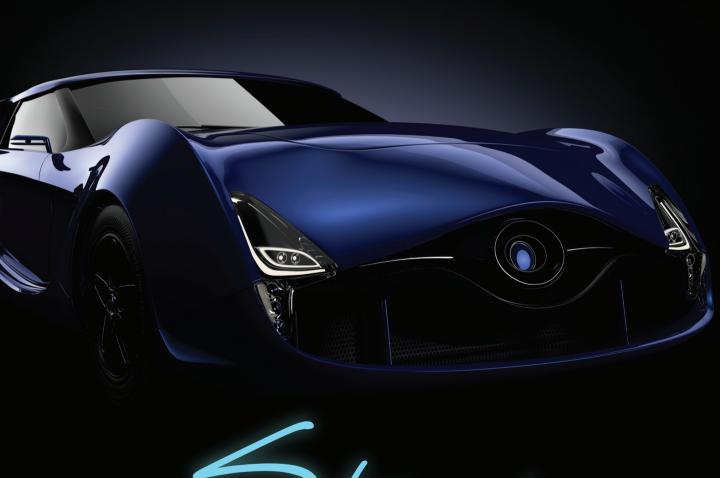


(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1057

* For identification purposes only



The Future

Annual Report 2016



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(English translation for reference only)

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) (Vice Chairman and Deputy General Manager)

Mr. Tang Hao Han (湯浩瀚) (Vice Chairman and Deputy General Manager)

Ms. Zhang Lan Jun (張蘭君) (Finance Director)

Non-executive Directors

Mr. Zhang Shi Zhong (張世忠)

Mr. Zhu Jie Rong (朱頡榕)

Independent Non-executive Directors

Mr. Zhang Hong Zhi (張洪智)

Mr. Guo Kong Hui (郭孔輝)

Mr. Shum Shing Kei (沈成基)

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)

Ms. Feng Yan (馮燕)

Senior Management Mr. Yu Zhong Chao (虞忠潮)

Ms. Liu Xiao Ping (劉曉平)

Audit Committee Mr. Shum Shing Kei (沈成基) (Chairman)

Mr. Zhang Shi Zhong (張世忠)

Mr. Zhang Hong Zhi (張洪智)

Remuneration Committee Mr. Shum Shing Kei (沈成基) (Chairman)

Mr. Zhang Shi Zhong (張世忠)

Mr. Zhang Hong Zhi (張洪智)

Nomination Committee Mr. Zhang Hong Zhi (張洪智) (Chairman)

Mr. Shum Shing Kei (沈成基)

Ms. Zhang Lan Jun (張蘭君)

Investment & Strategy Committee

Mr. Zhang Shi Quan (張世權) (Chairman)

Mr. Zhang Bao Yi (張寶義)

Mr. Tang Hao Han (湯浩瀚)

^{*} For identification only

(English translation for reference only)

Secretary of The Board Ms. Liu Xiao Ping (劉曉平)

Company Secretary Ms. Huen Lai Chun (禤麗珍)

Authorised Representatives Ms. Zhang Lan Jun (張蘭君)

Ms. Huen Lai Chun (禤麗珍)

Registered Office No. 1, Shuanglin Road

Fotang Town

Yiwu

Zhejiang Province

China (Post code: 322002)

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

King & Wood Mallesons Shanghai Office

17th Floor, One ICC 999 Middle Huaihai Road Xuhui District, Shanghai

China

Auditors Pan-China Certified Public Accountants LLP

4th-10th Floor

Xinhu Commercial Tower

No. 128 Xixi Road Hangzhou, China

(English translation for reference only)

Principal Bankers

Agricultural Bank of China, Yiwu Branch

- Fotang Sub-branch

85 Jianshe Road, Fotang

Yiwu, Zhejiang Province, China

Industrial and Commercial Bank of China, Yiwu Branch

- Yiwu Sub-branch

128 Huangyuan Road

Yiwu, Zhejiang Province, China

China CITIC Bank

- Hangzhou Economic and Technology Development Zone Branch

Building 2, Singapore Hangzhou Technology Zone

6th Avenue

Hangzhou Economic and Technology Development Zone

Hangzhou, Zhejiang Province, China

China Zheshang Bank

- Hangzhou Yuquan Branch

52 Qiushi Road

Hangzhou, Zhejiang Province, China

Industrial and Commercial Bank of China, Siping Branch

- Zhongyang Dong Lu Sub-branch

141 Nanyijing Jie

Siping, Jilin Province, China

Industrial and Commercial Bank of China, Beijing Branch

- Zi Zhu Yuan Road Sub-branch

No. 10, Zhong Guan Cun South Road Jia

Hai Dian District

Beijing, China

(English translation for reference only)

Bank of Communications of China, Wuhu Branch

- Economic and Technology Development Zone Sub-branch

No. 33, Yin Hu Road North

Wuhu Economic and Technology Development Zone

Wuhu, China

Erdos Rural Commercial Bank

- Dong Huan Road Branch

Ground floor, Complex building of Inter-city Bus Station

Dong Huan Road, Dong Sheng District

Erdos, China

Bank of China Limited

- Siping Zhongyang Dong Lu Sub-branch

2055 Zhongyang Dong Lu

Tiedong District, Siping, Jilin Province, 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

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Contact Information

Corporate communication/Investor relations

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No. 6, 17th Avenue

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Zhejiang Province

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Email: ir@zjshibao.com

(English translation for reference only)

Company secretary services

Ms. Huen Lai Chun (禤麗珍) Company Secretary

Room 1204

C C Wu Building

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Wanchai

Hong Kong

Tel.: +852 3104 8118 Fax: +852 3104 8119 Email: ir@zjshibao.com

Place of Listing A Shares: Shenzhen Stock Exchange

Stock Name: Zhejiang Shibao Stock Code: 002703 H Shares: The Stock Exchange of Hong Kong Limited Stock Name: Zhejiang Shibao Stock Code: 1057

Website www.zjshibao.com

CORPORATE PROFILE

(English translation for reference only)

COMPANY PROFILE

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

The Company lives up to its role of enhancing safety and comfortability for driving. The Company is committed to providing world leading automakers with safe, intelligent, energy-saving, light-weighed automotive steering system. The Company strives to raise the R&D and production capability of steering system and key components for each series of automobile model to international standard. Meanwhile, the Company is tapping into key automotive components in relation to integration modulation of steering system. Its strategic goal is to provide intelligent driving solutions and products to global leading automotive groups.

The Company is one of the early movers in the development of hydraulic power steering gears and electric power steering (EPS) system in the PRC, striving to become a pioneer achiever of smart driving technology and system integration to maintain the Company's competitive advantages for sustainable development. The Company has accumulated over 30 years of experience in OEM supply in automobile industry with diverse customer resources worldwide, enabling the Company to become a Tier-1 OEM supplier among the automakers with good reputation, including FAW Group, Dongfeng Group, JAC, King Long Motor, BAIC Motor, Chery Auto, Geely Automobile, Saipa Automotive, Daimler Group, SGMW and Changan Mazda.

2. ANALYSIS ON CORE COMPETITIVENESS

Zhejiang Shibao lives up to its role of enhancing safety and comfortability for driving through its abiding R&D on and manufacture of automotive steering systems. As a Tier-1 OEM for an array of sizable automobile groups in China and abroad, the Company has accumulated extensive experiences in OEM supply and built up international customer bases in the industry. The core competitive strengths of the Company are realized in the following five aspects:

- 1) Leading R&D capacity: the Company owns a significant number of patents of steering technology and software copyrights. Furthermore, in order to embrace the new opportunities and challenges on automotive component companies presented by the technology innovation in the automobile industry, the Company has pioneered the R&D associated with intelligent driving technologies.
- 2) State-of-the-art manufacturing processes: refined production model and the ISO:TS16949 quality certification system are adopted throughout all of the major production bases of the Company with an aim to provide customized steering system products with the most reasonable price, latest technology and supreme quality for its customers.
- 3) Loyal and professional team: the Company has established a flexible personnel recruitment and incentive scheme to attract domestic and overseas professionals. Our key management and technicians are loyal and has extensive experiences in the industry.
- 4) High corporate governance standard: corporate governance and policy of the Company are established to meet listing requirements in the mainland China and Hong Kong with transparent financial reporting and risk control practices. Therefore, our corporate governance is up to international standard.
- 5) Robust financial position and strong financing capability: as the only one automotive component company in the PRC listed both in the mainland China and overseas, the Company boasts flexible financing methods.

FIVE-YEAR FINANCIAL SUMMARY

(English translation for reference only)

A summary of the published results, assets and liabilities of the Group for the past five years ended 31 December 2016 are set out below. The relevant information were prepared on a consolidated basis and based on China Accounting Standards for Business Enterprises.

RESULTS

	For the year ended 31 December						
	2016	2015	2014	2013	2012		
	RMB0,000	RMB0,000	RMB0,000	RMB0,000	RMB0,000		
Revenue	113,640	83,772	81,124	67,460	54,838		
Total profit	8,059	5,987	4,216	5,076	7,950		
Net profit	6,599	5,194	3,648	4,553	6,889		
Minority interests	250	-160	-690	-329	-323		
Net profits attributable to							
equity holders of the parent	6,349	5,354	4,337	4,882	7,213		
Basic earnings per share (RMB)	0.20	0.17	0.16	0.18	0.27		
Diluted earnings per share (RMB)	0.20	0.17	0.16	0.18	0.27		

ASSETS AND LIABILITIES

	As at 31 December						
	2016	2015	2014	2013	2012		
	RMB0,000	RMB0,000	RMB0,000	RMB0,000	RMB0,000		
Non-current assets	79,511	69,321	67,495	62,945	54,257		
Current assets	127,963	119,259	142,612	68,471	63,967		
Current liabilities	52,661	39,108	62,089	50,070	40,329		
Net current assets	75,302	80,151	80,524	18,401	23,638		
Equity attributable to							
equity holders of the parent	147,351	144,258	142,063	74,355	71,694		
Total liabilities and equity	207,474	188,580	210,107	131,416	118,224		

CHAIRMAN'S STATEMENT

(English translation for reference only)

I would like to present on behalf of the Board the report of the audited results of the Group for the year ended 31 December 2016.

Zhejiang Shibao lives up to its role of enhancing safety and comfortability for driving. The Company is committed to providing world leading automakers with safe, energy-saving, light-weighed automotive new-energy-powered steering system. The Company is mainly engaged in the develop, design, manufacture 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.

During the reporting period, sales of the Company's passenger cars steering system kept growing, among which sales of electric power steering system increased largely. During the reporting period, the Company recorded a revenue of RMB1,136,399,277.71, representing an increase of 35.65% as compared with 2015. During the reporting period, the gross profit margin of the Company's main business was 22.30% (2015: 25.73%). The decrease in the gross profit margin was mainly attributable to combined effects of the reduction in selling price of certain traditional products after entering into a matured stage and the increase in the start-up expenses for new projects, including the expenses on intelligent steering gear system products for intelligent driving. During the reporting period, the Company recorded net profit attributable to shareholders of the listed company of RMB63,487,549.38, representing an increase of 18.58% as compared with 2015.

During the reporting period, due to the rapid growth of Chinese automobile industry, revenue and net profit of the Company increased by a larger margin and meet the predicted annual profit of 2016 set out in the third quarter report of 2016.

During the reporting period, the two fund-raising investment projects, namely "The increase of production of power automotive steering gears project" (汽車液壓助力轉向器擴產項目) and "The research and development, examination and inspection and trial production centre of automotive steering gear system project" (汽車轉向系統研發、檢測及試製中心項目) executed by Hangzhou Shibao, a subsidiary of the Company, had become ready for use. Part of the production capacity for 700,000 units/sets of hydraulic power steering gears financed and set up under "The increase of production of power automotive steering gears project" had been commissioned into operation during the reporting period, and contributed to growth in operating scale and revenue.

In 2017, the Company expects continuous growth for revenue and profit, and a new record in production and sales volume of electric power steering system used in energy-saving and new energy automobiles. The Company will focus on R&D efforts and capacity building for intelligent steering product and intelligent driving technology, with a planned investment of not more than RMB1.35 billion in developing "The annual production of 1,200,000 automotive intelligent steering assembly technology transformation project" (新增年產120萬台套汽車智慧轉向總成技術改造項目), "The annual production of 100,000 medium and heavy duty commercial vehicles intelligent steering industrialization development project" (年產10萬套中重型商用車智慧轉向產業化建設項目), "The annual production of 500,000 passenger cars intelligent brake booster industrialization project" (年產50萬套乘用車智慧制動助力器產業化項目), "The automotive intelligent control unit industrialization project" (汽車智慧控制單元產業化項目) and "The research and development centre of automotive intelligent technology project" (汽車智慧技術研發中心項目) in the coming two years. In this regard, the Company has initiated a re-financing project and intends to fund the development of the five mentioned projects with the proceeds from the issuance of A Shares.

Zhang Shi Quan

Chairman

Hangzhou, Zhejiang, the PRC 24 March 2017

(English translation for reference only)

REVIEW OF CHINA AUTOMOBILE INDUSTRY

In 2016, production and sales volume of China automobile industry were 28,119,000 units and 28,028,000 units respectively, representing an increase of 14.50% and 13.70% respectively as compared with 2015. Production and sales of passenger cars were 24,421,000 units and 24,377,000 units respectively, representing an increase of 15.50% and 14.90% respectively as compared with 2015. Among these, sales volume of China-brand passenger cars was 10,529,000 units, representing an increase of 20.50% as compared with 2015. Production and sales volume of new energy cars were 517,000 units and 507,000 units respectively, representing an increase of 51.70% and 53.00% respectively as compared with 2015. Production and sales of commercial vehicles were 3,698,000 units and 3,651,000 units respectively, representing an increase of 8.00% and 5.80% respectively as compared with 2015. Among commercial vehicles, production and sales volume of buses decreased by 7.40% and 8.70% respectively as compared with 2015; production and sales volume of trucks increased by 11.20% and 8.80% respectively as compared with 2015. The top ten automaker groups in China sold 24,760,000 units of automobiles, representing an increase of 12.90% as compared with 2015. Their sales represented 88.30% of the total sales of the automobile industry, representing a decrease of 0.60% as compared with 2015.

ANALYSIS OF MAIN BUSINESS

1) Overview

During the reporting period, benefited from the rapid growth of the automotive industry and the significant increase in the production capacity of the Company's steering gear product, the Company's sales volume of steering system products continued to increase, among which sales volume of electric power steering system products for energy saving and new energy automobiles increased significantly. During the reporting period, the Company recorded a revenue of RMB1,136,399,277.71, representing a year-on-year increase of 35.65%.

During the reporting period, the gross profit margin of the Company's main business was 22.30% (2015: 25.73%). The decrease in gross profit margin of the Company was mainly attributable to combined effects of the reduction in selling price of certain traditional products after entering into a matured stage and the increase in the start-up expenses for new projects, including the expenses on intelligent steering gear system products for intelligent driving.

During the reporting period, the Company's selling expenses was RMB70,548,830.53, representing an increase of 42.30% as compared with 2015. Increase in selling expenses was mainly due to the corresponding increase in transportation fees and warranty expenses as a result of the expansion of sales. General and administrative expenses were RMB114,656,640.40, representing a year-on-year increase of 2.11%, among which staff costs and research and development expenses recorded a year-on-year increase of 16.39% and 11.73%, respectively, due to the expansion of operation. Professional service fee decreased by 45.91% when compared to last year due to the absence of agency fee expenses for material asset restructuring. Tax expenses decreased by 67.04% over last year. The decrease was mainly due to that stamp duty, real estate tax, land use tax, and vehicles and vessels use tax arising from the period between May and December 2016 were presented in "taxes and surcharges", while those arising for the period prior to May 2016 were presented in "general and administrative expenses", in accordance with the "Provisions Concerning the Accounting Treatments on Value-Added Tax" (Cai Hui No.: [2016] 22) and "Interpretation of Issues Concerning Provisions Concerning the Accounting Treatments on Value-Added Tax" of the Ministry of Finance. Financial expenses were -RMB1,835,285.41, representing a decrease of 146.52% as compared with 2015. Decrease in financial expenses was mainly due to a decrease in bank borrowings resulted in decrease of interest expenses.

During the reporting period, the Company's research and development expenses was RMB41,416,415.87, representing an increase of 11.73% as compared with 2015. The Company's research and development expenses are mainly used on the technical research of automotive steering system's safety, intelligent, energy saving, light weight, in order to maintain competitiveness of the Company to support its continuous growth.

During the reporting period, non-operating income amounted to RMB12,410,931.47, representing a year-on-year increase of 67.49%. Non-operating income mainly consists of government grants of RMB10,514,414.10.

In view of the above, the Company recorded a net profit attributable to shareholders of the listed company of RMB63,487,549.38, representing an increase of 18.58% as compared with 2015.

(English translation for reference only)

2) Revenue and Cost

(1) Revenue

	201	6	2015		
		Proportion		Proportion	
	Amount	to revenue	Amount	to revenue	Change
Total Revenue	1,136,399,277.71	100%	837,719,325.84	100%	35.65%
By industry					
Manufacture of automotive					
components and parts	1,123,616,241.32	98.88%	830,146,184.07	99.10%	35.35%
Others	12,783,036.39	1.12%	7,573,141.77	0.90%	68.79%
By products					
Steering system and parts	1,083,392,069.43	95.34%	783,996,478.42	93.59%	38.19%
Parts and others	40,224,171.89	3.54%	46,149,705.65	5.51%	-12.84%
Others	12,783,036.39	1.12%	7,573,141.77	0.90%	68.79%

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

	Revenue	Operating costs	Gross profit margin	Change of revenue over last year	Change of operating costs over last year	Change of gross profit margin over last year
By industry Manufacture of automotive components and parts	1,123,616,241.32	873,075,222.60	22.30%	35.35%	41.61%	-3.43%
By products Steering system and parts	1,083,392,069.43	842,167,587.34	22.27%	38.19%	45.30%	-3.80%

(3) Details of production quantity, sales volume and inventory level of the Company

Industry classification	Projects	Unit	2016	2015	Change
Manufacture of auto motive					
components and parts	Sales volume	Unit/Piece	2,183,412	1,761,730	23.94%
	Production quantity	Unit/Piece	2,131,228	1,858,364	14.68%
	Inventory level	Unit/Piece	234,282	286,466	-18.22%

3) Expenses

	2016	2015	Change
Sales expenses	70,548,830.53	49,576,514.32	42.30%
General and administration expenses	114,656,640.40	112,288,632.34	2.11%
Financial expenses	-1,835,285.41	3,945,269.12	-146.52%

(English translation for reference only)

4) R&D Investments

The Company invest mainly in the safe, intelligent, energy-saving and light-duty automotive steering system as well as the domain of new energy and smart driving technology.

	2016	2015	Change
Number of R&D staff (person)	253	233	8.58%
Proportion of R&D staff	13.51%	13.21%	0.30%
Amount of R&D investments (Yuan)	41,416,415.87	37,068,550.73	11.73%
Share of R&D investments in operating revenue	3.64%	4.42%	-0.78%
Amount of capitalization of R&D investments (Yuan)	-	-	-
Share of capitalized R&D investment in R&D investments	-	-	-

5) Cash Flow

Item	2016	2015	Change
Sub-total of cash inflow from operating activities	647,420,619.35	570,552,522.68	13.47%
Sub-total of cash outflow from operating activities	555,399,577.52	494,792,032.55	12.25%
Net cash flow from operating activities	92,021,041.83	75,760,490.13	21.46%
Sub-total of cash inflow from investing activities	1,155,685,226.93	924,497,049.99	25.01%
Sub-total of cash outflow from investing activities	1,555,624,458.98	974,286,475.45	59.67%
Net cash flow from investing activities	-399,939,232.05	-49,789,425.46	703.26%
Sub-total of cash inflow from financing activities	200,000,000.00	165,000,000.00	21.21%
Sub-total of cash outflow from financing activities	260,794,840.80	447,388,686.23	-41.71%
Net cash flow from financing activities	-60,794,840.80	-282,388,686.23	-78.47%
Net increase in cash and cash equivalents	-368,718,091.39	-256,809,088.17	43.58%

During the reporting period, net cash outflow from investing activities increased by 703.26% as compared to last year, mainly due to purchase of bank short-term wealth management products; net cash outflow from financing activities decreased by 78.47% as compared to last year, mainly due to a decrease in repayment of bank borrowings. In view of above, during the reporting period, net increase in cash and cash equivalents decreased by 43.58% as compared to last year.

ANALYSIS OF ASSETS AND LIABILITIES

1) Significant changes in composition of assets

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

	2016	3	2015		
		Percentage		Percentage	
		of		of	
	Amount	total assets	Amount	total assets	Change
Cash on hand and					
at bank	145,160,290.11	7.00%	503,377,298.34	26.69%	-19.69%
Notes receivable	162,714,933.93	7.84%	92,274,842.99	4.89%	2.95%
Accounts receivable	398,849,055.72	19.22%	326,067,978.19	17.29%	1.93%
Inventories	244,998,559.78	11.81%	252,400,451.28	13.38%	-1.57%
Other current assets	316,808,874.28	15.27%	8,711,198.50	0.46%	14.81%
Fixed assets	599,101,741.36	28.88%	451,819,102.65	23.96%	4.92%
Intangible assets	105,682,338.89	5.09%	115,053,639.13	6.10%	-1.01%
Notes payable	118,716,837.78	5.72%	74,239,657.73	3.94%	1.78%
Accounts payable	340,234,033.23	16.40%	233,827,116.38	12.40%	4.00%

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

Except for the assets with restrictions in ownership or use rights set out on page 106 in the annual report, the Company did not have other restrictions regarding its assets.

(English translation for reference only)

3) Financial Resources and Capital Structure

At the end of the reporting period, the amount of total loans and borrowings was RMB9,630,000.00 (31 December 2015: RMB35,180,000.00). Total loans and borrowings decreased by RMB25,550,000.00 when compared with the beginning of the year, mainly due to a decrease of short-term bank borrowings. Among which, loans and borrowings of short-term and due within one year amounted to zero (31 December 2015: RMB33,800,000.00), representing a share of 0% (31 December 2015: 96.08%) in total loans and borrowings. Loans and borrowings at fixed interest rates amounted to RMB830,000.00 (31 December 2015: RMB26,380,000.00).

The Company issued 38.2 million RMB ordinary shares (A Shares) by way of non-public issue in 2014 at issue price of RMB18.46 per share, which raised a gross proceeds of RMB705,172,000 and a net proceeds of RMB658,162,900 after deducting the related costs. On 11 December 2014, the proceeds were credited into the regulatory proceeds account of the Company. The amount of the proceeds actually utilized by the Company in 2016 was RMB111,507,800, and RMB200,000,000 was used for temporary supplement of working capital. As at 31 December 2016, balance of proceeds amounted to RMB268,605,400, which included the net accumulated amount of interests received from bank deposits and gains from short-term bank wealth management products less bank handling fees and others.

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

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. At the end of the reporting period, the Company's gearing ratio was -7.77% (2015: -44.57%).

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

ANALYSIS OF INVESTMENT

1) Use of Proceeds Raised from Non-public Issuance in 2014

(1) General use of proceeds

As approved by the document [2014] No.1101 issued by the China Securities Regulatory Commission and upon consent of the Shenzhen Stock Exchange, the Company, with the assistance of Caitong Securities Co., Limited, the lead underwriter, issued 38,200,000 RMB ordinary shares (A Shares) to specific parties by way of non-public issue at the issue price of RMB18.46 per share and the proceeds raised totaled RMB705,172,000.00. The proceeds, after deduction of underwriting and sponsor expenses of RMB45,125,836.00, amounted to RMB660,046,164.00 which was deposited to the custodial proceeds account by Caitong Securities Co., Limited, the lead underwriter, on 11 December 2014. Further, after deduction of the new external expenses directly related to issuance of equity securities of RMB1,883,286.96 (including accountant fees, solicitor fees and statutory information disclosure expenses), the net proceeds raised amounted to RMB658,162,877.04. Pan-China Certified Public Accountants LLP has verified the aforementioned proceeds and issued a Capital Verification Report (Tian Jian Yan [2014] No.265) with that regard.

The proceeds utilized by the Company amounted to RMB100,609,366.90 in the prior year; bank deposit interest received in the prior year, net of handling fees and others, amounted to RMB13,431,840.52; in 2016, the actual utilized proceeds amounted to RMB111,507,834.07; temporary supplement to liquidity was RMB200,000,000.00; in 2016, bank deposit interest and short-term bank wealth management products income received, net of bank handling fee and others, amounted to RMB9,127,920.75 the accumulated utilized proceeds amounted to RMB212,117,200.97 and accumulated bank deposit interest and short term bank wealth management product income, net of bank handling fee and others, amounted to RMB22,559,761.27.

As at 31 December 2016, the balance of the proceeds account amounted to RMB268,605,437.34 (including the accumulated bank deposit interest and short-term bank wealth management product income received, net of bank handling fee and others). Among them, the balance of the designated proceeds account is RMB 28,605,437.34 and the balance of short-term bank wealth management product is RMB240,000,000.00.

(English translation for reference only)

(2) Projects undertaken with the raised proceeds

unit: ten thousand

Undertaken investment project(s) and use of over-raised proceeds	Changes in project (Partial change included)	Total investment undertaken with raised proceeds	Total investment after adjustment ⁽¹⁾	Invested amount during the reporting period	Invested amount as of the end of the period ^[2]	Investment progress as of the end of the period (3)+(2)/(1)	Date of project getting ready for its intended use	Achieved results during the reporting period	Achieve the intended results or not	Significant changes in project feasibility
Undertaken investment project(s)										
The increase of production of power automotive steering gears project	No	12,800	12,800	5,428.67	12,172.99	95.10%	2016.12.31	5,260.73	Note 1	No
The precious casting and processing										
of automotive components project	No	20,000	20,000	942.27	3,161.95	15.81%	2018.12.31	N/A	Note 2	No
The research and development, examination and inspection and trial production centre of automotive steering gear										
system project The annual production of 2,100,000 automotive steering gear (EPS) components series industrialization	No	4,000	4,000	3,319.83	3,644.72	91.12%	2016.12.31	N/A	Note 2	No
investment and development project	No	34,000	29,016.29	1,460.01	2,232.06	7.69%	2018.12.31	Note 2	Note 2	No
Sub-total of undertaken investment project(s)	-	70,800	65,816.29	11,150.78	21,211.72	-	-	-	-	-
Total	-	70,800	65,816.29	11,150.78	21,211.72	-	-	-	-	-

Condition and reason of lagging behind Nil. schedule or not achieving expected return

Illustration on the significant changes in project feasibility

Nil.

Amount, use and update on use of over-raised proceeds

Nil.

Change in location of fund-raising investment projects

Nil.

Adjustment on the implementation of fund-raising investment projects

Nil.

Preliminary capital and replacement of fund-raising investment projects

As of 31 December 2014, the Company had injected the preliminary capital of RMB49.7674 million from its own fund into the fund-raising investment projects. Upon review and approval in the 22nd meeting of the fourth session of the Board of the Company held on 6 February 2015, the Company used raised proceeds to replace it on 12 February 2015 and 23 March 2015 respectively.

(English translation for reference only)

Tentative application of idle proceeds as working capital

On 30 June 2015, the 1st meeting of the fifth session of the Board of the Company considered and approved the Resolution on Utilisation of Idle Proceeds to Temporarily Supplement Working Capital (關於使用部分閒置募集資金暫時補充流動資金的議案), allowing the Company to use the idle proceeds of RMB200 million to tentatively apply as working capital for a term of 12 months commencing from the date of approval by the Board. The Company effectively utilised RMB200 million to tentatively apply as working capital. At 13 June 2016, the balance was fully transferred back to the designated proceeds account.

