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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

Key accounting information and financial indicators

	January-June 2018	January-June 2017	Change
	RMB	RMB	
	(unaudited)	(unaudited)	
Revenue	591,578,777.31	546,225,847.81	8.30%
Net profit attributable to shareholders of the listed company	-5,856,497.62	39,715,087.12	-114.75%
Net profit after non-recurring gains and losses attributable to shareholders of the listed company	-16,038,719.24	27,339,974.12	-158.66%
Net cash flow from operating activities	3,151,665.88	-15,285,387.86	-120.62%
Basic earnings per share (RMB/Share) (Note)	-0.0074	0.0503	-114.71%
Diluted earnings per share (RMB/Share) (Note)	-0.0074	0.0503	-114.71%
Weighted average return on net assets (%)	-0.40%	2.66%	-3.06%
	30 June 2018	31 December 2017	Change
	RMB	RMB	
	(unaudited)	(audited)	
Total assets	2,158,586,796.95	2,104,424,460.90	2.57%
Net assets attributable to shareholders of the listed company	1,468,723,611.76	1,474,580,109.38	-0.40%

Note: The basic earnings per share and diluted earnings per share for the corresponding period of last year were based on the diluted share capital as at the end of last year.

* For identification purpose only

UNAUDITED INTERIM RESULTS

The board of directors (“**Board**”) of Zhejiang Shibao Company Limited (“**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (“**Group**”) for the six months ended 30 June 2018 prepared pursuant to China Accounting Standard for Business Enterprises, together with the comparative figures for the corresponding period in 2017. The consolidated interim results have not been audited, but have been reviewed by the Company’s audit committee.

(1) FINANCIAL STATEMENTS

(All amounts in RMB Yuan unless otherwise stated)

CONSOLIDATED BALANCE SHEET

30 June 2018

Item	Note 4	30 June 2018	31 December 2017
		(unaudited)	(audited)
Current assets :			
Cash on hand and at bank		218,801,466.72	184,342,739.55
Notes receivable		143,322,051.34	114,302,216.24
Accounts receivable	1	472,049,148.24	512,761,243.71
Prepayments		8,098,544.41	7,004,776.38
Other receivables		9,458,711.92	6,468,067.86
Inventories		309,535,044.18	279,634,663.89
Other current assets		111,763,468.87	139,737,784.36
Total current assets		1,273,028,435.68	1,244,251,491.99
Non-current assets :			
Fixed assets		591,745,300.34	592,681,978.24
Construction in progress		119,031,895.40	119,801,083.84
Intangible assets		94,373,849.42	97,344,007.19
Goodwill		4,694,482.34	4,694,482.34
Deferred income tax assets		3,067,674.14	3,302,768.13
Other non-current assets		72,645,159.63	42,348,649.17
Total non-current assets		885,558,361.27	860,172,968.91
Total assets		2,158,586,796.95	2,104,424,460.90

Item	Note 4	30 June 2018	31 December 2017
		(unaudited)	(audited)
Current liabilities :			
Short-term borrowings	2	55,000,000.00	-
Notes payable		116,008,274.25	105,976,263.36
Accounts payable	3	402,362,056.52	391,592,296.47
Receipts in advance		2,437,807.20	3,382,424.14
Staff cost payable		13,307,754.90	15,671,079.38
Tax payable		2,134,491.45	8,252,072.77
Interest payable		1,056,187.54	882,136.11
Other payables		5,393,276.45	4,682,867.66
Other current liabilities		25,435,891.46	23,955,021.97
Total current liabilities		623,135,739.77	554,394,161.86
Non-current liabilities :			
Long-term borrowings	4	11,080,000.00	11,080,000.00
Deferred income		42,510,006.08	46,477,939.98
Deferred income tax liabilities		3,281,706.91	3,456,833.99
Total non-current liabilities		56,871,712.99	61,014,773.97
Total liabilities		680,007,452.76	615,408,935.83
Shareholders' equity :			
Share capital		789,644,637.00	789,644,637.00
Capital reserve		185,250,172.21	185,250,172.21
Surplus reserve		134,912,363.87	134,912,363.87
Retained earnings		358,916,438.68	364,772,936.30
Equity attributable to equity holders of the parent		1,468,723,611.76	1,474,580,109.38
Minority interests		9,855,732.43	14,435,415.69
Total equity		1,478,579,344.19	1,489,015,525.07
Total liabilities and equity		2,158,586,796.95	2,104,424,460.90

