浙江世寶股份有限公司

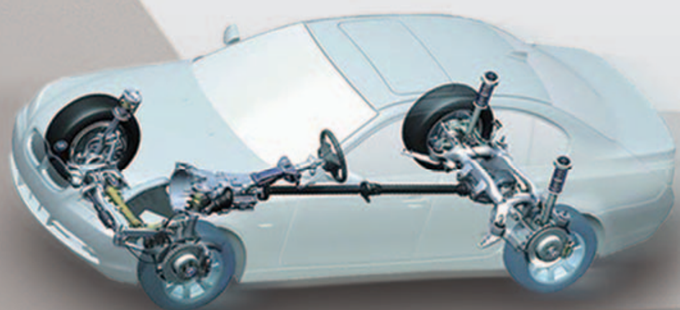
ZHEJIANG SHIBAO COMPANY LIMITED*

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

Stock Code: 1057

Shibao

steering the future



2010

Annual Report

* For identification purposes only

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CORPORATE INFORMATION

Legal Name	Zhejiang Shibao Company Limited* 浙江世寶股份有限公司
Board of Directors	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) Ms. Zhang Mei Jun (張美君) Mr. Lou Run Zheng (樓潤正)
	Independent Non-executive Directors Mr. Zhao Chun Zhi (趙春智) Mr. Chen Guo Feng (陳國峰) Mr. Chau Kam Wing, Donald (周錦榮)
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)
Senior Management	Mr. Du Chun Mao (杜春茂) Mr. Zhou Long (周瓏) Mr. Yu Zhong Chao (虞忠潮) Mr. Ise Mitsuo (伊勢光男) Ms. Huen Lai Chun (禤麗珍), *FCCA*
Audit Committee	Mr. Chau Kam Wing, Donald (周錦榮) *(Chairman)* Mr. Chen Guo Feng (陳國峰) Ms. Zhang Mei Jun (張美君)
Remuneration Committee	Mr. Chau Kam Wing, Donald (周錦榮) *(Chairman)* Mr. Chen Guo Feng (陳國峰) Ms. Zhang Mei Jun (張美君)
Compliance Officer	Mr. Zhu Jie Rong (朱頡榕)
Company Secretary	Ms. Huen Lai Chun (禤麗珍), *FCCA*

* *For identification purposes only*

CORPORATE INFORMATION

Authorised Representatives	Mr. Zhu Jie Rong (朱頡榕) Ms. Huen Lai Chun (禤麗珍), *FCCA*
Registered Office	No. 1, Shuanglin Road Fotang Town Yiwu Zhejiang Province China
Head Office and Principal Place of Business in Hong Kong	Room 1204 C C Wu Building 302-308 Hennessy Road Wanchai Hong Kong
Legal Advisers	*as to PRC law* Grandall Legal Group (Shanghai) 31st Floor Nan Zheng Building 580 Nanjing Xilu Shanghai China
Auditors	Ernst & Young *Certified Public Accountants* 18th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Principal Bankers	Agricultural Bank of China, Yiwu Branch - Fotang Sub-branch 85 Jianshe Road, Fotang Yiwu Zhejiang Province China

CORPORATE INFORMATION

Industrial and Commercial Bank of China,
Yiwu Branch - Yiwu Sub-branch
128 Huangyuan Road
Yiwu
Zhejiang Province
China

China Construction Bank,
Hangzhou Branch - Qiutao Sub-branch
5 Qingchun East Road
Jianggang District
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, No. 6 Road
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

CORPORATE INFORMATION

	Industrial Bank Co., Ltd., Hangzhou Branch - Jingkai Sub-branch No. 67, Ying Bin Road Hangzhou Economic and Technological Development Zone Hangzhou Zhejiang 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
	Industrial and Commercial Bank of China (Asia) Limited Hong Kong Headquarters 33rd Floor ICBC Tower 3 Garden Road Central Hong Kong
Hong Kong H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Place of Listing	H Shares: The Stock Exchange of Hong Kong Limited (the "Exchange") Stock Code: 1057
Website	www.zjshibao.com

CORPORATE PROFILE

Zhejiang Shibao Company Limited (the "Company") is a joint stock limited company registered in the People's Republic of China (the "PRC") on 12 July 2004 under the Company Law of the PRC. Its ultimate holding company is Zhejiang Shibao Holding Group Co., Ltd. ("Zhejiang Shibao Holding"), a limited liability company established in the PRC. The Company's H Shares were listed on the GEM of the Exchange on 16 May 2006 (the "Listing Date") and were transfer listed on the Main Board of the Exchange on 9 March 2011, and its stock code is 1057.HK.

The Company and its subsidiaries (together, the "Group") is a leading automotive steering products supplier in the PRC.

The Group has committed itself to the research and development of automotive steering products and mainly engaged in the design, manufacture and sales of various types of automotive steering products, 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 to design and manufacture electric power steering (EPS) system with in-house mechanical and electronic know-how.

Mr. Zhang Shi Quan, the founder of the Group and Chairman, entered into the manufacture of automotive steering gear products in 1984, and established Zhejiang Shibao Steering Gear Co., Ltd. ("Zhejiang Shibao Steering"), 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 with combined annual production capacity of steering products exceeding 1,000,000 units/sets. The group is planned to expand its combined annual production capacity of steering products to 3,000,000 units/sets in the next five years. Among these, capacity of EPS system will be largely increased.

The Group mainly supplies 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 green cars and fuel-efficient and low-emission vehicles (with own intellectual property rights).

The Group has a large and reputable customer base, including FAW Group, Dongfeng Motor Group, Anhui Jianghuai Automobile Co.,Ltd. ("Jianghuai Automobile"), Kinglong United Automobile Industry (Suzhou) Co., Ltd., Beiqi Foton Motor Co., Ltd. ("Foton Motor"), Chery Automobile Co., Ltd. ("Chery Automobile"), Geely Automobile Holdings Limited ("Geely Automobile"), FAW Car Co., Ltd. ("FAW Car") and FAW-VW Automobile Co., Ltd. ("FAW-VW"). The Group is the FAW-CAR core supplier. 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 OEMs experiences, strong design capacity and has 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 become a leading steering enterprise and a steering products modular supplier of leading automakers in the PRC.

FIVE YEARS FINANCIAL SUMMARY

The audited results, assets and liabilities of the Group for the past five years ended 31 December 2010. The relevant information were prepared on a consolidated basis and based on International Financial Reporting Standards ("IFRSs").

RESULTS

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**543,746**	363,521	256,215	211,970	152,369
Profit before tax	**118,662**	76,643	48,640	47,603	38,674
Profit for the year	**104,340**	67,156	41,503	38,906	33,178
Minority interests	**936**	803	626	665	583
Profits attributable to owners of the parent	**103,404**	66,353	40,877	38,241	32,595
Earnings per share – Basic (RMB)	**0.3937**	0.2526	0.1556	0.1456	0.1403

ASSETS AND LIABILITIES

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**394,095**	308,421	252,442	222,108	187,497
Current assets	**408,345**	291,775	261,588	258,135	251,366
Current liabilities	**203,683**	124,297	90,291	83,466	66,243
Net current assets	**204,662**	167,478	171,297	174,669	185,123
Equity attributable to owners of the parent	**552,050**	466,410	413,190	385,446	360,338
Total equity	**576,777**	470,499	417,076	389,306	364,133

CHAIRMAN'S STATEMENT

I would like to present on behalf of the board of Directors (the "Board") of the Company the report of the audited results of the Group for the year ended 31 December 2010.

The Group has committed itself to the research and development of automotive steering products and mainly engaged in the design, manufacture and sales of various types of automotive steering products. The Group is also the early domestic enterprise having built the capacity to design and manufacture electric power steering (EPS) system with in-house mechanical and electronic know-how.

For the year ended 31 December 2010, the Group recorded a revenue of approximately RMB543,746,000, representing an increase of approximately 49.6% as compared with 2009. The large increase was mainly contributed by an increase in the overall business and a significant increase in the sale of steering products for passenger cars.

The gross profit margin of the Group during the year under review was approximately 35.7% (2009: approximately 37.4%), representing a slight decrease as compared with 2009. The slight decrease in the gross profit margin was mainly due to a price cut of old products and an increase in the costs.

For the year ended 31 December 2010, profit of the Group was approximately RMB104,340,000 (2009: approximately RMB67,156,000), representing an increase of approximately 55.4% compared with 2009. Profit attributable to shareholders was approximately RMB103,404,000 (2009: approximately RMB66,353,000), representing an increase of approximately 55.8% compared with 2009.

During the year under review, the Group's revenue generated from passenger car steering products kept exceeded those generated from commercial vehicles, whilst the growth of revenue of passenger car steering products was much faster than those of commercial vehicles. It is expected that the Group's revenue generated from passenger car steering products will keep growing in the next few years. During the year under review, the Group's products have been used in more vehicle models, and the sales generated from the Group's key customers increased. The sales from top five customers of the Group accounted for more than 62% of the total sales.

During the year under review, in order to facilitate the industrialization of EPS system, the Group has acquired Beijing Autonic Technologies Co., Ltd. ("Beijing Autonic") to enhance the Group's capacity in the automotive electronic area. At the same time, Hangzhou New Shibao Automotive Steering Gear System Co., Ltd. has changed its name to Hangzhou New Shibao Electric Power Steering Co., Ltd. ("Hangzhou New Shibao") and has committed to EPS system development and manufacturing. An overseas Chinese EPS expert has been recruited as the General Manager of Hangzhou New Shibao. The Group's target is to build the largest EPS research and manufacturing base in the PRC in the next five years.

During the year under review, the Group's EPS development project was rewarded as the "State High-Tech Industrialization Model Project" by China's National Development and Reform Commission. During the year under review, the Group has participated in the draft of the "12th Five-year Plan" of China Automotive Component Industry as the vice team leader of steering sector. During the year under review, the Group was rewarded the "Supplier of the Year" by FAW-CAR for the fourth consecutive year. The Group was also rewarded the "Supplier of the Year" by Dongfeng Liuzhou Plant, Jianghuai Automobile and Foton Motor in 2010.

CHAIRMAN'S STATEMENT

OUTLOOK

Look forward, China auto industry is expected to keep sound growth. On one side, China macro economy will keep growing fast, living standards of residents in both urban and country is increasing stably, progress of urbanization and industrialization is accelerating and export is recovering; on the other side, numbers of preferential treatments for automobile consumption has been withdrawn, Beijing municipal has launched a restriction policy on vehicle purchase, which will result in an increase in the automobile related consumption costs. Both positive and negative factors and other arising uncertainties may have impact to the development of China's auto industry in 2011. According to the forecast made by China Association of Automobile Manufacturers, the growth of production and sales of China automobile in 2011 is to be around 10% - 15%, and the key of the industry is structure reform and support of small size and fuel-efficient and low-emission vehicle.

After continuous investment on the research and industrialization of new technologies related to steering products, the Group has seen the results of comprehensive upgrade of its products and technologies and has formed series of products that able to support the growth of the Group's business in long term. Four of the Group's major clients were in the list of top ten auto makers in term of sales in the PRC in 2010. The growth of China-brand auto market which is the Group's main target market was faster than the average growth of the auto industry and the market share of China-brand automobile was increased. Based on the above, it is expected that the Group's sales and profit will keep growing fast in the foreseeable years.

Zhang Shi Quan
Chairman

Hangzhou, Zhejiang, the PRC
18 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

AUTOMOBILE MANUFACTURE AND SALES

In 2010, China's auto industry has continued the development from last year. Automobile production and sales both exceeded 18 million units benefited from numbers of preferential treatments for automobile consumption. The production and sales volume has created a global new record and ranked the global number one for the second consecutive year. All kinds of vehicles achieved growth and the market share of China-brand vehicles has increased, export of automobile was recovering and production and sales of large automakers has expanded in general.

In 2010, production and sales volume of the China auto industry is 18,265,000 units and 18,062,000 units respectively, an increase of approximately 32.4% and 32.4% as compared with 2009. Among these, production and sales of passenger cars is 13,897,000 units and 13,758,000 units respectively, an increase of approximately 33.8% and 33.2% as compared with 2009; production and sales of commercial vehicles is 4,368,000 units and 4,304,000 units respectively, an increase of approximately 28.2% and 29.9% as compared with 2009. In 2010, growth of China-brand vehicles is faster than the average growth of auto industry and market share of China-brand vehicles has increased. Sales of China-brand car is 2,933,000 units, representing an increase of 32.3% as compared with 2009.

TREND OF THE CHINA AUTOMOTIVE STEERING MARKET

China's automotive steering industry has increased its international competition capacity in certain level with bright future. Benefited from continuous healthy growth of China's economy, the steering industry is also expected to achieve growth in term of both production value and sales revenue. The steering industry is expanding and developing to achieve sustainable growth.

Green car has been included in the list of China's state strategic and emerging industries, which will facilitate the development of related automotive components, including the industrialization of EPS system. It is expected that by 2020, the industrialization and market size of green car in the PRC will rank the global number one and the accumulated number of green car will reach 5,000,000 units in the PRC.

BUSINESS REVIEW

OPERATION RESULT

For the year ended 31 December 2010, the Group recorded a revenue of approximately RMB543,746,000, representing an increase of approximately 49.6% as compared with 2009. Profit attributable to owners of the Company was approximately RMB103,404,000, representing an increase of approximately 55.8% as compared with 2009.

During the year under review, the Group's revenue increased largely and the entire gross profit increased by approximately 42.8% as compared with 2009. The large increase of the Group's revenue was mainly due to an increase in the overall business and a significant increase in the sale of steering products for passenger cars.

The gross profit margin of the Group was approximately 35.7%, (2009: approximately 37.4%). The slight decrease in the gross profit margin was mainly due to a price cut of old products and an increase in costs.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group's selling and distribution costs increased by approximately RMB11,863,000 compared with 2009. Increase in selling and distribution costs was mainly due to an increase in sales volume resulted in an increase in the transportation and storage expenses as well as other sales expenses.

