32	17.06%	0.27%	6.98%	-5.21%

(3) Composition of operating costs

Product	Item	2017		2016		Change
		Amount	Proportion to operating costs	Amount	Proportion to operating costs	
Steering system and parts	Raw materials	652,858,279.77	72.46%	600,099,385.54	71.25%	1.21%
	Labour costs	64,233,270.59	7.13%	66,329,671.34	7.88%	-0.75%
	Manufacturing expenses	183,891,193.96	20.41%	175,738,530.46	20.87%	-0.46%

3、Cash Flow

Item	2017	2016	Change
Sub-total of cash inflow from operating activities	504,222,592.29	647,420,619.35	-22.12%
Sub-total of cash outflow from operating activities	542,324,990.34	555,399,577.52	-2.35%
Net cash flow from operating activities	-38,102,398.05	92,021,041.83	-141.41%

Sub-total of cash inflow from investing activities	1,578,561,415.93	1,155,685,226.93	36.59%
Sub-total of cash outflow from investing activities	1,466,163,055.99	1,555,624,458.98	-5.75%
Net cash flow from investing activities	112,398,359.94	-399,939,232.05	-128.10%
Sub-total of cash inflow from financing activities	132,000,000.00	200,000,000.00	-34.00%
Sub-total of cash outflow from financing activities	163,279,895.87	260,794,840.80	-37.39%
Net cash flow from financing activities	-31,279,895.87	-60,794,840.80	-48.55%
Net increase in cash and cash equivalents	43,095,131.05	-368,718,091.39	-111.69%

During the reporting period, net cash flow from operating activities decreased by 141.41 % as compared with last year, mainly due to the reduction in cash from sales receipts; net cash flow from investing activities increased by 128.10% as compared with last year, mainly due to the cash inflow from redemption of wealth management products at maturity; net cash flow from financing activities decreased by 48.55% as compared with last year, mainly due to the decrease in repayment of bank borrowings. In view of above, during the reporting period, net increase in cash and cash equivalents increased by 111.69% as compared with last year.

3. ANALYSIS OF ASSETS AND LIABILITIES

1、Significant changes in composition of assets

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

Item	31 December 2017		31 December 2016		Change
	Amount	Percentage of total assets	Amount	Percentage of total assets	
Cash on hand and at bank	184,342,739.55	8.76%	145,160,290.11	7.00%	1.76%
Notes receivable	114,302,216.24	5.43%	162,714,933.93	7.84%	-2.41%
Accounts receivable	512,761,243.71	24.37%	398,849,055.72	19.22%	5.15%
Inventories	279,634,663.89	13.29%	244,998,559.78	11.81%	1.48%
Other current assets	139,737,784.36	6.64%	316,808,874.28	15.27%	-8.63%
Fixed assets	592,681,978.24	28.16%	599,101,741.36	28.88%	-0.72%
Construction in progress	119,801,083.84	5.69%	56,498,367.41	2.72%	2.97%
Notes payable	105,976,263.36	5.04%	118,716,837.78	5.72%	-0.68%
Accounts payable	391,592,296.47	18.61%	340,234,033.23	16.40%	2.21%

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

Assets with restrictions in ownership or use rights

Item	Carrying amount at the end of the period	Reason for restriction
Cash on hand and at bank	23,917,026.58	Security deposits
Notes receivable	52,375,112.49	Pledge
Fixed assets	4,606,221.82	Charge
Intangible assets	3,193,537.72	Charge
Total	84,091,898.61	

3、Financial resources and capital structure

At the end of the reporting period, the amount of total loans and borrowings was RMB11,080,000.00 (31 December 2016: RMB9,630,000.00). Total loans and borrowings increased by RMB1,450,000.00 when compared with the beginning of the year, mainly due to the increase in guaranteed loans. RMB11,080,000.00 of the total loans and borrowings of the Company shall be repaid over 2 years but within 5 years. Loans and borrowings at fixed interest rates amounted to RMB280,000.00 (31 December 2016: RMB830,000.00).