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2018

Item	Note 4	January-June 2018	January-June 2017
		(unaudited)	(unaudited)
Total revenue	5	591,578,777.31	546,225,847.81
Including: Revenue	5	591,578,777.31	546,225,847.81
Total operating costs		611,441,289.73	512,077,547.08
Including: Operating costs	5	498,024,626.88	430,712,361.43
Business taxes and surcharges		4,901,519.39	4,104,919.05
Selling expenses		40,528,863.33	28,443,663.40
General and administrative expenses		67,817,744.24	50,639,675.06
Financial expenses	6	-331,266.86	100,769.12
Assets impairment losses		499,802.75	-1,923,840.98
Add: Investment gains		2,436,590.84	4,726,634.21
Gains on disposal of assets ("-" for loss)		113,907.91	-579,416.53
Other gains		7,071,722.79	7,606,532.29
Operating profit ("-" for loss)		-10,240,290.88	45,902,050.70
Add: Non-operating income		567,420.78	26,072.59
Less: Non-operating expenses		414,554.01	122,050.04
Total profit ("-" for total loss)		-10,087,424.11	45,806,073.25
Less: Income tax expenses	7	348,756.77	5,517,288.35
Net profit ("-" for net loss)		-10,436,180.88	40,288,784.90
Net profit attributable to equity holders of the parent		-5,856,497.62	39,715,087.12
Minority interests		-4,579,683.26	573,697.78
Total comprehensive income		-10,436,180.88	40,288,784.90
Total comprehensive income attributable to equity holders of the parent		-5,856,497.62	39,715,087.12
Total comprehensive income attributable to minority shareholders		-4,579,683.26	573,697.78
Earnings per share :			
Basic earnings per share	8	-0.0074	0.0503
Diluted earnings per share	8	-0.0074	0.0503

(2) NOTES TO THE FINANCIAL STATEMENTS

1) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of Preparation

The interim financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises No.32 – Interim Financial Reporting issued by the Ministry of Finance of the PRC.

The financial statements are presented on a going concern basis.

2) MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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 the Accounting Standards for Business Enterprises, which have truly and fully reflected the information of the Company, including the financial position, operating results and cash flows.

2. Accounting year

The accounting year is from 1 January to 31 December.

3. Functional currency

Renminbi (“RMB”) is adopted as functional currency.

3) TAXATION

1. Major taxes and tax rates

Type of tax	Basis	Tax rate
Value added tax (VAT) (Note)	Sales of goods or rendering of taxable services	17%, 16%, 11%, 10%, 6%
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. and Jilin Shibao Machinery Manufacturing Co., Ltd., subsidiaries of the Company, enjoy the policy of “exempt, credit, refund” with an export tax refund rate of 17%.
2. According to Cai Shui [2018] No. 32, since 1 May 2018, the previous VAT rates of 17% and 11% applicable to any taxpayer’s VAT taxable sale or import of goods, respectively, shall be adjusted to 16% and 10%, respectively.