On 14 June 2016, the 15th meeting of the fifth session of the Board of the Company considered and approved the Resolution on Utilisation of Idle Proceeds to Temporarily Supplement Working Capital, allowing the Company to use the idle proceeds of RMB200 million to tentatively apply as working capital for a term of 12 months commencing from the date of approval by the Board. The Company effectively utilised RMB200 million to tentatively apply as working capital. As of 31 December 2016, the balance was yet to be transferred back to the designated proceeds account.

Amount of and reason for the balance of proceeds from the implementation of project

Nil.

Use and status of unutilised proceeds

As of 31 December 2016, the balance of unutilised proceeds of the Company amounted to RMB268.6054 million. Such balance was placed at the designated proceeds account, call deposit account, term deposit account and purchase short-term bank wealth management product, of which RMB200 million was tentatively applied as working capital. The proceeds will continue to be applied in the implementation of fund-raising investment projects.

Issues or other conditions from the use and Nil. disclosure of proceeds

- Note 1: The project relates to 2012 initial public offering and 2014 private fund raising project. The initial public offering fund-raising project was expected to achieve a net profit of RMB70.3524 million. Due to influences such as market change and technology upgrade, 2014 private offering project was expected to achieve an adjusted net profit of RMB57.0051 million. After simple adjustment based on current capacity utilisation, net profit for 2016 shall be approximately RMB50.8329 million.
- Note 2: Benefits of "The research and development, examination and inspection and trial production centre of automotive steering gear system project" and "The precious casting and processing of automotive components project" may not be individually assessed. "The annual production of 2,100,000 automotive steering gear (EPS) components series industrialization investment and development project" is not ready for the intended purpose.

(English translation for reference only)

(3) Explanation on the extension of certain fund-raising investment projects

"The precious casting and processing of automotive components project" and "The annual production of 2,100,000 automotive steering gear (EPS) components series industrialization investment and development project" were expected to be ready for the intended purpose by 31 December 2016. On 31 December 2016, delay for the projects was approved at the 19th meeting of the 5th session of board of directors of the Company.

The main product of "The precious casting and processing of automotive components project" is precious casting of automotive components, which may be used as internal accessories and for external sales. The delay was primarily due to that the Company appropriately adjusted the specifications and models of the equipment and facilities used in the original investment plan in accordance with high requirement standards from the Daimler Group. It enhanced the automation capability and error prevention performance of such equipment and facilities to meet the strict quality requirements of world leading automotive manufacturers, including Daimler. Adjustments on the procurement category of equipment and facilities were rationalised by various parties, including comments from Daimler's experts, resulting in a longer cycle. Meanwhile, internal auxiliary business of the Group took a severe hit in terms of domestic demand due to the gloomy market of commercial automotive manufacturing. Based on the above reasons, the Company slowed down the pace of implementation and hindered project progress accordingly.

"The annual production of 2,100,000 automotive steering gear (EPS) components series industrialization investment and development project" was delayed primarily because EPS system products of domestic brands remained inferior to those of foreign brands in terms of technology level and brand recognition, resulting in a slower market share expansion of EPS system products of domestic brands. To align project progress with market demands and better safeguard the interests of the Company and its minority shareholders, the Company slowed down the pace of implementation and hindered project progress accordingly.

After thorough consideration, the Company decided to delay the implementation period of "The precious casting and processing of automotive components project" and "The annual production of 2,100,000 automotive steering gear (EPS) components series industrialization investment and development project".

For details of delay of fund-raising investment projects, please refer to the "Announcement on the delay of certain fund-raising investment projects" published on "Securities Times" and CNINF (巨潮資訊網) (www.cninfo.com.cn) on 14 December 2016 by the Company.

(4) Changes in use of proceeds

The Company made no change to the use of proceeds during the reporting period.

(English translation for reference only)

OUTLOOK INTO THE FUTURE DEVELOPMENT OF THE COMPANY

1) Industry landscape and trend

In recent years, Chinese automobile market has undergone rapid development and it leads to a surge in the automotive component industry. At the same time, to relieve the stress on the energy and environmental fronts in the PRC, the promotion and popularization of energy-saving and new energy automobiles have become top priority in Chinese automobile industry in the long run. The development of the automobile industry characterized by energy-saving, new energy, light-duty and intelligent application has been significantly faster, resulting in corresponding changes in product structure of the automotive component industry.

Society of Automotive Engineers of China published "Roadmap of Energy-saving and New Energy Automobile Technology" in October 2016 to establish the objectives of development of energy-saving and new energy automobiles in the coming 15 years: it is expected that the market share of energy-saving automobiles will reach 30%, 40% and 50% in 2020, 2025 and 2030, respectively. Battery electric automobiles and plug-in hybrid electric automobiles are anticipated to make up for 7% to 10%, 15% to 20% and 40% to 50% of the annual sales of automobile in 2020, 2025 and 2030, respectively. "Roadmap of Energy-saving and New Energy Automobile Technology" predicts that the scale of Chinese automobile market will reach 30 million, 35 million and 38 million units in 2020, 2025 and 2030, respectively, where 50% of new automobiles in the PRC will be equipped with conditional automation or automation of lower levels (DA, PA, CA) in 2020; 80% of new automobiles will be equipped with DA, PA, CA, HA and FA in 2030.

2) Development strategy of the Company

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

3) Business plan

During the reporting period, due to the rapid growth of Chinese automobile industry, revenue and net profit of the Company increased by a larger margin and meet the predicted annual profit of 2016 set out in the third quarter report of 2016.

During the reporting period, the two fund-raising investment projects, namely "The increase of production of power automotive steering gears project" (汽車液壓助力轉向器擴產項目) and "The research and development, examination and inspection and trial production centre of automotive steering gear system project" (汽車轉向系統研發、檢測及試製中心項目) executed by Hangzhou Shibao, a subsidiary of the Company, had become ready for use. Part of the production capacity for 700,000 units/sets of hydraulic power steering gears financed and set up under "The increase of production of power automotive steering gears project" had been commissioned into operation during the reporting period, and contributed to growth in operating scale and revenue. During the reporting period, two fund-raising investment projects, namely "The precise casting and processing of automotive components project" (汽車零部件精密鑄件及加工建設項目) implemented by the Company's subsidiary, Jilin Shibao, and "The annual production of 2,100,000 unit(set) of automotive steering gear (EPS) components series industrialization investment and development project" (年產210萬件(套)汽車轉向(電動EPS)元件等系列產品產業化投資建設項目) implemented by the Company could not complete the investment and development phase as scheduled. Upon consideration and approval at the 19th meeting of the 5th session of the Board of the Company, the target completion of these projects had been extended to 31 December 2018. Please refer to "Explanation on the extension of certain fund-raising investment projects" on page 16 in the annual report for the relevant particulars.

(English translation for reference only)

During the reporting period, in respect of the acquisition of controlling interest in an enterprise of the same industry which is headquartered in Germany, the Company negotiated with its shareholders. The transaction constituted a substantial asset reorganization of the Company. As the parties involved eventually failed to reach an agreement on the material transaction terms, the Board decided to terminate this substantial asset reorganization. Please refer to the announcement published by the Company on "Securities Times" and CNINF (巨潮資訊網) (www.cninfo.com.cn) on 27 May 2016 and the announcement of the Company dated 27 May 2017 for the relevant particulars.

In 2017, the Company expects continuous growth for revenue and profit, and a new record in production and sales volume of electric power steering system used in energy-saving and new energy automobiles. The Company will focus on R&D efforts and capacity building for intelligent steering product and intelligent driving technology, with a planned investment of not more than RMB1.35 billion in developing "The annual production of 1,200,000 automotive intelligent steering assembly technology transformation project" (新增年產120萬台套汽車智慧轉向總成技術改造項目), "The annual production of 100,000 medium and heavy duty commercial vehicles intelligent steering industrialization development project" (年產10萬套中重型商用車智慧轉向產業化建設項目), "The annual production of 500,000 passenger cars intelligent brake booster industrialization project" (年產50萬套乘用車智慧制動助力器產業化項目), "The automotive intelligent control unit industrialization project" (汽車智慧控制單元產業化項目) and "The research and development centre of automotive intelligent technology project" (汽車智慧技術研發中心項目) in the coming two years. In this regard, the Company has initiated a re-financing project and intends to fund the development of the five mentioned projects with the proceeds from the issuance of A shares. Please refer to "Other Material Events" on page 20 in the annual report for the relevant particulars.

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

4) Potential Risks

1. Risks relating to industry fluctuations

The success of automotive components and parts manufacturing industry that the Company is engaged in is subject to the development of downstream automobile industry which is exposed to greater influence by the macroeconomic cycle and the national policies. Should there be any change due to the macroeconomic fluctuations or adjustments to the national policies that results in changes of operating environment of the automobile industry, there will be also corresponding fluctuations to the automotive components and parts manufacturing industry and will in turn subject the Company to the operation risk.

2. Risks relating to product quality

The Company's product is the key component for automobile that determines the operability, stability and safety of the vehicle. As a result, the quality of steering gear is directly pertinent to the overall vehicular performance. Therefore, downstream customers will require the Company to provide products that in line with standards according to the related component technical agreements, quality guarantee agreements and other prevailing international and national standards as well as industrial practices. Should there arise any problems in relation to product quality, the Company will be liable to repair and replace products with defects and the Company shall bear the related cost incurred therefor. Should there exist any defects in terms of environmental protection or safety that result in recall of vehicles, other than the expenses incurred for such recall, the Company will be also subject to adverse effects on its brand, reputation, market expansion and operating results.

(English translation for reference only)

Risk relating to technical innovation

As the automobile industry is developing at a fast pace, automakers' requirements of automotive products in terms of safety, intelligent and energy saving are becoming higher, resulting in the requirements of corresponding technological advance and production innovation for the automotive component production industry which is a part of the automobile industry. Should the Company cannot sustain innovation of new technology and new products to cater to the upgrade requirements of automakers, the Company's market expansion and profitability would be subject to the adverse effect. In addition, the advantage of research and development is one of the key factors for the Company to maintain its competitive edges and development. Should there is any dispute arising in terms of technology, leaking of secrets in relation to technologies or loss of key technicians, this would exert adverse effect on the Company's operation.

4. Risk relating to downward prices

Regarding the characteristic of the industry, the overall selling prices of automotive components are subject to the price trend of downstream vehicles. Therefore, automotive component manufacturers has weaker bargaining power against the downstream automakers; In addition, the adjustment to internal product portfolio of the Company will also lead to decline in product price of per unit to some extent. The major customers of the Company are renowned automakers in the PRC. Should the prices of vehicles fall, such customers may pass on the pressure of decreasing prices of vehicles to the Company, which would influence the Company's profitability. Besides, should there be any change in product portfolio due to factors like market demand, the product price per unit may fall and in turn influence the Company's profitability.

5. Risk relating to price fluctuation of raw materials

The main raw materials of the Company are machined components, standard components, electronic components, blank pieces (iron castings, aluminum castings), seals, pig iron etc., and the cost of raw materials takes up the bigger portion in the cost of production. Price fluctuations of raw materials exert certain influence on production cost, gross profit margin and customers' expectation on the purchase prices. Should there be any significant changes of the prices of raw materials which is out of expectation over a period, it would expose the Company to certain operating risk.

6. Risk relating to higher proportion of accounts receivable

At the end of the reporting period, the carrying amounts of accounts receivable were at relatively high level both in terms of the absolute amounts or as a percentage of operating income, mainly attributable to the industrial characteristics and methods of sales and settlement. With the fund-raising investment projects of the Company coming into operation, the scale of the Company's businesses will further expand. Therefore, the amount of accounts receivable is likely to further rise. Should there is any failure in collection of monies or financial crisis of our customers, it would expose us to the risk of bad debts.

7. Risk relating to higher proportion of inventories

High proportion of inventories is one of the features of the automotive component and parts manufacturing industry. As automakers were trying to achieve zero inventory level, they had passed the inventory risk onto their components suppliers. The characteristic higher inventories of the industry entails higher requirements for the production arrangement and inventory management for the Company. Should the level of inventory management decline, the utilization rate of the Company's capital would decrease, which would have an adverse effect on the production and operation of the Company. In addition, should there be any change of the market demand, the Company would be subject to the risk of loss due to falling prices of the inventory.

(English translation for reference only)

8. Risk relating to operation management risk arising from expansion in scale

Subsequent to the commencement of the Company's fund-raising investment projects, the Company's assets and business scale will further expand, leading to a higher requirement of the Company's operation management, market expansion and product sales and in turn heightening the complexity of its management and operation. Should the Company cannot adjust its adaptability of its existing management method in a systematic way, this would impose direct effect on the Company's development pace, operation efficiency and business results.

9. Risk relating to the stock market

Other than operation and financial position, the price of the Shares of the Company is also subject to factors such as international and national macroeconomic development, capital market trend, market sentiment and all kinds of material accidents. Investors are reminded to exercise prudent judgements with regard to the expected investment risks brought by the foregoing factors when considering investment in the Shares of the Company.

MATERIAL ACQUISITION AND DISPOSAL

On 18 November 2016, the Company and shareholders of Beijing Autonics, a subsidiary, entered into an equity transfer agreement, pursuant to which, shareholders who conducted industry and commerce registration under the name of Beijing Autonics agreed to contribute RMB3 million as the price of equity transfer to obtain 30% equity of Beijing Autonics held by other shareholders. After the equity transfer, the Company will hold 100% equity of Beijing Autonics. Industry and commerce change in respect of the equity transfer was completed on 30 November 2016.

During the reporting period, save as disclosed above, there was no material acquisition and disposal of subsidiary and associated company of the Company.

OTHER MATERIAL EVENTS

The 17th meeting of the fifth session of the Board of the Company held on 21 October 2016, and the 2nd extraordinary general meeting in 2016 of the Company, the 1st A Share class meeting in 2016 and the 1st H Share class meeting in 2016 held on 12 December 2016 considered and approved the Resolution on Proposal Regarding Non-public Issuance of A Shares (關於非公開發行A股股票方案的議案) and other resolutions, allowing the Company to issue not more than 36,535,859 (and including 36,535,859) A Shares to not more than 10 designated investors with the proposed aggregate proceeds not exceeding RMB1.35 billion (including RMB1.35 billion). After deduction of issuance expenses, the proceeds will be invested in "The annual production of 1,200,000 automotive intelligent steering assembly technology transformation project" (新增年產120萬台套汽 車智慧轉向總成技術改造項目), "The annual production of 100,000 medium and heavy duty commercial vehicles intelligent steering industrialization development project" (年產10萬套中重型商用車智慧轉向產業化建設項目), "The annual production of 500,000 passenger cars intelligent brake booster industrialization project" (年產50萬套乘用車智慧制動助力器產業化項目), "The automotive intelligent control unit industrialization project" (汽車智慧控制單元產業化項目) and "The research and development centre of automotive intelligent technology project" (汽車智慧技術研發中心項目). On 23 December 2016, the Company received notice of acceptance from CSRC regarding the Company's application of the non-public issue. On 22 February 2017, the Company received feedback from CSRC. On 14 March 2017, the Company submitted its reply to the CSRC regarding its feedback and published an announcement in relation to the Company's reply. On 17 March 2017, the 22nd meeting of the fifth session of the Board of the Company by way of written resolutions resolved the Resolution on Adjustments to the Proposal Regarding Non-public Issuance of A Shares 《關於調整非公開發行 A 股股票方案的議案》and the adjustments to the size of the issuance, issue price and pricing principles as well as the validity period of resolution regarding this non-public issuance. The said adjustments are subject to the approval of general meetings and class meetings of the Company.

For details of the non-public issuance of the Company, please refer to the circular of the Company dated 23 November 2016, and the announcements of the Company dated 24 October 2016, 12 December 2016, 26 December 2016, 9 March 2017, 14 March 2017 and 20 March 2017, respectively.

(English translation for reference only)

FORFIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENTS

As at 31 December 2016, apart from the commitments set out on pages 117 and 118 in the annual report, the Group has no other material capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group has no material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 1,873 employees as at 31 December 2016 (2015: 1,764). For the reporting period, total staff salaries and welfares costs amounted to RMB149,844,214.48 (2015: RMB129,537,631.72). 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. Details on the standard of determining the remuneration for directors, supervisors and senior management of the Company are set out on page 29 in the annual report.

Our Company and its subsidiaries make contributions to municipal government retirement scheme for their respective qualified employees in the PRC. According to applicable PRC laws, both employers and employees are required to make contributions to the scheme at the specified rates pursuant to the rules of the scheme. The only obligation of our Company and its subsidiaries with respect to the scheme is to make the required contributions. The contributions payable under the scheme were properly accrued for the year ended 31 December 2016.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(English translation for reference only)

EXECUTIVE DIRECTORS

Mr. Zhang Shi Quan (張世權), aged 67, is the Chairman and General Manager of the Company. He is a Chinese national with no permanent residence abroad. He is a senior economist. Since 12 June 2004, he has been appointed as the Chairman and General Manager of the Company. Mr. Zhang was awarded the title of "China Outstanding Private Entrepreneurs" (中國優秀民營企業家). He was also awarded "Top Ten Distinguished Persons for the Second Year for China's Industrial Economy" (第二屆中國工業經濟年度十大傑出人物) granted by the Office for Election of Distinguished Persons for China's Industrial Economy (中國工業經濟年度人物評選辦公室) in 2006. Mr. Zhang's current term was effective from 30 June 2015 and is valid till 30 June 2018. Mr. Zhang is also a director of Shibao Holding; an executive director of Hangzhou Shibao and Siping Steering; the chairman of Wuhu Sterling; and a director of Jilin Shibao, Hangzhou New Shibao, Beijing Autonics and Anhui Changshan. Mr. Zhang Shi Quan is the elder brother of Mr. Zhang Shi Zhong and is the father of Mr. Zhang Bao Yi and Ms. Zhang Lan Jun. Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Ms. Zhang Lan Jun and Mr. Zhang Shi Zhong are the actual controllers.

Mr. Zhang Bao Yi (張寶義), aged 44, is a vice Chairman and deputy general manager of the Company. He is a Chinese national with no permanent residence abroad. He has a bachelor's degree. Since 12 June 2004, he has been appointed as vice Chairman and deputy general manager of the Company. Mr. Zhang was granted the title of "Labour Model of Yiwu City" (義烏市勞動模範) in 2004. Mr. Zhang's current term was effective from 30 June 2015 and is valid till 30 June 2018. Mr. Zhang is also the chairman of Hangzhou New Shibao and Beijing Autonics; a director of Wuhu Sterling and Anhui Changshan; and the general manager of Hangzhou Shibao. The relationship between Mr. Zhang Bao Yi and the Directors and Controlling Shareholder of the Company is disclosed in the foregoing paragraph about Mr. Zhang Shi Quan.

Mr. Tang Hao Han (湯浩瀚), aged 49, is a vice Chairman and deputy general manager of the Company. He is a Chinese national with no permanent residence abroad. He has a doctor's degree. Since 12 June 2004, he has been appointed as vice Chairman and deputy general manager of the Company. Mr. Tang was awarded the "Outstanding Entrepreneur of Jilin Province" (吉林省優秀企業家), "Labour Model of Jilin Province" (吉林省勞動模範), "National Outstanding Youth Entrepreneur Leader" (全國青年興業領頭人), "Outstanding Entrepreneur of National Privately-Owned Technological Enterprises" (全國優秀民營科技企業家) and "National Labour Day Medal" (國家「五一」勞動獎章). Mr. Tang's current term was effective from 30 June 2015 and is valid till 30 June 2018. Mr. Tang is also the chairman of Jilin Shibao; a director and the general manager of Siping Steering; and a director of Anhui Changshan. The relationship between Mr. Tang Hao Han and the Directors and Controlling Shareholder of the Company is disclosed in the foregoing paragraph about Mr. Zhang Shi Quan.

Ms. Zhang Lan Jun (張蘭君), aged 42, is the finance Director of the Company. She is a Chinese national with no permanent residence abroad. She has a master's degree. Since 12 June 2004, she has been appointed as the finance Director of the Company. Ms. Zhang has over 10 years of experience in finance and accounting. Ms. Zhang's current term was effective from 30 June 2015 and is valid till 30 June 2018. Ms. Zhang is also a finance manager of Hangzhou Shibao and a director of Anhui Changshan. The relationship between Ms. Zhang Lan Jun and the Directors and Controlling Shareholder of the Company is disclosed in the foregoing paragraph about Mr. Zhang Shi Quan.

NON-EXECUTIVE DIRECTORS

Mr. Zhu Jie Rong (朱頡榕), aged 69, is a Director of the Company. He is a Chinese national with no permanent residence abroad. He has a college's degree and is an engineer. Since 12 June 2004, he has been appointed as a Director of the Company. From 12 June 2004 to 31 December 2012, he was a deputy general manager of the Company. Mr. Zhu's current term was effective from 30 June 2015 and is valid till 30 June 2018. Mr. Zhu is also a supervisor of Shibao Holding.

Mr. Zhang Shi Zhong (張世忠), aged 56, is a Director of the Company. He is a Chinese national with no permanent residence abroad. Since 12 June 2004, he has been appointed as a Director of the Company. Mr. Zhang's current term was effective from 30 June 2015 and is valid till 30 June 2018. Mr. Zhang is also the chairman of Shibao Holding and Anhui Changshan. The relationship between Mr. Zhang Shi Zhong and the Directors and Controlling Shareholder of the Company is disclosed in the foregoing paragraph about Mr. Zhang Shi Quan.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(English translation for reference only)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Hong Zhi (張洪智), aged 51, is an independent Director of the Company. He is a Chinese national with no permanent residence abroad. He has a bachelor's degree and is an economist. Mr. Zhang has over 20 years of experience in areas of banking, securities and investment. Mr. Zhang is currently an independent consultant. Since 20 June 2011, Mr. Zhang has been appointed as an independent Director of the Company. His current term was effective from 30 June 2015 and is valid till 30 June 2018.

Mr. Guo Kong Hui (郭孔輝), aged 82, is an independent Director of the Company. He is a Chinese national with no permanent residence abroad, has a Bachelor's degree. Mr. Guo is a professor, PHD supervisor, academician of China Academy of Engineering (中國工程院院士). Currently, Mr. Guo is Honorary President of College of Automotive Engineering of Jilin University (吉林大學汽車工程學院名譽院長), Chairman of Technology Committee of Vehicle Dynamics Sub-Committee of National Automotive Standardization Technical Committee (全國汽車標準化技術委員會車輛動力學分會技術委員會主任委員), a specially invited member of Specialists Committee of China Machinery Industry Federation (中國機械工業聯合會專家委員會特邀委員), a specially invited director of China Mechanical Engineering Society (中國機械工程學會特邀理事), a member of National Auto Calculation Platform Engineering Strategic Guidance Team of China Ministry of Industry and Information Technology (中國工業和資訊化部「國家汽車計算平台工程戰略指導組」成員), a honorary member of China Association for Science and Technology (中國科學技術協會榮譽委員), an advisor of Society of Automotive Engineers of China (中國汽車工程學會顧問) and an advisor of Academic Committee of State Key Laboratory of Automotive Simulation and Control (汽車動態模擬國家重點實驗室學術委員會顧問). Mr. Guo is also an independent director of Hualing Xingma Automobile Co., Ltd. (a company listed on Shanghai Stock Exchange). In 2013, Mr. Guo was selected as one of the "Ten Outstanding Contributed Person of the 60th Anniversary of China Automobile Industry" (中國汽車工業60周年10位卓越貢獻人物). Since 30 June 2014, Mr. Guo has been appointed as an independent Director of the Company. His current term was effective from 30 June 2015, and is valid till 30 June 2018.

Mr. Shum Shing Kei, aged 46, an independent Director of the Company, with Chinese nationality and being a permanent citizen of Hong Kong Special Administrative Region of the People's Republic of China, holds a postgraduate degree. Mr. Shum graduated from the Hong Kong Polytechnic University majored in accountancy and obtained a master's degree in financial management from University in London, the United Kingdom. Mr. Shum is a fellow member of the Hong Kong Institute of Certified Public Accountants. Since September 2010, Mr Shum has acted as a practicing partner of CC Alliance CPA & Co. Mr. Shum is currently an independent director of Nanjing Sample Technology Company Limited, a company listed on the main board of Hong Kong Stock Exchange. Since 30 June 2015, Mr. Shum has been appointed as an independent Director of the Company. His current term was effective from 30 June 2015 and is valid till 30 June 2018.

SUPERVISORS

Mr. Du Min (杜敏), aged 62, is the chairman of the Supervisory Committee of the Company. He is a Chinese national with no permanent residence abroad. He has a bachelor's degree. Since 2002, he was appointed as an assistant to general manager of Siping Steering. Since 1 June 2007, Mr. Du has been appointed as the chairman of the Supervisory Committee of the Company. His current term was effective from 30 June 2015 and is valid till 30 June 2018. Mr. Du is also a supervisor of Siping Steering.

Mr. Yang Di Shan (楊迪山), aged 78, is a Supervisor of the Company. He is a Chinese national with no permanent residence abroad. He has a bachelor's degree and is a senior engineer. Mr. Yang retired from FAW Group in 1998. Since 5 June 2009, Mr. Yang has been appointed as a Supervisor of the Company. His current term was effective from 30 June 2015 and is valid till 30 June 2018. Mr. Yang is also a director of Shibao Holding.

Mr. Wu Lang Ping (吳琅平), aged 54, is a Supervisor of the Company. He is a Chinese national with no permanent residence abroad. He has a college's degree. Since 1993, he has been appointed as a manager of technical and process department of Hangzhou Shibao. Since 5 June 2009, he has been appointed as a Supervisor of the Company. His current term was effective from 30 June 2015 and is valid till 30 June 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(English translation for reference only)

Mr. Shen Song Sheng (沈松生), aged 79, is a Supervisor of the Company. He is a Chinese national with no permanent residence abroad. He retired from the Company in 2009. Since 12 June 2004, Mr. Shen has been appointed as a Supervisor of the Company. His current term was effective from 30 June 2015 and is valid till 30 June 2018.

Ms. Feng Yan, aged 52, is a Supervisor of the Company. She is a Chinese national with no permanent residence abroad. She has a bachelor's degree and is an associate professor. She has served as a professor at the Zhejiang University of Finance and Economics since September 2000. Since 30 June 2015, Ms. Feng has been appointed as a Supervisor of the Company. Her current term was effective from 30 June 2015 and is valid till 30 June 2018.

SENIOR MANAGEMENT

Mr. Yu Zhong Chao (虞忠潮), aged 52, is a deputy general manager of the Company. He is a Chinese national with no permanent residence abroad. He has a bachelor's degree and is an engineer. Since 11 August 2006, he was appointed as a deputy general manager of the Company.

Ms. Liu Xiao Ping (劉曉平), aged 46, is a deputy general manager and the Board secretary of the Company. She is a Chinese national with no permanent residence abroad. She has a master's degree. Since 2006, she was appointed as a director of securities and investment department of the Company. Since 13 May 2011, she was appointed as the Board secretary of the Company. Since 27 December 2013, she was appointed as a deputy general manager and the Board secretary of the Company.

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

Ms. Huen Lai Chun (濁麗珍), aged 51, is the company secretary of the Company. Since May 2009, she has been appointed as the company secretary and authorised representative of the Company under the Listing Rules of Hong Kong Stock Exchange. Ms. Huen is a fellow of The Association of Chartered Certified Accountants, and an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Huen has over 10 years of professional experience in company secretarial work, professional auditing, accounting and financial management.

(English translation for reference only)

The Board hereby presents the annual report and audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group has committed itself to the research and development of automotive steering gear products and mainly engaged in the develop, design, manufacture and sales of automotive steering gears and other key components and parts of steering system. The activities of its subsidiaries are set out on page 108 in the annual report. Analysis of operating segment is set out on page 118 in the annual report. Further discussion and analysis of businesses required under Schedule 5 to the Hong Kong Companies Ordinance, including the discussion on the major risks and uncertainties that the Group is subject to and the indication of likely development of the Group's business in the future, is set out in the "Management Discussion and Analysis" on pages 10 to 21 in the annual report. These discussions form part of this "Report of the Directors".