During the year under review, the Group's administrative expenses increased by approximately RMB3,655,000 comparing with 2009. However, the ratio of administrative expenses to revenue dropped largely as compared to 2009. The increase in administrative expenses was mainly due to an increase in staff costs and research and development expenses.

In view of the above, for the year ended 31 December 2010, the Group has a profit after tax of approximately RMB104,340,000, representing an increase of approximately 55.4% compared with approximately RMB67,156,000 for the previous year.

During the year under review, there were no material changes in the business and regional segments.

MARKETING AND NEW PRODUCTS

During the year under review, the Group secured two new projects of developing passenger car hydraulic power steering gear (HPS). Meanwhile, the Group has other two types of HPS have started volume production.

During the year under review, the Group has one type of EPS products going to the market. At the same time, the Group's EPS also has been used in Shanghai EXPO VIP service car and performed well.

During the year under review, precious casting products produced by Jilin Shibao Machinery manufacturing Co., Ltd. ("Jilin Shibao") has been used in one type of the Group's commercial vehicle steering gear (RBS) and received sound feedback from the OEM clients.

PRODUCTION FACILITIES

During the year under review, the first production line of Jilin Shibao first stage construction has been started production, which can meet 40% of the Group's current blank-casting purchasing demand for power steering assemblies. The first stage construction of Jilin Shibao has planned to invest three production lines with main products of various kinds of precious casting of automotive components and will be supplied to intra-group market.

During the year under review, a new advanced passenger car HPS assembly line has started production in Hangzhou Shibao Auto Steering Gear Sales Co., Ltd. ("Hangzhou Shibao"), which resulted in an increase of the annual production capacity of the Group's passenger car HPS assemblies by 250,000 units/sets.

During the year under review, the annual production capacity of passenger car steering knuckle products has been doubled in Siping Steering Gear Co., Ltd. ("Siping Steering") to 450,000 pieces, thus to meet the increasing demand from FAW-CAR.

MANAGEMENT DISCUSSION AND ANALYSIS

RESEARCH AND DEVELOPMENT

During the year under review, one of the Group's passenger car hydraulic steering gear (HPS) technologies has been issued certificate of patent of invention by the State Intellectual Property Office.

During the year under review, the Group's EPS development project has been issued the "State High-tech Industrialization Model Project" by National Development and Reform Commission.

During the year under review, the Group has participated in the draft of the "12th Five-year Plan" of China Automotive Component Industry as the vice team leader of steering sector.

During the year under review, The Group has been awarded the "Supplier of the Year" by FAW-CAR for the fourth consecutive year. During the year under review, the Group has also been awarded the "Supplier of the Year" by Dongfeng Liuzhou Plant, Jianghuai Automobile and Foton Motor.

FINANCIAL REVIEW

TURNOVER

For the year ended 31 December 2010, the Group recorded a revenue of approximately RMB543,746,000, representing an increase of approximately 49.6% as compared with 2009. The large increase was mainly due to an increase in the overall business and a significant increase in the sale of steering products for passenger cars.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended 31 December 2010, the Group's gross profit was approximately RMB194,294,000, increased by approximately 42.8% as compared with approximately RMB136,084,000 in 2009. The gross profit margin of the Group during the year under review was approximately 35.7% (2009: approximately 37.4%), the slight decrease in the gross profit margin was mainly due to a price cut of old products and an increase in costs.

OTHER INCOME AND GAINS

Other income mainly included government subsidies income, interest income and others. Such income was approximately RMB4,263,000 for the year ended 31 December 2010, representing an increase of approximately 8.6% as compared with approximately RMB3,924,000 in 2009.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution costs for the year ended 31 December 2010 were approximately RMB37,508,000, representing an increase of approximately 46.3% compared with approximately RMB25,645,000 in 2009. Increase in selling and distribution costs was mainly due to an increase in sales volume resulted in an increase in the transportation and storage expenses as well as other sales expenses. The amount represented approximately 6.9% of the Group's total turnover for the year ended 31 December 2010, representing a slight decrease compared approximately 7.1% of the total turnover in 2009.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses for the year ended 31 December 2010 were approximately RMB40,932,000, representing an increase of approximately 9.8% compared with approximately RMB37,277,000 in 2009. Increase in the administrative expenses was mainly due to the increase in staff cost and research and development expenses. However, the amount represented approximately 7.5% of the Group's total turnover for the year ended 31 December 2010, representing a large decrease compared to approximately 10.3% of the total turnover in 2009.

FINANCE COSTS

The Group's finance costs for the year ended 31 December 2010 were approximately RMB1,241,000, which was increased largely compared with approximately RMB290,000 in 2009.

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses for the year ended 31 December 2010 was approximately RMB12,329,000, representing approximately 2.3% of the Group's total turnover, which was increased approximately RMB2,803,000 compared with RMB9,526,000 in 2009.

ANNUAL PROFIT AND PROFIT MARGIN

Based on the above factors, the Group's profit for the year ended 31 December 2010 was approximately RMB104,340,000, representing an increase of approximately 55.4% compared with approximately RMB67,156,000 of the previous year. The Group's profit margin (percentage of profit to the Group's total turnover) for the year ended 31 December 2010 was approximately 19.2% (2009: approximately 18.5%).

LIQUIDITY AND FINANCIAL RESOURCES

LIQUIDITY RATIOS

As at 31 December 2010, the Group had cash and cash equivalents of approximately RMB48,938,000, in comparison with approximately RMB38,609,000 as at 31 December 2009. As at 31 December 2010, current ratio of the Group was approximately 2.0 (2009: approximately 2.3) and quick ratio was approximately 1.3 (2009: approximately 1.6).

Net current assets as at 31 December 2010 was approximately RMB204,662,000 (2009: approximately RMB167,478,000).

Non-current liabilities as at 31 December 2010 was approximately RMB21,980,000 (2009: approximately RMB5,400,000).

Taking into account the Group's internally generated funds and available bank facilities, the Directors are of the opinion that the Group has sufficient working capital for its current needs.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The Group's gearing ratio as at 31 December 2010 was approximately 22.2% (2009: approximately 13.7%). The calculation of gearing ratio is to divide net debt by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and notes payables, other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to equity holders of the company.

Total loans and borrowings as at 31 December 2010 were approximately RMB55,090,000 (2009: approximately RMB5,090,000), among which borrowings of RMB2,530,000 (2009: RMB2,530,000) bear interest at a commercial rate of 5% (2009: 5%) per annum and are repayable in 2016; borrowings of RMB2,560,000 (2009: RMB2,560,000) bear interest at a commercial rate of 5% (2009: 5%) per annum and are repayable in 2020; borrowings of RMB30,000,000 (2009: Nil) bear interest at a commercial rate of 5.31% (2009: Nil) per annum and are repayable in 2011; and borrowings of RMB20,000,000 (2009: Nil) bear interest at a commercial rate of 5.96% (2009: Nil) per annum and in which RMB5,000,000 are repayable in 2011 and RMB15,000,000 are repayable in 2015.

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

PLEDGE OF ASSETS

At 31 December 2010, the Group's pledged deposits with a net carrying amount of approximately RMB16,363,000 (2009: nil) were pledged to secure bills payables amounting to RMB14,730,000 (2009: nil) granted to the Group.

Save as disclosed above, the Group did not have any other pledges on its assets.

MATERIAL ACQUISITIONS AND DISPOSALS

As at 31 December 2010, the Group did not have any material acquisition and disposal concerning subsidiaries and associates.

OTHER MATTERS

BEIJING AUTONIC

In October 2010, the Company signed an agreement with Beijing Autonic, an independent third party, regarding stock acquisition and acquired 70% of the shares of Beijing Autonic with cash payment of RMB7 million. The registered capital of Beijing Autonic is RMB10 million. The remaining 30% of the shares of Beijing Autonic are held by two individuals whom representing the team of Beijing Autonic. The relevant industrial and commercial registration procedures have been completed regarding the aforesaid stock acquisition.

Beijing Autonic is a limited liability company registered in Beijing. It is mainly engaged in the development of electronic technologies of automotive electric power steering (EPS) system and manufacturing and sales of ECU related electronic units. The Company believes that after the acquisition, it can enhance the Group's follow-up R&D ability of EPS electronic technologies, therefore to further consolidate the Group's leading position in the development and manufacturing of automotive EPS system in China. The products of Beijing Autonic will mainly be supplied to the Group and used in the Group's EPS assembly for the time being.

MANAGEMENT DISCUSSION AND ANALYSIS

HANGZHOU NEW SHIBAO

In October 2010, the Company reached an agreement with Mr. Wang Chao Jiu and his team, independent third parties, regarding technologies investment into Hangzhou New Shibao and the appointment of Mr. Wang as the general manager of Hangzhou New Shibao. Mr. Wang had carried out research and development as well as manufacturing of automotive EPS system in a renowned auto factory in Japan for many years. Hangzhou New Shibao will mainly be engaged in the industrialization of EPS products and plans to build an annual production capacity of 1,000,000 units/sets of EPS system in the next five years.

In November 2010, the Company has signed the aforesaid technologies investment agreement with Mr. Wang Chao Jiu. Mr. Wang and his team invest to Hangzhou New Shibao with their technologies valued at RMB18 million. Meanwhile, the Company increases its investment in Hangzhou New Shibao by RMB2 million in cash. The relevant industrial and commercial registration procedures regarding the aforesaid investment and increase of capital have been completed. After then, the registered capital of Hangzhou New Shibao is RMB60 million, where as the Company holds 70% of the shares and Mr. Wang, representing himself and his team, holds 30% of the shares.

The above two transactions with Beijing Autonic and Mr. Wang Chao Jiu with his team, all being independent third parties, respectively are not notifiable transactions pursuant to both Chapter 19 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") and Chapter 14 of the Rules Governing the Listing of Securities on the Exchange (the "Main Board Listing Rules").

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2010, 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

Apart from capital commitments set out in note 34 to the financial statements, the Group has no other material capital commitments as at 31 December 2010.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 33 to the financial statements as at 31 December 2010.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

The Group had a total of 1,592 employees as at 31 December 2010 (2009: 1,179).

For the year ended 31 December 2010, total salaries and welfares costs of the employees amounted to approximately RMB62,957,000 (2009: approximately RMB42,427,000). 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Shi Quan (張世權), aged 60, is the founder of the Group and the Chairman and General Manager of the Company. He is responsible for the Group's overall strategic planning, business development, new product sales and marketing strategies. He is also a director of Zhejiang Shibao Holding. He has over 20 years of extensive experience in automotive steering gears, and is a senior economist. In 2006 in the Great Hall of the People in Beijing, Mr. Zhang Shi Quan was 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). Mr. Zhang Shi Quan is the father of Mr. Zhang Bao Yi, Ms. Zhang Mei Jun and Ms. Zhang Lan Jun who are also Directors of the Company. Mr. Zhang Shi Quan is the father-in-law of Mr. Tang Hao Han, a Director, who is the husband of Ms. Zhang Mei Jun. Mr. Zhang Shi Quan is the elder brother of another Director, Mr. Zhang Shi Zhong. Mr. Zhang Shi Quan was first appointed as a Director of the Company on 12 June 2004. Mr. Zhang Shi Quan entered into a service contract with the Company on 26 April 2006 for an initial term of 3 years pursuant to which he was appointed as an executive Director on 16 May 2006 (the Listing Date).

Mr. Zhang Bao Yi (張寶義), aged 38, is the deputy general manager of the Company, responsible for overall management of the Group's operations in Zhejiang Province. He graduated from Zhejiang Industrial University Zhexi Branch School (浙江工業大學浙西分校) in 1995, majoring in mechanical manufacturing. He has worked in Zhejiang Shibao Steering since 1996 responsible for manufacturing of automotive steering gears and was appointed as general manager of Zhejiang Shibao Steering in February 2000 responsible for its overall management. He was granted the title of "Labour Model" (勞動模範) of Yiwu City in 2004. He is the son of Mr. Zhang Shi Quan. Mr. Zhang Bao Yi was first appointed as a Director of the Company on 12 June 2004. Mr. Zhang Bao Yi entered into a service contract with the Company on 26 April 2006 for an initial term of 3 years pursuant to which he was appointed as an executive Director on 16 May 2006 (the Listing Date).

Mr. Tang Hao Han (湯浩瀚), aged 43, is the deputy general manager of the Company responsible for overall management of the Group's operations in Jilin Province. He is a representative of the Jilin People's Congress (吉林省人大代表), the vice president of the Siping City Industry and Commerce Union (四平市工商業聯合會副會長), member of the Standing Committee of Jilin Province Siping City People's Political Consultative Conference (中國人民政治協商會議吉林省四平市常務委員會常委) and "Leader of the National Outstanding Youth in Industrial Development" (全國傑出青年興業領頭人). Mr. Tang was awarded the "Outstanding Entrepreneur of Jilin Province Privately-Owned Enterprises" (吉林省優秀民營企業家). Mr. Tang graduated from Renmin University of China (中國人民大學) in 1990, majoring in population studies. He was a tutor at Nanjing College For Population Programme Management (南京人口管理幹部學院助教) in 1990. He was appointed as assistant to general manager and office manager of Zhejiang Shibao Steering in 1995 responsible for administration, and deputy general manager of Zhejiang Shibao Steering in 1997 responsible for administration. Since 1998, he has been the general manager of Siping Steering responsible for its overall management. Mr. Tang obtained his master degree in business administration (工商管理碩士) and doctorate degree in technical economics and management (技術經濟及管理專業博士) both at Jilin University (吉林大學) in 2004 and 2008 respectively. He is the husband of Ms. Zhang Mei Jun (and the son-in-law of Mr. Zhang Shi Quan). Mr. Tang was first appointed as a Director of the Company on 12 June 2004. Mr. Tang entered into a service contract with the Company on 26 April 2006 for an initial term of 3 years pursuant to which he was appointed as an executive Director on 16 May 2006 (the Listing Date).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhu Jie Rong (朱頡榕), aged 62, has been the deputy general manager of the Company responsible for investors and public relations since joining the Group in February 2002. He is also the compliance officer and authorised representative of the Company. In addition, he is a supervisor of Zhejiang Shibao Holding. From 1966 to 1990, he worked in a number of leading automobile parts and components manufacturers in Shanghai, Hubei and Zhejiang, and has over 20 years of experience in the automobile parts and components industry. Mr. Zhu was first appointed as a Director of the Company on 12 June 2004. Mr. Zhu entered into a service contract with the Company on 26 April 2006 for an initial term of 3 years pursuant to which he was appointed as an executive Director on 16 May 2006 (the Listing Date).

