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**ZHEJIANG SHIBAO COMPANY LIMITED\***  
**浙江世寶股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1057)**

**(A) PROPOSED APPLICATION FOR THE NON-PUBLIC ISSUANCE OF  
NOT MORE THAN 36,535,859 A SHARES IN THE PRC**  
**(B) CLASS MEETINGS AND EXTRAORDINARY GENERAL MEETING  
AND**  
**(C) RESUMPTION OF TRADING IN A SHARES**

At the Board meeting held on 21 October 2016, the Board resolved to convene the EGM, the A Shareholders Class Meeting and H Shareholders Class Meeting to obtain the shareholders' approval for the Non-public Issuance of A Shares.

The Board intends to issue not more than 36,535,859 new A Shares, representing approximately 11.57% of the total shares of the Company and approximately 15.94% of the A Shares currently in issue respectively. The Company intends to utilise the net Proceeds from the Non-public Issuance of A Shares for the Projects.

The Non-public Issuance of A Shares will be subject to the approvals of the shareholders of the Company to be sought at the EGM, the A Shareholders Class Meeting and H Shareholders Class Meeting by way of a special resolution.

The Non-public Issuance of A Shares will also be subject to the approval of the relevant PRC authorities.

\* For identification purpose only

As a result of the issue of new A Shares pursuant to the Non-public Issuance of A Shares, the shareholding structure of the Company will change upon completion of the Non-public Issuance of A Shares and as such, the Articles of Association will need to be amended to reflect the relevant changes. A resolution will be proposed at the EGM to approve the granting of an authorisation to the Board to arrange for the necessary amendment of the Articles of Association after completion of the Non-public Issuance of A Shares.

### **RESUMPTION OF TRADING IN A SHARES**

At the request of the Company, trading in the A Shares on the Shenzhen Stock Exchange has been suspended from 11 October 2016 as the Company was contemplating the proposed Non-public Issuance of A Shares. An application has been made by the Company to the Shenzhen Stock Exchange for the resumption of trading in the A Shares on the Shenzhen Stock Exchange from 24 October 2016.

**There is no assurance that the Non-public Issuance of A Shares will proceed. Investors are advised to exercise caution in dealing in the H Shares. Further details of the Non-public Issuance of A Shares will be disclosed by the Company when the Non-public Issuance of A Shares materialises.**

Reference is made to the announcements of the Company dated 11 October 2016 and 18 October 2016, respectively, in relation to the Non-public Issuance of A Shares. At the Board meeting held on 21 October 2016, the Board resolved to convene the EGM, the A Shareholders Class Meeting and H Shareholders Class Meeting to obtain the shareholders' approval for the Non-public Issuance of A Shares.

### **1. SHAREHOLDERS' APPROVAL IN RESPECT OF THE NON-PUBLIC ISSUANCE OF A SHARES**

The Company proposes to issue not more than 36,535,859 new A Shares, representing approximately 11.57% of the total shares of the Company and approximately 15.94% of the A Shares currently in issue respectively. The Company will seek a specific mandate in respect of the Non-public Issuance of A Shares from the shareholders which will be valid for a 12-month period from the passing of the relevant resolutions at the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting, unless revoked or varied by special resolution(s) of the shareholders in a general or a class meeting. The Non-public Issuance of A Shares is subject to, among other things, the obtaining of the necessary approval from the CSRC. As at the date of this announcement, the Company has not made the relevant application to the CSRC and such formal application to the CSRC can only be made after obtaining the relevant approvals from the shareholders at

the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting. Specific terms of the Non-public Issuance of A Shares will be determined in accordance with the approval from the CSRC.

## **2. GENERAL INFORMATION ON THE NON-PUBLIC ISSUANCE OF A SHARES**

### **2.1 Number of new A Shares to be issued**

The Company proposes to issue not more than 36,535,859 new A Shares with an aggregate nominal value of not more than RMB36,535,859, representing (i) approximately 11.57% of the total number of shares of the Company in issue and approximately 15.94% of the total number of A Shares in issue as at the date of this announcement; and (ii) approximately 10.37% of the total number of shares of the Company in issue and approximately 13.75% of the total number of A Shares in issue as increased by the number of new A Shares to be issued pursuant to the Non-public Issuance of A Shares (assuming the maximum number of 36,535,859 new A Shares are issued and subscribed for).

