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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 2019**

**Key accounting information and financial indicators**

	January-June 2019	January-June 2018	Change
	RMB	RMB	
	(unaudited)	(unaudited)	
Revenue	450,513,067.17	591,578,777.31	-23.85%
Net profit attributable to shareholders of the listed company	-18,428,119.21	-5,856,497.62	-214.66%
Net profit after non-recurring gains and losses attributable to shareholders of the listed company	-25,656,039.80	-16,038,719.24	-59.96%
Net cash flow from operating activities	-7,143,272.74	3,151,665.88	-326.65%
Basic earnings per share (RMB/Share)	-0.0233	-0.0074	-214.86%
Diluted earnings per share (RMB/Share)	-0.0233	-0.0074	-214.86%
Weighted average return on net assets	-1.25%	-0.40%	-0.85%
	30 June 2019	31 December 2018	Change
	RMB	RMB	
	(unaudited)	(audited)	
Total assets	2,114,259,159.48	2,045,077,333.85	3.38%
Net assets attributable to shareholders of the listed company	1,460,118,563.60	1,478,546,682.81	-1.25%

\* For identification purpose only

## UNAUDITED INTERIM RESULTS

The board of directors (“**Board**”) of Zhejiang Shibao Company Limited (“**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (“**Group**”) for the six months ended 30 June 2019 prepared pursuant to China Accounting Standard for Business Enterprises, together with the comparative figures for the corresponding period in 2018. 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 2019

Item	Note 4	30 June 2019 (unaudited)	31 December 2018 (audited)
Current assets:			
Cash on hand and at bank		253,603,400.11	129,531,349.92
Financial assets held for trading		30,000,000.00	60,000,000.00
Notes receivable		136,214,870.54	142,065,764.04
Accounts receivable	1	439,478,837.71	468,614,553.04
Prepayments		8,093,010.10	5,961,331.19
Other receivables		7,207,514.17	7,223,954.38
Inventories		285,138,452.84	296,617,482.37
Other current assets		15,484,140.73	14,024,896.78
Total current assets		1,175,220,226.20	1,124,039,331.72
Non-current assets:			
Investment property		23,362,845.11	23,875,050.98
Fixed assets		641,794,339.03	648,472,200.05
Construction in progress		120,659,054.98	101,847,457.97
Intangible assets		88,701,841.82	90,633,988.60
Goodwill		4,694,482.34	4,694,482.34
Deferred income tax assets		4,395,515.97	3,795,739.02
Other non-current assets		55,430,854.03	47,719,083.17
Total non-current assets		939,038,933.28	921,038,002.13
Total assets		2,114,259,159.48	2,045,077,333.85

Item	Note 4	30 June 2019 (unaudited)	31 December 2018 (audited)
<b>Current liabilities:</b>			
Short-term borrowings	2	180,000,000.00	20,000,000.00
Notes payable		72,268,612.47	120,498,802.21
Accounts payable	3	287,559,714.22	308,232,664.17
Receipts in advance		4,197,937.96	2,090,618.17
Staff cost payable		11,220,456.09	13,581,085.61
Tax payable		1,975,803.35	1,905,954.69
Other payable		2,861,144.84	1,884,413.39
Including: interest payable		1,107,370.82	910,048.62
Contract liabilities		10,261,231.72	3,902,211.90
Other current liabilities		16,563,367.59	18,038,269.86
<b>Total current liabilities</b>		<b>586,908,268.24</b>	<b>490,134,020.00</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	4	9,080,000.00	9,080,000.00
Deferred income		47,342,003.75	52,234,573.03
Deferred income tax liabilities		2,931,452.77	3,106,579.85
<b>Total non-current liabilities</b>		<b>59,353,456.52</b>	<b>64,421,152.88</b>
<b>Total liabilities</b>		<b>646,261,724.76</b>	<b>554,555,172.88</b>
<b>Shareholders' equity:</b>			
Share capital		789,644,637.00	789,644,637.00
Capital reserve		182,334,093.78	182,334,093.78
Surplus reserve		135,379,620.20	135,379,620.20
Retained earnings		352,760,212.62	371,188,331.83
<b>Equity attributable to equity holders of the parent</b>		<b>1,460,118,563.60</b>	<b>1,478,546,682.81</b>
Minority interests		7,878,871.12	11,975,478.16
<b>Total equity</b>		<b>1,467,997,434.72</b>	<b>1,490,522,160.97</b>
<b>Total liabilities and equity</b>		<b>2,114,259,159.48</b>	<b>2,045,077,333.85</b>