Ms. Zhang Lan Jun (張蘭君), aged 35, is responsible for supervising the finance and accounting functions of the Company. She graduated from Zhejiang University of Finance & Economics (浙江財經學院) in 1996, majoring in accounting and obtained a master degree in business administration (工商管理碩士學位) in Guizhou University (貴州大學). She joined our Group's accounting department in 1997 and has over 10 years of experience in finance and accounting. Ms. Zhang Lan Jun has also been a director of Hangzhou Shibao since November 1996 and finance manager of Hangzhou Shibao since 2001. She is a daughter of Mr. Zhang Shi Quan. Ms. Zhang Lan Jun was first appointed as a Director of the Company on 12 June 2004. Ms. Zhang Lan Jun entered into a service contract with the Company on 26 April 2006 for an initial term of 3 years pursuant to which she was appointed as an executive Director on 16 May 2006 (the Listing Date).

NON-EXECUTIVE DIRECTORS

Mr. Zhang Shi Zhong (張世忠), aged 49, is deputy general manager of the Company responsible for overseeing the Company's manual steering gears production. He was the deputy general manager of Yiwu Qianjin Steering Gear Factory (義烏市前進方向機廠), responsible for the supervision of the production of manual steering gears, until 1993 when its operations were taken over by Zhejiang Shibao Steering. Since then, he has been the deputy general manager of Zhejiang Shibao Steering responsible for the supervision of the production of manual steering gears. He is also the chairman of Zhejiang Shibao Holding which holds 165,387,223 Domestic Shares representing 94% of the Domestic Shares in issue and approximately 62.97% of the total issued share capital of the Company. He has over 15 years experience in the automotive steering gears. He is the younger brother of Mr. Zhang Shi Quan. Mr. Zhang Shi Zhong was first appointed as a Director of the Company on 12 June 2004. Mr. Zhang Shi Zhong entered into a service contract with the Company on 26 April 2006 for an initial term of 3 years pursuant to which he was appointed as a non-executive Director on 16 May 2006 (the Listing Date).

Ms. Zhang Mei Jun (張美君), aged 40, was graduated from the People's Liberation Army Transportation Engineering Institute (中國人民解放軍運輸工程學院) majoring in automobile parts and components design and manufacture (主修汽車零部件設計與製造) in 1992. She was responsible for overseeing the finance and accounting functions of Zhejiang Shibao Steering from 1993 to 1998. She is a daughter of Mr. Zhang Shi Quan and the wife of Mr. Tang Hao Han. Ms. Zhang Mei Jun was first appointed as a Director of the Company on 12 June 2004. Ms. Zhang Mei Jun entered into a service contract with the Company on 26 April 2006 for an initial term of 3 years pursuant to which she was appointed as a non-executive Director on 16 May 2006 (the Listing Date).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Lou Run Zheng (樓潤正), aged 47, obtained a bachelor's degree from Zhejiang University in 1985, majoring in agriculture mechanization and a master's degree in business administration from the Open University of Hong Kong in 2003, and has attended certain courses for master of law in Zhejiang University. Mr. Lou is the vice president of Zhejiang Yuan Zheng Hotel Management Company Limited. Mr. Lou has over 20 years' experience in business administration. Mr. Lou was first appointed as a non-executive Director on 4 November 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Chun Zhi (趙春智), aged 64, senior economist. Mr. Zhao was the deputy plant manager of the steering gear plant and the general manager of Liao-Beng sub-company (遼泵分公司) of China FAW Group Corporation (中國第一汽車集團公司) before he retired in 2006. Mr. Zhao has over 30 years' experience in the management of steering manufacturing plant. Mr. Zhao Chun Zhi was first appointed as an independent non-executive Director of the Company on 5 June 2009.

Mr. Chen Guo Feng (陳國峰), aged 64, worked in the Hangzhou Turbine Factory (杭州汽輪機廠), Hangzhou Mechanical Industry Bureau (杭州市機械工業局) and Hangzhou Mechanical Electronic Holding (Group) Company Limited (杭州機械電子控股(集團)有限公司) as finance accountant, accounts Supervisor, deputy chief accountant, financial director and department head. Mr. Chen is an independent director of Ningbo MOS Group Corporation Limited (寧波摩士集團股份有限公司) and Zhejiang Hangcha Engineering Machinery Co., Ltd. 浙江杭叉工程機械股份有限公司 Mr. Chen has over 30 years' experience in finance. Mr. Chen was first appointed as a Director of the Company on 6 December 2004. Mr. Chen entered into a service contract with the Company on 26 April 2006 for an initial term of 3 years pursuant to which he was appointed as an independent non-executive Director on 16 May 2006 (the Listing Date).

Mr. Chau Kam Wing, Donald (周錦榮) aged 48, obtained a master's degree in business administration from the University of San Francisco, USA in 2000 and 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 has over 20 years' experience in auditing, taxation and financial management of various listed companies. Mr. Chau is currently an independent non-executive director of China Water Affairs Group Limited and Carpenter Tan Holdings Limited, both companies listed on the Main Board of the Stock Exchange, and Eco-Tek Holdings Limited and China Nonferrous Metals Company Limited, both companies listed on the GEM of the Stock Exchange. Mr. Chau was first appointed as an independent non-executive Director on 4 November 2009.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Mr. Du Min (杜敏), aged 55, joined Siping Steering, a subsidiary of the Company, since 2002 and is a senior economist. Mr. Du graduated from Jilin Institute of Finance and Trade (吉林財貿學院) with a bachelor's degree in economics in 1982. Mr. Du has more than 20 years' experience in finance. Mr. Du has been appointed as a Supervisor from staff representatives since 1 June 2007.

Mr. Yang Di Shan (楊迪山), aged 73, was the deputy manager of chassis department and light car department at Changchun Auto Research Institute (長春汽車研究所) (now known as FAW Group Corporation R&D Center (一汽集團公司技術中心) and retired in 1998. Mr. Yang is the deputy general manager of Beijing Keguan Vehicle Hi-tech Development Co., Ltd. currently. Mr. Yang has over 30 years' experience in research and development in relation to automobile parts. Mr. Yang has been appointed as a Supervisor since 5 June 2009.

Mr. Wu Lang Ping (吳琅平), aged 48, joined the Company in 1985 and worked in the area of steering gear manufacturing for over 20 years. He is the manager of manufacturing process department of Hangzhou Shibao, responsible for supervising the manufacturing process of automotive steering gears. Mr. Wu was elected by the staff as staff representative Supervisor and was appointed as a Supervisor with effect from 5 June 2009.

Mr. Shen Song Sheng (沈松生), aged 74, worked in Hangzhou Hong Qi Spare Parts Factory (杭州紅旗汽車零部件廠) in 1980. Mr. Shen joined the Group in 1993 responsible for sales and retired in 2009. Mr. Shen has been appointed as a Supervisor since 12 June 2004. Mr. Shen entered into a service contract with the Company on 26 April 2006 for a term of three years pursuant to which he was appointed as a Supervisor on 16 May 2006 (the Listing Date). Mr. Shen resigned from his position as a staff representative Supervisor due to retirement from the job on 1 June 2007. However, being eligible, he was re-elected as a Supervisor at the annual general meeting on 1 June 2007.

Mr. Wang Kui Quan (王奎泉), aged 46, obtained his bachelor's degree from the Jiangxi Finance and Economics Institute (江西財經學院) (currently known as Jiangxi Finance and Economics Vocational College (江西財經職業學院), majoring in finance and a master's degree in economics from Dongbei University of Finance and Economics (東北財經大學) in 1986 and 1989 respectively. From 1997 to 2000, he was the deputy head of Zhejiang School of Finance (浙江財政學校). From 2002 to 2005, he was the vice director of postgraduates department of Zhejiang University of Finance & Economics (浙江財經學院) and from 2006, he was the director of the Principal Office and Party Secretary Office of Zhejiang University of Finance & Economics (浙江財經學院). From 2010, Mr. Wang is the director of the Development and Planning Office of Zhejiang University of Finance & Economics (浙江財經學院). Mr. Wang has over 20 years' experience in finance and economics. Mr. Wang has been appointed as a Supervisor since 12 January 2005. Mr. Wang entered into a service contract with the Company on 26 April 2006 for a term of three years pursuant to which he was appointed as a Supervisor on 16 May 2006 (the Listing Date).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Du Chun Mao (杜春茂), aged 55, is the deputy general manager of Siping Steering responsible for its assembly workshop and mechanical workshop since 2001.

Mr. Zhou Long (周瓏), aged 54, has been deputy general manager of Hangzhou Shibao overseeing its product development department since joining our Group in April, 2003. He graduated from Nanjing University of Mechanical Industry Workers (南京市機械工業局職工大學) in 1983 majoring in heat processing skills and equipment. He was an engineer of an automobile spare parts factory in Nanjing from 1989 to 1995, and was appointed as the deputy factory manager in 1997.

Mr. Yu Zhong Chao (虞忠潮), aged 46, joined the Group since 1 December 2004, and is currently the vice president of the Company overseeing the operations of the Company and daily operations of Hangzhou Shibao. He worked for Dongfeng Hangzhou Automobile Company (東風杭州汽車公司) in 1984 as an engineer in the research institute, and was the head of the purchase department of Dongfeng Nissan Diesel Motor Co., Ltd. (東風日產柴汽車有限公司) from 1994 to 1999, and marketing vice president of Zhejiang Changxing Automobile Leasing Co., Ltd. (浙江長行汽車租賃有限公司) from 1999 to 2004.

Mr. Ise Mitsuo (伊勢光男), aged 70, has been deputy general manager of Hangzhou Shibao responsible for the development and production of power rack-and-pinion steering gears since joining our Group in January, 2003. He was appointed as department head of a leading manufacturer of automotive parts in Japan in 1996. From 1997 to 2001, he was relocated to China where he was the deputy general manager of a Sino-Japanese joint venture engaged in the manufacture of rack-and-pinion steering gears.

Ms. Huen Lai Chun (禤麗珍), aged 45, has been appointed as the company secretary and authorised representative of the Company since May 2009. Ms. Huen is a Fellow of The Association of Chartered Certified Accountants. 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 2010.

PRINCIPAL ACTIVITIES

The Group has committed itself to the research and development of automotive steering products and mainly engaged in the design, manufacture and sales of various types of automotive steering products. The activities of its subsidiaries and associated companies are set out in note 18 and note 19 to the financial statements.

No segmental analysis by business and geographical segments is presented for the year as explained in note 4 to the financial statements.

RESULTS

Results and financial position of the Group for the year ended 31 December 2010 are set out in page 44 to page 116 in the annual report.

FINANCIAL SUMMARY

Summary of the Group's results and assets and liabilities for the past five financial years are set out in page 7 in the annual report.

FINAL DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended the payment of a final cash dividend of RMB0.09 per share (before deduction of corporate income tax for non-resident enterprise shareholders) for the year ended 31 December 2010, with a total amount of approximately RMB23,639,000. For distribution of the final cash dividends, cash dividends for holders of Domestic Shares will be distributed and paid in Renminbi, while cash dividends for holders of H Shares will be declared in Renminbi but paid in Hong Kong dollars (conversion rate of Renminbi into Hong Kong dollars shall be calculated on the average price of the conversion of Renminbi into Hong Kong dollars in five (5) days as announced by the People's Bank of China five (5) working days preceding 13 May 2011). In accordance with the Corporate Income Tax Law of the PRC and the Implementation Regulation of the Corporate Income Tax Law of the PRC both effective on 1 January 2008, non-resident enterprises shall pay corporate tax on their income generated within PRC, and the applicable tax rate is 10%, withholding by the issuer. Any shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax. The Company will not withhold and pay income tax in respect of the dividend payable to any natural person shareholders whose names appear on the Company's register of members for H shares on the record date.

The Company will submit a proposal for the distribution of final cash dividends on the forthcoming annual general meeting. Subject to the approval by the shareholders, the Company is expected to distribute final cash dividends to shareholders, whose names are listed on the register of members as at Friday 13 May 2011 (the "Record Date"), on or about Friday 27 May 2011.

REPORT OF THE DIRECTORS

The H Share register of the Company will be temporarily closed from Wednesday 13 April 2011 to Friday 13 May 2011 (both days inclusive) during which no transfer of shares of the Company will be registered. Shareholders whose names appear on the register of holders of H Shares on Friday 13 May 2011 shall be entitled to attend the annual general meeting of the Company to be held on Friday 13 May 2011 and to receive final cash dividends. All transfers accompanied by the relevant H Share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday 12 April 2011.

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

DISTRIBUTABLE RESERVE

For the year ended 31 December 2010, the Group's distributable reserve is approximately RMB177,550,000 (2009: RMB107,638,000).

SHARE CAPITAL

Details of changes of the Company's share capital during the year are set out in note 30 to the financial statements.