The actual number of new A Shares to be issued will be determined by the Board in accordance with the authorisation granted by the shareholders of the Company and in consultation with the sponsor (lead underwriter).

### **2.2 Issue price**

The price determination day of the new A Shares is the date of announcement of the Board's resolution passed at the 17th meeting of the 5th session of the Board (i.e. 24 October 2016). The issue price of the new A Shares will be not less than RMB36.95 per A Share, being not less than 90% of the average trading price per A Share as quoted on the Shenzhen Stock Exchange for the Price Determination Period (which is calculated by dividing the total turnover of the A Shares during the Price Determination Period by the total trading volume of the A Shares during the same period).

The actual issue price will be determined by the Board after the necessary approvals for the Non-public Issuance of A Shares from the CSRC have been obtained and in accordance with the authorisation granted by the shareholders of the Company and the provisions of the relevant laws and regulations and requirements of regulatory authority, having regard to subscription conditions and the price offered by the investors and based on the price priority principle and in consultation with the sponsor (lead underwriter).

### **2.3 Adjustment to the issue price and the number of new A Shares to be issued**

The issue price and the number of new A Shares to be issued under the Non-public Issuance of A Shares will be adjusted in accordance with the relevant requirements of the Shenzhen Stock Exchange in cases of ex-rights or ex-dividend matters e.g. distribution of dividend, bonus issue, capitalisation of capital reserve, during the period from the Price Determination Date to the date of issue of such new A Shares.

### **2.4 Subscribers**

The new A Shares to be issued under the Non-public Issuance of A Shares will be issued for subscription by not more than ten investors, including securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other qualified investors. Securities investment fund management companies, which subscribe for the A Shares with two or more of the funds managed by them, shall each be taken as one single subscriber. Trust investment companies may only subscribe for the A Shares with their own funds. The target subscribers of the Non-public Issuance of A Shares do not include the Company's controlling shareholder, the de facto controller and the related parties under their control. The actual subscribers will be determined by the Company after the approval for the Non-public Issuance of A Shares from the CSRC has been obtained and in accordance with the authorisation granted by the shareholders of the Company and the provisions of the relevant laws, administrative regulations and requirements of the regulatory authority, having regard to subscription conditions and the price offered by the investors and based on the price priority principle and in consultation with the sponsor (lead underwriter).

### **2.5 Validity period of shareholders' authorisation**

The authorisation to issue new A Shares pursuant to the Non-public Issuance of A Shares will be valid for 12 months following the approval of the Non-public Issuance of A Shares at the meeting of the shareholders of the Company and the class meetings.

## 2.6 Lock-up period

Unless otherwise provided by laws and regulations, the Company will require each of the investors who subscribes for the new A Shares under the Non-public Issuance of A Shares to undertake not to dispose of any of such A Shares within a period of 12 months from the date of issue of such A Shares (the “**Lock-up Period**”).

## 2.7 Use of Proceeds

The amount of gross Proceeds from the Non-public Issuance of A Shares is expected to be not more than RMB1,350 million. The Company intends to use such Proceeds (after deducting the relevant expenses) for the following purposes:

<b>Intended use of Proceeds</b>	<b>Total amount of capital required to be applied (RMB)</b>	<b>Proposed amount of Proceeds to be applied (RMB)</b>
1. the annual production of 1,200,000 automobile intelligent steering assembly technology transformation project (新增年產120萬台套汽車智能轉向總成技術改造項目)	811.4 million	695 million
2. the annual production of 100,000 medium and heavy duty commercial vehicles intelligent steering industrialization development project (年產10萬套中重型商用車智能轉向產業化建設項目)	161million	134 million
3. the annual production of 500,000 passenger cars brake booster industrialization project (年產50萬套乘用車智能制動助力器產業化項目)	278.9 million	239 million
4. the automotive intelligent control unit industrialization project (汽車智能控制單元產業化項目)	163.4 million	140 million
5. the research and development centre of automotive intelligent technology project (汽車智能技術研發中心項目)	150 million	142 million
<b>Total</b>	<b><u>1,564.7 million</u></b>	<b><u>1,350 million</u></b>