Details of corporate income tax rates of different entities:

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%

2. Tax concession

1. According to the “Letter Regarding 2017 First 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. [2017] 201), the Company’s subsidiaries, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. obtained the High-tech Enterprise Certificates (No. GR201733000242 and GR201733001928 respectively) during 2017, with a valid period from 2017 to 2019. They are subject to a corporate income tax rate of 15% during the period.
2. According to the “Administrative Measures for the Recognition of High-tech Enterprises” (CTP No. [2016] 32) and the “Guidelines for the Recognition Management Work of High-tech Enterprises” (CTP No. [2016] 195), the Company’s subsidiary, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201711007542) during 2017, with a valid period from 2017 to 2019. It is subject to a corporate income tax rate of 15% during the period.
3. According to the “Notification Regarding the Announcement of the List of the First Batch of High-tech Enterprises of Anhui Province Recognized in 2017” (Ke Gao No. [2017] 62) issued by the Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance, Anhui Provincial State Taxation Bureau and Anhui Provincial Local Taxation Bureau, the Company’s subsidiary, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201734000456) during 2017, with a valid period from 2017 to 2019. It is subject to a corporate income tax rate of 15% during the period.

4) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in RMB Yuan unless otherwise stated)

1. Accounts receivable

The aging analysis of accounts receivable is as follows:

	30 June 2018 (unaudited)			31 December 2017 (audited)		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	(%)		Amount	(%)	
Within 1 year	464,406,208.68	97.44	-	508,867,443.02	98.12	-
1-2 years	7,039,406.14	1.48	194,875.21	3,162,471.75	0.61	127,504.36
2-3 years	1,068,437.15	0.22	271,785.1	2,228,700.00	0.43	1,886,522.94
Over 3 years	4,075,203.22	0.86	4,073,446.64	4,347,832.86	0.84	3,831,176.62
Total	476,589,255.19	100.00	4,540,106.95	518,606,447.63	100.00	5,845,203.92

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.

2. Short-term borrowings

Item	30 June 2018 (unaudited)	31 December 2017 (audited)
Guaranteed loans	55,000,000.00	-
Total	55,000,000.00	-

The annual interest rate of the above short-term loans are 4.785% - 5.22%.

3. Accounts payable

The aging analysis of accounts payable is as follows:

Age	30 June 2018 (unaudited)	31 December 2017 (audited)
Within 1 year	383,794,528.85	379,869,070.23
1-2 years	11,181,099.82	8,982,445.81
2-3 years	2,836,387.10	572,171.65
Over 3 years	4,550,040.75	2,168,608.78
Total	402,362,056.52	391,592,296.47

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.

4. Long-term borrowings

(1) Breakdown

Item	30 June 2018 (unaudited)	31 December 2017 (audited)
Special funds for treasury bonds (Note 1)	280,000.00	280,000.00
Long-term loans (Note 2)	8,800,000.00	8,800,000.00
Guaranteed loans (Note 3)	2,000,000.00	2,000,000.00
Total	11,080,000.00	11,080,000.00

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

(Note 2): These loans were provided by Jilin Tiedong Economic Development Zone Administration Committee as non-interesting bearing funding facilities for the Company's subsidiary Jilin Shibao Machinery Manufacturing Co., Ltd. to expand its production. The related borrowings were not due yet.

(Note 3): These loans represented loans granted to the innovative ability incubation project under the "Small Technology Giants" plan of Wuhu City which was applied by Wuhu Sterling Steering System Co., Ltd., a subsidiary of the Company, according to the "Incubating Measures for the Enterprise Innovative Ability under the "Small Technology Giants" of Wuhu City" (Wu Zheng Ban Notification No. [2014] 15). In March 2016, a subsidiary of the Company, the Science and Technology Bureau of Wuhu City and the Science and Technology Innovation Bureau of the Economic Development Zone signed an incubation contract named the "Research and Development and Commercial Production of the Integral Aluminum Alloy Structural Steering Engine". An entrusted loan of RMB2,000,000.00 which shall be specifically used for the incubation of small technology giants was granted by Wuhu City Small and Medium-sized Enterprise Service Center Company Limited in 2017, and the entrusted loan will be changed to government grants upon achieving all or over 80% of the expected goals of the incubation.