Important events after reporting period

The Company has no important events after reporting period.

Environmental policies and performance

The Company discharged its responsibility in environmental protection through technical and performance upgrade of its products, production process optimization, and enhancement in management standard.

In order to reduce emissions from automobiles and consequently mitigate pollution problem to the atmosphere, the PRC government had promulgated a set of policies and regulations on reducing energy consumption by automobiles and encouraging development of new energy vehicles correspondingly. As a listed company operating in the automobile components industry in China, the Company had been fulfilling its responsibility in environmental protection through its pursuit of production technology innovation. Our recently launched electric power steering (EPS) system product, which is powered by rechargeable batteries and with dynamo as its power generating unit, is capable of operating separately from the automobile engine and its fuel consumption drawn from the engine can be close to none. With its electronic mode of control, the EPS system almost does not cause any pollution problem to the environment and achieves further decrease in fuel consumption. As it is capable of operating separately from the automobile engine, the EPS system provide a solution to the power steering for various types of new energy vehicles.

Moreover, due consideration on consumption of water, power, raw materials and other natural resources had been given by the Company during the whole production process in various aspects including process design, equipment procurement, construction of facilities and field management etc., so that the consumption of non-recyclable and non-renewable resources could be minimized. The Company had also invested in construction of environmental protection facilities in order to meet the requirements of local environmental protection authority on the treatments in wastewater, polluted gas and solid wastes.

Compliance with laws and regulations

The company has complied with related applicable laws and regulations in term of industrial and commercial registration, social security and product quality.

Relationship with stakeholders

With provision of quality products and services, the Company creates value for its customers, employees and shareholders with an aim to become a public company with social commitment. Meanwhile, the Board of the Company considers that good relationship is maintained by the Company and its employees.

(English translation for reference only)

RESULTS

Results of the Group for the year ended 31 December 2016 are set out on page 50 in the annual report.

FIVE-YEAR FINANCIAL SUMMARY

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

FINAL DIVIDENDS

The Board proposed the payment of a final cash dividend of RMB1.00 per 10 Shares (before tax) for the year ended 31 December 2016 ("Final Cash Dividend") on the basis of total number of Shares of 315,857,855 (including 86,714,000 H Shares and 229,143,855 A Shares) as at the end of 2016, and the remaining undistributed profit to be carried forward to next year, with a total dividend of RMB31,585,785.50. In addition, the Board proposed that a total of 473,786,783 Shares will be transferred to all Shareholders out of the capital reserve fund on the basis of 15 Shares for every 10 Shares held (the "Share Transfer Out of Capital Reserve Fund"). Upon the completion of transfer, the total share capital of the Company will be 789,644,638 Shares. The profit distribution proposal is subject to approval at the 2016 annual general meeting of the Company.

The Share Transfer Out of Capital Reserve Fund is subject to the satisfaction of the following conditions:

- (i) Approval from Shareholders of the Company at the 2016 annual general meeting is obtained;
- (ii) Approval of the listing and trading of the new H Shares to be allocated and issued under the Share Transfer Out of Capital Reserve Fund (the "Transfer Shares") is granted by the Hong Kong Stock Exchange; and
- (iii) Relevant laws and regulations under the applicable company law of the People's Republic of China relating to the Share Transfer Out of Capital Reserve Fund are complied with.

Subject to the approval by the Shareholders at the 2016 annual general meeting of the Company, the Final Cash Dividend and Transfer Shares are expected to be distributed and issued to the holders of H Shares of the Company, respectively, on or before 31 August 2017. The Company will issue a separate announcement regarding the record date and date of closure of register of members for the Final Cash Dividend and Transfer Shares to the holders of H Shares. In addition, a circular containing details regarding the proposed Share Transfer Out of Capital Reserve Fund will be despatched to the holders of H Shares as soon as practicable.

The Company did not pay any interim dividends to Shareholders during the reporting period.

Withholding and payment of income tax on Final Cash Dividend

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

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

(English translation for reference only)

FINAL DIVIDENDS (continued)

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

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

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

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

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

SHARE CAPITAL

Details of changes of the Company's share capital during the year are set out in note 5.(1)26 to the notes to the consolidated financial statements in the annual report.

(English translation for reference only)

EQUITY-LINKED AGREEMENTS

There were no equity-linked agreements existed or entered into by the Group during the reporting period.

CONVERTIBLE DEBENTURES

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

RESERVES

Reserves of the Group and its changes during the year prepared in accordance with China Accounting Standards for Business Enterprises are set out in the Consolidated Statement of Changes in Equity, and details of the relevant reserves are set out in notes 5.(1)27, 28 and 29 to the notes to the consolidated financial statements in the annual report.

DISTRIBUTABLE RESERVE

As at 31 December 2016, the Company's distributable reserve is RMB367,854,898.00 (2015: RMB341,181,295.69), and the relevant details are set out in note 5.(1)29 to the notes to the consolidated financial statements in the annual report.

PROPERTIES. PLANT AND EQUIPMENT

Details of changes of the Group's properties, plant and equipment during the year are set out in note 5.(1)8 to the notes to the consolidated financial statements in the annual report.

BORROWINGS

Details of the Group's bank and other borrowings as at 31 December 2016 are set out in notes 5.(1)14, 22 and 24 to the notes to the consolidated financial statements in the annual report.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Mr. Zhang Shi Quan (張世權) (Chairman and General Manager)

Mr. Zhang Bao Yi (張寶義) (Vice Chairman and Deputy General Manager)

Mr. Tang Hao Han (湯浩瀚) (Vice Chairman and Deputy General Manager)

Ms. Zhang Lan Jun (張蘭君) (Finance Director)

Non-executive Directors

Mr. Zhang Shi Zhong (張世忠)

Mr. Zhu Jie Rong (朱頡榕)

Independent Non-executive Directors

Mr. Zhang Hong Zhi (張洪智)

Mr. Guo Kong Hui (郭孔輝)

Mr. Shum Shing Kei (沈成基)

(English translation for reference only)

DIRECTORS AND SUPERVISORS (continued)

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)

Ms. Feng Yan (馮燕)

The term of all current Directors and Supervisors was effective from 30 June 2015 and is valid till 30 June 2018.

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 in accordance with the provisions of the Articles of Association until terminated by either party by giving no less than one month notice in writing to the other party thereafter or by the Company upon the occurrence of certain events as set out in the contract.

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

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of Directors, Supervisors and the five highest paid employees are set out on pages 116 and 117 in the annual report.

During the year, the remuneration of senior management disclosed by band is as follows: -

Remuneration by band	Number of person
RMB1 - RMB1,000,000	2

STANDARDS FOR DETERMINING THE REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Upon authorized by shareholders in general meeting, the Board shall determine the specific amounts of remunerations of Directors and Supervisors. Remuneration of the senior management of the Company will be specifically fixed by the Board.

The Remuneration Committee will make recommendations on remuneration of individual Directors, Supervisors and senior management to the Board after reviewing the remuneration paid by comparable companies, the time required and the duties of the individuals concerned as well as the employment terms of other positions within the Company.

(English translation for reference only)

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2016 are set out in note 8.(2) to the notes to the financial statements on page 115 in the annual report. These related party transactions are not those discloseable connected transactions governed by Chapter 14A of the Listing Rules.

The Company has no transactions which are subject to the connected transaction disclosure requirements under the Listing Rules of Hong Kong Stock Exchange for the year ended 31 December 2016. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

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

As at 31 December 2016, the interests and short positions of each Director, Supervisor and Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be entered in the register pursuant to Section 352 of the SFO, or interests or short positions which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) Long positions and short positions in A Shares of the Company:

Name of Director	Capacity	Number of A Shares	Approximate percentage of shareholding in same class of shares	Approximate percentage in the Company's total issued share capital
Mr. Zhang Shi Quan	Interest in a controlled corporation (Note)	139,002,612 (Long positions) 5,000,000 (Short positions)	60.66% 2.18%	44.01% 1.58%
	Beneficial owner	10,556,632 (Long positions)	4.61%	3.34%

Note: Mr. Zhang holds 40% interest in the registered capital of Shibao Holding, the Ultimate Holding Company of the Company, which in turn holds 139,002,612 A Shares. As Mr. Zhang is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Shibao Holding, Mr. Zhang is taken or deemed to be interested in all of the 139,002,612 A Shares held by Shibao Holding.

(English translation for reference only)

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

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

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

Note: Shibao Holding holds 139,002,612 A Shares, representing 60.66% of A Shares in issue and 44.01% of the total issued share capital of the Company, and accordingly is an associated corporation of the Company.

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

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

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

Save as disclosed above, as at 31 December 2016, 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, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Division 7 & 8 of Part XV of the SFO, or will be required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company, or will be required pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

(English translation for reference only)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as is known to the Directors of the Company, the following persons (other than the Directors, Supervisors and Chief Executive of the Company as disclosed above) had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions and short positions in Shares of the Company:

Name of Shareholder	Capacity	Number and class of shares	Approximate percentage of shareholding in same class of shares	Approximate percentage in the Company's total issued share capital
Shibao Holding	Beneficial owner (Note 1&2)	139,002,612 A Shares (Long positions)	60.66%	44.01%
		5,000,000 A Shares (Short positions)	2.18%	1.58%
Mr. Zhang	Interest in controlled corporation (Note 1&2)	139,002,612 A Shares (Long positions)	60.66%	44.01%
	, ,	5,000,000 A Shares (Short positions)	2.18%	1.58%
	Beneficial owner (Note 2)	10,556,632 A Shares (Long positions)	4.61%	3.34%
Deutsche Bank Aktiengesellschaft	Beneficial owner	6,088,920 H Shares (Long positions)	7.02%	1.93%
		1,788,000 H Shares (Short positions)	2.06%	0.57%

Note:

- (1) As at 31 December 2016, Shibao Holding owned 139,002,612 A Shares. As Mr. Zhang holds 40% interest in the registered capital of Shibao Holding, Mr. Zhang is deemed to be interested in all of the 139,002,612 A Shares held by Shibao Holding.
- (2) Mr. Zhang's interest in these 149,559,244 A Shares of the Company, including 139,002,612 A Shares owned by Shibao Holding and 10,556,632 A Share directly owned by himself, are also disclosed in the paragraph headed "Disclosure of the interests and short positions of Directors, Supervisors and Chief Executive in the Shares, underlying Shares and debentures of the Company and its associated corporations". These 139,002,612 A Shares owned by Shibao Holding represent the same interest and therefore duplicate amongst Shibao Holding and Mr. Zhang.

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any other person (other than the Directors, Supervisors and Chief Executive of the Company as disclosed above) who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

(English translation for reference only)

ARRANGEMENTS FOR PURCHASE OF SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

For the year ended 31 December 2016, the Company has not implemented any share option scheme.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

COMPETING INTERESTS

During the reporting period, none of the Directors or their respective associates has an interest in a business which competes or may compete with the business of the Group, or has an interest in a Company which may have conflicts of interest with the Group's business.

PERMITTED INDEMNITY PROVISION

There is no provision of permitted indemnity set forth in the Articles of Association of the Company that entitles each Director to be indemnified out of the assets of the Company from and against all losses or liabilities which he may suffer or incur arising from discharging his duty or being involved in litigation, whether civil or criminal.

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 2016, purchases attributable to the Group's five largest suppliers and revenue attributable to the five largest customers represented 26.43% and 59.41% of the Group's total purchases and total revenue respectively. In addition, the largest supplier and the largest customer represented 9.04% and 13.83% of the Group's total purchases and revenue respectively.

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

(English translation for reference only)

PURCHASE. SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As at 31 December 2016, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

PRF-FMPTIVE RIGHTS

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

PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Corporate Governance Report adopted by the Company is set out on pages 36 to 43 in the annual report.

AUDITORS

The Company has not changed auditors in the past 3 years.

The financial statements for the year ended 31 December 2016 have been audited by Pan-China Certified Public Accountants LLP.

By order of the Board **Zhang Shi Quan**Chairman and General Manager

Hangzhou, Zhejiang, the PRC 24 March 2017

REPORT OF THE SUPERVISORY COMMITTEE

(English translation for reference only)

To all shareholders:

For the year 2016, the Supervisory Committee carefully discharged its duties in strict compliance with the related provisions of the Company Law of the PRC, the Listing Rules of Hong Kong Stock Exchange, the Stock Listing Rules of Shenzhen Stock Exchange, the Articles of Association and the Organization and Procedural Rules and Regulations for the Meetings of the Supervisory Committee.

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

The Supervisory Committee is of the view that all members of the Board and other senior management of the Company have honestly and diligently discharged their duties, strived to maintain the interests of shareholders and made great efforts to the operating results of the Company in 2016. No violation of laws and regulations of the PRC or the place of listing and the Articles of Association of the Company have been discovered during the discharge of their duties. The Supervisory Committee has no dissenting view over the supervisory matters during the reporting period, the Supervisory Committee is optimistic about the prospect of the Company.

Having reviewed the financial statements for the year ended 31 December 2016 prepared by Pan-China Certified Public Accountants LLP based on China Accounting Standards for Business Enterprises, the Supervisory Committee is of the view that the financial statements provide an objective, true and full view of the financial position and operating results of the Company.

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

By order of the Supervisory Committee **Du Min**Convenor of the Supervisory Committee

Hangzhou, Zhejiang, the PRC 24 March 2017

(English translation for reference only)

The Company firmly believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interest of all of its stakeholders. The Company's commitment to the highest standards of corporate governance is driven by the Board who, led by the Chairman, assume overall responsibility for the governance of the Company, taking into account the interests of the Company's stakeholders, the development of its business, and the changing external environment. This report describes how the principles of the CG Code have applied during the year ended 31 December 2016 under different aspects.

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

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

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

Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Zhang Shi Zhong (non-executive Director), Mr. Zhang Hong Zhi (independent non-executive Director) and Mr. Guo Kong Hui (independent non-executive Director) were unable to attend the Company's annual general meeting held on 21 June 2016 due to their other important business engagements. In addition, some of the non-executive Directors and independent non-executive Directors were unable to attend the Company's extraordinary general meetings and class meetings held in 2016 due to their other important business engagements.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code. The Company had made specific enquiry of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions during the year and as of the publication date of this annual report, except that the spouse of Mr. Zhang Shi Zhong, non-executive Director, acquired 5,000 A Shares on 19 January 2016 without notifying the chairman of the Company. The Company has provided training to the Directors and shall iterate and remind the Directors from time to time in respect of the relevant procedures, rules and requirements in relation to Directors' dealings in order to ensure the Directors' compliance.

(English translation for reference only)

COMPOSITION OF THE BOARD AND BOARD PRACTICES

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

The Board holds regular board meetings at least four times each year. During the reporting period, the Board held nine meetings in total.

Meeting attendance records of Directors and committees' members during the reporting period are as follows:

		Audit	Remuneration	Nomination	Investment and Strategy	General
	Board	Committee	Committee	Committee	Committee	Meetings
Number of Meetings	9	5	1	1	1	5
Executive Directors						
Zhang Shi Quan	9/9				1/1	5/5
Zhang Bao Yi	9/9				1/1	4/5
Tang Hao Han	9/9				1/1	4/5
Zhang Lan Jun	9/9			1/1		3/5
Non-executive Directors						
Zhang Shi Zhong	9/9	5/5	1/1			3/5
Zhu Jie Rong	9/9					4/5
Independent non-executive						
Directors						
Zhang Hong Zhi	9/9	5/5	1/1	1/1		3/5
Guo Kong Hui	9/9					3/5
Shum Shing Kei	9/9	5/5	1/1	1/1		4/5

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 in accordance with the provisions of the Articles of Association until terminated by either party by giving no less than one month notice in writing to the other party thereafter or by the Company upon the occurrences of certain events as set out in the contract.

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

The term of all current non-executive Directors was effective from 30 June 2015 and is valid till 30 June 2018.

(English translation for reference only)

The Company has fully complied with Rule 3.10(1) and (2) of the Listing Rules of Hong Kong Stock Exchange, 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 3.13 of the Listing Rules of Hong Kong Stock Exchange, and has received annual independence confirmation letters from each of the independent non-executive Directors as required by the Listing Rules of Hong Kong Stock Exchange.

Mr. Zhang Shi Zhong (a non-executive Director of the Company) is the younger brother of Mr. Zhang Shi Quan (Chairman and General Manager of the Company). Mr. Zhang Bao Yi (an executive Director of the Company) is the son of Mr. Zhang Shi Quan. Ms. Zhang Lan Jun (an executive Director of the Company) is the daughter of Mr. Zhang Shi Quan. Mr. Tang Hao Han (an executive Director of the Company) is the son-in-law of Mr. Zhang Shi Quan. Shibao Holding is the Controlling Shareholder of the Company, and Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Ms. Zhang Lan Jun and Mr. Zhang Shi Zhong are the effective controllers of the Company. Saved as the above and disclosed in "Directors, Supervisors and Senior Management" section of this annual report, 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 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.

FUNCTIONS OF CORPORATE GOVERNANCE

The Board is responsible for the formulation of the corporate governance policy of the Company and discharging the duties in respect of corporate governance as below:

- (i) developing and reviewing the Company's policies and practices on corporate governance, as well as making recommendations;
- (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) reviewing and monitoring the Company's policies and practices in compliance with all legal and regulatory requirements (as appropriate);
- (iv) developing, reviewing and monitoring the code of conduct and compliance guideline (if any) applicable to all employees and Directors of the Group; and
- (v) reviewing the Company's compliance with the Corporate Governance Code and disclosure requirements for the Corporate Governance Report.

INDUCTION AND DEVELOPMENT

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

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

(English translation for reference only)

RISK MANAGEMENT AND INTERNAL CONTROL

The objective of internal control of the Company is to reasonably ensure the legality and compliance of the operation and management, the security of the assets, and the truthfulness and completeness of the financial report and its relevant information, to improve operating efficiency and effectiveness, and to promote the accomplishment of the development strategy.

In compliance with and on the basis of the Basic Standards for Internal Control of Companies (《企業內部控制基本規範》) issued by the Ministry of Finance (財政部), China Securities Regulatory Commission (證監會), the National Audit Office (審計署), China Banking Regulatory Commission (銀監會) and the China Insurance Regulatory Commission (保監會), the Company has formulated the Internal Audit Framework. The term "internal audit" as appeared in the framework refers to a review exercise being conducted by the internal audit department on the effectiveness of internal control and risk management, truthfulness, completeness of financial information as well as the efficiency and effectiveness of operating activities of entities within the Company, subsidiaries in whose we hold controlling interests and companies in whose we hold equity interests and which have significant impact on us, in accordance with relevant laws and regulations of the PRC and as stipulated in the framework. The term "internal control" as appeared in the framework refers to a series of control measures being implemented jointly by our Board, the management and all staff members, aiming to give a reasonable assurance that the Company's internal control objectives can be achieved. The Board of the Company is responsible for the establishment of a sound internal control system and its effective implementation. Any internal control systems with significant effect will need to be reviewed and approved by the Board.

An audit department has been established under the Audit Committee to take up auditing work independently under the supervision of the Audit Committee. The audit department is accountable to the Audit Committee and should report its work to the Audit Committee. In directing and supervising the audit department on its work, the Audit Committee would perform, amongst others, the following principal duties:

- 1. to direct and supervise the establishment and implementation of the internal audit framework;
- 2. to convene meetings, at least on a quarterly basis, to consider the work plans and reports submitted by the audit department; and
- 3. to report to the Board, at least on a quarterly basis, about matters including but not limited to the progress and quality of and material issues identified during the internal audit.

The principal duties of the audit department are, amongst others:

- 1. to conduct review and assessment on the completeness, reasonableness and effectiveness of the internal control frameworks of entities within the Company, subsidiaries in whose we hold controlling interests and companies in whose we hold equity interests and which have significant impact on us;
- 2. to report to the Audit Committee, at least on a quarterly basis, matters including but not limited to an update on the implementation of internal audit plan and problems identified during the internal audit; and
- 3. to conduct proper review process in accordance with the relevant rules to assess the effectiveness of the Company's internal control, and to submit an internal control evaluation report, at least once a year, to the Audit Committee. Such review report shall give an account of the objective and scope of the review and assessment, conclusion of audit and recommendations on how internal control can be improved.

(English translation for reference only)

The Board acknowledges that it bears the responsibility for the internal control, financial control and risk management of the Group and is also responsible for reviewing their effectiveness from time to time. Such systems are designed to manage rather than eliminate the risk of failure to achieve our business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

As stipulated in the Basic Standards for Internal Control of Companies, the Board of the Company bears the responsibility to establish a sound internal control system and put it in place while assessing its effectiveness, and truthfully disclose its evaluation report on internal control. The Supervisory Committee shall monitor the establishment and implementation of internal control by the Board. The audit department shall submit an internal control evaluation report, at least once a year, to the Audit Committee. The management shall be responsible for leading the daily operation of internal control of the Company.

The audit department evaluates the effectiveness of the internal control of the Company for each financial year in accordance with the requirements of the Basic Standards for Internal Control of Companies and the corresponding guidance and other regulatory requirements concerning internal control ("Companies Internal Control Regulatory Systems"), taking into account internal control system and evaluation methods of the Company and based on the day-to-day monitoring and special supervision of internal control. In determining the scope of the internal control evaluation, the main units, business and items and high-risk areas are included in the scope of evaluation based on the risk-oriented principle. Where any significant deficiencies or risks in internal control are identified during the review process by the audit department, they shall promptly be reported to the Audit Committee. Where the Audit Committee holds that the Company's internal control is significantly defective or risky, our Board shall forthwith report the matters to stock exchanges and make an announcement thereof. The Company shall disclose in such announcement the significant deficiencies and risks in internal control, the consequences caused or likely to be caused, and any measures taken or proposed.

The internal audit department was set up by the Company in 2007. Our internal audit department had conducted quarterly reviews on the internal control of the Group throughout 2016 and submitted quarterly reports on internal audit. The reviews cover all the material aspects of monitoring, including financial control, operation control, compliance control and risk management functions, and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

In addition, the Company engaged Pan-China Certified Public Accountants LLP to be the Company's internal control auditor during the reporting period. Pan-China Certified Public Accountants LLP is of the view that the Company has maintained effective internal control of financial report in all material aspects as of 31 December 2016 in accordance with the Basic Standards for Internal Control of Companies and relevant regulations.

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

HANDLING OF INSIDE INFORMATION

The Company has put in place the Internal Reporting System for Material Information (《重大信息內部報告制度》) and the Insider Registration and Management System (《內幕信息知情人登記管理制度》).

The Internal Reporting System for Material Information aims at regulating and administering the internal reporting of material information of the Company, ensuring swift communication, gathering and effective management of any material information internally, as well as timely, accurate, complete and full disclosure of information in order to protect the legitimate interests and rights of investors. The system governs, amongst others, the procedure of internal reporting of material information, and the management and responsibility of internal reporting of material information.

(English translation for reference only)

REMUNERATION COMMITTEE

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

The Remuneration Committee consists of three members, namely Mr. Shum Shing Kei (Chairman of the Remuneration Committee) and Mr. Zhang Hong Zhi (both are independent non-executive Directors), and Mr. Zhang Shi Zhong (non-executive Director). During the reporting period, the Remuneration Committee held one meeting to review and approve, among others, the resolution on the proposed remuneration of Directors, Supervisors and senior management for the year 2017 to the Board. Records of attendance of each member of the committee are set out on page 37 under "Composition of the Board and Board Practices" section of this annual report.

NOMINATION COMMITTEE

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

The Nomination Committee consists of three members, namely Mr. Zhang Hong Zhi (Chairman of the Nomination Committee) and Mr. Shum Shing Kei (both are independent non-executive Directors), and Ms. Zhang Lan Jun (executive Director). During the reporting period, the Nomination Committee held one meeting to review and approve, among others, the resolution on confirming the structure, number of members and composition of the Board (including their skills, knowledge and experience) that fits the corporate strategy of the Company. Records of attendance of each member of the committee are set out on page 37 under "Composition of the Board and Board Practices" section of this annual report.

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

AUDIT COMMITTEE

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

The Audit Committee has three members, namely Mr. Shum Shing Kei (Chairman of the Audit Committee) and Mr. Zhang Hong Zhi (both are independent non-executive Directors), and Mr. Zhang Shi Zhong (non-executive Director).

During the reporting period, the Audit Committee held five meetings to review and approve, among others, the annual audit report for the year 2015, self-assessment report on internal control for the year 2015, and unaudited financial report, internal audit report and internal audit working plan for first quarter, first half and third quarter of 2016. Also, the Audit Committee reviewed and approved the resolution on the re-appointment of Pan-China Certified Public Accountants LLP as the auditors of the Company for the year 2016, and submitted to the Board for review. Records of attendance of each member of the committee are set out on page 37 under "Composition of the Board and Board Practices" section of this annual report.

The Company's annual audit report for the year ended 31 December 2016 has been reviewed by the Audit Committee.

(English translation for reference only)

SUPERVISORY COMMITTEE

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

REMUNERATION OF THE AUDITORS

For the year ended 31 December 2016, remuneration received by Pan-China Certified Public Accountants LLP, the auditors of the Company, in respect of their audit services and non-audit services are as follows:

	RMB
Statutory audit services	680,000
Non-statutory audit services – internal control	200,000
Total	880,000

COMPANY SECRETARY

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

RESPONSIBILITY OF DIRECTORS AND AUDITORS ON THE ACCOUNTS

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

Statements of the Company's auditors in respect of their reporting responsibilities on the Group's financial statements are set out in the Auditors' Report on pages 45 and 46 in the annual report.

SHAREHOLDERS' RIGHTS

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

(English translation for reference only)

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

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

ARTICLES OF ASSOCIATION

During the reporting period, there was no change in the Articles of Association.

RELATIONSHIP WITH SHAREHOLDERS

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

RELATIONSHIP WITH INVESTORS

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

AUDITORS' REPORT

(English translation for reference only)



Type of audit opinions:
Date of signing of auditors report:
Name of auditors:
Auditors report file number:
Names of the CPAs:

Standard unqualified audit opinions 24 March 2017 Pan-China Certified Public Accountants LLP Pan-China Audit [2017] No. 1580 Jia Chuan, Bei Liuhui

TO THE SHAREHOLDERS OF ZHEJIANG SHIBAO COMPANY LIMITED

1. OPINION

We have audited the accompanying financial statements of Zhejiang Shibao Company Limited (hereinafter "Zhejiang Shibao Company"), which comprise the consolidated and parent company balance sheet as at 31 December 2016, the consolidated and parent company income statements, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements present fairly, in all material aspects, the consolidated and parent company's financial position of Zhejiang Shibao Company as at 31 December 2016 and the consolidated and parent company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Zhejiang Shibao Company and have fulfilled our other ethical responsibilities in accordance with the China Standards on Auditing's Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified provision for accounts receivable as a key audit matter from our audit.

(1) Description of the matter

The major customers of Zhejiang Shibao Company are domestic automakers. As of 31 December 2016, the carrying amount of the accounts receivable of Zhejiang Shibao Company was RMB398,849,055.72, accounting for 35.10% of the operating income and 19.22% of the total assets of Zhejiang Shibao Company.

As set out in note 3(10) and (24) to the financial statements, for receivables individually significant and for which bad-debt provision has been separately made, Zhejiang Shibao Company individually assessed for impairment with bad-debt provisions made based on the difference between the present value of its estimated future cash flows and its carrying amount. For groups of receivables which are individually insignificant but have significant credit risks, provision is made according to the structure of the group of receivables and similar credit risk features (debtors' ability to settle outstanding amounts based on contracted terms), taking into account historical experience of losses and possible losses that are expected to incur based on the economic conditions of the debtors and the amount of the present value of the future cash flows from the receivables below the carrying amount shall be accounted for as provision for bad debts. Individually insignificant receivables for which separate bad-debt provision is made are individually assessed for impairment with bad-debt provisions made based on the difference between the present value of its estimated future cash flows and its carrying amount.