CONVERTIBLE DEBENTURES

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

RESERVES

Reserves of the Group for the year ended 31 December 2010 and its changes during the year prepared in accordance with IFRSs are set out in the Consolidated Statements of Changes in Equity, and details of the relevant reserves are set out in note 31 to the financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of changes of the Group's properties, plant and equipment are set out in note 14 to the financial statements.

BORROWINGS

Details of the Group's borrowings are set out in note 26 to the financial statements.

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)
Ms. Zhang Mei Jun (張美君)
Mr. Lou Run Zheng (樓潤正)

Independent Non-executive Directors

Mr. Zhao Chun Zhi (趙春智)
Mr. Chen Guo Feng (陳國峰)
Mr. Chau Kam Wing, Donald (周錦榮)

Supervisors

Mr. Du Min (杜敏)	(re-elected on 10 May 2010)
Mr. Yang Di Shan (楊迪山)	
Mr. Wu Lang Ping (吳琅平)	
Mr. Shen Song Sheng (沈松生)	(re-elected on 10 May 2010)
Mr. Wang Kui Quan (王奎泉)	

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.

Other than as disclosed above, 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 Main Board Listing Rules. The Company considers that they are independent as referred to in Rule 3.13 of the Main Board Listing Rules.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of Directors, Supervisors and the five highest paid employees are set out in note 7 and note 8 to the financial statements.

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 treatments 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

For the year ended 31 December 2010, the Group has no transaction which required to be made connected transaction disclosures under the GEM Listing Rules and Main Board Listing Rules.

In relation to the related party transactions as set out in note 35 to the financial statements, the Board has confirmed that during the year under review these transactions (other than (i) the sale of finished goods to Wuhu Sterling Steering System Co., Ltd., an associate of the Company and (ii) the purchase of raw materials and finished goods from it) constitute connected transactions within the meaning of the GEM Listing Rules and Main Bord Listing Rules, however, such transactions are intra-group transactions exempted under Rule 20.31(1) of the GEM Listing Rules and Rule 14A.31(1) of the Main Board Listing Rules from all the reporting, announcement and independent shareholders' approval requirements contained in Chapter 20 of the GEM Listing Rules Chapter 14A of the Main Board Listing Rules respectively.

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 2010, 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 Securities and Futures Ordinance ("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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Main Board Listing Rules (the "Model Code"), to be notified to the Company and the Exchange were as follows:

(1) Long positions in Domestic Shares of the Company:

Name of Director	Capacity	Number of Domestic Shares	Approximate percentage of shareholding in same class of shares	Approximate percentage in the Company's total issued share capital
Mr. Zhang Shi Quan ("Mr. Zhang")	Interest in a controlled corporation	165,387,223	94.00%	62.97%

Note: Mr. Zhang holds 40% interest in the registered capital of Zhejiang Shibao Holding, the ultimate holding company of the Company, which in turn holds 165,387,223 Domestic 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 Zhejiang Shibao Holding, Mr. Zhang is taken or deemed to be interested in all of the 165,387,223 Domestic Shares held by Zhejiang Shibao Holding.

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, Zhejiang Shibao Holding, an associated corporation of the Company:

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Zhejiang 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: Zhejiang Shibao Holding holds 165,387,223 Domestic Shares representing 94% of the Domestic Shares in issue and approximately 62.97% of the total issued share capital of the Company and accordingly is an associated corporation of the Company.

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)*

(3) Long positions in the registered capital of a subsidiary of the Company, Hangzhou Shibao Auto Steering Gear Sales Co., Ltd. ("Hangzhou Shibao"), an associated corporation of the Company:

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Hangzhou Shibao
Mr. Zhang	Family interest *(note 1)*	RMB400,000	1%
	Interest in a controlled corporation *(note 2)*	RMB39,600,000	99%

Notes:

(1) Hangzhou Shibao is a subsidiary of the Company which is owned as to 99% by the Company and as to 1% by Ms. Zhang Hai Qin ("Mrs. Zhang"), the wife of Mr. Zhang. Mr. Zhang is taken or deemed to be interested in the 1% interest directly held by his wife in Hangzhou Shibao.

(2) Mr. Zhang holds 40% interest in the registered capital of Zhejiang Shibao Holding, the ultimate holding company of the Company, holding approximately 62.97% of the total issued share capital of the Company. As Mr. Zhang is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Zhejiang Shibao Holding and the Company, Mr. Zhang is taken or deemed to be interested in the 99% interest directly held by the Company in Hangzhou Shibao.

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)*

(4) Long positions in the registered capital of a fellow subsidiary of the Company, Jilin Shibao Mechanical and Electrical Automation Co., Ltd. ("Jilin Shibao Automation"), an associated corporation of the Company:

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Jilin Shibao Automation
Mr. Zhang	Interest in a controlled corporation	RMB1,600,000	80%

Note: Jilin Shibao Automation, a subsidiary of the Zhejiang Shibao Holding, the ultimate holding company of the Company, is owned as to 80% by Zhejiang Shibao Holding. As Mr. Zhang holds 40% interest in the registered capital of Zhejiang 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 Zhejiang Shibao Holding, Mr. Zhang is taken or deemed to be interested in the 80% interest directly held by Zhejiang Shibao Holding in Jilin Shibao Automation.

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)*

(5) Long positions in the registered capital of a fellow subsidiary of the Company, Changchun Shili Automotive Brake Parts Co., Ltd. ("Changchun Shili Automotive"), an associated corporation of the Company:

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Changchun Shili Automotive
Mr. Zhang	Interest in a controlled corporation	RMB6,300,000	90%

Note: Changchun Shili Automotive, a subsidiary of the Zhejiang Shibao Holding, the ultimate holding company of the Company, is owned as to 90% by Zhejiang Shibao Holding. As Mr. Zhang holds 40% interest in the registered capital of Zhejiang 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 Zhejiang Shibao Holding, Mr. Zhang is taken or deemed to be interested in the 90% interest directly held by Zhejiang Shibao Holding in Changchun Shili Automotive.

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)*

(6) Long positions in the registered capital of a fellow subsidiary of the Company, Anhui Shibao Casting Industry Co., Ltd. ("Anhui Shibao"), an associated corporation of the Company:

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

Note: Anhui Shibao, a subsidiary of Zhejiang Shibao Holding, the ultimate holding company of the Company, is owned as to 100% by Zhejiang Shibao Holding. As Mr. Zhang holds 40% interest in the registered capital of Zhejiang 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 Zhejiang Shibao Holding, Mr. Zhang is taken or deemed to be interested in the 100% interest directly held by Zhejiang Shibao Holding in Anhui Shibao.

Save as disclosed above, as at 31 December 2010, 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 the underlying shares or debentures of the Company or any of its associated corporation (within the meaning of SFO) which will be required to be notified to the Company and the 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 relating to securities transactions by Directors, Supervisors or Chief Executive of the Company to be notified to the Company and the Exchange.

ARRANGEMENTS FOR PURCHASE OF SHARES OR DEBENTURES

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 respective 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 2010, the Company has not implemented any share option scheme.

SUBSTANTIAL SHAREHOLDERS

As of 31 December 2010, so far as is known to the Directors, Supervisors or Chief Executive 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 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
Zhejiang Shibao Holding *(note)*	Beneficial owner	165,387,223 Domestic Shares	94.00%	62.97%
Mr. Zhang *(note)*	Interest in controlled corporation	165,387,223 Domestic Shares	94.00%	62.97%
Mrs. Zhang *(note)*	Interest of spouse	165,387,223 Domestic Shares	94.00%	62.97%
Mr. Gu Weirong	Beneficial owner	4,432,000 H Shares	5.11%	1.69%

Note: As at 31 December 2010, Zhejiang Shibao Holding owned 165,387,223 Domestic Shares of the Company. As Mr. Zhang holds 40% interest in the registered capital of Zhejiang Shibao Holding, Mr. Zhang is deemed to be interested in all of the 165,387,223 Domestic Shares of the Company held by Zhejiang Shibao Holding. Mr. Zhang's indirect interest in these 165,387,223 Domestic Shares of the Company 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". Mrs. Zhang, as the wife of Mr. Zhang, is deemed to be interested in all of these Domestic shares which Mr. Zhang is taken or deemed to have interest in. These Domestic Shares represent the same interest and therefore duplicate amongst Zhejiang Shibao Holding, Mr. Zhang and Mrs. Zhang.

Save as disclosed above, as at 31 December 2010, 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.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the service contracts of Directors 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 were directly and indirectly materially interested subsisted at the end of the year or at any time during the year.

EMPLOYEE AND REMUNERATION POLICY

For the year ended 31 December 2010, the Group had a total of 1,592 employees. For the year ended 31 December 2010, total salaries and welfares of the employees amounted to approximately RMB62,957,000 (2009: approximately RMB42,427,000). 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.

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

The 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 the 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 2010.

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 the Company and its subsidiaries under the rules of the scheme.

COMPETING INTERESTS

None of the Directors, the substantial shareholders or the management shareholders of the Company (as defined in the GEM Listing Rules and Main Board Listing Rules) or their respective associates has an interest in a business which competes or may compete with the business of the Group, or has any other conflicts of interest with the Group.

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 2010, purchases attributable to the Group's five largest suppliers and turnover attributable to the five largest customers represented approximately 52.0% and 61.7% of the Group's total purchases and total turnover respectively. In addition, the largest supplier and the largest customer represented approximately 39.3% and 28.5% of the Group's total purchases and turnover 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.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 26 April 2006 and has stipulated written terms of reference for the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee has three members, namely Mr. Chau Kam Wing, Donald, Mr. Chen Guo Feng and Ms. Zhang Mei Jun. Mr. Chau Kam Wing, Donald and Mr Chen Guo Feng are independent non-executive Directors and Ms. Zhang Mei Jun is a non-executive Director. The chairman of the Audit Committee is Mr. Chau Kam Wing, Donald.

The Company's financial statements for the year ended 31 December 2010 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 26 April 2006 and has stipulated written terms of reference for the Remuneration Committee. The principal duties of the Remuneration Committee include (i) making recommendations to the Board on the remuneration policies and structure for the Directors and senior management of the Company; (ii) setting up a formal and transparent procedure for determination of such remuneration policies; and (iii) evaluating performances and formulating the remuneration policies based on such evaluations.

The Remuneration Committee consists of three members, comprising Mr. Chau Kam Wing, Donald, Mr. Chen Guo Feng and Ms. Zhang Mei Jun. The Chairman of the Remuneration Committee is Mr. Chau Kam Wing, Donald.

THE MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code. 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.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Since the commencement of listing of the H Shares of the Company on GEM on 16 May 2006 and the transfer listing of the H Shares on Main Board on 9 March 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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 is in compliance with the Main Board Listing Rules which required at least 25% of the total issued share capital of the Company be held by the public.

POST BALANCE SHEET EVENTS

Pursuant to the special resolution passed in the extraordinary general meeting and the two separate class meetings held on 22 March 2010, the Board was authorised to propose transfer of listing of the Company's H shares from the GEM to the Main Board of the Exchange. Pursuant to the approval documents issued by the China Securities Regulatory Commission and the Exchange on 16 December 2010 and 8 March 2011 respectively, the listing of the Company's H shares was changed from GEM to the Main Board on 9 March 2011.

CORPORATE GOVERNANCE

The Corporate Governance Report adopted by the Company is set out in page 36 to page 41 in the annual report.

AUDITORS

The financial statements have been audited by Ernst & Young, certified public accountants. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Ernst & Young as the Company's auditor.

By order of the Board
Zhang Shi Quan
Chairman

Hangzhou, Zhejiang, the PRC
18 March 2011

REPORT OF THE SUPERVISORY COMMITTEE

To all shareholders:

For the year 2010, the Supervisory Committee carefully discharged its duties in strict compliance with the related provisions of the Company Law of the PRC, the GEM Listing Rules and Main Board Listing Rules, 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 one meeting, attended Board meetings, and heard reports regarding the finance and profit distribution, connected transactions and operating results 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 for better operating results of the company in 2010. No violation of laws and regulations of the PRC or the place of listing and the Articles of Association of the Company has 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 2010 prepared by Ernst & Young in accordance with International Financial Reporting Standards, 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.

The Supervisory Committee has seen the achievement of the Group in the development and reserve of electric power steering (EPS) technologies for fuel-efficient and low-emission vehicles. The Supervisory Committee hopes that the Group new technologies and products will penetrate to large market in the future, so as to realize the long-term and stable development 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
18 March 2011

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2010, the Group had been in compliance with majority of the Code on Corporate Governance Practices (the "Code on Corporate Governance Practices") as set out in Appendix 15 to the GEM Listing Rules and Appendix 14 to the Main Board Listing Rules by adopting a compliance manual that requires compliance with, amongst others, the Code on Corporate Governance Practices. This report describes its corporate governance practices, and explains the application of and deviation (if any) from the principles of the Code on Corporate Governance Practices.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code. 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.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD AND BOARD PRACTICES

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

CORPORATE GOVERNANCE REPORT

The Board will hold board meetings at least four times each year. For the year under review, the Board held six meetings in total. Records of Directors' attendance in Board meetings during the year under review are as follows:

	Number of attendance in the whole year
Executive Directors	
Mr. Zhang Shi Quan *(Chairman and General Manager)*	6/6
Mr. Zhang Bao Yi	6/6
Mr. Tang Hao Han	6/6
Mr. Zhu Jie Rong	6/6
Ms. Zhang Lan Jun	6/6
Non-executive Directors	
Mr. Zhang Shi Zhong	6/6
Ms. Zhang Mei Jun	6/6
Mr. Lou Run Zheng	6/6
Independent Non-executive Directors	
Mr. Zhao Chun Zhi	6/6
Mr. Chen Guo Feng	6/6
Mr. Chau Kam Wing, Donald	6/6

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.