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

Item	30 June 2018 (unaudited)	31 December 2017 (audited)
Current or within 1 year	-	-
Over 1 year but within 2 years	-	-
Over 2 years but within 5 years	11,080,000.00	11,080,000.00
Over 5 years	-	-
Total	11,080,000.00	11,080,000.00

5. Revenue/cost of sales

Item	January - June 2018 (unaudited)		January - June 2017 (unaudited)	
	Revenue	Cost	Revenue	Cost
Revenue from main business	585,564,716.30	497,419,716.98	540,744,812.35	430,199,325.76
Revenue from other business	6,014,061.01	604,909.90	5,481,035.46	513,035.67
Total	591,578,777.31	498,024,626.88	546,225,847.81	430,712,361.43

6. Financial expenses

Item	January - June 2018 (unaudited)	January - June 2017 (unaudited)
Interest expenses	1,623,214.05	396,027.55
Interest income	-2,320,584.46	-449,060.71
Others	366,103.55	153,802.28
Total	-331,266.86	100,769.12

7. Income tax expenses

Item	January - June 2018 (unaudited)	January - June 2017 (unaudited)
Current income tax	288,789.86	4,705,013.28
Deferred income tax	59,966.91	812,275.07
Total	348,756.77	5,517,288.35

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries had no assessable profits arising in Hong Kong during the reporting period under review (corresponding period of 2017: Nil).

8. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to the ordinary shareholders of the Company in the current period and weighted average number of the ordinary shares in issue.

During the period, the Company had no potential dilutive ordinary shares.

The detailed calculation information on basic earnings per share is as follows:

Item	January - June 2018 (unaudited)	January - June 2017 (unaudited)
Earnings		
Net profit attributable to the ordinary shareholders of the Company	-5,856,497.62	39,715,087.12
Shares		
Weighted average number of	789,644,637.00	789,644,637.00

ordinary shares issued by the Company		
Basic earnings per share (RMB/Share) (Note)	-0.0074	0.0503
Diluted earnings per share (RMB/Share) (Note)	-0.0074	0.0503

Note: The basic earnings per share and diluted earnings per share for the corresponding period of last year were based on the diluted share capital as at the end of last year.

9. Other matters

(1) Segmental 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, no further detailed segmental information needs to be disclosed.

(2) Depreciation and amortization expenses

Item	January - June 2018 (unaudited)	January - June 2017 (unaudited)
Depreciation of fixed assets, oil and gas assets and production related biological materials	33,865,221.34	31,843,576.06
Amortization of intangible assets	3,701,450.13	4,834,803.82
Total	37,566,671.47	36,678,379.88

(3) Item and amount of non-recurring gain and loss

Item	Amount
Gain or loss on disposal of non-current assets (inclusive of provision for assets impairment write-off)	113,907.91
Government subsidy included in profit or loss for the period, except for those closely relevant to normal business of the company, conformed to requirements of State policy, granted on fixed amount basis or enjoyed on continuous fixed amount basis	7,071,722.79
Gains or losses from discretionary investment or asset management	2,436,590.84
Reversal of impairment provisions for receivables subject to individual impairment test	1,305,096.97
Other non-operating income and expenses apart from those stated above	196,862.79
Less: Effect on enterprise income tax	319,125.99
Effect on interest of minority shareholders (after tax)	622,833.69
Total	10,182,221.62

Note: During the reporting period, no non-recurring gains and losses defined and listed in the “Disclosure Explaining Announcement No.1 for Companies Offering Securities Publicly – Non-Recurring Gains and Losses” were defined as recurring gains and losses.

(4) Net current assets, and total assets less current liabilities

Item	30 June 2018 (unaudited)	31 December 2017 (audited)
Net current assets	649,892,695.91	689,857,330.13
Total assets less current liabilities	1,535,451,057.18	1,550,030,299.04

(5) Material commitments

Item	30 June 2018 (unaudited)	31 December 2017 (audited)
Material contracts in relation to acquisition of assets contracted but not recognized	98,442,409.83	63,565,872.08

(6) Events after reporting period

As of the date of this announcement, there are no events after the balance sheet date.