In the estimation of impairment for accounts receivable, the management of Zhejiang Shibao Company generally considers the credit history of the customer and market conditions, in which substantial assumptions and subjective judgement are involved. Due to the significant carrying amount of the accounts receivable and the inherent uncertainties of the estimation, we consider it a key audit matter.

AUDITORS' REPORT

(English translation for reference only)

(2) Audit response

We sought to understand, assessed and tested the entire process undergone by Zhejiang Shibao Company from granting credit period to a customer to giving regular review to any bad-debt provision made for accounts receivable of the customer, as well as the key internal control system of the management.

We sought to understand and assessed the policy of Zhejiang Shibao Company on provisioning for bad debts in accounts receivable by reviewing sale contracts and meeting and discussion with the management.

We have received information from the management, which forms the basis of the impairment assessment of accounts receivable and doubtful debt provision, to examine its appropriateness and adequacy. The adequacy of doubtful debt provision for accounts receivable is determined through a comparison of prior doubtful debt provision with its actual realization, and checking the subsequent collection of accounts receivable.

Further, we have evaluated the relevance and accuracy of information which forms the basis of doubtful debt assessment of accounts receivable on a sampling basis, discussed with the management the collectability of significant accounts receivable and conducted an independent confirmation procedure.

4. OTHER INFORMATION

The management are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion expressed on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management are responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and to enable such internal control to be fairly reflected, designed, exercised and maintained as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management are responsible for assessing Zhejiang Shibao Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate Zhejiang Shibao Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance of Zhejiang Shibao Company are responsible for overseeing Zhejiang Shibao Company's financial reporting process.

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of auditing works in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITORS' REPORT

(English translation for reference only)

- (2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Zhejiang Shibao Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Zhejiang Shibao Company to cease to continue as a going concern.
- (5) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Zhejiang Shibao Company to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of group audit and remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP Hangzhou, the PRC

Chinese Certified Public Accountant: Jia Chuan

(Partner-in-charge of project)

Chinese Certified Public Accountant: Bei Liuhui

24 March 2017

CONSOLIDATED BALANCE SHEET

31 December 2016 | (RMB Yuan) | (English translation for reference only)

		Balance at the	Balance at the
Item	Note 5.(1)	end of the period	beginning of the period
Assets	11010 01(1)	the police	the period
Current assets			
Cash on hand and at bank	1	145,160,290.11	503,377,298.34
Notes receivable	2	162,714,933.93	92,274,842.99
Accounts receivable	3	398,849,055.72	326,067,978.19
Prepayments	4	4,851,250.24	6,530,189.97
Other receivables	5	6,244,280.21	3,230,857.02
Inventories	6	244,998,559.78	252,400,451.28
Other current assets	7	316,808,874.28	8,711,198.50
Other current assets	,		
Total current assets		1,279,627,244.27	1,192,592,816.29
Non-current assets			
Fixed assets	8	599,101,741.36	451,819,102.65
Construction in progress	9	56,498,367.41	43,970,877.69
Intangible assets	10	105,682,338.89	115,053,639.13
Goodwill	11	4,694,482.34	4,694,482.34
Deferred income tax assets	12	4,238,146.41	5,999,463.17
Other non-current assets	13	24,899,238.79	71,672,282.41
Total non-current assets		795,114,315.20	693,209,847.39
Total assets		2,074,741,559.47	1,885,802,663.68
Current liabilities			
Short-term loans	14	_	25,000,000.00
Notes payable	15	118,716,837.78	74,239,657.73
Accounts payable	16	340,234,033.23	233,827,116.38
Receipts in advance	17	5,358,989.68	6,044,129.53
Staff cost payable	18	18,917,105.69	14,757,240.75
Tax payable	19	11,124,131.47	7,039,167.52
Interest payable	20	917,833.33	991,364.84
Other payables	21	5,329,991.89	4,854,383.45
Non-current liabilities due within one year	22	_	8,800,000.00
Other current liabilities	23	26,010,383.35	15,528,531.26
Total current liabilities		526,609,306.42	391,081,591.46

CONSOLIDATED BALANCE SHEET

31 December 2016 | (RMB Yuan) | (English translation for reference only)

		Balance at the end of	Balance at the beginning of
Item	Note 5.(1)	the period	the period
Non-current liabilities			
Long-term borrowings	24	9,630,000.00	1,380,000.00
Deferred Income	25	40,390,847.99	25,761,023.76
Deferred income tax liabilities	12	4,243,897.76	5,118,323.51
Total non-current liabilities		54,264,745.75	32,259,347.27
Total liabilities		580,874,052.17	423,340,938.73
Equity			
Share capital	26	315,857,855.00	315,857,855.00
Capital reserve	27	659,036,954.21	660,012,081.76
Surplus reserve	28	130,760,053.19	125,531,891.62
Retained earnings	29	367,854,898.00	341,181,295.69
Equity attributable to equity holders of the parent		1,473,509,760.40	1,442,583,124.07
Minority interests		20,357,746.90	19,878,600.88
Total equity		1,493,867,507.30	1,462,461,724.95
Total liabilities and equity		2,074,741,559.47	1,885,802,663.68

Zhang Shi Quan Legal representative **Zhang Lan Jun**Chief Financial Officer

Li Gen Mei Head of Finance Section

BALANCE SHEET OF THE PARENT COMPANY

31 December 2016 | (RMB Yuan) | (English translation for reference only)

		Balance at the	Balance at the
Item	Note 12.(1)	end of the period	beginning of the period
Assets	11010 121(1)	and ported	the period
Current assets:			
Cash on hand and at bank		12,110,832.88	162,709,790.82
Notes receivable		4,400,000.00	400,000.00
Accounts receivable	1	70,012,874.40	72,434,226.02
Prepayments		682,763.20	1,999,909.79
Other receivables	2	316,641,546.93	307,295,344.70
Inventories		8,444,027.38	10,259,898.73
Other current assets		140,000,000.00	
Total current assets		552,292,044.79	555,099,170.06
Non-current assets:			
Long-term accounts receivable		298,000,000.00	298,000,000.00
Long-term equity investments	3	185,159,214.87	182,159,214.87
Fixed assets	O	8,815,693.86	8,614,669.00
Construction in progress		23,346,967.89	7,546,724.20
Intangible assets		36,954,655.88	38,815,492.52
Deferred income tax assets		73,244.75	73,244.75
Other non-current assets		6,760,000.00	6,620,000.00
Total non-current assets		559,109,777.25	541,829,345.34
Total Assets		1,111,401,822.04	1,096,928,515.40
Current liabilities:			
Notes payable		2,657,000.00	
Accounts payable		5,915,799.67	9,220,770.87
Receipts in advance		1,500.00	1,500.00
Staff cost payable		1,052,768.66	933,018.06
Tax payable		2,062,546.54	1,883,452.99
Other payables		3,626,619.80	3,155,558.04
Other current liabilities		800,000.00	820,800.00
Total current liabilities		16,116,234.67	16,015,099.96
Non-current liabilities:			
Total liabilities		16,116,234.67	16,015,099.96
Shareholders' Equity:			
Share capital		315,857,855.00	315,857,855.00
Capital reserve		661,553,840.72	661,553,840.72
Surplus reserve		69,757,076.15	65,161,280.41
Retained earnings		48,116,815.50	38,340,439.31
Total Shareholders' Equity		1,095,285,587.37	1,080,913,415.44
Total Liabilities and Shareholders' Equity		1,111,401,822.04	1,096,928,515.40

Zhang Shi Quan Legal representative **Zhang Lan Jun**Chief Financial Officer

Li Gen Mei Head of Finance Section

CONSOLIDATED INCOME STATEMENT

For the year 2016 | (RMB Yuan) | (English translation for reference only,

Item	Note 5.(2)	Current year	Last year
1. Total Revenue	1	1,136,399,277.71	837,719,325.84
Including: Revenue	1	1,136,399,277.71	837,719,325.84
2. Total operating costs		1,073,947,891.58	793,626,643.19
Including: Operating costs	1	878,619,909.18	620,617,460.76
Business taxes and surcharges	2	7,684,971.78	4,781,339.02
Selling expenses	3	70,548,830.53	49,576,514.32
General and administrative expenses	4	114,656,640.40	112,288,632.34
Financial expenses	5	-1,835,285.41	3,945,269.12
Assets impairment losses	6	4,272,825.10	2,417,427.63
Add: Investment gains	7	7,161,219.04	10,778,912.32
3. Operating profit		69,612,605.17	54,871,594.97
Add: Non-operating income	8	12,410,931.47	7,410,140.32
Including: Gain on disposal of non-current assets	8	1,113,328.44	201,806.20
Less: Non-operating expenses	9	1,430,860.19	2,409,878.33
Including: Loss on disposal of non-current assets	9	555,548.54	1,452,300.17
4. Total profit		80,592,676.45	59,871,856.96
Less: Income tax expenses	10	14,601,108.60	7,935,424.24
5. Net profit		65,991,567.85	51,936,432.72
Net profit attributable to shareholders of the listed comp	any	63,487,549.38	53,540,843.43
Minority interests		2,504,018.47	-1,604,410.71
6. Net other comprehensive income after tax			
o. Net other comprehensive income after tax			
7 7 1 1		05 004 507 05	54 000 400 70
7. Total comprehensive income	£	65,991,567.85	51,936,432.72
Total comprehensive income attributable to shareholder	S OI	62 407 540 20	EO E 40 0 40 40
the listed company Total comprehensive income attributable to		63,487,549.38	53,540,843.43
minority shareholders		2,504,018.47	-1,604,410.71
millionty shareholders		2,304,016.47	-1,004,410.71
8. Earnings per share			
(1) Bas ic earnings per share		0.20	0.17
(2) Diluted earnings per share		0.20	0.17

INCOME STATEMENT OF THE PARENT COMPANY

For the year 2016 | (RMB Yuan) | (English translation for reference only)

Item	Note 12.(2)	Current year	Last year
1. Revenue	1	44,237,769.75	48,566,187.86
Less: Operating costs	1	31,958,204.60	32,165,258.02
Business taxes and surcharges		380,099.44	358,169.93
Selling expenses		229,813.75	355,551.82
General and administrative expenses		11,325,879.63	14,998,534.21
Financial expenses		-4,224,773.95	-1,055,572.16
Add: Investment gains	2	43,444,054.81	36,911,657.53
2. Operating profit		48,012,601.09	38,655,903.57
Add: Non-operating income		25,121.82	55,739.99
Including: Gain on disposal of non-current asse	ets	20,545.04	9,338.00
Less: Non-operating expenses		30,701.20	69,302.15
Including: Loss on disposal of non-current asse	ets	-	8,933.27
3. Total profit		48,007,021.71	38,642,341.41
Less: Income tax expenses		2,049,064.28	2,205,156.49
· ·			
4. Net profit		45,957,957.43	36,437,184.92
•			
5 N 1 1 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2			
5. Net other comprehensive income after tax			
6. Total comprehensive income		45,957,957.43	36,437,184.92

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year 2016 | (RMB Yuan) | (English translation for reference only,

Ite	m	Note 5.(3)	Current year	Last year
1.	Cash flows from operating activities: Cash received from sale of goods or rendering of services		614,777,510.82	534,656,843.45
	Return of taxes and levies Cash received relating to other operating activities	1	3,417,816.93 29,225,291.60	6,455,540.22 29,440,139.01
	Sub-total of cash inflow		647,420,619.35	570,552,522.68
	Cash paid for goods and services Cash paid to and on behalf of employees Payment of taxes and levies Cash paid relating to other operating activities	2	258,042,306.37 145,610,120.96 43,899,692.08 107,847,458.11	250,238,650.10 128,351,792.61 41,469,544.61 74,732,045.23
	Sub-total of cash outflow		555,399,577.52	494,792,032.55
	Net cash flow from operating activities		92,021,041.83	75,760,490.13
2.	Cash flows from investing activities: Cash received for investments Cash received from investment gains Net cash received from disposal of fixed assets,		1,120,000,000.00 7,161,219.04	910,000,000.00 10,778,912.32
	intangible assets and other long-term assets Cash received relating to other investing activities	3	4,634,007.89 23,890,000.00	3,718,137.67
	Sub-total of cash inflow		1,155,685,226.93	924,497,049.99
	Cash paid to acquire fixed assets, intangible assets and other long-term assets Cash paid for investments Cash paid relating to other investing activities	4	121,024,458.98 1,434,600,000.00	61,986,475.45 910,000,000.00 2,300,000.00
	Sub-total of cash outflow		1,555,624,458.98	974,286,475.45
	Net cash flow from investing activities		-399,939,232.05	-49,789,425.46
3.	Cash flows from financing activities: Cash received from borrowings		200,000,000.00	165,000,000.00
	Sub-total of cash inflow		200,000,000.00	165,000,000.00
	Cash paid for debt repayments Cash paid for distribution of dividends,		225,550,000.00	408,780,000.00
	profit or interest expenses Cash paid relating to other financing activities	5	32,244,840.80 3,000,000.00	38,328,686.23 280,000.00
	Sub-total of cash outflow		260,794,840.80	447,388,686.23
	Net cash flow from financing activities		-60,794,840.80	-282,388,686.23
4.	Effect of changes in foreign exchange rate on cash and cash equivalents		-5,060.37	-391,466.61
5.	Net increase in cash and cash equivalents Add: opening balance of cash and cash equivalents		-368,718,091.39 486,048,673.31	-256,809,088.17 742,857,761.48
6.	Closing balance of cash and cash equivalents		117,330,581.92	486,048,673.31

STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

For the year 2016 | (RMB Yuan) | (English translation for reference only)

Ite	m	Current year	Last year
		Current year	Last year
1.	Cash flows from operating activities:		
	Cash received from sale of goods or rendering of services	28,558,576.16	21,135,512.19
	Cash received relating to other operating activities	54,833,899.91	153,047,694.54
	Sub-total of cash inflow	83,392,476.07	174,183,206.73
	Cash paid for goods and services	10,719,175.00	24,895,858.39
	Cash paid to and on behalf of employees	7,700,806.29	6,173,866.03
	Payment of taxes and levies	5,209,756.47	4,917,038.61
	Cash paid relating to other operating activities	62,506,305.55	194,293,912.68
	oddin paid rolding to other operating activities		
	Sub-total of cash outflow	86,136,043.31	230,280,675.71
	Net cash flow from operating activities	-2,743,567.24	-56,097,468.98
2.	Cash flows from investing activities:		
۷.	Cash received for investments	352,000,000.00	760,000,000.00
	Cash received for investments Cash received from investment gains	, , , , , , , , , , , , , , , , , , ,	
	<u> </u>	43,444,054.81	36,911,657.53
	Net cash received from disposal of fixed assets, intangible assets	1 10 000 00	00,000,00
	and other long-term assets	140,000.00	26,000.00
	Cash received relating to other investing activities	70,652,500.00	70,000,000.00
	Sub-total of cash inflow	466,236,554.81	866,937,657.53
	Cash paid to acquire fixed assets, intangible assets and		
	other long-term assets	13,840,734.70	2,002,809.26
	Cash paid for investments	495,000,000.00	760,000,000.00
	Cash paid relating to other investing activities	74,200,000.00	2,300,000.00
	Sub-total of cash outflow	583,040,734.70	764,302,809.26
	Not each flow from investing activities	110 004 170 00	100 604 040 07
	Net cash flow from investing activities	-116,804,179.89	102,634,848.27
3.	Cash flows from financing activities:		
-	Cash received from borrowings	180,000,000.00	140,000,000.00
	Sub-total of cash inflow	180,000,000.00	140,000,000.00
	Cash paid for debt repayments	180,000,000.00	299,000,000.00
	Cash paid for distribution of dividends, profit or interest expenses	31,855,949.14	35,309,462.55
	Cash paid relating to other financing activities		280,000.00
	Cub total of each outflow	011 055 040 14	204 500 400 55
	Sub-total of cash outflow	211,855,949.14	334,589,462.55
	Net cash flow from financing activities	-31,855,949.14	-194,589,462.55
	ŭ de la		
4.	Effect of changes in foreign exchange rate on cash and		
	cash equivalents	-157,361.67	-140,984.85
_	Not be seen in each and	454 504 055 0	140 100 000 4
5.	Net increase in cash and cash equivalents	-151,561,057.94	-148,193,068.11
	Add: opening balance of cash and cash equivalents	162,709,790.82	310,902,858.93
6.	Closing balance of cash and cash equivalents	11,148,732.88	162,709,790.82
0.	Closing balance of cash and cash equivalents	11,140,132.00	102,109,190.02

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year 2016 | (RMB Yuan) | (English translation for reference only,

	Current year					
		Attributable to equity			Total	
Item	Share capital	Capital reserve	Surplus reserve	Retained earnings	Minority interests	shareholders' equity
1. Balance at the end of last year	315,857,855.00	660,012,081.76	125,531,891.62	341,181,295.69	19,878,600.88	1,462,461,724.95
2. Balance at the beginning of year	315,857,855.00	660,012,081.76	125,531,891.62	341,181,295.69	19,878,600.88	1,462,461,724.95
3. Increase/(decrease) during						
the period	-	-975,127.55	5,228,161.57	26,673,602.31	479,146.02	31,405,782.35
(1) Total comprehensive income	-	-	-	63,487,549.38	2,504,018.47	65,991,567.85
(2) Contribution by shareholders						
and decrease in capital	-	-975,127.55	-	-	-2,024,872.45	-3,000,000.00
1. Other	-	-975,127.55	-	-	-2,024,872.45	-3,000,000.00
(3) Appropriation of profits	-	-	5,228,161.57	-36,813,947.07	-	-31,585,785.50
1. Transfer to surplus reserve	-	-	5,228,161.57	-5,228,161.57	-	-
2. Distribution to shareholders				-31,585,785.50		-31,585,785.50
4. Balance at the end of year	315,857,855.00	659,036,954.21	130,760,053.19	367,854,898.00	20,357,746.90	1,493,867,507.30

		Last year						
		Attributable to equity h	nolders of the Parent			Total		
					Minority	shareholders'		
Item	Share capital	Capital reserve	Surplus reserve	Retained earnings	interests	equity		
1. Balance at the end of last year	315,857,855.00	660,012,081.76	121,377,588.47	323,380,540.91	21,483,011.59	1,442,111,077.73		
2. Balance at the beginning of year	315,857,855.00	660,012,081.76	121,377,588.47	323,380,540.91	21,483,011.59	1,442,111,077.73		
3. Increase/(decrease) during								
the period	-	-	4,154,303.15	17,800,754.78	-1,604,410.71	20,350,647.22		
(1) Total comprehensive income	-	-	-	53,540,843.43	-1,604,410.71	51,936,432.72		
(2) Contribution by shareholders								
and decrease in capital	-	-	-	-	-	-		
1. Other	-	-	-	-	-	-		
(3) Appropriation of profits	-	-	4,154,303.15	-35,740,088.65	-	-31,585,785.50		
1. Transfer to surplus reserve	-	-	4,154,303.15	-4,154,303.15	-	-		
2. Distribution to shareholders				-31,585,785.50		-31,585,785.50		
4. Balance at the end of year	315,857,855.00	660,012,081.76	125,531,891.62	341,181,295.69	19,878,600.88	1,462,461,724.95		

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

For the year 2016 | (RMB Yuan) | (English translation for reference only)

			Current year		
Item	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
1. Balance at the end of last year	315,857,855.00	661,553,840.72	65,161,280.41	38,340,439.31	1,080,913,415.44
2. Balance at the beginning of year	315,857,855.00	661,553,840.72	65,161,280.41	38,340,439.31	1,080,913,415.44
3. Increase/(decrease) during the period (1)Total comprehensive income (2)Appropriation of profits 1. Transfer to surplus reserve 2. Distribution to shareholders	- - - - -	- - - -	4,595,795.74 - 4,595,795.74 4,595,795.74 -	9,776,376.19 45,957,957.43 -36,181,581.24 -4,595,795.74 -31,585,785.50	14,372,171.93 45,957,957.43 -31,585,785.50 - -31,585,785.50
4. Balance at the end of year	315,857,855.00	661,553,840.72	69,757,076.15	48,116,815.50	1,095,285,587.37

	Last year				
ltem	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
		·	·	9	
Balance at the end of last year	315,857,855.00	661,553,840.72	61,517,561.92	37,132,758.38	1,076,062,016.02
2. Balance at the beginning of year	315,857,855.00	661,553,840.72	61,517,561.92	37,132,758.38	1,076,062,016.02
3. Increase/(decrease) during the					
period	_	-	3,643,718.49	1,207,680.93	4,851,399.42
(1)Total comprehensive income	-	-	-	36,437,184.92	36,437,184.92
(2)Appropriation of profits	-	-	3,643,718.49	-35,229,503.99	-31,585,785.50
1. Transfer to surplus reserve	-	-	3,643,718.49	-3,643,718.49	-
2. Distribution to shareholders				-31,585,785.50	-31,585,785.50
4. Balance at the end of year	315,857,855.00	661,553,840.72	65,161,280.41	38,340,439.31	1,080,913,415.44

For the year 2016 | (RMB Yuan) | (English translation for reference only)

1. GENERAL

Zhejiang Shibao Company Limited (hereafter referred to as the "Company") is a joint stock limited company approved by the document (ZHE SHANG SHI [2004] 37) (浙上市[2004]37號) issued by the Listing Affair Team (上市工作領導小組) of the People's Government of Zhejiang Province. The Company was established by ways of promotion jointly by Zhejiang Shibao Holding Group Co., Ltd., Wu Wei Xu (吳偉旭), Wu Lang Yue (吳琅躍), Du Chun Mao (杜春茂) and Chen Wen Hong (陳文洪) on the basis of Zhejiang Shibao Steering Gear Co., Ltd.. The Company was registered and incorporated with Zhejiang Administration for Industry & Commerce on 30 April 2004. Currently, it holds the business licence with a creditability code (913300001476445210) issued by the Zhejiang Administration Bureau of Industry and Commerce. The current share capital of the Company is RMB315,857,855 divided into a total of 315,857,855 shares (RMB1 for each share). Of which, shares with selling restrictions include 90,611,087 A Shares; shares without selling restrictions include 138,532,768 A Shares and 86,714,000 H Shares. The Company's Shares were listed on the GEM of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange on 16 May 2006 and 2 November 2012, respectively. On 9 March 2011, the Company's Shares were approved to be listed and traded on the Main Board of the Hong Kong Stock Exchange.

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

The financial statements have been adopted for publication at the 21st meeting of the fifth session of the Board of the Company on 24 March 2017.

The Company has included 7 subsidiaries to the consolidated financial report, i.e. Hangzhou Shibao, Hangzhou New Shibao, Jilin Shibao, Siping Steering, Beijing Autonics, Wuhu Sterling and Erdos Sterling. Details refer to the notes to the financial statements provided for owner's equity in other entities.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(1) Basis of Preparation

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

(2) Evaluation on ability of continuing operation

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

For the year 2016 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

(1) Statement of Compliance with the Accounting Standards for Business Enterprises

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

(2) Accounting Year

The accounting year is from 1 January to 31 December.

(3) Operating Cycle

The operating business cycle of the Company is relatively shorter. A period of 12 months is taken to identify the current nature of assets and liabilities.

(4) Functional Currency

Renminbi ("RMB") is adopted as functional currency.

(5) Accounting Treatment for Business Combinations Involving and Not Involving Entities Under Common Control

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

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

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

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

(6) Preparation Basis of Consolidated Financial Statements

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(7) Recognition Standards for Cash and Cash Equivalents

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

(8) Foreign Currency Translation

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

(9) Financial Instruments

1. Classification of financial assets and financial liabilities

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

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

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

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

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

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial Instruments (continued)

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

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

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

Recognition and measurement of transfer of financial assets

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

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial Instruments (continued)

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

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

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

5. Assessment and provision for impairment on financial assets

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(10) Receivables

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

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

2. Receivables for which collective bad debt provision is made

Groups of receivables which are individually insignificant but have significant credit risks. The amount of receivables are not more than RMB1 million but overdue for more than one year and the amount of receivables are not more than RMB1 million without any impairment in individual tests but overdue for more than one year.

Method of provisioning for bad debt	
Groups of receivables which are individually insignificant but have significant credit risks	According to the structure of the group of receivables and similar credit risk features (debtors' ability to settle outstanding amounts based on contracted terms), taking into account historical experience of losses and possible losses that are expected to incur based on the economic conditions of the debtors and the amount of the present value of the future cash flows from the receivables below the carrying amount shall be accounted for as provision for bad debts.

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

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

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Inventories

1. Classifications of inventories

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

2. Cost of inventories transferred out

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

3. Basis for determining the net realisable value of inventories

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

4. Inventory system

The Company maintains a perpetual inventory system.

Amortisation methods for consumables including low-value consumables and packaging materials

(1) Low-value consumables

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

(2) Packaging materials

Packaging materials are amortised in full when received for use.

(12) Long-Term Equity Investments

1. Judgement on joint control and significant effects

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

For the year 2016 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(12) Long-Term Equity Investments (continued)

Determination of investment cost

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

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

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

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

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

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

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

For the year 2016 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(12) Long-Term Equity Investments (continued)

2. Determination of investment cost (continued)

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

3. Subsequent measurement and recognition

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

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

(1) Separate financial statements

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

(2) Consolidated financial statements

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

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

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

 Disposal of investment in a subsidiary to loss of its right to control in stages through various transactions that are not categorized as "package deal"

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

For the year 2016 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(13) Fixed Assets

1. Recognition of fixed assets

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

2. Depreciation of fixed assets

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

(14) Construction in Progress

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

(15) Borrowing Costs

1. Capitalization of borrowing costs

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

2. Timing of borrowing costs capitalization

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(15) Borrowing Costs (continued)

3. Capitalization rate and amount of borrowing costs

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

(16) Intangible Assets

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

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

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

(17) Partial long-term asset impairment

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

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(18) Employee Benefits

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

2. Accounting treatment for short-term remuneration

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

3. Accounting treatment of post-employment benefits

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

- (1) The Company will recognize the amounts shall be deposited as the debts according to the established withdrawal and deposit plan and recognize them in the current profit or loss or relevant assets cost during the period when the employee provides services to the Company.
- (2) The accounting treatment on the established benefit plan generally include the following procedures:
 - According to the projected unit credit method, the Company adopted unbiased and mutually agreed actuarial assumptions to estimate the relevant demographic variables and financial variables, calculate the obligations arising from the defined benefit plan and determine the period of relevant obligations belonging to. Meanwhile, the obligation arising from the defined benefit plan is discounted to determine the present value of such obligation under the defined benefit plan and the service cost for the current period;
 - 2) Where there are assets in the defined benefit plan, the deficit or surplus from the present value of the defined benefit plan less the fair value of the defined benefit plan are recognised as a net debt or asset of a defined benefit plan. Where there are surplus in the defined benefit plan, the lower of the surplus of the defined benefit plan and the upper limit of the assets will be used to calculate the net assets of the defined benefit plan;
 - At the end of the period, the cost of employee benefits from the defined benefit plan will be recognised as the service cost, the net interest on the net assets or net debts from the defined benefit plan and the changes arising from the remeasurement of the net assets or net debts from the defined benefit plan. Of which, the service cost and the net interest on the net assets or net debts from the defined benefit plan will be recognised in the current profit or loss or relevant assets cost. The changes arising from the remeasurement of the net assets or net debts from the defined benefit plan will be recognised in other comprehensive income and shall not be reversed to the profit or less in subsequent accounting periods, but the amounts recognised in other comprehensive income can be transferred within the scope of interests.