Other than as disclosed above, 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 Rules 5.05(1) and (2) of the GEM Listing Rules and Rules 3.10(1) and (2) of the Main Board Listing Rules, and has appointed three 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 5.09 of the GEM Listing Rules and Rule 3.13 of the Main Board Listing Rules, and has received annual independence confirmation letters from each of the independent non-executive Directors as required by the bbin Main Board Listing Rules.

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 (Chairman of the Company). Ms. Zhang Lan Jun (an executive Director of the Company) and Ms. Zhang Mei Jun (a non-executive Director of the Company) are daughters of Mr. Zhang Shi Quan (Chairman of the Company). Mr. Tang Hao Han (an executive Director of the Company) is husband of Ms. Zhang Mei Jun (a non-executive Director of the Company) and the son-in-law of the Mr. Zhang Shi Quan (Chairman of the Company). 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 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.

CHAIRMAN AND CHIEF EXECUTIVE

Under Rule A.2.1 of the Code on Corporate Governance Practices, 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 was the Group's founder, responsible for overlooking the overall strategic planning, business development and sales and marketing strategies of new products. 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 such management structure arrangement from time to time.

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 the 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.

The internal audit team of the Group carried out reviews and submitted report on the internal control system of the Group in 2010. The scope of the review covered all important aspects of the control, including the control in finance, operation, compliance and risk management, as well as the adequacy of resources, qualifications and experience of staffs of the Group's accounting and financial reporting function, and their training programs and budget. With reference to the assessment made by the Audit Committee on the report of internal control submitted by the internal audit team, the Board considered that the existing internal control system is sufficient and effective.

REMUNERATION COMMITTEE

The Company set up 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 comprises three members, comprising Mr. Chau Kam Wing, Donald, Mr. Chen Guo Feng and Ms. Zhang Mei Jun. The Chairman of the Remuneration Committee is Mr. Chau Kam Wing, Donald. During the year under review, the Remuneration Committee held one meeting to review the remuneration packages of Directors and Supervisors, and records of attendance of members of the committee in the meeting of the Remuneration Committee are as follows:

	Number of attendance in the whole year
Mr. Chau Kam Wing, Donald	1/1
Mr. Chen Guo Feng	1/1
Ms. Zhang Mei Jun	1/1

NOMINATION OF DIRECTORS

The Board has been authorized under the Articles of Association to appoint any person as director to make up temporary vacancy, or to appoint additional members of the Board under the authorization by the shareholders' general meeting of the Company. Proposals for qualified candidates shall be submitted to the Board for its consideration, while principles of election shall be based on the appraisals on its professional qualifications and experiences. The Board shall select and propose candidates for directors after considerations on the balancing of its skills and experiences as may be suitable for the Group's business.

For the year under review, there is no nomination of directors.

SUPERVISORY COMMITTEE

The Supervisory Committee of the Company comprises five members, Mr.Du Min, Mr.Yang Di Shan, Mr. Wu Lang Ping, Mr. Shen Song Sheng and Mr. Wang Kui Quan, and Mr. Du Min is the convenor of the Supervisory Committee.

The establishment of the Supervisory Committee is in compliance with the Company Law of the PRC. 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

Remuneration received by Ernst & Young, the auditors of the Company, in respect of their audit services for the year ended 31 December 2010 was approximately RMB1,200,000. The auditors did not provide any non-audit services in 2010.

AUDIT COMMITTEE

The Company established the Audit Committee on 26 April 2006 and has stipulated written terms of reference for the Audit Committee.

The Audit Committee comprises three members, who are Mr. Chau Kam Wing, Donald, Mr. Chen Guo Feng and Ms. Zhang Mei Jun. Mr. Chau Kam Wing, Donald and Mr. Chen Guo Feng are independent non-executive Directors, while Ms. Zhang Mei Jun is a non-executive Director. Mr. Chau Kam Wing, Donald is the Chairman of 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 Committee shall also supervise the Company's progress on the implementation of the provisions under the Code on Corporate Governance Practices.

The Group's unaudited quarterly results for the three months ended 31 March 2010, unaudited interim results for the six months ended 30 June 2010 and the unaudited quarterly results for the nine months ended 30 September 2010 had been reviewed by the Audit Committee, and the Audit Committee considers that these reports had been prepared in compliance with the relevant accounting standards and provisions. The Group's audited consolidated results for the year ended 31 December 2010 had also been reviewed by the Audit Committee. In addition, the Audit Committee had reviewed the system of internal control in 2010.

Four meetings had been held by the Audit Committee during the year under review. Records of attendance in the meetings of the Audit Committee are as follows:

	Number of attendance in the whole year
Mr. Chau Kam Wing, Donald	4/4
Mr. Chen Guo Feng	4/4
Ms. Zhang Mei Jun	4/4

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 Independent Auditors' Report on page 42 of this annual report.

RELATIONSHIP WITH SHAREHOLDERS

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

RELATIONSHIP WITH INVESTORS

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

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

TO THE SHAREHOLDERS OF ZHEJIANG SHIBAO COMPANY LIMITED

(Registered in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Zhejiang Shibao Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 44 to 116, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

18 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	2010 *RMB'000*	2009 *RMB'000*
REVENUE	5	543,746	363,521
Cost of sales		(349,452)	(227,437)
Gross profit		194,294	136,084
Other income and gains	5	4,263	3,924
Selling and distribution costs		(37,508)	(25,645)
Administrative expenses		(40,932)	(37,277)
Other expenses		(1,360)	(428)
Finance costs		(1,241)	(290)
Share of profits of an associate	19	1,146	275
PROFIT BEFORE TAX	6	118,662	76,643
Income tax expense	9	(14,322)	(9,487)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		104,340	67,156
Total profit and comprehensive income attributable to:			
Owners of the parent	10	103,404	66,353
Non-controlling interests		936	803
		104,340	67,156
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		RMB0.39	RMB0.25

Details of the dividends payable and proposed for the year are disclosed in note 11 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	294,599	270,632
Prepaid land lease payments	15	37,729	24,647
Goodwill	16	—	—
Other intangible assets	17	27,230	254
Advance payments for property, plant and equipment		24,226	5,041
Investment in an associate	19	6,615	5,853
Deferred tax assets	20	3,696	1,994
Total non-current assets		394,095	308,421
CURRENT ASSETS			
Inventories	21	138,007	96,289
Trade and notes receivables	22	170,978	123,368
Prepayments, deposits and other receivables	23	16,995	21,308
Due from an associate	24	17,064	11,901
Due from the ultimate holding company		—	300
Pledged deposits	25	16,363	—
Cash and cash equivalents	25	48,938	38,609
Total current assets		408,345	291,775
CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	35,000	—
Trade and bills payables	27	116,083	71,089
Other payables and accruals	28	35,101	36,706
Tax payable		17,326	15,268
Deferred income	29	173	1,234
Total current liabilities		203,683	124,297
NET CURRENT ASSETS		204,662	167,478
TOTAL ASSETS LESS CURRENT LIABILITIES		598,757	475,899

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 *RMB'000*	2009 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	20,090	5,090
Deferred income	29	—	310
Deferred tax liabilities	20	1,890	—
Total non-current liabilities		21,980	5,400
Net assets		576,777	470,499
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	262,658	262,658
Reserves	31(a)	265,753	185,366
Proposed final dividends	11	23,639	18,386
		552,050	466,410
Non-controlling interests		24,727	4,089
Total equity		576,777	470,499

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Attributable to owners of the parent								
	Issued capital *RMB'000* Note 30	Share premium *RMB'000* Note 31(a)	Reserve arising from acquisition of non-controlling interests *RMB'000* Note 31(a)	Statutory surplus reserves *RMB'000* Note 31(a)	Retained earnings *RMB'000* Note 31(a)	Proposed final dividend *RMB'000* Note 11	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2009	262,658	21,144	5,736	58,622	51,897	13,133	413,190	3,886	417,076
Profit for the year	—	—	—	—	66,353	—	66,353	803	67,156
Final 2008 dividend declared	—	—	—	—	—	(13,133)	(13,133)	(600)	(13,733)
Transfer to statutory surplus reserves	—	—	—	10,612	(10,612)	—	—	—	—
Proposed final 2009 dividend	—	—	—	—	(18,386)	18,386	—	—	—
At 31 December 2009	262,658	21,144*	5,736*	69,234*	89,252*	18,386	466,410	4,089	470,499
Profit for the year	—	—	—	—	103,404	—	103,404	936	104,340
Acquisition of a subsidiary (note 32)	—	—	—	—	—	—	—	2,924	2,924
Disposal of partial interest in a subsidiary (note 18)	—	—	—	—	622	—	622	17,378	18,000
Final 2009 dividend declared	—	—	—	—	—	(18,386)	(18,386)	(600)	(18,986)
Transfer to statutory surplus reserves	—	—	—	15,728	(15,728)	—	—	—	—
Proposed final 2010 dividend	—	—	—	—	(23,639)	23,639	—	—	—
At 31 December 2010	262,658	21,144*	5,736*	84,962*	153,911*	23,639	552,050	24,727	576,777

* These reserve accounts comprise the consolidated reserves of RMB265,753,000 (2009: RMB185,366,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		118,662	76,643
Adjustments for:			
Finance costs	6	1,241	290
Share of profit of an associate	19	(1,146)	(275)
Unrealised gains resulting from sales to an associate		384	(133)
Bank interest income	5	(765)	(398)
Gain on disposal of items of property, plant and equipment	6	(220)	(19)
Depreciation	6	22,802	18,182
(Reversal of impairment)/impairment of trade and notes receivables	6	(2,601)	2,102
Impairment of inventories	6	900	—
Amortisation of prepaid land lease payments	6	1,070	604
Impairment of goodwill	16/32	178	—
Amortisation of other intangible assets	6	269	88
Amortisation of deferred income	6	(1,371)	(1,141)
		139,403	95,943
Increase in inventories		(41,070)	(33,491)
Increase in trade and notes receivables		(45,009)	(10,734)
Increase in prepayments, deposits and other receivables		(901)	(6,601)
(Increase)/decrease in an amount due from an associate		(5,163)	7,394
Decrease/(increase) in an amount due from the ultimate holding company		300	(300)
Decrease in an amount due to the ultimate holding company		—	(300)
Increase in trade and bills payables		44,994	11,862
(Decrease)/increase in other payables and accruals		(797)	4,789
Cash generated from operations		91,757	68,562
Tax paid		(13,998)	(7,595)
Net cash flows from operating activities		77,759	60,967

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		765	398
Purchases of items of property, plant and equipment		(71,205)	(59,109)
Payments of land lease payments		(5,613)	(273)
Proceeds from disposal of items of property, plant and equipment		865	327
Additions to other intangible assets		—	(20)
Acquisition of a subsidiary	32	(6,192)	—
Increase in pledged deposits		(16,363)	—
Net cash flows used in investing activities		(97,743)	(58,677)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		50,000	—
Interest paid		(701)	—
Dividends paid		(18,386)	(13,133)
Dividends paid to non-controlling shareholders		(600)	(600)
Net cash flows from/(used) in financing activities		30,313	(13,733)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,329	(11,443)
Cash and cash equivalents at beginning of year		38,609	50,052
CASH AND CASH EQUIVALENTS AT END OF YEAR		48,938	38,609
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	43,938	38,609
Non-pledged time deposits with original maturity of more than three months when acquired	25	5,000	—
Cash and cash equivalents as stated in the statement of financial position		48,938	38,609

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	6,956	7,748
Prepaid land lease payments	15	5,615	5,787
Investments in subsidiaries	18	126,850	117,850
Investment in an associate	19	7,200	7,200
Deferred tax assets	20	155	155
Total non-current assets		146,776	138,740
CURRENT ASSETS			
Inventories	21	6,062	2,339
Trade and notes receivables	22	356	840
Prepayments, deposits and other receivables	23	722	745
Due from subsidiaries	24	193,087	183,451
Due from an associate	24	17,262	11,858
Cash and cash equivalents	25	629	1,655
Total current assets		218,118	200,888
CURRENT LIABILITIES			
Interest-bearing bank loans	26	20,000	—
Trade and bills payables	27	5,372	5,722
Other payables and accruals	28	4,942	5,967
Due to subsidiaries	24	4,680	—
Tax payable		94	376
Total current liabilities		35,088	12,065
NET CURRENT ASSETS		183,030	188,823
Net assets		329,806	327,563

continued/...

STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2010

	Notes	2010	2009
		RMB'000	*RMB'000*
EQUITY			
Issued capital	30	262,658	262,658
Reserves	31(b)	43,509	46,519
Proposed final dividends	11	23,639	18,386
Total equity		329,806	327,563

Director *Director*

NOTES TO FINANCIAL STATEMENTS

31 December 2010

1. CORPORATE INFORMATION

The Company is a joint stock limited liability company registered in the People's Republic of China (the "PRC") on 12 July 2004 under the Company Law of the PRC. Its ultimate holding company is Zhejiang Shibao Holding Group Co., Ltd. ("Zhejiang Shibao Holding"), a limited liability company established in the PRC. The registered office of the Company is located at No. 1, Shuanglin Road, Fotang Village, Yiwu, Zhejiang Province, China.

The Company's H Shares were listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Exchange") on 16 May 2006. Pursuant to the special resolution (the "Special Resolution") passed in the extraordinary general meeting (the "EGM") and the two separate class meetings (the "Class Meeting") held on 22 March 2010, the board of directors (the "Board") was authorised to propose migration of the listing of the Company's H shares from the GEM to the Main Board of the Exchange (the "Migration"). Pursuant to the approval documents issued by the China Securities Regulatory Commission and the Exchange on 16 December 2010 and 8 March 2011, respectively, the listing of the Company's H shares was changed from the GEM to the Main Board on 9 March 2011.