(3) INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

(4) DISCUSSION AND ANALYSIS OF OPERATIONS

1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

From January to June 2018, production and sales volume of China automobile industry were 14,058,000 units and 14,066,000 units respectively, representing an increase of 4.20% and 5.60% respectively as compared with last year. Production and sales of passenger cars were 11,854,000 units and 11,775,000 units respectively, representing an increase of 3.20% and 4.60% respectively as compared with last year. Among passenger cars, sales volume of China-brand passenger cars was 5,109,000 units, representing an increase of 3.40% as compared with last year. Production and sales of commercial vehicles were 2,204,000 units and 2,291,000 units respectively, representing an increase of 9.40% and 10.60% respectively as compared with last year. Among commercial vehicles, production and sales volume of buses increased by 5.20% and 2.80% respectively as compared with last year; production and sales volume of trucks increased by 9.90% and 11.50% respectively as compared with last year. Production and sales volume of new energy cars were 413,000 units and 412,000 units respectively, representing an increase of 94.90% and 111.50% respectively as compared with last year. The top ten automaker groups in China sold 12,517,000 units of automobiles, representing an increase of 6.00% as compared with last year, and their sales represented 89.00% of the total sales of the automobile, representing an increase of 0.40% as compared with last year.

2) ANALYSIS OF MAIN BUSINESS

1. Changes in major financial information

	January-June 2018	January-June 2017	Change
Revenue	591,578,777.31	546,225,847.81	8.30%
Operating costs	498,024,626.88	430,712,361.43	15.63%
Selling expenses	40,528,863.33	28,443,663.40	42.49%
General and administrative expenses	67,817,744.24	50,639,675.06	33.92%
Financial expenses	-331,266.86	100,769.12	-428.74%
Investment gains	2,436,590.84	4,726,634.21	-48.45%
Income tax expenses	348,756.77	5,517,288.35	-93.68%
Research and development expenses	32,309,297.22	18,593,702.78	73.76%
Net cash flow from operating activities	3,151,665.88	-15,285,387.86	-120.62%
Net cash flow from investing activities	-29,730,616.12	54,724,603.49	-154.33%
Net cash flow from financing activities	53,277,225.43	959,961.15	5,449.94%
Net increase of cash and cash equivalents	26,693,236.27	40,401,214.74	-33.93%

During the reporting period, benefited from the substantial increase in sales of EPS (電動助力轉向系統) products and the good performance of domestic commercial vehicle market, resulting in stable increase in the sales of recirculating ball steering gear products of the Company, the Company recorded a revenue of RMB591,578,777.31, representing an increase of 8.30% as compared with last year.

During the reporting period, the gross profit of the Company's main business amounted to RMB88,144,999.32, representing a decrease of RMB22,400,487.27 as compared with last year. The gross profit margin of the Company's main business was 15.05% (corresponding period of last year: 20.44%). The gross profit margin of the Company's steering products for commercial vehicles increased year-on-year; however, as the steering products for passenger cars are under technological upgrading and updating, the gross profit margin of traditional power automotive steering gear products dropped sharply; certain projects of EPS products as new substitute products have not recorded profit. All these factors resulted in a decrease in the gross profit margin of the Company's main business.

During the reporting period, the Company's selling expenses amounted to RMB40,528,863.33, representing an increase of 42.49% as compared with last year, which was mainly attributable to the increase in transportation cost as a result of the increase in sales and changes in product mix, the increase in warranty fee caused by the increase in sales of EPS products and the cultivation and promotion of the intelligent steering product market.

