

**ZHEJIANG SHIBAO COMPANY LTD:  
THIS COMPANY IS NOT STEERING A VERY STRAIGHT LINE**

The most-outstanding aspect of publicly listed Zhejiang Shibao Company Ltd () (Code: 8331, The Growth Enterprise Market [The GEM] of The Stock Exchange of Hongkong Ltd) is not its financial results over the past few Financial Years, its unbelievable high margins of profit, its likely growth in the years to come, but the fact that the controlling Zhang Family has an iron-fist approach to the Company and has, in the past, been using the Company as the Family's private, little '*bank*'.

Zhejiang Shibao went public on the speculative equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) on May 4, 2006 when it collected about \$HK130 million, gross, from the Placement of 86,714,000, one-renminbi Shares at the Placing Price of \$HK1.50.

The Initial Public Offering (IPO) was not a great success, as IPOs go in the HKSAR, with only 155 institutional, professional and other investors, applying for the shares of the Company.

However, the shares were fully subscribed, according to an official announcement, dated May 11, 2006, that date, being exactly one week after the Company released its Prospectus.

The Placement of Shares represented about 33 percent of the Issued and Fully Paid-Up Share Capital of the Company, with 63 percent of the Issued and Fully Paid-Up Share Capital, being in the hands of the Zhang Family, via Zhejiang Shibao Holding Group Company Ltd (), which, in turn, is owned by:

- |    |  |            |
|----|--|------------|
| 1. | Mr Zhang Shi Quan (),<br>the Chairman of Zhejiang Shibao Company Ltd                                   | 40 percent |
| 2. | Mr Zhang Bao Yi (),<br>the son of Mr Zhang Shi Quan  | 20 percent |
| 3. | Mr Tang Hao Han (),<br>the husband of Ms Zhang Mei Jun (),<br>who is the daughter of Mr Zhang Shi Quan | 20 percent |
| 4. | Ms Zhang Lan Jun (),<br>another daughter of Mr Zhang Shi Quan  | 15 percent |
| 5. | Mr Zhang Shi Zhong (),<br>brother of Mr Zhang Zhi Quan   | 5 percent  |

The other 4 percent of the Issued and Fully Paid-Up Share Capital of Zhejiang Shibao is owned by the following gentlemen:

- |                        |             |
|------------------------|-------------|
| 1. Mr Du Chun Mao ()*  | One percent |
| 2. Mr Chen Wen Hong () | One percent |
| 3. Mr Wu Lang Yue ()   | One percent |

4. Mr Wu Wei Xu () One percent

\* He is a Deputy General Manager of a subsidiary of  
Zhejiang Shibao Company Ltd

Zhejiang Shibao describes its business at Page 62 of the Prospectus as follows:

*'Established in 1993, we design, manufacture and sell steering gears and related components for automobiles in China. Our products are manufactured in three production facilities located at Yiwu, Siping and Hangzhou with an aggregated annual steering gears production capacity of over 250,000 units. Most of about products are customised to meet particular specifications of different automobile models. Going forward, we expect to embark on a new growth phase with out new products, including our power rack-and-pinion steering gears introduced to the market during the second quarter of 2005, and electronic power steering gears which are currently at an advanced stage of development and prototype testing ...*

*'We have established a broad sales network and customer base in the PRC covering over 17 provinces and municipalities. We market all our products through our own sales force. Our customers include many reputable automobile and automotive parts and components manufacturers in China like FAW Group\*, the Dongfeng Motor Group (Dongfeng Motor Company Ltd () ... Chery Automobile Company Ltd ()) ...*

*'We are in the process of establishing DHB-Shibao [DHB-SHIBAO Steering Company Ltd ()], a sino-foreign equity joint venture, with DHB-CA (DHB Componentes Automobivos S.A.) which is a subsidiary of DHB Industria e Comercio S.A., a company listed on the Sao Paulo Stock Exchange in Brazil. DHB-CA manufactures hydraulic pumps, hoses and manual and power rack-and-pinion steering gears. Its customer base includes General Motors, Volkswagen, Fiat, Ford and Renault of Argentina and Brazil, and Mercury Marine of the United States ... '.*

\* China FAW Group Corporation () is reputed to be the largest vehicle manufacturer in the PRC and is a State-owned corporation.

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