4. Accounting treatment of dismission benefits

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(18) Employee Benefits (continued)

5. Accounting treatment of other long-term benefits

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

(19) Provision for liability

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

(20) Revenue

. Recognition of revenue

(1) Sales of goods

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

(2) Rendering of services

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

(3) Transfer of assets use rights

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(20) Revenue (continued)

2. Methods of revenue recognition

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

(21) Government Grant

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

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

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

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

(22) Deferred Tax Assets and Deferred Tax Liabilities

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(23) Operating leases

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

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

(24) Significant Accounting Judgments and Estimates

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

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

1. Recognition of deferred tax assets

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

Provision for doubtful debt

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

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(24) Significant Accounting Judgments and Estimates (continued)

3. Provision for inventory obsolescence

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

4. Long-term asset impairment

As mentioned in note 3(17) to the financial statements, for long-term assets such as long-term equity investment, fixed assets, construction in progress and intangible assets with definite useful lives, when there is evidence that the assets are impaired as at the balance sheet date, the recoverable amount is estimated. For goodwill arising from business combination, whether there is evidence of impairment or not, impairment test is conducted annually. Impairment test is performed on goodwill together with its relevant asset group or asset group combination. The result of the measurement of the recoverable amounts shows that, if the recoverable amount of the long-term asset is lower than its carrying amount, the carrying amount of the asset is written down to the recoverable amount. The amount written down is recognized as impairment loss through profit or loss and is provided for the corresponding asset impairment.

4. TAXATION

(1) Major Taxes and Tax Rates

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

(Note 1): Hangzhou Shibao Auto Steering Gear Co., Ltd., a subsidiary of the Company, enjoys the policy of "exempt, credit, refund" with an export tax refund rate of 17%.

(Note 2): According to the requirement of the document "Cai Shui No. [2016] 36" of the Ministry of Finance and the State Administration of Taxation, effective from 1 May 2016, value-added tax is levied in lieu of business tax on a portion of the business of the Company.

Details of income tax subjected:

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

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4. TAXATION (continued)

(2) Tax Concession and Approval Documents

- 1. According to the "Letter regarding 2014 1st batch filing of High-tech Enterprises of Zhejiang Province" issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. [2015] 29), the subsidiaries, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. obtained the High-tech Enterprise Certificates (No. GR201433000685 and GR201433000159 respectively) during 2014, with a valid period from 2014 to 2016. They are subject to a corporate income tax rate of 15% during the period.
- 2. According to and approved by the document "Jing Ke Fa No.: [2014] 551" jointly issued by the Beijing Municiple Sicience and Technology Committee, Beijing Municiple Finance Bureau, State Tax Bureau Beijing Municiple Office and Beijing Municiple Local Tax Bureau, the Company's subsidiary, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201411000968) during 2015, with a valid period from 2015 to 2017. It is subject to a corporate income tax rate of 15% during the period.
- 3. According to the "Notification regarding Public Announcement of 2014 1st batch filing of Hightech Enterprises of Anhui Province" issued by the Leading Group Office of Anhui Province Hightech Enterprises Recognition and Management (Wan Gao Qi Ren No. [2014] 19), the Company's subsidiary, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201434000449) during 2014, with a valid period from 2014 to 2016. It is subject to a corporate income tax rate of 15% during the period.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Notes to the Consolidated Balance Sheet

1. Cash on hand and at bank

(1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Cash	76,798.67	109,919.43
Bank deposits	117,253,783.25	485,938,753.88
Other monetary funds	27,829,708.19	17,328,625.03
Total	145,160,290.11	503,377,298.34
Include: total monetary funds deposited		
overseas	18,736.34	17,798.44

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

Other monetary funds at the end of the period represents the guarantee deposits of RMB26,579,359.10 for the issuance of the bank acceptance bills and guarantee deposits of RMB1,250,349.09 for the issuance of credit letter.

Monetary funds deposited overseas at the end of the period amounted to HKD20,945.93, equivalent to RMB18,736.34.

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- 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 - (1) Notes to the Consolidated Balance Sheet (continued)
 - 2. Notes receivable
 - (1) Breakdown

Balance at the end of the period			Balance at	the beginning of th	ne period	
	Carrying	Provision for		Carrying	Provision for	
Туре	amount	bad debts	Book value	amount	bad debts	Book value
Bank acceptance bills	162,714,933.93		162,714,933.93	92,274,842.99		92,274,842.99
Total	162,714,933.93		162,714,933.93	92,274,842.99		92,274,842.99

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

	Pledged amount
	at the end
Item	of the period
Bank acceptance bills (Note)	54,087,876.87
Sub-total	54,087,876.87

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

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

	Amounts	Amounts not yet
	derecognised	derecognised
Item	at end of the period	at end of the period
Bank acceptance bills	279,502,253.15	
Sub-total	279,502,253.15	

As the acceptor of the bank acceptance bill is a commercial banker which has high creditability, it is less likely that the banker fails to settle the acceptance bills when they become due. Therefore, the Company has derecognized the endorsed and discounted bank acceptance bills. However, if such acceptance bills are unsettled when they become due, the Company will bear the joint liability to the bill holders in accordance with the Law of Negotiable Instruments.

(4) Bills transferred to receivable due to non-performance of issuer as at the end of the period

Items	Closing balance transferred to receivable
Amount receivable	
Bank acceptance bills	1,000,000.00
Sub-total	1,000,000.00

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

3. Accounts receivable

(1) Breakdown

1) Breakdown by types

	Balance at the end of the period				
	Carrying an	nount	Provision for bad debts		
Types	Amount	(%)	Amount	(%)	Book value
Individually significant amount with bad debt provision on individual basis Individually insignificant but significant based	369,853,196.95	91.07	2,396,375.19	0.65	367,456,821.76
on credit risk characteristics Individually insignificant amount with bad	6,622,522.79	1.63	4,872,609.57	73.58	1,749,913.22
debt provision on individual basis	29,642,320.74	7.30			29,642,320.74
Total	406,118,040.48	100.00	7,268,984.76	1.79	398,849,055.72

	Balance at the beginning of the period				
	Carrying am	nount	Provision for bad debts		
Types	Amount	(%)	Amount	(%)	Book value
Individually significant amount with bad debt					
provision on individual basis	297,190,917.20	89.97	949,043.03	0.32	296,241,874.17
Individually insignificant but significant based					
on credit risk characteristics	5,602,392.40	1.70	3,317,357.83	59.21	2,285,034.57
Individually insignificant amount with bad					
debt provision on individual basis	27,541,069.45	8.33			27,541,069.45
Total	330,334,379.05	100.00	4,266,400.86	1.29	326,067,978.19

2) The aging analysis is as follows:

	Balance at the end of the period			Balance a	at the beginning of th	ne period
	Carrying a	mount	Provision for	Carrying an	nount	Provision for
Age	Amount	Proportion (%)	bad debts	Amount	Proportion (%)	bad debts
Within 1 year	396,577,811.46	97.65		317,909,089.92	96.24	
1–2 years	4,578,768.38	1.13	2,900,412.69	6,830,773.39	2.07	731,314.19
2-3 years	1,101,389.87	0.27	810,327.93	2,517,980.00	0.76	908,466.57
Over 3 years	3,860,070.77	0.95	3,558,244.14	3,076,535.74	0.93	2,626,620.10
Subtotal	406,118,040.48	100.00	7,268,984.76	330,334,379.05	100.00	4,266,400.86

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

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

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (1) Notes to the Consolidated Balance Sheet (continued)
 - 3. Accounts receivable (continued)
 - (1) Breakdown (continued)
 - 3) Individually significant amount with bad debt provision on individual basis

Description	Carrying amount	Provision for bad debt	Provision (%)	Reason for provision
Receivables of sales payment from Dongfeng Xiaokang Motor Company Limited and others Tractor assembly plant of Yunnan Lifan Junma	367,456,821.76			Individual impairment test showed no risk was expected of balance recover Unrecovered amounted Expected
Auto Co., Ltd.	2,396,375.19	2,396,375.19	100.00	
Sub-total	369,853,196.95	2,396,375.19	0.65	

4) Provision for bad debt by groups

Group	Carrying amount	Provision (%)	Provision for bad debts
Individually insignificant but significant based on credit			
risk characteristics	6,622,522.79	73.58	4,872,609.57
Sub-total	6,622,522.79	73.58	4,872,609.57

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

Description	Carrying amount	Provision for bad debts	Provision (%)	Reason for provision
Receivables of sales payment from FAW Volkswagen Platform Component Company Limited				Individual impairment test showed no risk was expected of balance recover
and others	29,642,320.74			
Sub-total	29,642,320.74			

- (2) Bad debts provision provided during the period amounted to RMB3,359,296.77 and provisions for bad debt reversed correspondingly from recovered accounts receivable during the period amount to RMB355,591.37.
- (3) Receivables from products actually sold during the period amounted to RMB1,121.50.

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

3. Accounts receivable (continued)

(4) The five largest accounts receivable

Name	Carrying amount	Percentage of total accounts receivable (%)	Provision for bad debts
Dongfeng Xiaokang Motor Company Limited (東風小康汽車有限公司)	29,560,736.90	7.28	
FAW-Car Co., Ltd. (一汽轎車股份有限公司) Chery Automobile Co., Ltd.	28,427,668.74	7.00	
(奇瑞汽車股份有限公司) Beijing Pacific Automotive Chassis System Company Limited	25,652,385.25	6.32	
(北京亞太汽車底盤系統有限公司) FAW Jiefang Qingdao Automobile Co., Ltd.	23,383,390.78	5.76	
(一汽解放青島汽車有限公司)	22,119,192.01	5.45	
Sub-total	129,143,373.68	31.81	

4. Prepayments

(1) Aging analysis

	Balance at the end of the period Provision			Balance at the beginning of the period Provision				
	Carrying		for bad		Carrying		for bad	
Aging	amount	(%)	debts	Book value	amount	(%)	debts	Book value
Within 1 year	4,288,907.03	88.41		4,288,907.03	6,064,822.30	92.87		6,064,822.30
1-2 years	562,343.21	11.59		562,343.21	408,992.96	6.26		408,992.96
2-3 years					56,374.71	0.87		56,374.71
Total	4,851,250.24	100.00		4,851,250.24	6,530,189.97	100.00		6,530,189.97

(2) The five largest prepayments

		Percentage of the total prepayments
Name	Carrying amount	carrying amount (%)
Laifu Iron&Steel Group Co., Ltd. Nanjing Sales Sub-company (萊蕪鋼鐵集團有限公司南京銷售分公司)	414,901.18	8.55
National Grid Jilin Province Electricity Co.,Ltd. Siping City Electricity Distribution Sub-company (國網吉林省電力有限公司		
四平供電分公司) Sinopec Marketing Co., Ltd. Zhejiang and Hangzhou Petroleum branch (中國石化	331,892.07	6.84
銷售有限公司浙江杭州石油分公司) Beijing Shilong Jingxi Property Management Company Limited	191,771.88	3.95
(北京石龍京西物業管理有限公司)	134,469.00	2.77
The Stock Exchange of Hong Kong Limited	130,324.55	2.69
Sub-total	1,203,358.68	24.80

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

5. Other receivables

(1) Breakdown

1) Breakdown by types

	Balance at the end of the period				
	Carrying am	ount	Provision for ba	d debts	
Types	Amount	(%)	Amount	(%)	Book value
Individually significant amount with bad debt provision on					
individual basis	4,934,920.61	77.49			4,934,920.61
Individually insignificant but significant based on credit risk					
characteristics	402,800.57	6.32	24,237.64	6.02	378,562.93
Individually insignificant amount with bad debt provision on					
individual basis	1,030,796.67	16.19	100,000.00	9.70	930,796.67
Total	6,368,517.85	100.00	124,237.64	1.95	6,244,280.21

	Balance at the beginning of the period				
	Carrying a	mount	Provision for ba	ad debts	
Types	Amount	(%)	Amount	(%)	Book value
Individually significant amount with bad debt provision on					
individual basis	1,500,000.00	46.08			1,500,000.00
Individually insignificant but significant based on credit risk					
characteristics	774,068.26	23.78	24,237.64	3.13	749,830.62
Individually insignificant amount with bad debt provision on					
individual basis	981,026.40	30.14			981,026.40
Total	3,255,094.66	100.00	24,237.64	0.74	3,230,857.02

2) Aging analysis

Balanc	Balance at the end of the period			Balance at the beginning of the per		
Carrying	amount	Provision for	Carrying a	amount	Provision for	
Amount	Proportion (%)	bad debts	Amount	Proportion (%)	bad debts	
5,890,885.30	92.50	100,000.00	981,026.40	30.14		
119,722.89	1.88		467,941.80	14.38		
248,441.00	3.90		56,569.89	1.74		
109,468.66	1.72	24,237.64	1,749,556.57	53.74	24,237.64	
6,368,517.85	100.00	124,237.64	3,255,094.66	100.00	24,237.64	
	Carrying Amount 5,890,885.30 119,722.89 248,441.00 109,468.66	Carrying amount Amount Proportion (%) 5,890,885.30 92.50 119,722.89 1.88 248,441.00 3.90 109,468.66 1.72	Carrying amount Provision for bad debts 5,890,885.30 92.50 100,000.00 119,722.89 1.88 248,441.00 3.90 109,468.66 1.72 24,237.64	Carrying amount Provision for Amount Carrying a Amount 5,890,885.30 92.50 100,000.00 981,026.40 119,722.89 1.88 467,941.80 248,441.00 3.90 56,569.89 109,468.66 1.72 24,237.64 1,749,556.57	Carrying amount Provision for Amount Carrying amount 5,890,885.30 92.50 100,000.00 981,026.40 30.14 119,722.89 1.88 467,941.80 14.38 248,441.00 3.90 56,569.89 1.74 109,468.66 1.72 24,237.64 1,749,556.57 53.74	

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (1) Notes to the Consolidated Balance Sheet (continued)
 - 5. Other receivables (continued)
 - (1) Breakdown (continued)
 - 3) Individually significant amount with bad debt provision on individual basis

Description	Carrying amount	Provision for bad debt	Provision(%)	Reason for provision
Jilin Tiedong Economic Development Zone Administrative Committee imprest and others (吉林鐵東 經濟開發區管理委員				Individual impairment test showed no risk was expected of balance recover
會暫借款等款項) Export tax refund receivable	3,225,240.00			Individual impairment test showed no risk was expected of
	1,709,680.61			balance recover
Sub-total	4,934,920.61			

4) Provision for bad debt by groups

Group	Carrying amount	Provision (%)	Provision for bad debts
Individually insignificant but significant based on credit			
risk characteristics	402,800.57	6.02	24,237.64
Sub-total	402,800.57	6.02	24,237.64

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

Description	Carrying amount	Provision for bad debt	Provision(%)	Reason for provision
Personal borrowings by Feng Yongli Other receivables of individual imprest and others	100,000.00	100,000.00	100	Unrecovered amount expected Individual impairment test showed no risk was expected of
	930,796.67			balance recover
Sub-total	1,030,796.67	100,000.00	9.70	

(2) Bad debt provision during the period amounted to RMB100,000.00.

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

- 5. Other receivables (continued)
 - (3) There are no other receivables from products actually sold during the period.
 - (4) Classification by nature of other receivables

Nature of the receivables	Balance at the end of the period	Balance at the beginning of the period
Security deposits	331,259.00	349,059.00
Export tax refund receivable	1,709,680.61	
Provisional borrowings	3,356,240.00	1,873,644.32
Imprest	666,871.03	875,521.31
Others	304,467.21	156,870.03
Sub-total	6,368,517.85	3,255,094.66

(5) The five largest other receivables

Name	Nature of the receivables	Carrying amount	Aging	Percentage of other receivables carrying amount (%)	Provision for bad debts
Jilin Tiedong Economic Development					
Zone Administrative Committee	Provisional				
(吉林鐵東經濟開發區管理委員會)	borrowings	3,225,240.00	within 1 year	50.64	
Export tax refund receivable	Export tax refund	1,709,680.61	within 1 year	26.85	
Yiwu City Housing and Urban &					
County Construction Bureau	Security				
(義烏市住房和城鄉建設局)	deposits	187,059.00	2-3 years	2.94	
Feng Yongli	Provisional				
	borrowings	100,000.00	within 1 year	1.57	100,000.00
Yang Jianghui	Imprest	90,000.00	within 1 year	1.41	
Sub-total		5,311,979.61		83.41	100,000.00

6. Inventories

(1) Breakdown

	Balance	Balance at the end of the period			Balance at the beginning of the period		
Item	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value	
Raw materials	65,069,045.99		65,069,045.99	79,202,768.05		79,202,768.05	
Work-in-progess	34,698,396.81		34,698,396.81	34,987,905.38		34,987,905.38	
Finished goods	141,603,827.36	1,169,119.70	140,434,707.66	136,988,335.84	484,604.92	136,503,730.92	
Low-value consumables	4,796,409.32		4,796,409.32	1,706,046.93		1,706,046.93	
Total	246,167,679.48	1,169,119.70	244,998,559.78	252,885,056.20	484,604.92	252,400,451.28	

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (1) Notes to the Consolidated Balance Sheet (continued)
 - 6. Inventories (continued)
 - (2) Provision
 - 1) Breakdown

			Decrease dur	ing the period	
Item	Balance at the beginning of the period	Increase during the period	Reversal	Transfer (Note)	Balance at the end of the period
Finished goods	484,604.92	1,169,119.70		484,604.92	1,169,119.70
Sub-total	484,604.92	1,169,119.70		484,604.92	1,169,119.70

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

2) Determination of specific basis for net realizable value and reasons for reversal or transfer of provision for inventory obsolescence during the period

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

7. Other current assets

Item	Balance at the end of the period	Balance at the beginning of the period
Short-term bank wealth management products Value added tax recoverable Prepaid expenses Prepaid corporate income tax	314,600,000.00 1,021,294.13 1,096,501.17 91,078.98	6,443,938.19 2,040,692.36 226,567.95
Total	316,808,874.28	8,711,198.50

For the year 2016 | (RMB Yuan) | (English translation for reference only,

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (1) Notes to the Consolidated Balance Sheet (continued)
 - 8. Fixed assets
 - (1) Breakdown

				Other office	
	Buildings		Transportation	equipment	
Item	and structures	Equipment	vehicles	and others	Total
Cost					
Balance at the beginning of the					
period	196,195,280.17	520,333,402.31	20,868,448.39	17,922,669.28	755,319,800.15
Increase during the period	68,992,554.53	134,709,255.82	3,478,350.16	2,603,588.88	209,783,749.39
1) Purchase	44,121,108.05	20,035,503.03	516,752.10	1,417,158.53	66,090,521.71
2) Transfer from construction in					
progress	24,871,446.48	114,673,752.79	2,961,598.06	1,186,430.35	143,693,227.68
Decrease during the period		12,700,755.61	5,125,346.98	2,500.00	17,828,602.59
1) Disposal		12,700,755.61	5,125,346.98	2,500.00	17,828,602.59
Balance at the end of the period	265,187,834.70	642,341,902.52	19,221,451.57	20,523,758.16	947,274,946.95
Accumulated depreciation					
Balance at the beginning of the					
period	47,221,598.45	229,185,282.94	14,282,555.85	11,740,018.26	302,429,455.50
Increase during the period	6,495,935.32	47,758,214.17	2,446,930.36	1,350,740.24	58,051,820.09
1) Provision	6,495,935.32	47,758,214.17	2,446,930.36	1,350,740.24	58,051,820.09
Decrease during the period		8,842,898.01	4,534,038.99	2,375.00	13,379,312.00
1) Disposal		8,842,898.01	4,534,038.99	2,375.00	13,379,312.00
Balance at the end of the period	53,717,533.77	268,100,599.10	12,195,447.22	13,088,383.50	347,101,963.59
Provision					
Balance at the beginning of the					
period	825,717.39	245,524.61			1,071,242.00
Increase during the period					
1) Provision					
Decrease during the period					
1) Disposal					
Balance at the end of the period	825.717.39	245,524.61			1,071,242.00
Balance at the one of the period					
Book value					
Book value at the end of the period	210,644,583.54	373,995,778.81	7,026,004.35	7,435,374.66	599,101,741.36
Book value at the beginning of the					
period	148,147,964.33	290,902,594.76	6,585,892.54	6,182,651.02	451,819,102.65

For the year 2016 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

8. Fixed assets (Continued)

(2) Information about fixed assets without certificate of title

Project	Carrying amount	Reason for not obtaining certificate of title
Beijing Autonics production plant and complex building	45,127,362.10	Registration of title was completed on 13 March 2017
Sub-total	45,127,362.10	

9. Construction in progress

(1) Breakdown

	Balance at the end of the period		Balance at the beginning of the period		
Project name	Carrying amount	Provision	Book value	Carrying amount	Provision Book value
The precious casting and processing					
of automotive components project	188,735.04		188,735.04	17,337,307.74	17,337,307.74
The increase of production of power					
automotive steering gears project				8,000,469.00	8,000,469.00
Capacity expansion project of					
Hangzhou New Shibao				6,385,293.75	6,385,293.75
The research and development,					
examination and inspection					
and trial production centre of					
automotive steering gear					
system project				804,312.21	804,312.21
The annual production of 2,100,000					
automotive steering gear (EPS)					
components series industrialization					
investment and development					
project	23,346,967.89		23,346,967.89	7,546,724.20	7,546,724.20
The Siping Steering complex plant					
and R&D building project					
(四平機械綜合廠房及研發樓項目)	13,910,883.84		13,910,883.84		
The New Shibao new plant					
(phase 2) project					
(新世寶新建廠房(二期)項目)	4,616,143.14		4,616,143.14		
The annual production of					
1,200,000 automotive intelligent					
steering assembly technology					
transformation project	765,109.76		765,109.76		
Other sundry projects	13,670,527.74		13,670,527.74	3,896,770.79	3,896,770.79
Total	56,498,367.41		56,498,367.41	43,970,877.69	43,970,877.69
TULAI	50,490,307.41		30,490,307.41	43,970,077.09	43,970,877.09

For the year 2016 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (1) Notes to the Consolidated Balance Sheet (continued)
 - 9. Construction in progress (continued)
 - (2) Movement during the period

Project name	Budget (RMB0,000)	Balance at the beginning of the period	Increase during the period	Transfer to fixed assets	Other decrease	Percentage of invested amount to budget (%)
The precious casting and processing of automotive components project	23,536.41	17,337,307.74	719,051.45	17,867,624.15		21.19
The increase of production of power automotive steering gears project	18,123.47	8,000,469.00	65,671,053.47	73,671,522.47		102.60
Capacity expansion project of	,		, ,	, ,		
Hangzhou New Shibao The research and development, examination and inspection and trial production centre of automotive steering gear		6,385,293.75	2,206,637.39	8,591,931.14		
system project The annual production of 2,100,000 automotive steering gear (EPS) components series industrialization investment and development	4,500.00	804,312.21	27,173,829.18	27,978,141.39		82.70
project The Siping Steering complex plant and R&D building project (四平機械綜合	36,067.10	7,546,724.20	15,800,243.69			6.47
廠房及研發樓項目) The New Shibao new plant (phase 2)	1,400.00		13,910,883.84			99.36
project (新世寶新建廠房 (二期)項目) The annual production of 1,200,000 automotive intelligent steering assembly technology	2,600.00		4,616,143.14			17.75
transformation project Other sundry projects	81,141.67	3,896,770.79	1,093,608.29 25,029,266.95	328,498.53 15,255,510.00		0.13
Total		43,970,877.69	156,220,717.40	143,693,227.68		

Project name	Construction progress (%)	Accumulated amount of capitalized interests	Amount of capitalized interests during the period	Interest rate of capitalized interests during the period (%)	Source of fund	Balance at the end of the period
The precious casting and processing of automotive components project	25.00				Internal fund, Bank loans, Proceeds	188,735.04
The increase of production of power	25.00				Internal fund, Bank	100,733.04
automotive steering gears project	100.00				loans, Proceeds	
Capacity expansion project of	100.00				100110, 1 1000000	
Hangzhou New Shibao	100.00				Internal fund	
The research and development,						
examination and inspection and						
trial production centre of automotive	400.00				Internal fund,	
steering gear system project	100.00				Proceeds	
The annual production of 2,100,000 automotive steering gear (EPS)						
components series industrialization					Internal fund.	
investment and development project	9.00				Proceeds	23,346,967.89
The Siping Steering complex plant and						.,,
R&D building project (四平機械綜合						
廠房及研發樓項目)	95.00				Internal fund	13,910,883.84
The New Shibao new plant (phase 2)	15.00				Internal fund	4,616,143.14
project (新世寶新建廠房(二期)項目) The annual production of 1,200,000	15.00				IIILEITIAI IUIIU	4,010,143.14
automotive intelligent steering assembly						
technology transformation project	0.10				Internal fund	765,109.76
Other sundry projects					Internal fund	13,670,527.74
Total						56,498,367.41

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

10. Intangible assets

(1) Breakdown

		Patented	Non-patented	Management	
Item	Land use right	technology	technology	software	Total
Cost					
Balance at the beginning of the period Increase during the period 1) Purchase	105,194,617.43	1,281,666.67	48,696,372.12	3,891,183.34 109,107.80 109,107.80	159,063,839.56 109,107.80 109,107.80
Decrease during the period 1) Disposal					
Balance at the end of the period	105,194,617.43	1,281,666.67	48,696,372.12	4,000,291.14	159,172,947.36
Accumulated amortization					
Balance at the beginning of the period	14,889,734.34	662,195.33	26,634,703.24	1,823,567.52	44,010,200.43
Increase during the period	2,133,586.56	128,167.65	6,579,147.77	639,506.06	9,480,408.04
1) Provision	2,133,586.56	128,167.65	6,579,147.77	639,506.06	9,480,408.04
Decrease during the period 1) Disposal					
Balance at the end of the period	17,023,320.90	790,362.98	33,213,851.01	2,463,073.58	53,490,608.47
Book value					
Book value at the end of the period	88,171,296.53	491,303.69	15,482,521.11	1,537,217.56	105,682,338.89
Book value at the beginning of the period	90,304,883.09	619,471.34	22,061,668.88	2,067,615.82	115,053,639.13

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

	Balance at	Balance at
	the end	the beginning
Item	of the period	of the period
Outside Hong Kong	88,171,296.53	90,304,883.09
including: interim lease	88,171,296.53	90,304,883.09
Sub-total	88,171,296.53	90,304,883.09

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

11. Goodwill

(1) Original carrying amount of goodwill

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

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

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

12. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets which are not offset

	Balance at the end of the period				Baland the beginning	
Item	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets		
Provision for impairment of assets Profits not realized from intra-group	7,892,593.35	1,471,157.09	4,266,400.86	849,874.60		
transactions Deductible loss Warranty expenses	4,110,225.77 2,401,218.70 8,392,696.73	735,589.39 600,304.67 1,431,095.26	2,496,335.83 13,874,588.36 6,918,388.47	512,073.52 3,468,647.09 1,168,867.96		
Total	22,796,734.55	4,238,146.41	27,555,713.52	5,999,463.17		

(2) Deferred income tax liabilities which are not offset

	Balance at the end of the period				
	Taxable Deferred		Taxable	Deferred income tax	
Item	temporary differences	income tax liabilities	temporary differences	liabilities	
Asset valuation surplus arising from business combination not under the					
common control (Note)	16,975,591.04	4,243,897.76	20,473,294.04	5,118,323.51	
Total	16,975,591.04	4,243,897.76	20,473,294.04	5,118,323.51	

(Note): There are taxable temporary differences arising from fair value adjustment on various identifiable assets and liabilities in acquiring Wuhu Sterling Steering System Co., Ltd through business combination not under the common control in stages during 2013. The balance as at the beginning of 2016 was RMB16,756,460.62. During the period, taxable temporary differences of the reversal of fair value amortization was RMB2,728,703.04. As at 31 December, 2016, the taxable temporary differences arising from such fair value adjustment amounted to RMB14,027,757.58.

In previous years, there were taxable temporary differences arising from fair value adjustment in various identifiable assets and liabilities in acquiring Beijing Autonics Technology Co., Ltd through business combination not under the common control. Its balance as at the beginning of 2016 was RMB3,716,833.42. During the period, taxable temporary differences of the reversal of fair value amortization was RMB768,999.96. As at 31 December, 2016, the taxable temporary differences arising from such fair value adjustment amounted to RMB2,947,833.46.