During the reporting period, the Company's general and administrative expenses amounted to RMB67,817,744.24, representing an increase of 33.92% as compared with last year, which was mainly attributable to the increase in staff wages and welfare, research and development expenses and professional service fee. The overall increase in labour cost of the Company led to an increase in staff wages and welfare. The Company's research and development expenses were mainly used on the technical research of automotive steering system's safety, intelligent, automation, energy saving and light weight, so as to maintain the Company's competitive edge in respect of sustainable development. During the reporting period, the Company invested abundant research and development expenses in the core technical fields of motorized, intelligent, automation and high-end hydraulic

steering, resulting in an increase in research and development expenses. The increase in the Company's professional service fee was mainly due to the service charge paid to intermediaries for the non-public issuance of A shares.

During the reporting period, the Company's financial expenses amounted to RMB -331,266.86 (corresponding period of last year: RMB100,769.12). The change was mainly caused by interest income more than interest expenses.

During the reporting period, the Company's investment gains amounted to RMB2,436,590.84, representing a decrease of 48.45% as compared with last year, which was mainly due to the decrease in gains from short-term bank wealth management products.

During the reporting period, the Company's income tax expense amounted to RMB348,756.77, representing a decrease of 93.68% as compared with last year, which was mainly due to the decrease in total profit.

In view of the above, the Company recorded a net profit attributable to shareholders of the listed company of RMB -5,856,497.62 during the reporting period, representing a decrease of 114.75% as compared with last year.

During the reporting period, net cash flow from operating activities increased by 120.62% as compared with last year, mainly due to the increase in cash from sales receipts and decrease in cash paid for taxes. Net cash flow from investing activities decreased by 154.33% as compared with last year, mainly due to the decrease in funds used for purchase of wealth management products and in cash inflow from redemption of wealth management products at maturity, and the increase in cash paid to acquire fixed assets. Net cash flow from financing activities increased by 5,449.94% as compared with last year, mainly due to the increase in bank borrowings. In view of the above, during the reporting period, net increase in cash and cash equivalents decreased by 33.93% as compared with last year.

2. Composition of revenue

	January-June 2018		January-June 2017		Change
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Total Revenue	591,578,777.31	100%	546,225,847.81	100%	8.30%
By industry					
Manufacture of automotive components and parts	585,564,716.30	98.98%	540,744,812.35	99.00%	8.29%
Others	6,014,061.01	1.02%	5,481,035.46	1.00%	9.72%
By products					
Steering system and parts	556,073,620.88	94.00%	519,031,720.19	95.02%	7.14%
Parts and others	29,491,095.42	4.98%	21,713,092.16	3.98%	35.82%
Others	6,014,061.01	1.02%	5,481,035.46	1.00%	9.72%

3. Details of industry and product accounted for over 10% of the Company's revenue or operating profit

	Revenue	Operating costs	Gross margin	Change of revenue	Change of operating costs	Change of gross margin
By industry						
Manufacture of automotive components and parts	585,564,716.30	497,419,716.98	15.05%	8.29%	15.63%	-5.39%
By products						
Steering system and parts	556,073,620.88	472,865,630.66	14.96%	7.14%	14.28%	-5.32%

3) 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.

	30 June 2018		31 December 2017		Change in percentage of total assets
	Amount	Percentage of total assets	Amount	Percentage of total assets	
Cash on hand and at bank	218,801,466.72	10.14%	184,342,739.55	8.76%	1.38%
Notes receivable	143,322,051.34	6.64%	114,302,216.24	5.43%	1.21%
Accounts receivable	472,049,148.24	21.87%	512,761,243.71	24.37%	-2.50%
Inventories	309,535,044.18	14.34%	279,634,663.89	13.29%	1.05%
Other current assets	111,763,468.87	5.18%	139,737,784.36	6.64%	-1.46%
Fixed assets	591,745,300.34	27.41%	592,681,978.24	28.16%	-0.75%
Construction in progress	119,031,895.40	5.51%	119,801,083.84	5.69%	-0.18%
Notes payable	116,008,274.25	5.37%	105,976,263.36	5.04%	0.33%
Accounts payable	402,362,056.52	18.64%	391,592,296.47	18.61%	0.03%

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

Assets with restrictions in ownership or use rights

Item	Carrying amount at the end of the period	Reason for restriction
Cash on hand and at bank	31,682,517.48	Security deposits (Note 1)
Notes receivable	61,592,692.68	Pledge (Note 2)
Fixed assets	4,444,552.66	Charge
Intangible assets	3,154,439.60	Charge
Total	100,874,202.42	

(Note 1): Represents the security deposits of RMB31,682,517.48 for the issuance of bank acceptance bills.