The Group is principally engaged in the manufacture and sale of automotive steering products. Its ultimate holding company, Zhejiang Shibao Holding, is an investment holding company established in the PRC on 28 May 2003.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. This basis of accounting differs from that used in the statutory and management accounts of the companies comprising the Group, which were prepared in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises ("PRC GAAP"). These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to non-controlling interest even if that results in a deficit balance.

2.1 BASIS OF PREPARATION *(continued)*

BASIS OF CONSOLIDATION *(continued)*

Basis of consolidation from 1 January 2010 ***(continued)***

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previous recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not allocated between non-controlling interests and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS#1 *First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
IFRS 5 Amendments included in *Improvements to IFRSs* issued in October 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary*
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in April 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS27 (Revised), amendments to IAS 7 and IAS 17 included in *Improvement to IFRSs 2009*, the adoption of the new and revised IFRSs has had no financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements*

IFRS 3 (Revised) introduces a number of changes in the accounting for business combination that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred to various standards, including, but not limited to ISA 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to IFRSs 2009* issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

IAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

IAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[2]
	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets[4]
IFRS 9	Financial Instruments[6]
IAS 12 Amendments	Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (Revised)	Related Party Disclosures[3]
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation -Classification of Rights Issues[1]
IFRIC 14 Amendments	Amendments to IFRIC-Int 14 Prepayments of a Amendments Minimum Funding Requirement[3]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

Apart from the above, the IASB has issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for the accounting periods beginning on or after 1January 2011 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information.

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

A subsidiary is an entity who's financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

ASSOCIATES

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of the associate are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in the associate is treated as non-current assets and is stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

BUSINESS COMBINATION AND GOODWILL

Business combination from 1 January 2010

Business combination is accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATION AND GOODWILL *(continued)*

Business combination from 1 January 2010 ***(continued)***

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generated units, or groups of cash-generated units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms a part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATION AND GOODWILL *(continued)*

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT OF NON-FINANCIAL ASSETS *(continued)*

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 10%
Plant and machinery	10%
Office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INTANGIBLE ASSETS (OTHER THAN GOODWILL) *(continued)*

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over the estimated useful life of five years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

LEASES

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASES *(continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurements

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, pledged deposits, trade and notes receivables and deposits and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other income and gains or finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised , at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously is recognised in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstance. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

Available-for-sale financial investments ***(continued)***

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-though arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group 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 assessed them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flow is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT OF FINANCIAL ASSETS *(continued)*

Available-for-sale financial instruments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, and interest-bearing bank and other borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL LIABILITIES *(continued)*

Loans and borrowings

After initial recognition, interest-bearing other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction cost. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprising cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INCOME TAX *(continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

OTHER EMPLOYEE BENEFITS

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This Company and its subsidiaries are required to contribute 25% to 30% of the average basic salaries earned within the geographical area where the employees are under employment to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

DIVIDENDS

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

There is no significant effect on the amounts recognised in the financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

ESTIMATION UNCERTAINTY *(continued)*

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The goodwill arising from the acquisition of a subsidiary was RMB178,000. The goodwill was impaired once the acquisition was completed as management is in the opinion that such goodwill is not significant to the Group. Further details are given in note 32.

(b) Deferred tax assets

Deferred tax assets are determined using tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period, and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred tax assets based on the enacted or substantively enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. Management will revise the assumptions and profit projections at the end of the reporting period.

(c) Impairment of trade and notes receivables and other receivables

Impairment of trade and notes receivables and other receivables is made based on assessment of the recoverability of trade and notes receivables and other receivables. The identification of bad and doubtful receivables requires management judgement and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and related asset impairment charge or write-back in the period in which such estimate has been changed.

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete or non-strategic assets that have been abandoned.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit that represents primarily manufacture and sale of automotive steering products in Mainland China, which are subject to similar risks and returns. All of the Group's assets are located in Mainland China. Management reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group. Accordingly, no operating segmental analysis by business activity or geographical information is presented.

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from operations of approximately RMB201,086,000 (2009: RMB166,858,000) was derived from sales to two major customers.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax, after allowance for returns, trade discounts and various types of government surcharges where applicable.

An analysis of revenue, other income and gains is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Revenue		
Sale of goods	545,345	364,801
Less: Government surcharges	(1,599)	(1,280)
	543,746	363,521
Other income		
Government grants	2,050	2,280
Sale of raw materials	—	451
Bank interest income	765	398
Others	1,228	776
	4,043	3,905
Gain		
Gain on disposal of items of property, plant and equipment	220	19
Other income and gains	4,263	3,924

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2010 RMB'000	2009 RMB'000
Cost of inventories sold		288,160	187,043
Depreciation	14	22,802	18,182
Amortisation of prepaid land lease payments	15	1,070	604
Amortisation of other intangible assets	17	269	88
Research and development costs		12,329	9,526
Auditors' remuneration		1,200	1,100
Amortisation of deferred income	29	(1,371)	(1,141)
Impairment of goodwill*	16/32	178	—
Employee benefit expense (including directors' and supervisors' remuneration as set out in note 7):			
Salaries and other staff costs		59,055	39,055
Retirement costs – defined contribution scheme		3,902	3,372
		62,957	42,427
Finance costs		1,241	290
(Reversal of impairment)/impairment of trade and notes receivables	22	(2,601)	2,102
Impairment of inventories		900	—
Bank interest income	5	(765)	(398)
Foreign exchange differences, net		6	9
Gain on disposal of items of property, plant and equipment	5	(220)	(19)

* The impairment of goodwill is included in "Other expenses" in the consolidated statement of comprehensive income.

7. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Fees	—	—
Other emoluments:		
Salaries, allowance and benefits in kind	1,649	1,589
Pension scheme contributions	35	32
	1,684	1,621
	1,684	1,621

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

The salaries paid to independent non-executive directors during the year were as follows:

Name	2010 *RMB'000*	2009 *RMB'000*
Mr. Chau Kam Wing	120	19
Mr. Chen Guo Feng	30	30
Mr. Zhao Chun Zhi	30	15
Mr. Lui Wing Hong	—	108
Mr. Bao Zhi Chao	—	18
	180	190

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

7. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

(b) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

	Salaries, allowance and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2010			
Executive directors:			
Mr. Zhang Shi Quan	300	5	305
Mr. Zhu Jie Rong	240	—	240
Mr. Tang Hao Han	200	5	205
Mr. Zhang Bao Yi	200	5	205
Ms. Zhang Lan Jun	150	5	155
	1,090	20	1,110
Non-executive directors:			
Mr. Zhang Shi Zhong	80	5	85
Ms. Zhang Mei Jun	80	5	85
Mr. Lou Run Zheng	30	—	30
	190	10	200
	1,280	30	1,310

7. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

(b) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS *(continued)*

	Salaries, allowance and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2009			
Executive directors:			
Mr. Zhang Shi Quan	300	5	305
Mr. Zhu Jie Rong	240	—	240
Mr. Tang Hao Han	200	5	205
Mr. Zhang Bao Yi	200	5	205
Ms. Zhang Lan Jun	150	5	155
	1,090	20	1,110
Non-executive directors:			
Mr. Zhang Shi Zhong	80	5	85
Ms. Zhang Mei Jun	80	5	85
Mr. Lou Run Zheng	5	—	5
	165	10	175
	1,255	30	1,285

7. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

(c) SUPERVISORS

	Salaries, allowance and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2010			
Mr. Wu Lang Ping	69	5	74
Mr. Du Min	48	—	48
Mr. Shen Song Sheng	24	—	24
Mr. Wang Kui Quan	24	—	24
Mr. Yang Di Shan	24	—	24
	189	5	194
2009			
Mr. Du Min	48	—	48
Mr. Shen Song Sheng	36	—	36
Mr. Wu Lang Ping	24	2	26
Mr. Wang Kui Quan	24	—	24
Mr. Yang Di Shan	12	—	12
	144	2	146

No remuneration was paid by the Group to the directors, supervisors or the other highest paid, non-director, non-supervisor employees as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office. No director or supervisor has waived or agreed to waive any emoluments during the year ended 31 December 2010 (2009: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2009: four) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining one (2009: one) non-director, non-supervisor highest paid employee for the years are as follows:

	2010 RMB'000	2009 RMB'000
Salary	490	503
Pension scheme contribution	—	—
	490	503

The remuneration of the highest paid, non-director, non-supervisor employee fell within the range of nil to HK$1,000,000.

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2010 (2009: Nil).

In accordance with the Corporate Tax Law of the PRC, the profits of the Company and following PRC subsidiaries are taxed at the following tax rates:

	Notes	2010	2009
The Company	(a)	25%	25%
Hangzhou Shibao Auto Steering Gear Co., Ltd. ("Hangzhou Shibao")	(b)	15%	15%
Siping Steering Gear Co., Ltd. ("Siping Steering")	(c)	15%	15%
Hangzhou New Shibao Electric Power Steering Co., Ltd. ("Hangzhou New Shibao")	(a)	25%	25%
Jilin Shibao Machinery Manufacturing Co., Ltd. ("Jilin Shibao")	(a)	25%	25%
Beijing Autonic Technologies Co., Ltd. ("Beijing Autonic")	(a)	25%	N/A

9. INCOME TAX *(continued)*

(a) The Company, Hangzhou New Shibao, Jilin Shibao and Beijing Autonic are subject to a corporate income tax rate of 25% this year.

(b) Hangzhou Shibao obtained an approval certificate from the relevant tax authority as a High-New Technology Enterprise. Consequently, Hangzhou Shibao is subject to a corporate income tax rate of 15% with effect for the year ended 31 December 2010.

(c) Pursuant to the document "Ji Ke Ban Zi (2009) No.115" dated 24 July 2009 issued by the relevant tax authorities of Jilin province, Siping Steering was qualified as a High-New Technology Enterprise and would enjoy the preferential tax rate of 15% according to the new Enterprise Income Tax Law effective on 1 January 2008.

The major components of total tax charge for the years ended 31 December 2010 and 2009 are as follows:

	2010 RMB'000	2009 RMB'000
Provision for income tax in respect of profit for the year:		
– Current	15,725	9,987
– Underprovision in prior years	331	210
– Deferred (note 20)	(1,734)	(710)
Total tax charge for the year	14,322	9,487

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2010 RMB'000	2009 RMB'000
Accounting profit	118,662	76,643
Non-taxable share of profit of an associate	(762)	(408)
Profit of the Group subject to income tax	117,900	76,235
Tax at an applicable tax rate of 25% (2009: 25%)	29,475	19,059
Adjustment in respect of underprovision in prior years	331	210
Tax credits in respect of purchases of property, plant and equipment from domestic vendors	(2,662)	(1,992)
Tax effect of expense items which are not deductible for income tax purposes	362	425
Tax rate differential on subsidiaries	(12,400)	(7,566)
Effect of tax concessions and allowances	(784)	(649)
Tax charge at the Group's effective rate	14,322	9,487

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of RMB20,629,000 (2009: RMB21,277,000) which has been dealt with in the financial statements of the Company (note 31(b)).

11. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Proposed final dividend - RMB0.09 (2009: RMB0.07) per ordinary share	23,639	18,386

Pursuant to a resolution of the board of directors of the Company dated 18 March 2011, a final dividend of RMB0.09 per ordinary share totalling approximately RMB23,639,000 is proposed for the year ended 31 December 2010, which is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB103,404,000 in 2010 (2009: RMB66,353,000), and the weighted average number of ordinary shares of 262,657,855 in issue during the year (2009: 262,657,855).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

13. RETIREMENT BENEFITS

As stipulated by the PRC state regulations, the Company and its subsidiaries participate in a defined contribution retirement plan. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount earned within the geographical area of their last employment at their retirement date. The Company and its subsidiaries are required to make contributions to the local social security bureau at rates ranging from 25% to 30% of the average basic salaries earned within the geographical area where the employees are under employment with the Company and its subsidiaries. The Company and its subsidiaries have no obligations for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2010						
At 31 December 2009 and at1 January 2010:						
Cost	104,363	172,687	4,476	15,712	63,293	360,531
Accumulated depreciation	(18,752)	(59,522)	(3,549)	(8,076)	—	(89,899)
Net carrying amount	85,611	113,165	927	7,636	63,293	270,632
At 1 January 2010, net of accumulated depreciation	85,611	113,165	927	7,636	63,293	270,632
Additions	2,686	9,412	1,202	1,715	32,335	47,350
Acquisition of a subsidiary (note 32)	—	—	64	—	—	64
Disposals	(33)	(263)	(42)	(307)	—	(645)
Depreciation provided during the year	(3,156)	(17,024)	(1,261)	(1,361)	—	(22,802)
Transfers	26,215	55,980	392	744	(83,331)	—
At 31 December 2010, net of accumulated depreciation	111,323	161,270	1,282	8,427	12,297	294,599
At 31 December 2010:						
Cost	133,231	234,008	5,720	17,136	12,297	402,392
Accumulated depreciation	(21,908)	(72,738)	(4,438)	(8,709)	—	(107,793)
Net carrying amount	111,323	161,270	1,282	8,427	12,297	294,599

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group *(continued)*

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2009						
At 1 January 2009:						
Cost	101,616	140,576	4,245	13,850	27,418	287,705
Accumulated depreciation	(16,031)	(46,773)	(3,087)	(6,326)	—	(72,217)
Net carrying amount	85,585	93,803	1,158	7,524	27,418	215,488
At 1 January 2009, net of accumulated depreciation	85,585	93,803	1,158	7,524	27,418	215,488
Additions	122	6,402	146	148	66,816	73,634
Disposals	—	(119)	—	(189)	—	(308)
Depreciation provided during the year	(2,721)	(13,106)	(473)	(1,882)	—	(18,182)
Transfers	2,625	26,185	96	2,035	(30,941)	—
At 31 December 2009, net of accumulated depreciation	85,611	113,165	927	7,636	63,293	270,632
At 31 December 2009:						
Cost	104,363	172,687	4,476	15,712	63,293	360,531
Accumulated depreciation	(18,752)	(59,522)	(3,549)	(8,076)	—	(89,899)
Net carrying amount	85,611	113,165	927	7,636	63,293	270,632

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2010					
At 1 January 2010, net of accumulated depreciation	4,861	2,085	102	700	7,748
Additions	—	327	42	56	425
Disposals	—	(33)	(1)	(290)	(324)
Depreciation provided during the year	(354)	(293)	(41)	(205)	(893)
At 31 December 2010, net of accumulated depreciation	4,507	2,086	102	261	6,956
At 31 December 2010:					
Cost	11,438	5,929	1,173	924	19,464
Accumulated depreciation	(6,931)	(3,843)	(1,071)	(663)	(12,508)
Net carrying amount	4,507	2,086	102	261	6,956

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company *(continued)*

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2009					
At 1 January 2009:					
Cost	11,438	5,698	1,110	1,745	19,991
Accumulated depreciation	(6,221)	(3,640)	(1,008)	(809)	(11,678)
Net carrying amount	5,217	2,058	102	936	8,313
At 1 January 2009, net of accumulated depreciation	5,217	2,058	102	936	8,313
Additions	—	326	28	—	354
Depreciation provided during the year	(356)	(299)	(28)	(236)	(919)
At 31 December 2009, net of accumulated depreciation	4,861	2,085	102	700	7,748
At 31 December 2009:					
Cost	11,438	6,024	1,138	1,745	20,345
Accumulated depreciation	(6,577)	(3,939)	(1,036)	(1,045)	(12,597)
Net carrying amount	4,861	2,085	102	700	7,748

All buildings of the Group and the Company are located in the Mainland China.

