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## **Zhejiang Shibao Company Limited\***

浙江世寶股份有限公司

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

### **INSIDE INFORMATION ANNOUNCEMENT IN RELATION TO PROVISION FOR ASSET IMPAIRMENT AND WRITE-OFF OF ASSETS FOR 2022**

This announcement is made by Zhejiang Shibao Company Limited (the “**Company**”) pursuant to the disclosure requirements as set out in Rules 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The thirteenth meeting of the seventh session of the board (the “**Board**”) of directors (the “**Director(s)**”) and the eleventh meeting of the seventh session of the supervisory committee (the “**Supervisory Committee**”) of the Company were convened on 17 March 2023, at which the “Resolution for Provision for Asset Impairment and Write-off of Assets for 2022” was considered and approved.

According to Rule 7.6.6 of the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, “Where the impact of the provision for asset impairment or the write-off of assets by a listed company on the company’s current profit and loss for more than 10% of the company’s absolute value of audited net profit in the latest financial year and the absolute amount exceeds RMB1,000,000, the information shall be disclosed in a timely manner.”

#### **I. SUMMARY OF THE PROVISION FOR ASSET IMPAIRMENT AND WRITE-OFF OF ASSETS**

For the purpose of true and accurate reflection of the financial position, asset value and operating results of the Company in accordance with relevant requirements under the Accounting Standards for Business Enterprises, the Company, after carrying out comprehensive investigation and analysis on indication of impairment of assets of the Company in the consolidated financial statements as of 31 December 2022, and conducting test by types of assets, made provision for impairment of assets with potential impairment losses, and after verifying assets that meet the recognition conditions for financial write-off, wrote off the assets.

**(I) Provision for asset impairment**

After a comprehensive inspection and asset impairment test conducted by the Company on the assets (including inventories, accounts receivable, among others) with signs of impairment as of 31 December 2022 in the consolidated financial statements, the provision for impairment of assets amounted to RMB22,890,200 in total, which is detailed below:

Impairment item	Amount of asset impairment provision from the beginning of the year to the end of the year (RMB'0000)
Accounts receivable	177.00
Inventory	2,112.02
Total	2,289.02

The reporting period in which the provision for asset impairment is included starts from 1 January 2022 to 31 December 2022.

**(II) Major items for provision for asset impairment**

In accordance with requirements under the Accounting Standards for Business Enterprises and relevant accounting policies of the Company, the Company accrued provision for bad debts on accounts receivable in current period of RMB1,770,000. The Company estimated the net realisable value of inventories at the end of the period and provided impairment on inventories of RMB21,120,200 as the net realisable value of part of inventories is lower than the cost of purchase.

**(III) Write-off of assets**

No assets were written off this time.

**II. IMPACT OF PROVISION FOR ASSET IMPAIRMENT ON THE COMPANY**

The total amount of the Company's provision for asset impairment was RMB22,890,200. After considering the income tax and the profit and loss of minority shareholders, the net profit attributable to owners of the listed company in 2022 was reduced by RMB18,008,700, and the equity attributable to owners of the listed company in 2022 was correspondingly reduced by RMB18,008,700.

**III. EXPLANATION OF BASIS, METHOD AND REASONS FOR THE PROVISION OF ASSET IMPAIRMENT**

**(I) Basis and method for the provision of asset impairment**

**1. Accounts receivable**

Based on the credit risk characteristics of each accounts receivable, the Company measures its loss provision at an amount equivalent to the lifetime expected credit loss on either an individual basis or a collective basis of accounts receivable. For accounts receivable with the expected credit loss measured on an individual basis, the Company, taking into full account of reasonable and supportable information relating to historical matters, current conditions and expectation of future economic

conditions, estimates the cash flow expected to receive and determines the provision for bad debts accordingly; for accounts receivable with the expected credit loss measured on a collective basis, the Company classifies groups based on aging and, with reference to the historical credit loss experience, makes adjustments based on the forward-looking estimates, prepares a comparison table for accounts receivable aging and lifetime expected credit loss rate, and determines the provision for bad debts accordingly.

Based on relevant provisions of the Accounting Standard for Business Enterprises and the principle of prudence, the Company has made provision for bad debts for the accounts receivable of certain customers on an individual basis, and made provision for bad debts for the remaining accounts receivable according to the expected credit loss rate of assets.