The Company issued 38,200,000 RMB ordinary shares (A Shares) by way of non-public issue in 2014 at issue price of RMB18.46 per share, which raised a gross proceeds of RMB705,172,000.00 and a net proceeds of RMB658,162,877.04 after deducting the related costs. On 11 December 2014, the proceeds were credited into the regulatory proceeds account of the Company. The amount of the proceeds actually utilized by the Company in 2017 was RMB54,569,039.35, and RMB200,000,000.00 was used for temporary supplement of working capital. As at 31 December 2017, balance of proceeds amounted to RMB221,812,114.58, which included the net accumulated amount of interests received from bank deposits and gains from short-term bank wealth management products less bank handling fees and others.

The capital structure of the Company consists of borrowings, bank deposits and equity attributable to shareholders of the Company. The management determines the capital structure by considering the cost of capital and the risks associated with various types of capital. The Company will balance its overall capital structure through the payment of dividends, new share issues or repayment of bank borrowings.

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. At the end of the reporting period, the Company's gearing ratio was -11.15% (2016: -7.77%).

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

4. ACQUISITION AND DISPOSAL OF MATERIAL ASSETS AND EQUITY DURING THE YEAR

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

5. CAPITAL COMMITMENTS

As at 31 December 2017, other than the following major capital commitments, the Group did not have any other major capital commitments.

Item	31 December 2017	31 December 2016
Material contracts in relation to acquisition of assets contracted but not recognized	63,565,872.08	47,345,192.19

6. CONTINGENT LIABILITIES

As at 31 December 2017, the Company did not have any significant contingent liabilities.

7. OUTLOOK INTO THE FUTURE DEVELOPMENT OF THE COMPANY

1、Industry landscape and trend

New energy automobiles and intelligent automobiles are promoting the transformation and upgrading of the automotive industry. The relevant domestic laws and regulations have gradually improved along with a series of supportive policies being introduced. The “Measures for Calculation of Passenger Vehicles’ Corporate Average Fuel Consumption and New Energy Automobiles” (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》) will be formally implemented in 2018. The “Intelligent Automobiles Innovation Development Strategy” (《智慧汽車創新發展戰略》) studied and drafted by the National Development and Reform Commission will be publicly solicited for opinions from different sectors of the community in early 2018. Meanwhile, autonomous cars in the PRC are under open road test phase.

The transformation and upgrading of the automotive industry produces a profound impact on the automotive component industry. The automotive electronics cost accounts for a year-on-year increase of the total vehicle cost. The automotive electronics cost of pure electric sedans accounts for 65% of the total vehicle cost. The application and innovation of automotive electronics technology has played a key role in enhancing vehicle dynamics, efficiency and safety, improving safety and comfortability in driving as well as reducing vehicle emissions and fuel consumption. At the same time, it enriches entertainment, office and communications of automotive together. The electronic process of automotive components is accelerating.

2、 Development strategy of the Company

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

3、 Business plan

During the reporting period, the operating results achieved by the Company fell within the range of the results projection as publicly disclosed. During the reporting period, new records were made in production and sales volume of electric power steering system products used in energy-saving and new energy automobiles, and the number of pilotless intelligent steering development projects recorded a significant increase.

In 2018, the Company plans to put its focus on the expansion of the overseas sales of hydraulic power recirculating ball steering gears and electric power steering systems, increase the market shares of the Company's steering products in local and overseas, optimize the product cost structure of the electric power steering systems and maintain the high quality of export of Daimler steering gears so as to lay a solid foundation for the increase in the portion of Daimler OEM in the later stage, and vigorously promote the application of intellectual steering gears, striving for early bulk supply.

In 2018, the Company plans to promote the capacity of electric power steering system assembly and relevant key parts and components. The fund required in the above-mentioned capacity building will be mainly from the proceeds from the 2014 non-public issuance of new A shares of the Company.