As at 31 December 2010, the Group had not obtained real estate certificates or building ownership certificates for certain buildings with a net book value of approximately RMB9,094,000 (2009: RMB9,339,000).

15. PREPAID LAND LEASE PAYMENTS

Group

	2010	2009
	RMB'000	*RMB'000*
Carrying amount at 1 January	25,251	25,582
Additions	14,447	273
Recognised during the year	(1,070)	(604)
Carrying amount at 31 December	38,628	25,251
Current portion included in prepayments, deposits and other receivables	(899)	(604)
Non-current portion	37,729	24,647

As at 31 December 2010, the Group had not obtained land use right certificate for certain land with a net book value of approximately RMB14,254,000 (2009: RMB273,000).

Company

	2010	2009
	RMB'000	*RMB'000*
Carrying amount at 1 January	5,959	6,131
Recognised during the year	(172)	(172)
Carrying amount at 31 December	5,787	5,959
Current portion included in prepayments, deposits and other receivables	(172)	(172)
Non-current portion	5,615	5,787

The Group and the Company's leasehold lands are held under long term leases and are situated in Mainland China.

16. GOODWILL

Group

	RMB'000
Cost at 1 January 2010, net of accumulated impairment	—
Acquisition of a subsidiary (note 32)	178
Impairment during the year	(178)
Cost and net carrying amount at 31 December 2010	—
At 31 December 2010:	
Cost	178
Accumulated impairment	(178)
Net carrying amount	—

17. OTHER INTANGIBLE ASSETS

Group

	Patent RMB'000	Non-patented know-how RMB'000	Software licence RMB'000	Total RMB'000
31 December 2010				
Cost at 1 January 2010, net of accumulated amortisation	—	—	254	254
Disposal of partial interest in a subsidiary (note 18)	—	18,000	—	18,000
Acquisition of a subsidiary (note 32)	7,690	1,555	—	9,245
Amortisation provided during the year	(128)	(51)	(90)	(269)
At 31 December 2010, net of accumulated amortisation	7,562	19,504	164	27,230
At 31 December 2010:				
Cost	7,690	19,555	451	27,696
Accumulated amortisation	(128)	(51)	(287)	(466)
Net carrying amount	7,562	19,504	164	27,230

17. OTHER INTANGIBLE ASSETS *(continued)*

Group *(continued)*

	Patent *RMB'000*	Non-patented know-how *RMB'000*	Software licence *RMB'000*	Total *RMB'000*
31 December 2009				
At 1 January 2009:				
Cost	—	—	431	431
Accumulated amortisation	—	—	(109)	(109)
Net carrying amount	—	—	322	322
Cost at 1 January 2009, net of accumulated amortisation	—	—	322	322
Additions	—	—	20	20
Amortisation provided during the year	—	—	(88)	(88)
At 31 December 2009, net of accumulated amortisation	—	—	254	254
At 31 December 2009 and at 1 January 2010:				
Cost	—	—	451	451
Accumulated amortisation	—	—	(197)	(197)
Net carrying amount	—	—	254	254

18. INVESTMENTS IN SUBSIDIARIES

	2010 *RMB'000*	2009 *RMB'000*
Company		
Unlisted investments, at cost	126,850	117,850

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries as at 31 December 2010 are as follows:

Name	Legal status	Place and date of registration and operations	Registered /paid-up capital RMB'000	Percentage of equity directly attributable to the Company	Principal activities
Siping Steering	Sino-foreign co-operative joint venture	The PRC/ Mainland China 28 October 1999	11,000/ 11,000	75%	Manufacture and sale of steering and other automotive parts
Hangzhou Shibao	Limited liability	The PRC/ Mainland China 3 November 1996	40,000/ 40,000	99%	Manufacture and sale of steering and other automotive parts
Hangzhou New Shibao (a)	Limited liability company	The PRC/ Mainland China 14 December 2004	60,000/ 60,000	70%	Manufacture and sale of automotive electric power steering system
Jilin Shibao	Limited liability company	The PRC/ Mainland China 22 July 2008	30,000/ 30,000	100%	Manufacture and sale of precious casting of automotive components
Beijing Autonic (b)	Limited liability company	The PRC/ Mainland China 8 August 2005	10,000/ 10,000	70%	Technological development

(a) During the year, the registered/paid-up capital of Hangzhou New Shibao has increased from RMB40,000,000 to RMB60,000,000. Out of the increased capital of RMB20,000,000, an individual subscribed with non-patented know-how which was valued at RMB18,000,000 and RMB2,000,000 was paid in cash by the Group. After the completion of the capital increase, Hangzhou New Shibao is 70% and 30% owned by the Group and the individual respectively. The individual had no relationship with the Group before this equity transaction.

(b) During the year, the Group acquired Beijing Autonic from a third party. Further details of this acquisition are included in note 32 to the financial statements.

19. INVESTMENT IN AN ASSOCIATE

	2010 RMB'000	2009 RMB'000
Group		
Share of the associate's assets and liabilities		
Current assets	20,213	11,801
Non-current assets	17,346	16,987
Current liabilities	(30,327)	(22,704)
Net assets	7,232	6,084
Share of the associate's result:		
Revenue	35,928	22,955
Profit	1,146	275
Unrealised gains resulting from sales to an associate	617	231
Carrying amount of the investment	6,615	5,853
Company		
Unlisted investment, at cost	7,200	7,200

Particulars of the Company's associate as at 31 December 2010 are as follows:

Name	Legal status	Place and date of registration and operations	Registered /paid-up capital RMB'000	Percentage of equity directly attributable to the Company	Principal activities
Wuhu Sterling Steering System Co., Ltd. ("Wuhu Sterling")	Limited liability company	The PRC/ Mainland China 18 November 2004	20,000/ 20,000	36%	Sale and manufacture of steering

The two corporation shareholders of the associate, the Company and Wuhu Qirui Technology Co., Ltd., have undertaken to provide continuing financial support to enable the associate to meet its liabilities as and when they fall due. Therefore, in the opinion of the directors of the Company, the associate will have sufficient funds to meet its daily working capital requirements for the foreseeable future, and will not encounter going concern problems due to inadequate working capital.

20. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year are as follows:

DEFERRED TAX LIABILITIES

Group

	Fair value adjustments arising from acquisition of a subsidiary
	RMB'000
At 1 January 2010	—
Acquisition of a subsidiary (note 32)	1,922
Credited to the income statement (note 9)	(32)
Gross deferred tax liabilities at 31 December 2010	1,890

DEFERRED TAX ASSETS

	Tax losses	Accrued warranty	Accrued expense	Impairment of assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group					
At 1 January 2009	—	304	177	803	1,284
(Charged)/credited to the income statement (note 9)	—	429	(34)	315	710
At 31 December 2009 and 1 January 2010	—	733	143	1,118	1,994
(Charged)/credited to the income statement (note 9)	1,173	612	116	(199)	1,702
At 31 December 2010	1,173	1,345	259	919	3,696
Company					
At 31 December 2009 and 31 December 2010	—	—	67	88	155

The Group and the Company recognised deferred tax assets for the temporary differences that are not deductible for tax purposes but are expected to give rise to future deductible amounts.

21. INVENTORIES

	2010 *RMB'000*	2009 *RMB'000*
Group		
Raw materials	47,589	28,608
Work in progress	10,425	12,140
Finished goods	79,731	55,533
Low value consumables	262	8
	138,007	96,289
Company		
Raw materials	1,535	1,210
Work in progress	1,209	1,072
Finished goods	3,307	49
Low value consumables	11	8
	6,062	2,339

22. TRADE AND NOTES RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Group		
Trade and notes receivables	173,358	128,349
Impairment	(2,380)	(4,981)
	170,978	123,368
Company		
Trade and notes receivables	710	1,194
Impairment	(354)	(354)
	356	840

The Group's trading terms with its 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of manufacturers of automobiles customers, there is no significant concentration of credit risk. Trade and notes receivables are non-interest-bearing.

22. TRADE AND NOTES RECEIVABLES *(continued)*

An aged analysis of the trade and notes receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Group		
Within 90 days	140,191	106,096
91 to 180 days	24,661	11,098
181 to 365 days	3,417	1,781
Over 365 days	2,709	4,393
	170,978	123,368
Company		
Within 90 days	160	310
91 to 180 days	196	530
	356	840

The movements in the provision for impairment of trade and notes receivables are as follows:

	2010 *RMB'000*	2009 *RMB'000*
Group		
At 1 January	4,981	2,879
Impairment losses recognised *(note 6)*	162	3,076
Impairment losses reversed *(note 6)*	(2,763)	(974)
	2,380	4,981
Company		
At 1 January and 31 December	354	354

22. TRADE AND NOTES RECEIVABLES *(continued)*

Included in the above provision for impairment of trade and notes receivables for the Group is a provision for impaired trade and notes receivables of RMB2,380,000 (2009: RMB4,981,000) with a carrying amount before provision of RMB2,380,000 (2009: RMB4,981,000). The impaired trade and notes receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade and notes receivables that are not considered to be impaired is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Group		
Neither past due nor impaired	141,249	108,372
Less than 90 days past due	22,097	9,617
91 to 180 days past due	2,504	852
181 to 365 days past due	2,442	1,994
Above 365 days past due	2,686	2,533
	170,978	123,368
Company		
Neither past due nor impaired	356	840

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Group		
Deposits	6,971	903
Other receivables	4,814	2,689
Input value added tax recoverable	4,205	—
Prepayments	1,005	17,716
	16,995	21,308
Company		
Deposits	304	76
Prepayments	29	376
Other receivables	389	293
	722	745

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. BALANCES WITH SUBSIDIARIES AND AN ASSOCIATE

Amounts due from subsidiaries and an associate as at 31 December 2010 were trade in nature, interest-free and repayable on similar credit terms to those offered to the major customers of the Group.

All balances with subsidiaries and an associate are unsecured, interest-free and due for repayment on demand.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	43,938	38,609	629	1,655
Time deposits	21,363	—	—	—
	65,301	38,609	629	1,655
Less: Pledged deposits	16,363	—	—	—
Cash and cash equivalents	48,938	38,609	629	1,655

At 31 December 2010, the Group's pledged deposits with a net carrying amount of approximately RMB16,363,000 (2009: nil) were pledged to secure bills payables amounting to RMB14,730,000 (31 December 2009: nil) granted to the Group.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2010			2009		
	Effective Interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans - secured	5.31	2010 - 2011	30,000	—	—	—
Current portion of long term bank loans – unsecured	5.96	2010 - 2011	5,000			—
			35,000			—
Non-current						
Bank loans - unsecured	5.96	2010 - 2015	15,000	—	—	—
Other borrowings – unsecured	5.00	2002 - 2020	5,090	5.00	2002 - 2020	5,090
			20,090			5,090
			55,090			5,090

Company

	2010			2009		
	Effective Interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans - secured	5.31	2010 - 2011	20,000	—	—	—

26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed to:				
Bank loans repayable:				
Within one year	35,000	—	20,000	—
In the second year	13,000	—	—	—
In the third to fifth year, inclusive	2,000	—	—	—
Beyond five years	—	—	—	—
	50,000	—	20,000	—
Other borrowings repayable:				
Within one year	—	—	—	—
In the second year	—	—	—	—
In the third to fifth year, inclusive	—	—	—	—
Beyond five years	5,090	5,090	—	—
	5,090	5,090	—	—
	55,090	5,090	20,000	—

Notes:

(a) The Group's bank facilities amounted to RMB50,000,000 (2009: nil), of which RMB20,000,000 (2009: nil) had been utilised as at the end of reporting period.

(b) Certain of the Group's bank loans up to RMB30,000,000 (2009: nil) at the end of the reporting period are guaranteed by Zhejiang Shibao Holding, the Company's ultimate holding company.

(c) The Group's other unsecured borrowings were loans granted by Siping Municipal Ministry of Finance amounting to RMB5,090,000 (2009: RMB5,090,000), among which borrowings of RMB2,530,000 are repayable in 2016 and borrowings of RMB2,560,000 are repayable in 2020.

27. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Group		
Outstanding balances with ages:		
Within 90 days	97,781	58,449
91 to 180 days	12,191	6,915
181 to 365 days	2,442	1,629
Over 365 days	3,669	4,096
	116,083	71,089
Company		
Outstanding balances with ages:		
Within 90 days	4,444	1,931
91 to 180 days	831	2,635
181 to 365 days	11	202
Over 365 days	86	954
	5,372	5,722

The trade payables are non-interest-bearing and are normally settled within the terms of 90 to 180 days.

28. OTHER PAYABLES AND ACCRUALS

	2010 *RMB'000*	2009 *RMB'000*
Group		
Advances from customers	1,104	3,088
Payroll payables	6,752	3,716
Welfare payables	380	574
Other payables and accruals	26,865	29,328
	35,101	36,706
Company		
Other payables	4,538	5,003
Payroll payables	330	387
Advances from customers	74	381
Welfare payables	—	196
	4,942	5,967

Other payables are non-interest-bearing and have an average term of three months.

29. DEFERRED INCOME

	2010 *RMB'000*	2009 *RMB'000*
Group		
Balance at 1 January	1,544	2,685
Amortisation	(1,371)	(1,141)
Balance at 31 December	173	1,544
Current	173	1,234
Non-current	—	310
	173	1,544

Government grants received are for the purchases of certain items of property, plant and equipment. The government grants received are accounted for as deferred income and are released to the income statement over the expected useful lives of the underlying items of property, plant and equipment.

30. ISSUED CAPITAL

	Nominal value of shares	Number of Domestic Shares	Number of H shares	Total number of shares	Value
	RMB				*RMB'000*
At 1 January 2010 and 31 December 2010	1 per share	175,943,855	86,714,000	262,657,855	262,658

The Domestic Shares are not currently listed on any stock exchange. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote each without restriction.

31. RESERVES

(a) GROUP

Share premium

On 11 May 2006, 86,714,000 H Shares of RMB1 each were issued at HK$1.50 per share for a total cash consideration, before related issue expenses of RMB26,623,000, of HK$130,071,000 (equivalent to RMB134,481,000).

The application of the share premium is governed by Article 169 of the Company Law of the PRC.

Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the Company and its subsidiaries, the Company and each of its subsidiaries are required to allocate 10% of their profit after tax, as determined in accordance with their statutory financial statements prepared under PRC GAAP, to their respective Statutory Surplus Reserve (the "SSR") until such reserve reaches 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR may be converted to increase paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

31. RESERVES *(continued)*

(a) GROUP *(continued)*

Distributable reserve

In accordance with the Articles of Association of the Company, profit available for distribution to shareholders should be based on the lower of the amount determined under the financial statements prepared under PRC GAAP and the amount determined under the financial statements prepared under IFRS after the deduction of the current year's appropriation to the SSR.

Subsequent to 31 December 2010, Siping Steering and Hangzhou Shibao, subsidiaries of the Company, proposed final dividends totalling RMB30,000,000 (2009: RMB20,000,000) to the shareholders, which were subject to the approval by the shareholders of the subsidiaries.

As at 31 December 2010, the accumulated losses of the Company was approximately RMB29,620,000 (2009: accumulated losses of RMB16,260,000). Considering the proposed dividend income from the subsidiaries, the board of directors of the Company are of the opinion that the Company has adequate reserves for distribution of the proposed dividend as set out in note 11.

(b) COMPANY

	Share Premium *RMB'000*	Statutory surplus reserve *RMB'000*	Reserve arising from acquisition of minority interests *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2009	21,144	28,284	5,736	(11,536)	43,628
Profit for the year	—	—	—	21,277	21,277
Transfer to statutory surplus reserve	—	7,615	—	(7,615)	—
Proposed final dividend	—	—	—	(18,386)	(18,386)
At 31 December 2009 and 1 January 2010	21,144	35,899	5,736	(16,260)	46,519
Profit for the year	—	—	—	20,629	20,629
Transfer to statutory surplus reserve	—	10,350	—	(10,350)	—
Proposed final dividend	—	—	—	(23,639)	(23,639)
At 31 December 2010	21,144	46,249	5,736	(29,620)	43,509

32. BUSINESS COMBINATION

On 18 October 2010, the Group acquired a 70% interest in Beijing Autonic from a third party. Beijing Autonic is engaged in the technological development. The acquisition was made as part of the Group's strategy to reinforce the research and development efforts regarding to the electronic power steering system. The purchase consideration for the acquisition was in the form of cash, with RMB7,000,000 paid at the acquisition date. The Group accounted for this acquisition of a subsidiary as a business combination.

The Group has elected to measure the non-controlling interest in Beijing Autonic at the non-controlling interests' proportionate share of Beijing Autonic's identifiable net assets.

The fair values of the identifiable assets and liabilities of Beijing Autonic as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment	14	64
Intangible assets	17	9,245
Cash and bank balances		808
Prepayments and other receivables		218
Inventories		1,548
Other payables and accruals		(215)
Deferred tax liabilities	20	(1,922)
Total identifiable net assets at fair value		9,746
Non-controlling interest		(2,924)
Goodwill on acquisition	16	178
Satisfied by cash		7,000

The Group incurred transaction costs of approximately RMB50,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated financial statements.

The fair values of other receivables as at the date of acquisition amounted to RMB187,000. The gross contractual amounts of other receivables was RMB187,000, all of which are expected to be collectible.

32. BUSINESS COMBINATION *(continued)*

Included in the goodwill of RMB178,000 recognised above is the synergies arising from the acquisition, which is not separable and therefore it does not meet the criteria for recognition as an intangible asset under IAS 38 *Intangible Assets*. Such goodwill was impaired once the acquisition was completed, as management is of the opinion that it is insignificant to the Group. The impairment of the goodwill is not expected to be deductible for income tax purposes.

Analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(7,000)
Cash and bank balances acquired	808
Net outflow of cash and cash equivalents including in the cash flows from investing activities	(6,192)
Transaction costs of the acquisition included in cash flows from operating activities	(50)
	6,242

Since its acquisition, Beijing Autonic contributed RMB38,000 to the Group's turnover and caused a loss of RMB357,000 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from the Group and the profit of the Group for the year would have been RMB544,160,000 and RMB104,868,000, respectively.

33. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

34. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2010 *RMB'000*	2009 *RMB'000*
Group		
Contracted, but not provided for:		
Acquisition of land	—	18,931
Acquisition of plant and machinery	64,144	13,817
	64,144	32,748

35. RELATED PARTY TRANSACTIONS

(a) During the year ended 31 December 2010, the Group and the Company had the following transactions with related parties:

Group

Name of related party	Nature of transaction	2010 *RMB'000*	2009 *RMB'000*
Wuhu Sterling	Sale of raw materials to an associate (note (i))	—	565
	Sale of finished goods to an associate (note (ii))	27,574	17,683
	Purchase of raw materials from an associate (note (i))	36	—
	Purchase of finished goods from an associate (note (ii))	3,850	796

35. RELATED PARTY TRANSACTIONS *(continued)*

(a) During the year ended 31 December 2010, the Group and the Company had the following transactions with related parties: *(continued)*

Company

Name of related party	Nature of transaction	2010 *RMB'000*	2009 *RMB'000*
Wuhu Sterling	Sale of raw materials to an associate (note (i))	—	155
	Sale of finished goods to an associate (note (ii))	27,574	17,488
Hangzhou Shibao	Sale of raw materials to a subsidiary (note (i))	3,913	2,209
	Sale of finished goods to a subsidiary (note (iii))	12,570	17,982
	Purchase of raw materials from a subsidiary (note (i))	—	159
	Purchase of finished goods from a subsidiary (note (iii))	26,767	24,262
Siping Steering	Sale of raw materials to a subsidiary (note (i))	38	—
	Sale of finished goods to a subsidiary (note (iii))	—	5
	Purchase of finished goods from a subsidiary (note (iii))	47	—

35. RELATED PARTY TRANSACTIONS *(continued)*

(a) During the year ended 31 December 2010, the Group and the Company had the following transactions with related parties: *(continued)*

Notes:

(i) The sales and purchases of raw materials were priced at cost.

(ii) The sales and purchases of finished goods were carried out based on normal commercial terms.

(iii) The sales and purchases of finished goods were priced at cost plus a 10% margin.

The board of directors of the Company is of the opinion that the above transactions with related parties were carried out in the ordinary course of business.

(b) Other transaction with related party

The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB30,000,000 (2009: nil) as at the end of the reporting period, as further detailed in note 26(b) to the financial statements.

(c) Outstanding balances with related parties

As disclosed in the consolidated statement of financial position, the Group had an outstanding balance due from its ultimate holding company of nil (2009: RMB300,000); and the Group had an outstanding balance due from its associate of RMB17,064,000 (2009: RMB11,901,000) as at the end of the reporting period. These balances are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	2010 RMB'000	2009 RMB'000
Short term employee benefits	1,090	1,090
Pension scheme contributions	19	18
Total compensation paid to key management personnel	1,109	1,108

Further details of directors' emoluments are included in note 7 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

	2010 Loans and receivables *RMB'000*	2009 Loans and receivables *RMB'000*
Financial assets		
Trade and notes receivables *(note 22)*	170,978	123,368
Financial assets included in prepayments, deposits and other receivables *(note 23)*	11,785	3,592
Due from an associate *(note 24)*	17,064	11,901
Pledged deposits *(note 25)*	16,363	—
Cash and cash equivalents *(note 25)*	48,938	38,609
Total	265,128	177,470

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at amortised cost RMB'000
Trade and bills payables *(note 27)*	116,083	71,089
Financial liabilities included in other payables and accruals *(note 28)*	33,997	33,618
Interest-bearing bank and other borrowings *(note 26)*	55,090	5,090
Total	205,170	109,797

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial assets

	2010 Loans and receivables *RMB'000*	2009 Loans and receivables *RMB'000*
Trade and notes receivables *(note 22)*	356	840
Financial assets included in prepayments, deposits and other receivables *(note 23)*	693	369
Due from subsidiaries *(note 24)*	193,087	183,451
Due from an associate *(note 24)*	17,262	11,858
Cash and cash equivalents *(note 25)*	629	1,655
Total	212,027	198,173

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at amortised cost RMB'000
Trade and bills payables *(note 27)*	5,372	5,722
Financial liabilities included in other payables and accruals *(note 28)*	4,868	5,586
Interest-bearing bank and other borrowings *(note 26)*	20,000	—
Total	30,240	11,308

37. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, deposits and other receivables, pledged deposits, cash and cash equivalents and trade and bills payables, other payables and accruals, and interest-bearing bank and other borrowings, which arise directly from its operations. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk.

The effective interest rates and terms of repayment of the interest-bearing other borrowings of the Group are set out in note 26 above.

A reasonably possible change of 50 basis points in interest rate would have no material impact on the Group's profit during the year and there is no material impact on the Group's equity.

FOREIGN CURRENCY RISK

The Group operates in Mainland China and its principal activities are conducted in RMB. Therefore, the Group's exposure to market risk for changes in foreign currency exchange rates is not significant.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

CREDIT RISK

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables and an amount due from an associate, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. Concentration of credit risk exists when changes in economic, industrial or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group has no significant concentration of credit risk as there is large number of manufacturers of automobiles customers in the PRC market.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables are disclosed in note 22 to the financial statements.

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group. The Group minimises its exposure to credit risk by only dealing with counterparties with acceptable credit ratings.

LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and notes receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through interest-bearing bank and other borrowings to meet its working capital requirements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

LIQUIDITY RISK *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group	2010				
	On demand	Within 90 days	91 to 365 days	Over 365 days	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables *(note 27)*	15,658	100,425	—	—	116,083
Financial liabilities included in other payables and accruals *(note 28)*	33,997	—	—	—	33,997
Interest-bearing bank and other borrowings *(note 26)*	—	—	35,000	20,090	55,090
	49,655	100,425	35,000	20,090	205,170

	2009				
	On demand	Within 90 days	91 to 365 days	Over 365 days	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables *(note 27)*	9,394	61,695	—	—	71,089
Financial liabilities included in other payables and accruals *(note 28)*	33,618	—	—	—	33,618
Interest-bearing other borrowings (note 26)	—	—	—	5,090	5,090
	43,012	61,695	—	5,090	109,797

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

LIQUIDITY RISK *(continued)*

Company

	2010				
	On demand	Within 90 days	91 to 365 days	Over 365 days	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables *(note 27)*	87	5,285	—	—	5,372
Financial liabilities included in other payables and accruals (note 28)	4,868	—	—	—	4,868
Interest-bearing bank and other borrowings *(note 26)*	—	—	20,000	—	20,000
	4,955	5,285	20,000	—	30,240

	2009				
	On demand	Within 90 days	91 to 365 days	Over 365 days	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables *(note 27)*	1,102	4,620	—	—	5,722
Financial liabilities included in other payables and accruals *(note 28)*	5,586	—	—	—	5,586
	6,688	4,620	—	—	11,308

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2010 *RMB'000*	2009 *RMB'000*
Interest-bearing bank and other borrowings	55,090	5,090
Trade and bills payables	116,083	71,089
Other payables and accruals	35,101	36,706
Less: Cash and cash equivalents	(48,938)	(38,609)
Net debt	157,336	74,276
Total capital	552,050	466,410
Total capital and net debt	709,386	540,686
Gearing ratio	22.2%	13.7%

39. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to the EGM and the Class Meeting on 22 March 2010, the shareholders of the Company approved the Migration. The Migration was completed on 9 March 2011.

(b) On 18 March 2011, the board of directors of the Company proposed a final dividend of RMB0.09 per ordinary share totalling approximately RMB23,639,000 for the year ended 31 December 2010, which is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting (notes 11 and 31(b)).

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2011.