During the reporting period, the Company proposed to make provision for bad debts of RMB1,770,000 for accounts receivable, details of which are as follows:

Unit: RMB'0000

Item	Balance at the beginning of the period	Increase during the period			Decrease during the period			Balance at the end of the period
		Provision	Recover	Others	Reversal	Write-off	Others	
Bad debt provision on individual basis	3,009.10	0.28			18.06			2,991.32
Bad debt provision by groups	367.75	176.72						544.47
Total	3,376.84	177.00			18.06			3,535.79

## 2. *Basis and method for the provision of asset impairment for inventory*

On the balance sheet date, inventory is measured by the lower of cost and net realizable value, and provision for inventory obsolescence is made according to the difference between individual inventory cost and net realizable value. For the inventory directly used for sale, the net realizable value is determined in normal production and operation processes by the amount of the estimated selling price minus the estimated selling expenses and related taxes of the inventory; for the inventory that need to be processed, the net realizable value is determined in the normal production and operation process by the amount of the estimated selling price minus the estimated costs to be incurred upon completion of the product, estimated sales expenses and related taxes; on the balance sheet date, if there is a contract price agreement in some parts of the same inventory and there is no contract price in other parts, the net realizable values shall be determined respectively and compared with their corresponding costs to determine the amount of provision or reversal of provision for inventory obsolescence.

Upon calculation, the Company made provision for impairment of inventory of RMB21,120,200 during the reporting period, details of which are as follows:

Unit: RMB'0000

Item	Balance at the beginning of the period	Increase during the period		Decrease during the period		Balance at the end of the period
		Provision	Others	Resell	Reversal	
Raw materials	1,282.30	1,158.77		292.92		2,148.16
Finished goods	2,075.00	953.25		819.58		2,208.66
Low-value consumables	131.29			16.79	114.50	
Total	3,488.59	2,112.02		1,129.28	114.50	4,356.82

#### IV. APPROVAL PROCEDURES FOR PROVISION FOR ASSET IMPAIRMENT AND WRITE-OFF OF ASSETS

The provision for asset impairment and the write-off of assets have been reviewed and approved at the thirteenth meeting of the seventh session of the Board and the eleventh meeting of the seventh session of the Supervisory Committee. The provision for asset impairment and the write-off of assets are not subject to consideration by shareholders at a general meeting of the Company.

##### 1. *Opinion of the Board*

The provision for asset impairment and write-off of assets of the Company are based on the Company's actual condition, complies with the Accounting Standards for Business Enterprises and the relevant accounting policies of the Company, and gives a true reflection of the Company's financial position, asset value and operating results as of 31 December 2022. The provision for asset impairment and write-off of assets are hereby approved.

##### 2. *Opinion of the Supervisory Committee*

The provision for asset impairment and write-off of assets of the Company are based on the Company's actual needs, complied with the Accounting Standards for Business Enterprises and the relevant accounting policies of the Company, and gives a true reflection of the Company's financial position, asset value and operating results as of 31 December 2022. The provision for asset impairment and write-off of assets are hereby approved.

##### 3. *Independent opinion of independent Directors*

The provision for asset impairment and write-off of assets of the Company are complied with the regulations of Accounting Standards for Business Enterprises and other relevant accounting policies of the Company with sufficient basis and standardized decision-making process, which can more fairly reflect the Company's financial position, asset value and operating results as of 31 December 2022, and is in the interests of the Company as a whole. It helps to provide investors with more true, reliable and accurate accounting information, without prejudice to the interests of the Company and its shareholders as a whole, especially minority shareholders. The provision for asset impairment and write-off of assets are hereby approved.

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

Hangzhou, Zhejiang, the PRC

20 March 2023

*As at the date of this announcement, the Board comprises Mr. Zhang Bao Yi, Mr. Tang Hao Han, Ms. Zhang Lan Jun and Ms. Liu Xiao Ping as executive Directors; Mr. Zhang Shi Quan and Mr. Zhang Shi Zhong as non-executive Directors; and Mr. Gong Jun Jie, Mr. Lin Yi and Mr. Tsui Chun Shing as independent non-executive Directors.*

*\* for identification purpose*