The Company will focus on capacity investment and building of relevant intelligent steering product and key control unit in respect of new energy automobile and intelligent automobile, as well as the investment and development of research and development centre of automotive intelligent technology in respect of automotive intelligent driving technology. The Company plans to apply the proceeds from the 2016 non-public issuance of new A shares of the Company to the above-mentioned capacity building and the development of research and development centre. As of the date of this announcement, the 2016 non-public issuance of new A shares of the Company has not been completed. Before the receipt of the proceeds from the 2016 non-public issuance of new A shares of the Company, the Company will use its own fund for the initial development. For relevant details, please refer to other major events below.

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

4、 Forecast on operating results between January and March 2018

Net profit between January and March 2018 (RMB ten thousands)	-1,300.00	To	0.00
Net profit attributable to shareholders of the listed issuer between January and March 2017 (RMB ten thousands)	1,794.77		
Illustrations on reasons attributable to the movements in results	The Company's products are experiencing a transitional period of technical innovation and upgrading. The decrease in the selling prices of traditional products resulted in the decrease in our profits while our new products have not generated any profits so far.		

5) OTHER MAJOR EVENTS

Progress of 2016 non-public issue of A Shares

On 25 December 2017, the CSRC issued the Reply on Approval Regarding the Non-public Issuance of A Shares by Zhejiang Shibao Company Limited (關於核准浙江世寶股份有限公司非公開發行股票的批復) (Zheng Jian Xu Ke [2017] No. 2379) approving the Company to issue not more than 62,146,892 new A Shares with the proposed gross proceeds not exceeding RMB0.77 billion (including RMB0.77 billion). After deduction of issuance expenses, the proceeds will be invested in “The annual production of 1,200,000 automotive intelligent steering assembly technology transformation project” (新增年產120萬台套汽車智慧轉向總成技術改造項目), “The annual production of 100,000 medium and heavy duty commercial vehicles intelligent steering industrialization development project” (年產10萬套中重型商用車智慧轉向產業化建設項目), “The automotive intelligent control unit industrialization project” (汽車智慧控制單元產業化項目) and “The research and development centre of automotive intelligent technology project” (汽車智慧技術研發中心項目).

For details of the non-public issue of the Company, please refer to (i) the announcements of the Company dated 24 October 2016, 26 December 2016, 9 March 2017, 14 March 2017, 20 March 2017, 7 April 2017, 24 May 2017, 20 July 2017, 1 August 2017, 10 August 2017, 22 August 2017, 13 September 2017, 24 October 2017, 21 November 2017, 22 November 2017, 12 December 2017 and 5 January 2018; (ii) the circulars of the Company dated 23 November 2016, 12 April 2017 and 10 November 2017 in relation to, among other things, the proposed non-public issuance of A Shares; and (iii) the announcements of the Company dated 12 December 2016 and 8 May 2017 in relation to, among other things, the poll results of the extraordinary general meetings and the class meetings for holders of H Shares of the Company held on 12 December 2016 and 8 May 2017, respectively.

As at the date of this announcement, the non-public issue of A Shares of the Company has not been completed. The completion of it remains uncertain.

6) CORPORATE GOVERNANCE

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

Since 28 December 2017, Mr. Zhang Shi Quan, the Chairman of the Company, resigned as General Manager, and Mr. Zhang Bao Yi, the Vice Chairman and Deputy General Manager, was appointed as General Manager. In the past, Mr. Zhang Shi Quan served as the Chairman and General Manager of the Company, who was responsible for overseeing the overall strategic planning, new business development, acquisition and merging, and it was effective in making response over market changes and finalization of strategic plans.

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

Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Zhang Hong Zhi and Mr. Guo Kong Hui, independent non-executive Directors, were unable to attend the Company's extraordinary general meeting and class meetings held on 8 May 2017 due to their other important business engagements.

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

As at 31 December 2017, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

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

Hangzhou, Zhejiang, the PRC
23 March 2018

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