In the event that the actual amount of net Proceeds raised under the Non-public Issuance of A Shares is less than the total amount of Proceeds proposed to be applied to the projects set out above, the Company will utilise its internal resource or seek alternative financing to fund the shortfall and the Board can make appropriate adjustments to the application sequence and amount of the Proceeds according to actual conditions.

Before the Proceeds from the Non-public Issuance of A Shares are available, the Company may fund the projects in accordance with the progress of the projects by other available resources first and exchange with the Proceeds from the Non-public Issuance of A Shares when they are available in accordance with the procedures of the relevant laws and regulations.

## **2.8 Ranking of new A Shares to be issued**

The new A Shares to be issued under the Non-public Issuance of A Shares will, when fully paid and issued, rank *pari passu* in all respects with the A Shares in issue at the time of issue of such new A Shares, except that the new A Shares to be issued will be subject to the Lock-up Period of 12 months from the date of issue of such new A Shares as mentioned above.

Upon completion of the Non-public Issuance of A Shares, both existing and new shareholders of the Company will have the same rights to the distributable profits of the Company accumulated but not declared proportionate to their shareholding in the Company after completion of the Non-public Issuance of A Shares.

## **2.9 Listing of the new A Shares to be issued**

The listing of, and dealing in, the new A Shares to be issued under the Non-public Issuance of A Shares will commence after the expiry of the Lock-up Period.

### 3. EFFECT OF THE NON-PUBLIC ISSUANCE OF A SHARES ON THE COMPANY'S SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately after the completion of the Non-public Issuance of A Shares, assuming that 36,535,859 new A Shares in aggregate are issued under the Non-public Issuance of A Shares and no other change to the shareholding structure:

	As at the date of this announcement		Immediately after the completion of the Non-public Issuance of A Shares	
	<i>Number of Shares in issue</i>	<i>% (approx.)</i>	<i>Number of Shares in issue</i>	<i>% (approx.)</i>
A Shares				
– existing A Shares	229,143,855	72.55%	229,143,855	65.02%
– new A Shares to be issued	–	–	36,535,859	10.37%
H Shares	<u>86,714,000</u>	<u>27.45%</u>	<u>86,714,000</u>	<u>24.61%</u>
<b>Total</b>	<b><u>315,857,855</u></b>	<b><u>100%</u></b>	<b><u>352,393,714</u></b>	<b><u>100%</u></b>

### 4. FUND RAISING IN THE PAST 12 MONTHS

The Company has not conducted any fund raising activity involving issue of equity securities in the period of 12 months preceding the date of this announcement.

### 5. REASONS FOR AND BENEFITS OF THE NON-PUBLIC ISSUANCE OF A SHARES

The Company is mainly engaged in the development, design, manufacturing and sales of automotive steering gears and other key components and parts of steering system and is also the early domestic enterprise having built the capacity of independent mechanical-electrical integration technologies and volume production of electric power steering (EPS) system. The Company's strategic objective is to be an intelligent driving solution provider to world leading automakers. The Directors believe that the Non-public Issuance of A Shares will provide the Company with funds required for implementation of the Projects, which will improve the Company's production capacity and research and development capabilities to cope with the market trends, and allow the Company to be well positioned to further increase its market share in the industry and to consolidate its leading market position. Accordingly, the Directors (including the

independent non-executive Directors) consider that the Non-public Issuance of A Shares and utilisation of the Proceeds in the Projects are in the interests of the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors) further consider the Non-public Issuance of A Shares to be fair and reasonable.