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (1) Notes to the Consolidated Balance Sheet (continued)
 - 12. Deferred income tax assets and deferred income tax liabilities (continued)
 - (3) Analysis of unrecognized deferred income tax assets

	Balance at	Balance at
	the end	the beginning
Item	of the period	of the period
Provision for decline in price of inventories	545,511.11	484,604.92
Deductible loss	63,873,204.86	65,007,150.18

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

Year	Balance at the end of the period	Balance at the beginning of the period	Note
2016		11,075,890.22	
2017	12,322,679.00	12,322,679.00	
2018	12,933,654.41	12,933,654.41	
2019	17,327,830.20	17,603,714.36	
2020	10,001,379.12	11,071,212.19	
2021	11,287,662.13		
Sub-total	63,873,204.86	65,007,150.18	

13. Other non-current assets

	Balance at the end	Balance at the beginning
Item	of the period	of the period
Prepaid for purchase of long term assets Deposit to fulfill the contract	18,279,238.79 6,620,000.00	65,052,282.41 6,620,000.00
Total	24,899,238.79	71,672,282.41

14. Short-term loans

	Balance at	Balance at
	the end	the beginning
Item	of the period	of the period
Guaranteed loans		25,000,000.00
Total		25,000,000.00

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

15. Notes payable

(1) Breakdown

	Balance at	Balance at
	the end	the beginning
Туре	of the period	of the period
Bank acceptance bills	118,716,837.78	74,239,657.73
Total	118,716,837.78	74,239,657.73

(2) There are no mature but unpaid bill payables at the end of the period.

16. Accounts payable

(1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Operating purchase payable Long-term assets purchase payable	312,433,650.97 27,800,382.26	216,433,367.24 17,393,749.14
Total	340,234,033.23	233,827,116.38

(2) Aging analysis

	Balance at the end	Balance at the beginning
Age	of the period	of the period
Within 1 year	324,139,724.56	222,179,512.69
1-2 years	9,851,904.70	7,403,569.58
2-3 years	2,747,397.62	2,433,777.15
Over 3 years	3,495,006.35	1,810,256.96
Total	340,234,033.23	233,827,116.38

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

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

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

17. Receipts in advance

(1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Receipts in advance from sales of goods	5,358,989.68	6,044,129.53
Total	5,358,989.68	6,044,129.53

(2) Aging analysis

	Balance at	Balance at
	the end	the beginning
Age	of the period	of the period
Within 1 year	4,605,227.70	4,870,200.70
1-2 years	753,761.98	1,173,928.83
Total	5,358,989.68	6,044,129.53

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

18. Staff costs payable

(1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Short-term remuneration	13,492,860.01	137,541,816.66	133,437,985.99	17,596,690.68
Post-employment benefits – established withdrawal and deposit plan	1,264,380.74	12,302,397.82	12,246,363.55	1,320,415.01
Sub-total	14,757,240.75	149,844,214.48	145,684,349.54	18,917,105.69

(2) Breakdown of short-term remuneration

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Salaries, bonus, allowances and subsidies	11,988,830.58	116,934,205.64	112,849,527.03	16,073,509.19
Staff welfare	2,022.50	10,144,129.36	10,146,151.86	
Social insurance	1,076,712.75	7,524,806.41	7,470,494.46	1,131,024.70
Including: Medical insurance	930,790.69	6,501,155.48	6,461,185.91	970,760.26
Work injury insurance	48,608.68	407,016.56	401,082.40	54,542.84
Maternity insurance	97,313.38	616,634.37	608,226.15	105,721.60
Housing funds		1,023,489.91	1,020,176.91	3,313.00
Labour union funds and employee				
education funds	425,294.18	1,915,185.34	1,951,635.73	388,843.79
Sub-total	13,492,860.01	137,541,816.66	133,437,985.99	17,596,690.68

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

18. Staff costs payable (continued)

(3) Breakdown of established withdrawal and deposit plan

Item	Balance at	Increase	Decrease	Balance at
	the beginning	during	during	the end
	of the period	the period	the period	of the period
Basic pension insurance Unemployment insurance	1,145,786.62	11,424,039.00	11,374,478.58	1,195,347.04
	118,594.12	878,358.82	871,884.97	125,067.97
Sub-total	1,264,380.74	12,302,397.82	12,246,363.55	1,320,415.01

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

19. Taxes payable

	Balance at the end	Balance at the beginning
Item	of the period	of the period
Value added tax	3,081,430.03	3,218,266.81
Business tax		8,276.05
Corporate income tax	6,795,400.05	2,653,558.49
Withhold of individual income tax	349,141.20	249,812.37
Urban maintenance and construction tax	347,861.52	343,246.63
Others	550,298.67	566,007.17
Total	11,124,131.47	7,039,167.52

20. Interests payable

Item	Balance at the end of the period	Balance at the beginning of the period
Interests payable for short-term loans Interest of long-term borrowings with periodic payments of interest and return of principal		34,931.51
at maturity	917,833.33	956,433.33
Total	917,833.33	991,364.84

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

21. Other payables

(1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Payable of temporary receipts Deposits Labour service company management fees Others	341,425.90 3,759,950.06 231,428.01 997,187.92	297,119.84 3,443,758.77 612,451.97 501,052.87
Total	5,329,991.89	4,854,383.45

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

22. Non-current liabilities due within one year

(1) Breakdown

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

(2) Long-term loans due within one year

Item	Balance at the end of the period	Balance at the beginning of the period
Other loans	— or the period	8,800,000.00
Sub-total		8,800,000.00

23. Other current liabilities

	Balance at the end	Balance at the beginning
Item	of the period	of the period
Deferred income-assets related government grants (Note) Accrued expenses	7,471,124.64 18,539,258.71	4,417,705.65 11,110,825.61
Total	26,010,383.35	15,528,531.26

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

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

24. Long-term borrowings

(1) Breakdown

Item	Balance at the end of the period	Balance at the beginning of the period
Special funds for treasury bonds Long-term loans	830,000.00 (Note 1) 8,800,000.00 (Note 2)	1,380,000.00
Total	9,630,000.00	1,380,000.00

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

(Note 2): These loans were provided by Jilin Tiedong Economic Development Zone Administrative Committee as non-interesting bearing funding facilities for our subsidiary Shibao Machinery Manufacturing Co., Ltd. to expand its production. The commission time of production expansion programme of Shibao Machinery Manufacturing Co., Ltd. had been extended to the end of 2018. The related borrowings were not due yet.

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

	Balance at the end	Balance at the beginning
Item	of the period	of the period
Current or within 1 year Over 1 year but within 2 years		300,000.00
Over 2 years but within 5 years Over 5 years	9,630,000.00	1,080,000.00
Total	9,630,000.00	1,380,000.00

25. Deferred income

(1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Reason
Government grants	25,761,023.76	23,890,000.00	9,260,175.77	40,390,847.99	
Total	25,761,023.76	23,890,000.00	9,260,175.77	40,390,847.99	

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

25. Deferred income (continued)

(2) Breakdown of government grants

Item	Balance at the beginning of the period	Addition of grants during the period	Amount included in non-operating income during the period	Other movement (Note)	Balance at the end of the period	Assets related/income related
Special funds for adjustment and improvement project for traditional industry bases including the						
Northeast area Subsidy funds for the precious casting and processing of	15,839,166.68			3,190,000.00	12,649,166.68	Assets related
automotive components project Special funds for establishment of a platform for public services	4,433,037.13			102,960.39	4,330,076.74	Assets related
provided in foreign trading Technical improvement project of production capacity increasing of	1,779,508.90			365,178.60	1,414,330.30	Assets related
350,000 units/sets of steering gear Heavy load hydraulic rack-and-pinion	3,141,280.00			649,920.00	2,491,360.00	Assets related
steering gear for high class market Subsidies for R&D equipment Technological improvement project for quality enhancement of	372,231.04 195,800.01			77,013.36 32,633.33	295,217.68 163,166.68	Assets related Assets related
rack-and-pinion steering gears Construction project for development service platform of automotive steering system parts		2,890,000.00	327,169.80	327,169.80	2,235,660.40	Assets related
and components		21,000,000.00	1,461,881.33	2,726,249.16	16,811,869.51	Assets related
Sub-total	25,761,023.76	23,890,000.00	1,789,051.13	7,471,124.64	40,390,847.99	
Including: transferred to other current liabilities	4,417,705.65				7,471,124.64	

(Note): These represent government grants in relation to the assets to be amortized during the period of their use in the next year, and were transferred to and stated under other current liabilities.

26. Share capital

(1) Breakdown

	Increase/-decrease during the period						
Item	Balance at the beginning of the period	Issuance of new shares	Bonus shares	Transfer from reserves	Others	Sub-total	Balance at the end of the period
Shares with selling restrictions Shares held by domestic							
legal person Shares held by domestic	124,040,418.00				-41,346,805.00	-41,346,805.00	82,693,613.00
natural person	7,917,474.00						7,917,474.00
Shares without selling restrictions							
A Shares	97,185,963.00				41,346,805.00	41,346,805.00	138,532,768.00
H Shares	86,714,000.00						86,714,000.00
Total	315,857,855.00						315,857,855.00

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

26. Share capital (continued)

(2) The release from the lock-up for the shares in issue prior to the initial public offering of A Shares

On 2 November 2012, the A Shares of the Company were initially public offered and listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange.

Pursuant to the commitment made in the announcement on listing, Zhejiang Shibao Holding Group Co., Ltd., a controlling shareholder of the Company, guaranteed that it would not transfer the shares of the Company held by it nor entrust other parties to manage the same, nor the shares would be acquired by the Company within 36 months since the listing date of public offering of the A Shares. Upon expiration of the aforesaid period, the Shares it would transfer each year shall not exceed 25% of the total number of Shares of the Company held by it. The number of Shares of the Company in issue prior to initial public offer of A Shares held by Zhejiang Shibao Holding Group Co., Ltd., (the number of A Shares released from the lock-up on 23 November 2016 was 41,346,805.00) accounts for 18.0440% of the total number for A Shares of the Company, representing 13.0903% of the total share capital of the Company.

27. Capital reserve

(1) Breakdown

	Balance at the beginning	Increase during	Decrease during	Balance at the end
Item	of the period	the period	the period	of the period
Share premium Other capital reserve	653,567,692.72 6,444,389.04		975,127.55	652,592,565.17
Total	660,012,081.76		975,127.55	659,036,954.21

(2) Other disclosure

Pursuant to an equity transfer contract entered between the Company and Shi Guobiao (施國標), who was an individual shareholder of Beijing Autonics Technology Co., Ltd, Shi Guobiao transferred 30% of equity interests held by him in Beijing Autonics Technology Co., Ltd to the Company at a consideration of RMB3,000,000. The difference between the consideration paid and the net asset of the subsidiary attributable from the date of acquisition and calculated on the newly acquired shareholding percentage was applied to adjust for capital reserve reduction of RMB975,127.55. The change of industry and commerce registration for the above equity transfer had been completed on 30 November 2016.

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

28. Surplus reserve

(1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Statutory reserve funds	125,531,891.62	5,228,161.57		130,760,053.19
Total	125,531,891.62	5,228,161.57		130,760,053.19

(2) Other description

According to the Articles of Association, 10% of the profit of the Company and its subsidiary Wuhu Sterling Steering System Co., Ltd appropriated to the statutory surplus reserve totaled 5,228,161.57.

29. Retained earnings

Item	Balance for the current period	Balance for the corresponding period last year
Retained earnings at end of last year before adjustment Total amount of adjustment (increase +, decrease -)	341,181,295.69	323,380,540.91
Retained earnings at the beginning of the year after adjustment Add: Net profit attributable to equity holders	341,181,295.69	323,380,540.91
of the Parent Less: Transfer to statutory reserve funds	63,487,549.38 5,228,161.57	53,540,843.43 4,154,303.15
Dividends payable	31,585,785.50	31,585,785.50
Retained earnings at the end of the period	367,854,898.00	341,181,295.69

For the year 2016 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement

1. Revenue/cost of sales

	Balance for the current period		Balance corresponding p	
Item	Revenue	Cost	Revenue	Cost
Revenue from main business Revenue from other business	1,123,616,241.32	873,075,222.60 5,544,686.58	830,146,184.07 7,573,141.77	616,527,267.36 4,090,193.40
Total	1,136,399,277.71	878,619,909.18	837,719,325.84	620,617,460.76

2. Business taxes and surcharges

Item	Balance for the current period	Balance for the corresponding period last year
Business tax	39,817.65	54,042.94
Urban maintenance and construction tax	2,828,280.81	2,738,202.21
Education surcharge	1,241,825.39	1,196,756.63
Local education surcharge	821,889.58	792,337.24
Stamp duty (note)	298,311.62	
Real estate tax (note)	1,121,567.53	
Urban land use tax (note)	1,328,771.20	
Vehicles and vessels use tax (note)	4,508.00	
Total	7,684,971.78	4,781,339.02

(Note): According to the "Provisions Concerning the Accounting Treatments on Value-Added Tax" (Cai Hui No.: [2016] 22) and "Interpretation of Issues Concerning Provisions Concerning the Accounting Treatments on Value-Added Tax" of the Ministry of Finance, the stamp duty, real estate tax, land use tax, and vehicles and vessels use tax arising from the period between May and December 2016 had been presented in "taxes and surcharges", while those arising for the period prior to May 2016 were presented in "general and administrative expenses".

3. Sales expenses

Item	Balance for the current period	Balance for the corresponding period last year
Transportation cost	23,661,769.21	17,887,196.70
Warranty fee	22,880,799.60	11,009,810.92
Wages, welfare and bonuses	9,419,313.62	8,104,810.10
Travelling expenses	3,509,917.37	3,555,489.77
Entertainment charge	4,506,823.03	3,987,017.96
Depreciation of fixed assets	464,574.09	463,909.84
Others	6,105,633.61	4,568,279.03
Total	70,548,830.53	49,576,514.32

For the year 2016 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

4. General and administration expenses

Item	Balance for the current period	Balance for the corresponding period last year
Wages, welfare and bonuses	37,057,449.32	31,839,633.87
Research and development expenses	41,416,415.87	37,068,550.73
Office cost	7,163,643.43	8,241,269.86
Professional service fee	6,088,467.49	11,256,874.62
Depreciation of fixed assets	4,018,378.08	4,328,068.73
Amortization of intangible assets	6,712,047.33	6,766,725.24
Other taxation (Note)	1,502,638.71	4,558,620.53
Travelling expenses	2,661,716.91	3,515,685.02
Entertainment charge	2,577,012.09	2,323,463.52
Others	5,458,871.17	2,389,740.22
Total	114,656,640.40	112,288,632.34

(Note): For details, please refer to note to the business taxes and surcharges item in these notes to financial statements.

The audit fee of 2016 was RMB680,000.00 (2015: RMB600,000.00).

5. Financial expenses

Item	Balance for the current period	Balance for the corresponding period last year
Interest expenses	615,268.47	6,117,635.77
Including: Bank loans, interests of other loans fully repayable within 5 years Bank loans, interests of other loans not fully repayable within 5 years	615,268.47	6,117,635.77
Interest income	-3,019,350.23	-3,606,114.71
Other	568,796.35	1,433,748.06
Including: Net exchange gains and losses	5,060.37	391,466.61
Total	-1,835,285.41	3,945,269.12

6. Assets impairment losses

		Balance for
	Balance for	the corresponding
Item	the current period	period last year
Bad debts losses	3,103,705.40	1,932,822.71
Provision for inventories losses	1,169,119.70	484,604.92
Total	4,272,825.10	2,417,427.63

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

7. Investment gains

Item	Balance for the current period	Balance for the corresponding period last year
Gains from bank short-term products	7,161,219.04	10,778,912.32
Total	7,161,219.04	10,778,912.32

8. Non-operating income

(1) Breakdown

Item	Balance for this period	Balance for the same period last year	Amount recognized as non-recurring gain and loss during the period
Total gains from disposal of non-current assets Including: gains from	1,113,328.44	201,806.20	1,113,328.44
disposal of fixed assets Government grants Others	1,113,328.44 10,514,414.10 783,188.93	201,806.20 6,984,980.72 223,353.40	1,113,328.44 10,514,414.10 783,188.93
Total	12,410,931.47	7,410,140.32	12,410,931.47

(2) Breakdown of government grants

Item	Balance for the current period	Balance for the corresponding period last year	Asset related/ revenue related	Description
Special funds for adjustment and improvement project for traditional industry bases including the Northeast Area	3,190,000.00	3,190,000.00	Asset related	Note 1
Construction project for development service platform of automotive steering system parts and components	1,461,881.33		Asset related	Note 2
Technical improvement project of production capacity increasing of 350,000 units/sets of steering gear	649,920.00	649,920.00	Asset related	Note 3
Technological improvement project for quality enhancement of rack-and-pinion steering gears	327,169.80		Asset related	Note 4
Special funds for establishment of a platform for public services provided in foreign trading	191,428.60	191,428.60	Asset related	Note 5
Special funds for establishment of a platform for public services provided in foreign trading	173,750.00	173,750.00	Asset related	Note 6

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (2) Notes to the Consolidated Income Statement (continued)
 - 8. Non-operating income (continued)
 - (2) Breakdown of government grants (continued)

	Balance for	Balance for the		
Item	the current period	corresponding period last year	Asset related/ revenue related	Description
Subsidy funds for the precious casting and processing of automotive components project	102,960.39	102,960.32	Asset related	Note 7
Heavy load hydraulic rack-and-pinion steering gear for high class market	77,013.36	77,013.36	Asset related	Note 8
Payment of subsidies of Provincial innovation policies	20,222.22	20,222.22	Asset related	Note 9
Subsidies for purchasing of equipment	12,411.11	12,411.11	Asset related	Note 10
Tax reduction	824,530.11	310,012.64	Revenue related	Note 11
Incentive funds in respect of land use tax of the Wuhu Economic and Technology Zone	792,000.00	815,000.00	Revenue related	Note 12
Incentive funds (subsidies) in respect of economic development policy of the Hangzhou Economic and Technology Zone	500,000.00		Revenue related	Note 13
Incentive funds (subsidies) in respect of economic development policy of the Hangzhou Economic and Technology Zone	395,500.00		Revenue related	Note 14
Incentive funds (subsidies) in respect of economic development policy of the Hangzhou Economic and Technology Zone		500,000.00	Revenue related	Note 15
Subsidiaries for projects such as Machine substitution for human labor of Hangzhou of Hangzhou industrial and technology organizing funds	380,000.00	380,000.00	Revenue related	Note 16

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (2) Notes to the Consolidated Income Statement (continued)
 - 8. Non-operating income *(continued)*
 - (2) Breakdown of government grants (continued)

	Balance for	Balance for the		
	the current	corresponding	Asset related/	
Item	period	period last year	revenue related	Description
Special Fund for Technological Innovation of Jilin Province	300,000.00		Revenue related	Note 17
Stable Employment Subsidy by Hangzhou Employment Service Bureau	229,551.18	183,617.44	Revenue related	Note 18
Granting of Subsidies for Various Categories of High Level Talented People of Development Zone 2015	200,000.00		Revenue related	Note 19
New/High Technology Enterprise Award granted by the Wuhu Economic and Technology Zone		200,000.00	Revenue related	Note 20
Stable Employment Subsidy to Unemployment Insurance Supporting Enterprises of Siping	140,400.00		Revenue related	Note 21
Employment Subsidy of Wuhu	118,392.00	32,042.00	Revenue related	Note 22
Incentive funds for enterprises technological innovation	109,000.00		Revenue related	Note 23
Subsidy Fund to the Development Zone's Hangzhou "115" Overseas Talents Recruitment Programme, 2nd Round of 2014	100,000.00		Revenue related	Note 24
Others	218,284.00	146,603.03	Revenue related	
Sub-total	10,514,414.10	6,984,980.72		

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

- 8. Non-operating income (continued)
 - (2) Breakdown of government grants (continued)
 - (Note 1) "Reply of the Office of NDRC on Investment Project for Adjustment and Improvement for Traditional Industry Bases Including the Northeast Area within National Budget in 2010" (《國家發展改革委辦公廳關於東北等老工業基地調整改造2010年中央預算內投資項目的復函》) (Fa Gai Ban Chan Ye (2010) No.2684) (發改辦產產業[2010] 2684號)
 - (Note 2) "Notice of Budget being Approved for Central Government Infrastructure Investment (2nd Batch of Urban and Old Industrial Zone Relocation and Upgrade) for 2015" (《關於下達2015年中央基建投資(城區老工業區搬遷改造第二批)預算的通知》) (Ji Cai Jian (2015) No.1038) (吉財建指[2015] 1038號) issued by Department of Finance of Jilin Province (吉林省財政廳)
 - (Note 3) "Notice of Granting of Supporting Fund of Industrial Pooling of Capital for Major Innovation Projects of Hangzhou in 2013" (《關於下達2013年杭州市工業統籌資金重大創新等項目資助資金的通知》) (Hang Cai Qi (2013) No.1550) (杭財企[2013] 1550號) issued by Hangzhou Municipal Bureau of Finance and Economy and Information Committee (杭州市財政局、杭州市經濟和信息化委員)
 - (Note 4) "Supporting Fund for Special Technological Upgrade and Internet-of-Things Projects in Manufacturing Sector on Provincial and Municipal Development Industrialization and Information Technology in 2015" (《2015年省市工業和信息化發展財政專項技術改造和工廠物聯網項目資助資金》) (Hang Jing Kai Jing (2015) No.353) (杭經開經[2015] 353號) issued by Bureau of Economic Development, Bureau of Finance of Hangzhou Economic and Technology Zone (杭州經濟技術開發區經濟發展局、財政局)
 - (Note 5) "Notice of Granting of Special Funds for Public Services Provided in Foreign Trading 2013" (《關於下達浙江省2013年度外貿公共服務平臺建設專項資金的通知》) (Hang Cai Qi (2014) No.648) (杭財企[2014] 648號) issued by Hangzhou Bureau of Finance and Hangzhou Foreign Trade and Economic Cooperation Bureau (杭州市財政局、杭州市對外貿易經濟合作局)
 - (Note 6) "Notice of Granting of Special Funds for Public Services Provided in Foreign Trading 2012" (《關於下達浙江省2012年度外貿公共服務平臺建設專項資金的通知》) (Hang Cai Qi (2013) No. 898) (杭財企 [2013] 898號) issued by Hangzhou Bureau of Finance and Hangzhou Foreign Trade and Economic Cooperation Bureau (杭州市財政局、杭州市對外貿易經濟合作局)
 - (Note 7) "Description of Subsidy Funds for the Precious Casting and Processing of Automotive Components Project" (《關於汽車零部件精密鑄件及加工建設項目補貼資金的説明》)
 - (Note 8) "Notice of Granting of Supporting Fund of Industrial Pooling of Capital for Major Innovation Projects of Hangzhou in 2013" (《關於下達2013年杭州市工業統籌資金重大創新等項目資助資金的通知》) (Hang Cai Qi (2013) No.1550) (杭財企[2013] 1550號) issued by Hangzhou Municipal Bureau of Finance and Economy and Information Committee.
 - (Note 9) "Notice of Granting of Special Fund Program (Incentives and Subsidies) on Building Innovative Province of Anhui Province 2014" (《關於下達2014年安徽省創新型省份建設專項資金計劃(獎補類)的通知》) (Ke Ji (2014) No.58) (科計[2014] 58號) issued by Anhui Province Department of Science and Technology (安徽省科技廳)
 - (Note 10) "Publicity of Acceptance of Industry Transform Projects and Investment of Individual Equipment Subsidies Projects" (《關於承接產業轉移項目和單台設備投資補助項目的公示》) issued by Wuhu Municipal economy and information technology department (蕪湖市經信委技術科)
 - (Note 11) Reply notice of special tax treatment of Development Zone Branch of District Tax Bureau, Hangzhou
 - (Note 12) "Notice of the Adjustment of 'Measures for Scope and Tax Standards in respect of Land Use Tax in Cities and Towns within Wuhu Economic and Technology Development Zone issued by Wuhu People's Government" (《蕪湖市人民政府關於調整經濟技術開發區城鎮土地使用稅等級範圍和稅額標準的通知》), "Notice of the Publication of 'Measures for Implementation of Incentive Fund Scheme in respect of Land Use Tax in Cities and Towns within Wuhu Economic and Technology Development Zone'" (《關於印發〈蕪湖經濟技術開發區城鎮土地使用稅獎勵實施辦法〉的通知》). "Guidelines on Incentive Scheme in respect of Land Use Tax in Jing Kai District in 2013"(《2013年經開區土地使用稅獎勵操作細則》)(Wu Zheng Mi 2013 No. 150) (蕪政秘[2013] 150號文) Kai Ban (2013) no. 201) (開辦[2013] 201號)

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

- Non-operating income (continued)
 - (2) Breakdown of government grants (continued)
 - (Note 13) "Notice of Granting of Supporting Fund to the Economic Development Policy Incentives in 2015" (《關於下達2015年度經濟發展政策獎勵(補助)資金的通知》) (Hang Jing Kai Guan Fa (2016) No.147) (杭經開管發[2016] 147號)issued by the Management Committee of Hangzhou Economic and Technology Zone (杭州經濟技術開發區管理委員會)
 - (Note 14) "Supporting Fund to the Economic Development Policy Incentives in 2015" (《2015年度經濟發展政策獎勵(補助)資金》) (Hang Jing Kai Guan Fa (2016) No.147) (杭經開管發[2016] 147號) issued by the Management Committee of Hangzhou Economic and Technology Zone (杭州經濟技術開發區管理委員會)
 - (Note 15) "Notice of Granting of Supporting Fund to the second batch of economic development strategy incentive in 2014" (關於下達2014年度第二批經濟發展政策獎勵(資助)資金的通知) (Hang Jing Kai Guan Fa (2015) No. 299) (杭經開管發[2015] 299號)
 - (Note 16) "Notice of Granting of Supporting Fund of Industrial Pooling of Capital for Machinery Replacement Projects of Hangzhou in 2014" (《關於下達2014年杭州市工業統籌資金機器換入等項目資助資金的 通知》
 - (Note 17) "Special Fund for Technological Innovation of Jilin Province" (《吉林省科技創新專項資金》(Ji Cai Jiao Zhi (2015) No.489) (吉財教指[2015] 489號) issued by Department of Finance of Jilin Province (吉林省財政廳)
 - (Note 18) Notice of Implementing Subsidy Tasks of Social Insurance for Entities Promoting Employment (關於 開展年度穩定就業單位社會保險補貼工作的通知) by Hangzhou Economic and Technology Zone (杭州經濟技術開發區)
 - (Note 19) "Granting of Subsidies for Various Categories of High Level Talented People of Development Zone 2015" (《2015年度開發區各類高層次人才資助》) (Hang Jing Kai Guan Bian Han (2016) No.43) (杭經開管便函[2016] 43號) by the Management Committee of Hangzhou Economic and Technology Zone (杭州經濟技術開發區管理委員會)
 - (Note 20) "Implementation Opinions of an Enhancement in the Promotion of a Continuous and Healthy Economic Development" (《關於促進經濟持續健康較快發展的實施意見》) (Wu Zheng (2013) No. 33) (蕪政[2013] 33號) issued by the People's Government of Wuhu City
 - (Note 21) "Notice of Publication of Measures on Stable Employment Subsidy to Unemployment Insurance Supporting Enterprises of Siping" (《關於印發四平市失業保險支持企業穩定崗位補貼辦法的通知》(Si Zheng Ban Fa (2015) No.79) (四政辦發[2015] 79號) issued by Siping People's Government (四平市人民政府)
 - (Note 22) "Notice of Wuhu People's Government on Issues Concerning the Application of Unemployment Fund to Support Development of Enterprises" (《蕪湖市人民政府關於使用失業保險基金扶持企業 發展有關問題的通知》) (Wu Zheng Ban Mi (2016) Doc No.63) (蕪政辦秘[2016] 63號文) issued by Wuhu Bureau of Human Resources and Social Security (蕪湖市人力資源和社會保障局)
 - (Note 23) "Notice of Publishing of Policies Related to Improvement of Enterprise Innovation by Wuhu Municipal Government" (《蕪湖市人民政府關於印發提升企業科技創新能力若干政策規定的通知》) (Wu Zheng (2013) No.75) (蕪政[2013] 75號) issued by Wuhu Municipal Government
 - (Note 24) "Subsidy Fund to the Development Zone's Hangzhou "115" Overseas Talents Recruitment Programme, 2nd Round of 2014" (《開發區2014年度第二批杭州市「115」引進國外智力計劃項目 資助資金》) (Hang Kai Jing Ren (2016) No.6) (杭經開人[2016] 6號) by Hangzhou Economic and Technology Zone Bureau of Human Resources and Social Security, Bureau of Finance (杭州經濟技術開發區人力資源和社會保障局、財政局)

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

9. Non-operating expenses

Item	Balance for the current period	Balance for the corresponding period last year	Amount recognized as non-recurring gain and loss during the period
Total losses from disposal of non-current assets Including: losses from disposal of fixed assets Local water conservancy	555,548.54 555,548.54	1,452,300.17 1,452,300.17	555,548.54 555,548.54
construction fund Others Total	791,083.57 84,228.08 1,430,860.19	908,400.38 49,177.78 2,409,878.33	84,228.08 639,776.62

10. Income tax expenses

(1) Breakdown

Item	Balance for the current period	Balance for the corresponding period last year
Current income tax calculated according to tax law and relevant provisions Adjustment of deferred income tax	13,714,217.59 886,891.01	10,118,669.78
Total	14,601,108.60	7,935,424.24

No provision for Hong Kong profits tax has been made (2015: Nil) as the Company and its subsidiaries had no profits generated in or arising from Hong Kong in 2016.