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

Item	Note 4	January-June 2019 (unaudited)	January-June 2018 (unaudited)
Total revenue	5	450,513,067.17	591,578,777.31
Including: Revenue	5	450,513,067.17	591,578,777.31
Total operating costs		479,058,769.28	610,941,486.98
Incl.: Operating costs	5	372,841,463.94	498,024,626.88
Business taxes and surcharges		3,942,346.38	4,901,519.39
Selling expenses		40,159,326.16	40,528,863.33
General and administrative expenses		32,697,905.63	35,508,447.02
Research and development expenses		27,853,907.88	32,309,297.22
Financial expenses	6	1,563,819.29	-331,266.86
Including: Interest expenses		1,763,404.67	1,623,214.05
Interest income		684,358.02	2,320,584.46
Add: Other gains		6,648,542.97	7,071,722.79
Investment gains (“–” for loss)		658,689.06	2,436,590.84
Credit impairment losses (“–” for loss)		-1,018,267.87	1,305,096.97
Assets impairment losses (“–” for loss)		-1,069,918.83	-1,804,899.72
Gains from disposal of assets (“–” for loss)		295,997.68	113,907.91
Operating profit (“–” for loss)		-23,030,659.10	-10,240,290.88
Add: Non-operating income		31,677.20	567,420.78
Less: Non-operating expenses		297,806.10	414,554.01
Total profit (“–” for total loss)		-23,296,788.00	-10,087,424.11
Less: Income tax expenses	7	-772,061.75	348,756.77
Net profit (“–” for net loss)		-22,524,726.25	-10,436,180.88
Classification by business continuity			
– Net profit from continuing operations (“–” for net loss)		-22,524,726.25	-10,436,180.88
Classification by ownership			
– Net profit attributable to equity holders of the parent		-18,428,119.21	-5,856,497.62
– Minority interests		-4,096,607.04	-4,579,683.26
Total comprehensive income		-22,524,726.25	-10,436,180.88
– Total comprehensive income attributable to equity holders of the parent		-18,428,119.21	-5,856,497.62
– Total comprehensive income attributable to minority shareholders		-4,096,607.04	-4,579,683.26
Earnings per share:			
Basic earnings per share	8	-0.0233	-0.0074
Diluted earnings per share	8	-0.0233	-0.0074

## (2) NOTES TO THE FINANCIAL STATEMENTS

### 1) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

#### 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. Material changes in accounting policies

##### Changes in accounting policies caused by changes in Accounting Standards for Business Enterprises

The 2019 financial statements were prepared by the Company in accordance with the “Notice from the Ministry of Finance on Revising and Issuing the Format of 2019 Financial Statements of General Enterprises” (CAI KUAI (2019) No.6) and the Accounting Standards for Business Enterprises, and such change of accounting policy is subject to retrospective adjustments. Items and amounts in 2018 financial statements which are significantly affected are as follows:

Old item and amount		New item and amount	
Notes receivable and accounts receivable	610,680,317.08	Notes receivable	142,065,764.04
		Accounts receivable	468,614,553.04
Notes payable and accounts payable	428,731,466.38	Notes payable	120,498,802.21
		Accounts payable	308,232,664.17
Other current liabilities	28,305,075.09	Other current liabilities	18,038,269.86
		Deferred income	52,234,573.03
Deferred income	41,967,767.80		

#### 3. Accounting year

The accounting year is from 1 January to 31 December.