## **6. PROPOSED AMENDMENT OF ARTICLES OF ASSOCIATION**

As a result of the issue of new A Shares pursuant to the Non-public Issuance of A Shares, the shareholding structure of the Company will change upon completion of the Non-public Issuance of A Shares and as such, the Articles of Association will need to be amended to reflect the relevant changes. A resolution will be proposed at the EGM to approve the granting of an authorisation to the Board to arrange for the necessary amendment of the Articles of Association after completion of the Non-public Issuance of A Shares.

## **7. THE EGM AND CLASS MEETINGS**

The Non-public Issuance of A Shares will be subject to, among other things, the approval of the shareholders of the Company in a general meeting and the H Shareholders and A Shareholders at their respective class meetings by way of a special resolution. It is therefore proposed that the EGM, the H Shareholders Class Meeting and the A Shareholders Class Meeting be convened to propose resolutions to vote, among other things, to approve the Non-public Issuance of A Shares.

Pursuant to Rule 19A.39A of the Listing Rules, a circular containing, among others, further details of the Non-public Issuance of A Shares will be despatched to the H Shareholders on or before 25 November 2016.

## **8. RESUMPTION OF TRADING IN A SHARES**

At the request of the Company, trading in the A Shares on the Shenzhen Stock Exchange has been suspended from 11 October 2016 as the Company was contemplating the proposed Non-public Issuance of A Shares. An application has been made by the Company to the Shenzhen Stock Exchange for the resumption of trading in the A Shares on the Shenzhen Stock Exchange from 24 October 2016.



**It should be noted that in addition to the approvals being sought from the shareholders at the EGM and at the respective A Shareholders and H Shareholders class meetings, the Non-public Issuance of A Shares is also subject to the approval by the CSRC and the relevant PRC authorities. There is no assurance that the Non-public Issuance of A Shares will proceed. Investors are advised to exercise caution in dealing in the H Shares. Further details of the Non-public Issuance of A Shares will be disclosed by the Company when the Non-public Issuance of A Shares materialises.**

## **DEFINITIONS**

“A Shareholders”	holders of A Shares
“A Shareholders Class Meeting”	the class meeting of the A Shareholders to be convened to consider and, if thought fit, approve, among other things, the specific mandate relating to the Non-public Issuance of A Shares
“A Shares”	PRC listed A Shares of the Company, with nominal value of RMB1.00 each, which are listed and traded on the Shenzhen Stock Exchange
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Company”	浙江世寶股份有限公司 (Zhejiang Shibao Company Limited*), a joint stock limited company incorporated in the PRC
“CSRC”	China Securities Regulatory Commission
“Director(s)”	directors of the Company
“EGM”	the extraordinary general meeting to be convened to consider and, if thought fit, approve, among other things, the specific mandate relating to the Non-public Issuance of A Shares
“H Shareholders”	holders of H Shares

“H Shareholders Class Meeting”	the class meeting of the H Shareholders to be convened to consider and, if thought fit, approve, among other things, the specific mandate relating to the Non-public Issuance of A Shares
“H Shares”	overseas listed foreign shares of the Company, with nominal value of RMB1.00 each, which are listed and traded on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Non-public Issuance of A Shares”	the proposed issue of not more than 36,535,859 new A Shares in the PRC, which shares are proposed to be listed and traded on the Shenzhen Stock Exchange
“PRC”	The People’s Republic of China excluding, for the purpose of this announcement only, Hong Kong, Macau and Taiwan
“Price Determination Date”	24 October 2016
“Price Determination Period”	the period of 20 trading days of A Shares on the Shenzhen Stock Exchange immediately prior to the Price Determination Date
“Proceeds”	the proceeds raised from the Non-public Issuance of A Shares
“Projects”	the various projects as described under the paragraph headed “Use of Proceeds” in this announcement to which the Proceeds are intended to be applied
“RMB”	Renminbi, the lawful currency of the PRC for the time being

“Shenzhen Stock Exchange”      The Shenzhen Stock Exchange of the PRC

“Stock Exchange”                      The Stock Exchange of Hong Kong Limited

“%”    per cent.

By order of the Board  
**Zhejiang Shibao Company Limited**  
**ZHANG SHI QUAN**  
*Chairman and General Manager*

Hangzhou, Zhejiang, the PRC  
24 October 2016

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