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

Item	Balance for the current period	Balance for the corresponding period last year
Total profit Income tax expenses calculated at legal/	80,592,676.45	59,871,856.96
applicable tax rate	20,148,169.11	14,967,964.24
Effects of different applicable tax rates on subsidiaries Effects of adjusting income tax of prior	-8,958,872.58	-5,634,948.05
periods	170,785.89	-74,388.41
Effects of non-taxable income Effects of including and excluding R&D	-823,240.08	-823,240.08
expenses Effects of non-deductible costs, expenses	-2,098,388.46	-1,640,738.68
and losses The effect of utilization of deductible loss arising from deferred income tax assets	4,163,395.29	444,933.05
not previously recognized The effect of deductible temporary difference arising from unrecognized deferred income tax assets or deductible loss of the subsidiary	-1,775,341.07	-1,060,735.71
suffering losses during the period	3,774,600.50	1,756,577.88
Income tax expenses	14,601,108.60	7,935,424.24

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Notes to the Consolidated Statement of Cash Flows

1. Cash received in relation to operating activities

Item	Balance for the current period	Balance for the corresponding period last year
Recovery of deposits including banker's aceptances Receipt of government grants which are	17,328,625.03	17,556,145.17
revenue related	4,307,657.29	2,257,262.47
Receipt of security deposit	1,300,000.00	3,522,200.00
Collection of current accounts	1,500,000.00	1,216,152.50
Interest income	3,019,350.23	3,606,114.71
Others	1,769,659.05	1,282,264.16
Total	29,225,291.60	29,440,139.01

2. Cash paid in relation to operating activities

Item	Balance for the current period	Balance for the corresponding period last year
Cash paid as selling expenses	51,380,057.15	32,067,775.67
Cash paid as general and administrative expenses	22,889,120.38	24,103,223.71
Payment of deposits including banker's acceptances	27,829,708.19	17,328,625.03
Payment of current accounts	3,225,240.00	
Payment of security deposits	1,383,756.91	
Others	1,139,575.48	1,232,420.82
Total	107,847,458.11	74,732,045.23

3. Cash received in relation to investing activities

Item	Balance for the current period	Balance for the corresponding period last year
Receipt of government grants which are asset related	23,890,000.00	
Total	23,890,000.00	

4. Cash paid in relation to investing activities

Item	Balance for the current period	the corresponding period last year
Payment of related expenditure for material assets restructuring		2,300,000.00
Total		2,300,000.00

5. Cash paid in relation to financing activities

Item	Balance for the current period	Balance for the corresponding period last year
Payment of equity transfer considerations to minority shareholders of subsidiaries Non-public issuance fees	3,000,000.00	280,000.00
Total	3,000,000.00	280,000.00

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (3) Notes to the Consolidated Statement of Cash Flows (continued)
 - Supplemental information on the statement of cash flows
 - (1) Supplemental information on the statement of cash flows

Supplemental information	Balance for the current period	Balance for the corresponding period last year
1) Net profit adjusted to cash flows in relation		
to operating activities: Net profit	65,991,567.85	51,936,432.72
Add: Provision for impairment to assets	4,272,825.10	2,417,427.63
Depreciation of fixed assets, oil and	50.054.000.00	FF 1F0 4F0 00
gas assets and production Amortization of intangible assets	58,051,820.09 9,480,408.04	55,150,450.96 9,669,215.60
Amortization of long-term deferred	, ,	
expenses		
Losses on disposal of fixed assets, intangible assets and other long-		
term assets	-557,779.90	1,250,493.97
Losses on write-off of fixed assets		
Losses on changes of fair value Finance expenses	620,328.84	6,503,022.38
Investment gains	-7,161,219.04	-10,778,912.32
Increase in deferred income tax assets	1 761 216 76	-1,308,819.79
Decrease in deferred income tax	1,761,316.76	-1,500,619.79
liabilities	-874,425.75	-874,425.75
Increase in inventories	6,232,771.80	-50,735,352.28
Increase in operational receivables Increase in operational payables	-190,578,999.33 144,782,427.37	-5,635,032.42 18,165,989.43
Others		<u> </u>
Net cash flows from operating activities	92,021,041.83	75,760,490.13
2) Significant investment and financing activities not related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year		
Fixed assets under financing lease		
3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Add: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning of the period	117,330,581.92 486,048,673.31	486,048,673.31 742,857,761.48
Net increase in cash and cash equivalents	-368,718,091.39	-256,809,088.17

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (3) Notes to the Consolidated Statement of Cash Flows (continued)
 - Supplemental information on the statement of cash flows *(continued)*
 - (2) Cash and cash equivalents

Item	Balance for the current period	Balance for the corresponding period last year
1) Cash	117,330,581.92	486,048,673.31
Including: Cash on hand	76,798.67	109,919.43
Bank deposit readily available Other monetary fund readily available Central bank deposit readily available Interbank deposit Interbank offer	117,253,783.25	485,938,753.88
2) Cash equivalents Including: Bond investment due in three months 3) Closing balance of cash and cash		
equivalents	117,330,581.92	486,048,673.31

(Note): The transferred endorsed bank acceptance bill which do not involve in cash receipt and payment during the period amounted to 524,285,718.45, among which, bills payable amounted to 469,636,723.88 and the payment for the purchase of long-term assets such as fixed assets amounted to 54,648,994.57.

Closing balance of cash and cash equivalents in the statement of cash flows for the year 2016 was RMB117,330,581.92 and closing balance of cash on hand and at bank in the balance sheet as at 31 December 2016 was RMB145,160,290.11. The difference of RMB27,829,708.19 was other monetary funds unqualified as cash and cash equivalents and having been deducted from the closing cash balance of the statement of cash flows.

Closing balance of cash and cash equivalents in the statement of cash flows for the year 2015 was RMB486,048,673.31 and closing balance of cash on hand and at bank in the balance sheet as at 31 December 2015 was RMB503,377,298.34. The difference of RMB17,328,625.03 was other monetary funds unqualified as cash and cash equivalents and having been deducted from the closing cash balance of the statement of cash flows.

(4) Others

1. Assets with restrictions in ownership or use rights

Item	Carrying amount at the end of the period	Reason for restriction
Monetary funds	27,829,708.19	Security deposits
Bills receivable	54,087,876.87	Pledge
Fixed assets	4,929,560.14	Charge
Intangible assets	3,280,044.38	Charge
Total	90,127,189.58	

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Others (continued)

2. Monetary items in foreign currencies

Item	Foreign currency balance at the end of the period	Exchange rate	Balance translated into RMB at the end of the period
Monetary funds			89,509.86
Including: US Dollar	5,772.31	6.9370	40,042.51
Euro	4,205.81	7.3068	30,731.01
HKD	20,945.93	0.89451	18,736.34
Trade receivables			395,681.34
Including: Euro	54,152.48	7.3068	395,681.34

3. Interest expenses

		Corresponding period of the
Item	During the period	previous year
Interest expenses	615,268.47	6,117,635.77
Including: Bank loans, interests of other loans		
fully repayable within 5 years	615,268.47	6,117,635.77
Interests of other loans not fully		
repayable within 5 years		
Less: Capitalized interests		
Finance cost – interest expenses	615,268.47	6,117,635.77

During 2015 and 2016, there was no interest capitalization.

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6. OWNER'S EQUITY IN OTHER ENTITIES

(1) Owner's equity in significant subsidiaries

1. Particulars of significant subsidiaries

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

2. Significant non-wholly owned subsidiaries

Name of subsidiary	Percentage of shareholding of minority shareholders	Profit/loss contributed to minority shareholders of the current period	Declared dividends distribution to minority shareholders of the current period	Balance of minority shareholders' equity at the end of the period
Hangzhou New Shibao Electric Power				
Steering Co., Ltd.	30.00	869,962.95		969,348.54
Steering Co., Ltd.	00.00	000,002.00		000,040.04

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

(1) Assets and liabilities

	As at the end of the period					
Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou New Shibao Electric Power Steering Co., Ltd. Wuhu Sterling Steering System	214,244,124.35	58,031,179.20	272,275,303.55	267,629,811.43	1,414,330.30	269,044,141.73
Co., Ltd.	120,577,838.70	63,615,239.32	184,193,078.02	134,480,705.63	3,670,106.07	138,150,811.70

	As at the beginning of the period					
Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou New Shibao Electric Power Steering Co., Ltd. Wuhu Sterling Steering System	92,662,906.95	57,589,236.70	150,252,143.65	148,141,349.44	1,779,508.90	149,920,858.34
Co., Ltd.	112,805,152.16	61,169,214.26	173,974,366.42	128,215,876.36	4,384,915.16	132,600,791.52

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

- (1) Owner's equity in significant subsidiaries (continued)
 - 3. Major financial information of significant non-wholly owned subsidiaries (continued)
 - (2) Profit/loss and cash flows

	Balance for the current period					
Name of subsidiary	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities		
Hangzhou New Shibao Electric Power Steering Co., Ltd. Wuhu Sterling Steering System	223,110,942.89	2,899,876.51	2,899,876.51	-12,560,373.56		
Co., Ltd.	144,326,890.40	4,668,691.42	4,668,691.42	8,576,690.78		

	Balance for the corresponding period last year					
Name of substitute	D	Not and Gt	Total comprehensive	Cash flows from operating		
Name of subsidiary	Revenue	Net profit	income	activities		
Hangzhou New Shibao Electric Power Steering Co., Ltd. Wuhu Sterling Steering System	77,992,602.07	-9,686,932.36	-9,686,932.36	557,641.18		
Co., Ltd.	118,864,181.95	1,246,122.48	1,246,122.48	20,776,416.01		

(2) Transaction involving change in share of owners' equity in subsidiary but without losing control over it

1. Description of the change in share of owners' equity in subsidiary

Name of subsidiary	Time of the change	Shareholding % before change	Shareholding % after change
Beijing Autonics Technology Co., Ltd	30 November 2016	70%	100%

2. Effect of transaction on minority interests and equity attributable to owners of the parent company

Items	Beijing Autonics Technology Co., Ltd
Purchase cost	
Cash	3,000,000.00
Fair value of non-cash assets	
Purchase cost in total	3,000,000.00
Less: share of net asset of the subsidiary calculated on the shareholding	
percentage acquired	2,024,872.45
Difference	975,127.55
In which: adjustment to capital reserve	975,127.55

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(1) Details of financial instruments

Item	Balance at the end of the period	Balance at the beginning of the period
Financial assets	712,968,559.97	924,950,976.54
Including: Cash on hand and at bank	145,160,290.11	503,377,298.34
Notes receivable	162,714,933.93	92,274,842.99
Accounts receivable	398,849,055.72	326,067,978.19
Other receivables	6,244,280.21	3,230,857.02
Financial liabilities	493,745,801.92	363,849,763.15
Including: Bank borrowings	9,630,000.00	35,180,000.00
Notes payable	118,716,837.78	74,239,657.73
Accounts payable	340,234,033.23	233,827,116.38
Employee benefits payable	18,917,105.69	14,757,240.75
Interests payable	917,833.33	991,364.84
Other payables	5,329,991.89	4,854,383.45

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

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

(2) Credit risk

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

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

Since the Company trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. As at 31 December 2016, the Group had specific concentration of credit risk as 31.81% (31 December 2015: 43.52%) of the Company's accounts receivable were due from the five largest customers. The Group does not hold any collateral or other credit enhancements over the balance of receivables.

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(2) Credit risk (continued)

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

	Balance at the end of the period						
	Neither past due	Past	due but not impaired	1			
Item	nor impaired	Within 1 year	1-2 years	Over 2 years	Total		
Cash on hand and at							
bank	145,160,290.11				145,160,290.11		
Notes receivable	162,714,933.93				162,714,933.93		
Accounts receivable	396,577,811.46	1,678,355.69	291,061.94	301,826.63	398,849,055.72		
Other receivables	6,244,280.21				6,244,280.21		
Total	710,697,315.71	1,678,355.69	291,061.94	301,826.63	712,968,559.97		

	Balance at the beginning the period						
	Neither past due	Neither past due Past due but not impaired					
Item	nor impaired	Within 1 year	1-2 years	Over 2 years	Total		
Cash on hand and at							
bank	503,377,298.34				503,377,298.34		
Notes receivable	92,274,842.99				92,274,842.99		
Accounts receivable	317,909,089.92	6,099,459.20	1,609,513.43	449,915.64	326,067,978.19		
Other receivables	3,230,857.02				3,230,857.02		
Total	916,792,088.27	6,099,459.20	1,609,513.43	449,915.64	924,950,976.54		

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(3) Liquidity risk

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

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

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

1. Classification of financial assets based on the remaining maturity

		Contractual	e at the end of the p	eriod	
Item	Carrying value	undiscounted amount	Within 1 year	1-3 years	Over 3 years
Cash on hand and at bank	145,160,290.11	145,160,290.11	145,160,290.11		
Notes receivable	162,714,933.93	162,714,933.93	162,714,933.93		
Accounts receivable	398,849,055.72	398,849,055.72	398,849,055.72		
Other receivables	6,244,280.21	6,244,280.21	6,244,280.21		
Total	712,968,559.97	712,968,559.97	712,968,559.97		

	Balance at the beginning of the period					
		Contractual undiscounted				
Item	Carrying value	amount	Within 1 year	1-3 years	Over 3 years	
Cash on hand and at bank	503,377,298.34	503,377,298.34	503,377,298.34			
Notes receivable	92,274,842.99	92,274,842.99	92,274,842.99			
Accounts receivable	326,067,978.19	326,067,978.19	326,067,978.19			
Other receivables	3,230,857.02	3,230,857.02	3,230,857.02			
Total	924,950,976.54	924,950,976.54	924,950,976.54			

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

2. Classification of financial liabilities based on the remaining maturity

	Balance at the end of the period						
		Contractual undiscounted					
Item	Carrying value	amount	Within 1 year	1-3 years	Over 3 years		
Bank and other borrowings	9,630,000.00	9,796,000.00			9,796,000.00		
Notes payable	118,716,837.78	118,716,837.78	118,716,837.78				
Accounts payable	340,234,033.23	340,234,033.23	340,234,033.23				
Employee benefits payable	18,917,105.69	18,917,105.69	18,917,105.69				
Interest payable	917,833.33	917,833.33	917,833.33				
Other payables	5,329,991.89	5,329,991.89	5,329,991.89				
Total	493,745,801.92	493,911,801.92	484,115,801.92		9,796,000.00		

	Balance at the beginning of the period						
	Contractual						
		undiscounted					
Item	Carrying value	amount	Within 1 year	1-3 years	Over 3 years		
Bank and other borrowings	35,180,000.00	35,588,958.33	34,238,958.33		1,350,000.00		
Notes payable	74,239,657.73	74,239,657.73	74,239,657.73				
Accounts payable	233,827,116.38	233,827,116.38	233,827,116.38				
Employee benefits payable	14,757,240.75	14,757,240.75	14,757,240.75				
Interest payable	991,364.84	991,364.84	991,364.84				
Other payables	4,854,383.45	4,854,383.45	4,854,383.45				
Total	363,849,763.15	364,258,721.48	362,908,721.48		1,350,000.00		

(4) Market risk

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

1. Interest rate risk

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

As at 31 December 2016, the bank borrowings of the Company with floating interest rates were RMB0.00 (31 December 2015: RMB0.00), and a reasonable and possible 50% base point change in interest rates, with all other variables held constant, will not have any significant impact on total profit and shareholders' equity of the Company.

2. Foreign exchange risk

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

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(5) Capital risk management

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

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

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. As at 31 December 2016, the Company's gearing ratio was -7.77% (2015: -44.57%). The calculation is described as follow:

Item	Balance at the end of the period	Balance at the beginning of the period
Total borrowings	9,630,000.00	35,180,000.00
Less: Cash and cash equivalents	117,330,581.92	486,048,673.31
Net debt	-107,700,581.92	-450,868,673.31
Equity	1,493,867,507.30	1,462,461,724.95
Total capital	1,386,166,925.38	1,011,593,051.64
Gearing ratio	-7.77%	-44.57%

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Related parties

Parent company

(1) Parent company

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

Name of parent company	Place of registration			Shareholding % in the Company	Voting % in the Company
Shibao Holding	Zhejiang Yiwu	Industrial investment	5,000.00	44.01	44.01

On 29 June 2016, all bondholders of the 2015 Convertible Bonds of Zhejiang Shibao Holding Group Co., Ltd. ("Shibao Holding") exercised their conversion rights to convert their bonds in the amount of RMB400 million into 15,384,611 A Shares of Zhejiang Shibao. Upon the said conversion exercise, Shibao Holding's shareholding in Zhejiang Shibao had been reduced by 15,384,611 shares, reducing from 165,387,223 shares to 150,002,612 Shares, in terms of percentage in total share capital, its shareholding interest decreased from 52.36% to 47.49%.

On 29 November 2016, Shibao Holding had, via the block trade facility of Shenzhen Stock Exchange, reduced its shareholding in us by off-loading 11,000,000 A Shares of the Company, which were not subject to selling restriction, representing 3.48% of the total share capital of the Company.

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8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(1) Related parties (continued)

1. Parent company (continued)

(1) Parent company (continued)

On 28 September 2016, Shibao Holding, pledged 5,000,000 shares of A Share out of the shares of the Company held by it (representing 1.58% of the total share capital of the Company), together with the entitlements of such shares (including bonus shares and converted shares) to Caitong Securities Co., Ltd. for the holder of 2016 exchangeable private bonds of Shibao Holding (the "Exchangeable Bonds") to exchange shares and to provide additional guarantee for the payment of principal and interests of the exchangeable bonds. The registration procedure for the above pledge of shares has been completed with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch and the term for pledge started from 28 September 2016 till the date when Shibao Holding completes the registration procedure for the release of pledge with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch.

As at the date of the approval of this financial report, Shibao Holding holds 139,002,612 shares of A Share of the Company, and the number of pledged shares is 5,000,000 shares of A Share, representing 3.60% of shares of the Company held by it.

- (2) The ultimate shareholder of the Company is Mr. Zhang Shi Quan and his family members Mr. Zhang Bao Yi, Mr. Tang Hao Han, Ms. Zhang Lan Jun and Mr. Zhang Shi Zhong.
- 2. Details of the Company's subsidiaries are set out in the notes to the financial statements provided for owner's equity in other entities.

(2) Related parties transactions

1. Guarantee with related parties

The Company and its subsidiaries as the secured parties

Guarantor	Guaranteed amount (RMB0,000)	Commencement date of the guarantee	Expiry date of the guarantee	Guarantee fully fulfilled	Remarks
Shibao Holding	5,084.70	2016.10.24 -	2017.04.24 -	No	Banker's
		2016.12.28	2017.06.28		acceptance
Shibao Holding	40.92	2016.04.29	2016.12.31	No	Letter of credit

(3) Receivable and payable with related parties

Item	Related party	Balance at the end of the period	Balance at the beginning of the period
Notes payable	Zhejiang Shibao (Note)		10,280,000.00
	Hangzhou Shibao (Note)	9,626,048.97	4,885,519.25
	Jilin Shibao (Note)	3,250,000.00	1,800,000.00
	Hangzhou New Shibao (Note)	170,000.00	1,790,000.00
	Beijing Autonics (Note)	7,821,485.08	3,073,997.60
Total		20,867,534.05	21,829,516.85

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

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8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(4) Remuneration/fee of key management

1. Breakdown

Item	Balance for the current period	Balance for the corresponding period last year
Directors and Supervisors Other key management	3,042,740.53 922,441.01	2,999,485.38 797,042.44
Total	3,965,181.54	3,796,527.82

2. Independent non-executive Directors

Director's fee paid to independent non-executive Directors are as follows:

Name	Balance for the current period	Balance for the corresponding period last year
Shum Shing Kei	127,275.12	53,031.30
Guo Kong Hui	60,000.12	65,000.12
Zhang Hong Zhi	30,000.00	30,000.00
Chau Kam Wing, Donald		84,553.10
Zhao Chun Zhi		20,000.00
Total	217,275.24	252,584.52

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

	Balance for the current period			Balance for the corresponding period last year		
	Salaries, bonus,	Pension and		Salaries, bonus,	Pension and	
	allowances	other social		allowances	other social	
Name	and subsidies	insurance	Total	and subsidies	insurance	Total
Zhang Shi Quan	600,000.00		600,000.00	582,999.99		582,999.99
Tang Hao Han	500,000.04	43,288.84	543,288.88	475,000.07	20,316.24	495,316.31
Zhang Bao Yi	500,000.04	43,288.84	543,288.88	483,000.04	20,316.24	503,316.28
Zhu Jie Rong	70,000.11		70,000.11	195,000.00		195,000.00
Zhang Lan Jun	399,999.96	43,288.84	443,288.80	385,166.64	20,316.24	405,482.88
Zhang Shi Zhong	249,996.00	27,426.74	277,422.74	208,490.00	12,625.20	221,115.20
Lou Run Zheng				12,500.00		12,500.00
Total	2,319,996.15	157,293.26	2,477,289.41	2,342,156.74	73,573.92	2,415,730.66

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8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

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

4. Supervisors

	Balance for the current period			Balance for the	ne corresponding per	riod last year
	Salaries, bonus,	Pension and		Salaries, bonus,	Pension and	
	allowances	other		allowances	other	
Name	and subsidies	social insurance	Total	and subsidies	social insurance	Total
Wu Lang Ping	138,043.88	30,132.00	168,175.88	132,780.88	14,389.32	147,170.20
Du Min	96,000.00		96,000.00	96,000.00		96,000.00
Shen Song Sheng	36,000.00		36,000.00	36,000.00		36,000.00
Yang Di Shan	24,000.00		24,000.00	26,000.00		26,000.00
Wang Kui Quan				16,000.00		16,000.00
Feng Yan	24,000.00		24,000.00	10,000.00		10,000.00
Total	318,043.88	30,132.00	348,175.88	316,780.88	14,389.32	331,170.20

5. Remuneration of five highest paid employees

During the year, the five highest paid employees include four (2015: four) Directors and details of their remunerations are set out in note 8.(4)3 to the financial statements. The remuneration of the remaining one (2015: one) employee who is not a director is as follows:

Item	Balance for the current period	Balance for the corresponding period last year
Salaries, allowances and non-cash benefits contribution to pension scheme	491,152.21	400,482.87
Total	491,152.21	400,482.87

9. COMMITMENTS

(1) Lease arrangement

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

	Balance at	Balance at
	the end	the beginning
Item	of the period	of the period
Within 1 year		79,128.98
Total		79,128.98

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9. COMMITMENTS (continued)

(2) Major commitments

Item	Balance at the end of the period	Balance at the beginning of the period
Material contracts in relation to acquisition of assets contracted but not recognized	47,345,192.19	46,521,922.08

During the current period, the subsidiary Hangzhou Shibao issued letter of credit at Citic Bank Hangzhou Economic and Technological Development Area Branch. As at 31 December 2016, amount of unsettled letter of credit was EURO56,000 and Japanese Yen19,560,000.

10. EVENTS AFTER THE BALANCE SHEET DATE

(1) Distribution of profit for 2016

Pursuant to the profit distribution proposal passed at the 21st meeting of the fifth session of the Board of the Company held on 24 March 2017, based on the total share capital of 315,857,855 shares, a cash dividend of RMB1.00 (before tax) per 10 shares held will be distributed to all shareholders. In addition, 15 shares will be transferred to all shareholders for every 10 shares held out of the capital reserve fund. The aforementioned profit distribution proposal is subject to approval at an annual general meeting.

11. OTHER IMPORTANT MATTERS

(1) Segmented Reporting

Operating segment

As the operations and assets of both the Company and its subsidiaries are related to automotive steering system and components and are mainly located in Mainland China where 86.17% of the revenue was generated from domestic sales, no detailed segment information is required to be disclosed.

2 Information about major customers

(1) Information on customers from whom the revenue individually accounted for 10% or more of the total revenue of the Company in 2016 is as follows:

		Proportion to
Name of customer	Revenue	total revenue of the Company(%)
SAZEH GOSTAR SAIPA CO.	157,185,830.00	13.83

(2) Information on customers from whom the revenue individually accounted for 10% or more of the total revenue of the Company in 2015 is as follows:

		Proportion to total revenue of
Name of customer	Revenue	the Company(%)
FAW Car Co., Ltd. (一汽轎車股份有限公司)	130,372,074.13	15.56
SAZEH GOSTAR SAIPA CO.	100,207,800.00	11.96
Anhui Jianghuai Automobile Co., Ltd.		
(安徽江淮汽車股份有限公司)	91,180,285.27	10.88
DongFeng Liuzhou Motor Co., Ltd.		
(東風柳州汽車有限公司)	85,367,208.29	10.19

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11. OTHER IMPORTANT MATTERS (continued)

(2) Other financial information

	Balaı	nce at	Balar	nce at
	the end of	the end of the period		of the period
Item	Consolidated	Consolidated The Parent		The Parent
Net current assets	753,017,937.85	536, 175,810.12	801,511,224.83	539,084,070.10
Total assets less current liabilities	1,548,132,253.05	1,095,285,587.37	1,494,721,072.22	1,080,913,415.44

(3) As at the date of the approval of this financial report, both the Company and its subsidiaries have not completed the procedures for the settlement of the Enterprise Income Tax for 2016.

12. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

- (1) Notes to the Balance Sheet of the Parent Company
 - 1. Accounts receivable
 - (1) Breakdown
 - 1) Breakdown by types

	Balance at the end of the period				
	Carrying am	ount	Provision for ba	ad debts	
Types	Amount	%	Amount	%	Book value
Individually significant amount with bad debt provision on individual basis Individually insignificant but significant	70,012,874.40	99.58			70,012,874.40
based on credit risk characteristics Individually insignificant amount with bad debt provision on individual basis	292,979.00	0.42	292,979.00	100.00	
Total	70,305,853.40	100.00	292,979.00	0.42	70,012,874.40

	Balance at the beginning of the period				
	Carrying ar	mount	Provision for ba	nd debts	
Types	Amount	%	Amount	%	Book value
Individually significant amount with bad debt provision on individual basis Individually insignificant but significant based on credit risk characteristics Individually insignificant amount with bad	72,434,226.02 292,979.00	99.60 0.40	292,979.00	100.00	72,434,226.02
debt provision on individual basis					
Total	72,727,205.02	100.00	292,979.00	0.40	72,434,226.02

2) Aging analysis

	Baland	Balance at the end of the period		Balance at the beginning of the period		period
	Carrying	amount	Provision for	Carrying	amount	Provision for
Age	Amount	Proportion (%)	bad debts	Amount	Proportion (%)	bad debts
Within 1 year	28,616,682.26	40.70		41,062,465.85	56.46	
1–2 years	41,396,192.14	58.88		31,371,760.17	43.14	
2-3 years						
Over 3 years	292,979.00	0.42	292,979.00	292,979.00	0.40	292,979.00
Sub-total	70,305,853.40	100.00	292,979.00	72,727,205.02	100.00	292,979.00
Over 3 years		·				

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

- (1) Notes to the Balance Sheet of the Parent Company (continued)
 - 1. Accounts receivable (continued)
 - (1) Breakdown (continued)
 - 3) Individually significant amount with bad debt provision on individual basis

Description	Carrying amount	Provision for bad debt	Provision (%)	Reason for provision
Receivables of sales payment from Wuhu Sterling	70,012,874.40			Individual impairment test showed no risk was expected of balance recover
Sub-total	70,012,874.40			

4) Provision for bad debt by groups

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

- (2) There are no bad debts provision made, recovered or reversed during the period.
- (3) There are no receivables from products actually sold during the period.
- (4) The five largest accounts receivable

Name	Carrying amount	Percentage of total accounts receivable (%)	Provision for bad debts
Wuhu Sterling (蕪湖世特瑞轉向系統有限公司)	70,012,874.40	99.58	
Ganzhou Jiang Huan Automobile			
Manufacturing Co., Ltd.			
(贛州江環汽車製造有限公司)	125,000.00	0.18	125,000.00
Hubei San Huan Special Vehicle Co., Ltd.			
(湖北三環專用汽車有限公司)	43,400.00	0.06	43,400.00
Dongfeng Motor Transmission Shaft Co., Ltd.			
Shiyan Sub- company			
(東風汽車傳動軸有限公司十堰分公司)	36,000.00	0.05	36,000.00
Luoyang Biao Ma Vehicle Co., Ltd.			
(洛陽彪馬車輛有限公司)	32,770.00	0.05	32,770.00
Sub-total	70,250,044.40	99.92	237,170.00

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

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

2. Other receivables

(1) Breakdown

1) Breakdown by types

	Balance at the end of the period				
	Carrying am	ount	Provision for bad	debts	
Types	Amount	%	Amount	%	Book value
Individually significant amount with bad debt provision on individual basis Individually insignificant but significant	316,253,272.25	99.88			316,253,272.25
based on credit risk characteristics Individually insignificant amount with bad debt	259,093.02	0.08			259,093.02
provision on individual basis	129,181.66	0.04			129,181.66
Total	316,641,546.93	100.00			316,641,546.93

	Balance at the beginning of the period				
	Carrying amo	ount	Provision for bad d	lebts	
Types	Amount	%	Amount	%	Book value
Individually significant amount with bad debt					
provision on individual basis	306,908,110.49	99.88			306,908,110.49
Individually insignificant but significant					
based on credit risk characteristics	251,563.42	0.08			251,563.42
Individually insignificant amount with bad debt					
provision on individual basis	135,670.79	0.04			135,670.79
Total	307,295,344.70	100.00			307,295,344.70

2) Aging analysis

	Baland	Balance at the end of the period			Balance at the beginning of the period			
	Carrying	amount	Provision for	Carrying amount		Provision for		
Age	Amount	Proportion (%)	bad debts	Amount	Proportion (%)	bad debts		
Within 1 year	103,233,599.47	32.60		103,028,355.77	33.53			
1-2 years	62,130,958.53	19.62		54,823,000.60	17.84			
2-3 years	47,823,000.60	15.10		51,899,483.91	16.89			
Over 3 years	103,453,988.33	32.68		97,544,504.42	31.74			
Sub-total	316,641,546.93	100.00		307,295,344.70	100.00			

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

- (1) Notes to the Balance Sheet of the Parent Company (continued)
 - 2. Other receivables (continued)
 - (1) Breakdown (continued)
 - 3) Individually significant amount with bad debt provision on individual basis

		Provision for		
Description	Carrying amount	bad debt	Provision(%)	Reason for provision
Receivables of sales				Individual impairment
payment from Jilin				test showed no risk
Shibao and others				was expected of
	316,253,272.25			balance recover
Sub-total	316,253,272.25			

4) Provision for bad debt by groups

Group	Carrying amount	Provision (%)	Provision for bad debts
Individually insignificant but significant based on credit risk characteristics	259,093.02		
Sub-total	259,093.02		

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

		Provision for		
Description	Carrying amount	bad debt	Provision(%)	Reason for provision
Other receivables of				Individual impairment
individual imprest and				test showed no risk
others				was expected of
	129,181.66			balance recover
Sub-total	129,181.66			

- (2) There are no bad debts provision made, recovered or reversed during the period.
- (3) There were no other receivables practically written-off for the current period.
- (4) Classification by nature of other receivables

	Balance at the end	Balance at the beginning
Nature of the receivables	of the period	of the period
Current accounts	316,253,272.25	306,908,110.49
Security deposits	217,059.00	197,059.00
Imprest	74,809.22	91,925.31
Others	96,406.46	98,249.90
Sub-total	316,641,546.93	307,295,344.70

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

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

2. Other receivables (continued)

(5) The five largest other receivables

Name	Nature of the receivables	Carrying amount	Age	Percentage to the balance of other receivables (%)	Provision for bad debts
	Current				
Jilin Shibao	account	114,290,000.00	Within 1 year, 1-2 years	36.09	
	Current		Within 1 year, 1-2 years,		
Hangzhou New Shibao	account	84,061,954.68	Over 3 years	26.55	
			Within 1 year,		
	Current		1-2 years, 2-3 years,		
Beijing Autonics	account	79,900,000.00	Over 3 years	25.23	
			Within 1 year, 1-2 years,		
	Current		2-3 years,		
Siping Steering	account	26,596,144.64	Over 3 years	8.40	
	Current				
Hangzhou Shibao	account	11,405,172.93	Within 1 year	3.60	
Sub-total		316,253,272.25		99.87	

3. Long-term equity investments

(1) Breakdown

	Balance at the end of the period Provision for			Balance at the beginning of the period Provision for		
Item	Carrying amount	impairment	Book value	Carrying amount	impairment	Book value
Investments in subsidiaries	185,159,214.87		185,159,214.87	182,159,214.87		182,159,214.87
Total	185,159,214.87		185,159,214.87	182,159,214.87		182,159,214.87

(2) Investment in subsidiaries

Investees	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Provision for impairment during the period	Provision for impairment at the end of the period
Hangzhou Shibao	70,461,807.49			70,461,807.49		
Hangzhou New Shibao	42,000,000.00			42,000,000.00		
Siping Steering	13,250,000.00			13,250,000.00		
Jilin Shibao	30,000,000.00			30,000,000.00		
Beijing Autonics	7,000,000.00	3,000,000.00		10,000,000.00		
Wuhu Sterling	19,447,407.38			19,447,407.38		
Sub-total	182,159,214.87	3,000,000.00		185,159,214.87		

(3) Investment in non-public listed companies and public listed companies

	Balance at	Balance at
	the end	the beginning
Item	of the period	of the period
Investment in non-public listed companies	185,159,214.87	182,159,214.87
Total	185,159,214.87	182,159,214.87

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

(2) Notes to the Income Statement of the Parent Company

1. Revenue/cost of sales

		Balance for the corresponding			
	Balance for the	current period	period last year		
Item	Revenue	Cost	Revenue	Cost	
Revenue from main business Revenue from other business	43,829,423.05 408,346.70	31,691,070.03 267,134.57	48,162,296.04 403,891.82	31,874,661.20 290,596.82	
Total	44,237,769.75	31,958,204.60	48,566,187.86	32,165,258.02	

2. Investment gains

(1) Breakdown

Item	Balance for the current period	Balance for the corresponding period last year
Investment gains from long-term equity investments under cost method of		
accounting Gains from short-term bank wealth	40,000,000.00	30,000,000.00
management products	3,444,054.81	6,911,657.53
Total	43,444,054.81	36,911,657.53

(2) Investment gains from long-term equity investments under cost method of accounting

Investee	Balance for the	Balance for the corresponding period last year	Reasons of increase/decrease as compared with the previous period
IIIVESTEE	current periou	репоставт уеаг	Increase of dividends
Hangzhou Shibao	40,000,000.00	30,000,000.00	distribution of the investee
Sub-total	40,000,000.00	30,000,000.00	

(3) Description of investment gains from non-public listed companies and public listed companies

Item	Balance for the current period	Balance for the corresponding period last year
Investment gains from non-public listed companies	40,000,000.00	30,000,000.00
Sub-total	40,000,000.00	30,000,000.00

(4) There was no major restriction on the remittance of investment gains by the Company.

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

(3) Supplemental information on the statement of cash flows of the Parent Company

1) Net profit adjusted to cash flows in relation to operating activities: Net profit Add: Provision for impairment to assets Depreciation of fixed assets, oil and gas assets and production Amortization of intangible assets Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets Losses (gains) on write-off of fixed assets Losses (gains) on write-off of fixed assets Losses (gains) on changes of fair value Finance expenses/(gains) Decrease/(increase) in deferred income tax assets Increase/(decrease) in deferred income tax assets Increase/(decrease) in operational receivables Increase/(decrease) in operational payables Others Net cash flows from operating activities not related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 2) Significant investment and financing activities not related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the beginning of the period Add: Balance of cash equivalents at the beginning of the period Net increase in cash and cash equivalents at the beginning of the period Net increase in cash and cash equivalents at the beginning of the period Net increase in cash and cash equivalents at the beginning of the period Net increase in cash and cash equivalents at the beginning of the period Net increase in cash and cash equivalents -151,561,057.94 -148,193,068.11		Balance for the	Balance for the corresponding
1) Net profit adjusted to cash flows in relation to operating activities: Net profit Add: Provision for impairment to assets Depreciation of fixed assets, oil and gas assets and production Amortization of intangible assets Amortization of long-term deferred expenses Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets Losses (gains) on wite-off of fixed assets Losses (gains) on changes of fair value Finance expenses/(gains) Investment losses/(gains) Decrease/(increase) in deferred income tax assets Increase/(decrease) in operational receivables Decrease/(increase) in operational payables Others Net cash flows from operating activities Net cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the beginning of the period Less: Balance of cash equivalents at the beginning of the period Less: Balance of cash equivalents at the beginning of the period Less: Balance of cash equivalents at the beginning of the period Less: Balance of cash equivalents at the beginning of the period Less: Balance of cash equivalents at the beginning of the period Less: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning of the period	Supplemental information		,
Net profit Add: Provision for impairment to assets Depreciation of fixed assets, oil and gas assets and production Amortization of intangible assets Losses (gains) on disposal of fixed assets, intangible assets and other long-term deferred expenses Losses (gains) on write-off of fixed assets Losses (gains) on changes of fair value Finance expenses/(gains) Investment losses/(gains) Decrease/(increase) in deferred income tax assets Increase/(decrease) in deferred income tax liabilities Decrease/(increase) in operational receivables Increase/(decrease) in operational receivables Increase/(decrease) in operational payables Others Net cash flows from operating activities not related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the beginning of the period 45,957,957.43 1,356,474.39 1,288,949.75 1,860,836.64 1,373,335.64 -404.73 -404.73 -404.73 -404.73 -404.73 -404.73 -404.73 -404.73 -3,404,295.25 3,463,707.42 -43,444,054.81 3,81,5871.35 5,0238.28 -43,444,054.81 3,81,5871.35 5,0238.28 -57,104,117.95 -57,104,117.95 -57,104,117.95 -57,104,117.95 -56,097,468.98 2) Significant investment and financing activities not related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the beginning of the period Less: Balance of cash equivalents at the beginning of the period	Net profit adjusted to cash flows in relation to		, ,
Add: Provision for impairment to assets Depreciation of fixed assets, oil and gas assets and production Amortization of intangible assets Amortization of long-term deferred expenses Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets Losses (gains) on write-off of fixed assets Losses (gains) on changes of fair value Finance expenses/(gains) Investment losses/(gains) Decrease/(increase) in deferred income tax assets Increase/(decrease) in deferred income tax liabilities Decrease/(increase) in operational receivables Decrease/(increase) in operational payables Others Net cash flows from operating activities Net cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the beginning of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the beginning of the period Less: Balance of cash equivalents at the beginning of the period Less: Balance of cash equivalents at the beginning of the period	The state of the s	45 957 957 43	36 437 184 92
Amortization of intangible assets Amortization of long-term deferred expenses Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets Losses (gains) on write-off of fixed assets Losses (gains) on write-off of fixed assets Losses (gains) on changes of fair value Finance expenses/(gains) Decrease/(increase) in deferred income tax assets Increase/(decrease) in deferred income tax liabilities Decrease/(increase) in operational receivables Decrease/(increase) in operational receivables Increase/(decrease) in operational payables Others Net cash flows from operating activities not related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the beginning of the period 11,148,732.88 162,709,790.82 11,2709,790.82 11,148,732.88 162,709,790.82 11,148,732.88 162,709,790.82 11,148,732.88 162,709,790.82	Add: Provision for impairment to assets	40,001,001.40	00,101,101.02
Amortization of long-term deferred expenses Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets Losses (gains) on write-off of fixed assets Losses (gains) on changes of fair value Finance expenses/(gains) Investment losses/(gains) Decrease/(increase) in deferred income tax assets Increase/(decrease) in deferred income tax liabilities Decrease/(increase) in operational receivables Decrease/(increase) in operational receivables Increase/(decrease) in operational payables Others Net cash flows from operating activities Net cash flows from operating activities Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the beginning of the period	production	1,356,474.39	1,288,949.75
Losses (gains) on write-off of fixed assets Losses (gains) on changes of fair value Finance expenses/(gains) Investment losses/(gains) Decrease/(increase) in deferred income tax assets Increase/(decrease) in deferred income tax liabilities Decrease/(increase) in inventories Decrease/(increase) in operational receivables Decrease/(decrease) in operational payables Others Net cash flows from operating activities Obstransfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the beginning of the period 11,148,732.88 3,463,707.42 3,404,295.25 3,40	Amortization of long-term deferred expenses	1,860,836.64	1,373,335.64
Finance expenses/(gains) Investment losses/(gains) Decrease/(increase) in deferred income tax assets Increase/(cerease) in deferred income tax liabilities Decrease/(increase) in operational receivables Decrease/(increase) in operational receivables Increase/(decrease) in operational receivables Increase/(decrease) in operational payables Others Net cash flows from operating activities Tot related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the beginning of the period Add: Balance of cash equivalents at the beginning of the period Tay, 444,054.81 -36,911,657.53 -43,444,054.81 -57,104,117.95 -57,104,117	Losses (gains) on write-off of fixed assets	-20,545.04	-404.73
Decrease/(increase) in deferred income tax assets Increase/(decrease) in deferred income tax liabilities Decrease/(increase) in inventories Decrease/(increase) in operational receivables Increase/(decrease) in operational payables Others Net cash flows from operating activities Net cash flows from operating activities Net cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Add: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning of the period		-3,404,295.25	3,463,707.42
Decrease/(increase) in operational receivables Increase/(decrease) in operational payables Others Net cash flows from operating activities Possignificant investment and financing activities not related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning of the period Less: Balance of cash equivalents at the beginning of the period Less: Balance of cash equivalents at the beginning of the period	Decrease/(increase) in deferred income tax assets	-43,444,054.81	-36,911,657.53
Increase/(decrease) in operational payables Others Net cash flows from operating activities -2,743,567.24 -56,097,468.98 2) Significant investment and financing activities not related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning of the period -4,694,704.78 -56,097,468.98 -4,694,704.78 -56,097,468.98 -56,097,468.98 -56,097,468.98 -56,097,468.98	· · · · · · · · · · · · · · · · · · ·	1,815,871.35	
Net cash flows from operating activities -2,743,567.24 -56,097,468.98 2) Significant investment and financing activities not related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the beginning of the period Less: Balance of cash equivalents at the beginning of the period			
2) Significant investment and financing activities not related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Add: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning of the period		645,926.83	-4,694,704.78
not related to cash receipts and payments: Debt transfer to capital Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning of the period	Net cash flows from operating activities	-2,743,567.24	-56,097,468.98
Convertible company bonds due within one year Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Less: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning of the period	not related to cash receipts and payments:		
Fixed assets under financing lease 3) Net change in cash and cash equivalents: Cash at the end of the period Less: Cash at the beginning of the period Add: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning of the period 11,148,732.88 162,709,790.82 310,902,858.93	•		
Cash at the end of the period Less: Cash at the beginning of the period Add: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning of the period Add: Balance of cash equivalents at the beginning of the period	Fixed assets under financing lease		
Less: Cash at the beginning of the period Add: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning of the period 162,709,790.82 310,902,858.93		44 440 700 00	400 700 700 00
Net increase in cash and cash equivalents -151.561.057.94 -148.193.068.11	Less: Cash at the beginning of the period Add: Balance of cash equivalents at the end of the period Less: Balance of cash equivalents at the beginning		
	Net increase in cash and cash equivalents	-151.561.057.94	-148.193.068.11

For the year 2016 | (RMB Yuan) | (English translation for reference only,

13. OTHER IMPORTANT MATTERS

(1) Non-recurring gain and loss

Item	Amount	Description
Gain or loss on disposal of non-current assets, inclusive of provision for assets impairment write-off Unauthorised approvals or items without duly approved documents, or occasional tax rebate or tax credits	557,779.90	
Government grants (except for government grants which are closely related to the Company's ordinary business and conforms with the national policies as well as standard amount and quantities or continuous government grants) recognized in gains or losses during	10.514.414.10	
the current period Fees for usage of funds received from non-financial enterprises recognized in profits and losses during the current period Investment costs paid by the investor in acquiring the	10,514,414.10	
subsidiaries, associates and joint ventures less the gain derived from the fair value of the investee's identifiable net assets at the time of investment Profit and loss from exchange of non-monetary assets		
Gains or losses from discretionary investment or asset management Impairment provisions for assets due to force majeure factors such as natural disasters	7,161,219.04	
Gains or losses from debt restructuring Corporate restructuring fees such as staff resettlement expenses, consolidation charges, etc. Gains or losses arising from transactions at unfair trading		
prices over their fair value Net gains or losses from the subsidiary formed by merging jointly controlled enterprises from the beginning of the reporting period to the date of merger attributable to the current period		
Gains or losses from contingency items unrelated to the normal business operations of the Company Change in gains or losses generated from held for trading financial assets, change in fair value generated from trading financial liabilities, investment gains from disposal of trading financial assets and trading financial liabilities and financial assets available for sale, other than effective hedging activities associated with normal business operations of the Company		
Reversal of impairment provisions for receivables subject to individual impairment test Gains or losses from external entrusted loans	355,591.37	
Gains or losses from changes in fair value of investment properties adopting fair value method for follow-up measurements Effect on gains and losses for the current period from one-off adjustment to gains and losses for the period according to the requirements of the tax and accounting laws and regulations		
Discretionary fee income received from discretionary operations Other non-operating income and expenses apart from		
those stated above Other gains and losses items conforming with the definition of non-recurring gains or losses	698,960.85	
Sub-total Less: Effect on enterprise income tax increase/(decrease) Effect on interest of minority shareholders (after tax)	19,287,965.26 2,757,961.77 892,754.33	
Items of non-recurring gains or losses attributable to equity holders of the parent	15,637,249.16	

For the year 2016 | (RMB Yuan) | (English translation for reference only)

13. OTHER IMPORTANT MATTERS (continued)

(2) Return on net assets and earnings per share

1. Details

	Weighted average return on net assets	Earnings p (RMB/s	
Profit during the period	ratio %	Basic	Diluted
Net profit attributable to the holders of the Company's ordinary shares Net profit, after deduction of non-recurring gain and loss, attributable to the holders of the Company's ordinary	4.35	0.20	0.20
shares	3.27	0.15	0.15

2. Calculation of weighted average return on net assets ratio

Item	No.	Balance for the current period
Net profit attributable to ordinary shareholders		
of the Company	А	63,487,549.38
Non-recurring gain and loss	В	15,637,249.16
Net profit net of non-recurring gain and loss attributable to ordinary shareholders of the Company Net assets at the beginning of the period attributable to	C=A-B	47,850,300.22
ordinary shareholders of the Company Additions to net assets as a result of an issue of shares,	D	1,442,583,124.07
conversion of loans, etc. attributable to ordinary shareholders of the Company Number of months from the month after increase in assets	Е	
to end of reporting period	F	
Decrease in net assets net of repurchase, bonus, etc. attributable to ordinary shareholders of the Company	G	31,585,785.50
Number of months from the month after decrease in assets to end of reporting period Others Reclassification adjustment for net profit of	Н	5
loss included in other consolidated income Number of months from the month after	l1	975,127.55
change in assets to end of reporting period Net gain (loss) from financial assets available	J1	1
for sale	12	
Number of months from the month after change in assets to end of reporting period Foreign currency translation differences for	J2	
financial statements Number of months from the month after	13	
change in assets to end of reporting period	J3	
Number of months during the reporting period	K L=D+A/2+E×F/K-G×H/	12
Weighted average net assets	$K\pm l\times J/K$	1,461,084,894.17
Weighted average return on net assets ratio Weighted average return on net assets ratio, after	M=A/L	4.35%
deduction of non-recurring gain and loss	N=C/L	3.27%

For the year 2016 | (RMB Yuan) | (English translation for reference only)

13. OTHER IMPORTANT MATTERS (continued)

(2) Return on net assets and earnings per share (continued)

- 3. Calculations of basic and diluted earnings per share
 - (1) Calculations of basic earnings per share

Item	Number	Year of 2016
Net profits attributable to the ordinary		
shareholders of the Company	А	63,487,549.38
Non-recurring profit/loss	В	15,637,249.16
Net profits after deducting non-recurring		
profit/loss attributable to the ordinary		
shareholders of the Company	C=A-B	47,850,300.22
Total number of shares at beginning	D	315,857,855.00
Increase in number of shares due to transfer	•	
from reserves to capital or distribution of		
scrip dividend	Е	
Increase in number of shares due to	_	
issuance of new shares or convertibles	F	
Number of months calculated from the		
month after increase in shares to end of	G	
reporting period Decrease in number of shares due to	G	
repurchase	Н	
Number of months calculated from the	П	
month after decrease in shares to end of		
reporting period	I	
Reduction in number of shares during the	!	
reporting period	J	
Number of months in the reporting period	K	12
Weighted average number of issued		. –
ordinary shares	L=D+E+F×G/K-H×I/K-J	315,857,855.00
Basic earnings per share	M=A/L	0.20
Basic earnings per share after deducting		
non-recurring profit/loss	N=C/L	0.15

(2) Calculations of diluted earnings per share are the same as the calculations of basic earnings per share.

(3) Differences in preparation of financial statements between domestic and overseas accounting standards

The financial statements of the Company were prepared in accordance with Accounting Standards of Business Enterprises. In 2011, according to "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" issued by the Hong Kong Stock Exchange in December 2010, the Company decided to prepare the financial statements in accordance with Accounting Standards of Business Enterprises for information disclosure on the Hong Kong Stock Exchange.

"A Share(s)" Ordinary share(s) with a nominal value of RMB1.00 each in the capital of the

Company issued in China and listed on Shenzhen Stock Exchange, and are

subscribed for and traded in RMB

"Anhui Changshan" Anhui Changshan Auto Parts Manufacturing Co., Ltd., a subsidiary controlled by

Shibao Holding

"Articles of Association" Articles of association of the Company

"Audit Committee" Audit committee of the Company

"BAIC Motor" Beijing Automobile Group Company Limited

"Beijing Autonics" Beijing Autonics Technology Co., Ltd., a subsidiary controlled by the Company

"Board" Board of Directors of the Company

"CA" Integrates autopilot sensor and internet connectivity and information to achieve

semi-autopilot under complicated conditions

"Changan Mazda" Changan Mazda Automobile Company Limited

"Chery Auto" Chery Automobile Co., Ltd.

"China Accounting Standards for Business Enterprises or Accounting

Standards for Business Enterprises or CASBE"

Financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance

"Company or Zhejiang Shibao" Zhejiang Shibao Company Limited

"Corporate Governance Code or

CG Code"

Corporate Governance Code and Corporate Governance Report, Appendix 14 to

the Listing Rules of Hong Kong Stock Exchange

"CSRC" China Securities Regulatory Committee

"DA" An individual driving assisting tool based on independent environment sensor

"Daimler Group" Daimler AG, the largest commercial vehicle manufacturer, the second largest luxury

car manufacture and the second largest truck manufacturer, consisting of four business divisions, i.e. Mercedes-Benz cars, Mercedes-Benz vans, Daimler heavy

duty trucks and Daimler financial services

"Director(s)" Director(s) of the Company

"Dongfeng Group" Dongfeng Motor Company

"Erdos Sterling" Erdos Sterling Steering System Co., Ltd., a wholly-owned subsidiary of Wuhu

Sterling

"FAW Group" **FAW Group Corporation**

"Geely Automobile" Zhejiang Geely Holding Group Co., Ltd.

"Group" The Company and its subsidiaries

"H Share(s)" Ordinary share(s) with a nominal value of RMB1.00 each in the capital of the

Company issued overseas and listed on Hong Kong Stock Exchange, and are

subscribed for and traded in Hong Kong dollars

"HA/FA" The implementation of V2X cooperative control to achieve high-level/complete

autopilot function

"Hangzhou New Shibao" Hangzhou New Shibao Electric Power Steering Co., Ltd., a subsidiary controlled by

the Company

"Hangzhou Shibao" Hangzhou Shibao Auto Steering Gear Co., Ltd., a wholly-owned subsidiary of the

Company

"Hong Kong Stock Exchange" The Stock Exchange of Hong Kong Limited

"JAC" Anhui Jianghuai Automobile Group Co., Ltd.

"Jilin Shibao" Jilin Shibao Machinery Manufacturing Co., Ltd., a wholly-owned subsidiary of the

Company

"King Long Motor" Xiamen King Long Motor Group Co., Ltd.

"Listing Rules" The Rules Governing the Listing of Securities on Hong Kong Stock Exchange

"Model Code" Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10

to the Listing Rules of Hong Kong Stock Exchange

"Mr. Zhang" Mr. Zhang Shi Quan

"Nomination Committee" Nomination committee of the Company

"PA" Partial autopilot based on independent environment sensor and complemented by

internet connectivity and information services

"PRC or China or Mainland China" People's Republic of China

"Remuneration Committee" Remuneration committee of the Company

"Reporting Period or This Period" 1 January 2016 to 31 December 2016

"RMB" Renminbi

"Saipa Automotive" Iran Saipa Automotive Group

"SFO" Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

"SGMW" Shanghai General Motor Wuling Automobile Company Limited (SGMW) is a

joint venture of Shanghai Automobile Group Company, General Motor (China) Investment Company Limited and Liuzhou Wuling Automobile Company Limited

"Share(s)" A Share(s) and/or H Share(s)

"Shareholder(s)" Shareholder(s) of the Company

"Shenzhen Stock Exchange" The Shenzhen Stock Exchange of the PRC

"Shibao Holding or Ultimate Holding Company or Controlling Shareholder" Zhejiang Shibao Holding Group Co., Ltd.

"Siping Steering" Siping Steering Gear Co., Ltd., a wholly-owned subsidiary of the Company since 11

June 2014

"Supervisor(s)" Supervisor(s) of the Company

"Supervisory Committee" Supervisory committee of the Company

"Wuhu Sterling" Wuhu Sterling System Co., Ltd., a subsidiary controlled by the Company