(Note 2): Provision of pledge for the issuance of bank acceptance bills.

3. Financial resources and capital structure

As at 30 June 2018, the amount of total loans and borrowings of the Company was RMB66,080,000.00 (31 December 2017: RMB11,080,000.00). Total loans and borrowings increased by RMB55,000,000.00 when compared with the beginning of the year, mainly due to the increase of guaranteed loans. RMB11,080,000.00 of the total loans and borrowings of the Company shall be repaid over 2 years but within 5 years. Loans and borrowings at fixed interest rates amounted to RMB280,000.00 (31 December 2017: RMB280,000.00).

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 RMB705,172,000.00 and a net proceeds of RMB658,162,877.04 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 between January and June of 2018 was RMB 43,276,736.41, and RMB200,000,000.00 was used for temporary supplement of working capital. As at 30 June 2018, balance of proceeds amounted to RMB182,836,104.18, which included the accumulated amount of interests received from bank deposits and net 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 each class of capital. The Company will balance its overall capital structure through the payment of dividends, new share issues as well as 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 attributable to shareholders of the Company plus net debt. At the end of the reporting period, the Company's gearing ratio was -8.92% (31 December 2017: -11.15%).

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

4) FOREIGN 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.

5) MATERIAL ACQUISITION AND DISPOSAL

During the reporting period, the Group did not have any material acquisition and disposal concerning subsidiaries and associates.

6) CONTINGENT LIABILITIES

As at the end of the reporting period, the Group had no material contingent liabilities.

7) OUTLOOK

During the reporting period, the Company exported hydraulic power recirculating ball steering gear products for commercial vehicles to Germany in batches and EPS products for commercial vehicles to emerging markets in small batches. It is expected that the Company will continue to promote the export business in the second half of the year.

During the reporting period, the Company successively purchased EPS assembly line and key parts production equipment. It is expected that the assembly capacity of the EPS products will reach 1 million sets per year at the end of this year.

During the reporting period, the Company exerted efforts on cost reduction for EPS products, and it is expected that the gross profit margin of EPS products will be improved in the second half of the year.

During the reporting period, the Company's non-public issuance of A shares was not completed due to the expiration of the approval issued by the China Securities Regulatory Committee. The Company will continue to use its own funds and bank loans for investment in the construction of production capacity of intelligent steering assembly and critical parts for passenger cars and commercial vehicles and the research and development centre of automotive intelligent technology which were originally planned to be funded with the proceeds from the abovementioned issuance of shares. The investment progress will be adjusted or slowed down based on the availability of funds and market demand.

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.

Forecast on the operating results between January and September 2018

Net profit between January and September 2018 (RMB ten thousands)	-1,800.00	To	-900.00
Net profit attributable to shareholders of the listed issuer between January and September 2017 (RMB ten thousands)	4,107.90		
Illustrations on reasons attributable to the movements in results	The Company's products are experiencing a transitional period of technical innovation and upgrading. The decrease in the selling prices of traditional products resulted in the decrease in our profits while our new products have not generated any profits so far.		

(5) CORPORATE GOVERNANCE

During the reporting period, the Company had been in compliance with the majority of the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange with the exception of code provision A.1.8.

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 cover 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.

(6) PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the reporting period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

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

Hangzhou, Zhejiang, the PRC
17 August 2018

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. Lin Yi, Mr. Guo Kong Hui and Mr. Shum Shing Kei as independent non-executive Directors.