#### 4. 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)	Sales of goods or rendering of taxable services	16%/13%, 10%/9% (Note), 6%, 5%
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: In accordance with the announcement (Ministry of Finance, State Taxation Administration and General Administration of Customs [2019] No.39), from 1 April 2019, the tax rates on sales behaviors or import goods of the Company and subsidiaries subject to the value-added tax at the former rates of 16% and 10% have been changed to 13% and 9%; the sale of the steering systems, parts and other commodities by the Company has been subject to the value-added tax at the rate of 16%/13%, and the transfer of patented technologies and provision of services and otherwise have been subject to the value-added tax at the rate of 6%, and the house leasing business and otherwise have been subject to the tax at the simplified rate of 5%; the “exemption, offset and rebate” tax policy has applied to export goods of Hangzhou Shibao Auto Steering Gear Co., Ltd. and Jilin Shibao Machinery Manufacturing Co., Ltd., both are subsidiaries of the Company; the export rebate rate on export goods previously subject to the tax rate of 16% and the export rebate rate of 16% is adjusted to 13%, which is applicable to goods exported after 1 July 2019.

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:

Age	30 June 2019 (unaudited)			31 December 2018 (audited)		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	(%)		Amount	(%)	
Within 1 year	415,038,275.26	92.94%	248,610.11	453,488,096.59	95.52%	292,027.34
1-2 years	25,180,202.98	5.64%	1,148,929.40	15,079,464.71	3.18%	673,619.34
2-3 years	1,856,237.18	0.42%	1,198,338.20	1,867,853.03	0.39%	855,214.61
Over 3 years	4,481,151.14	1.00%	4,481,151.14	4,318,396.33	0.91%	4,318,396.33
Total	446,555,866.56	100.00%	7,077,028.85	474,753,810.66	100.00%	6,139,257.62

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 2019 (unaudited) (Note)	31 December 2018 (audited)
Guaranteed loans	180,000,000.00	20,000,000.00
Total	180,000,000.00	20,000,000.00

Note: RMB90,000,000.00 of which was guaranteed by Zhang Shi Quan, and RMB90,000,000.00 of which was guaranteed by Zhejiang Shibao Holding Group Co., Ltd., Zhang Shi Quan, Zhang Shi Zhong, Zhang Lan Jun, Zhang Bao Yi, Tang Hao Han, Yiwu City He Feng Automobile Spare Parts Co., Ltd. (義烏市和豐汽車配件有限公司), Lei Wei Zhu and Wang Zheng Xiao.

### 3. Accounts payable

The aging analysis of accounts payable is as follows:

Age	30 June 2019 (unaudited)	31 December 2018 (audited)
Within 1 year	268,015,692.63	297,625,066.68
1-2 years	10,913,404.96	3,744,206.81
2-3 years	3,724,339.41	4,202,557.32
Over 3 years	4,906,277.22	2,660,833.36
Total	287,559,714.22	308,232,664.17

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 2019 (unaudited)	31 December 2018 (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
Total	9,080,000.00	9,080,000.00

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, Jilin Shibao Machinery Manufacturing 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.

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

Item	30 June 2019 (unaudited)	31 December 2018 (audited)
Current or with 1 year		
Over 1 year but within 2 years		
Over 2 years but within 5 years	9,080,000.00	9,080,000.00



Over 5 years		
Sub-total	9,080,000.00	9,080,000.00
include: Long-term loans due within 1 year		
Long-term loans due over 1 year	9,080,000.00	9,080,000.00

## 5. Revenue/cost of sales

### (1) Breakdown

Item	January - June 2019 (unaudited)		January - June 2018 (unaudited)	
	Revenue	Cost	Revenue	Cost
Main business	444,176,981.03	371,677,810.55	585,564,716.30	497,419,716.98
Other business	6,336,086.14	1,163,653.39	6,014,061.01	604,909.90
Total	450,513,067.17	372,841,463.94	591,578,777.31	498,024,626.88

### (2) Performance obligation

The Company sells automotive steering gears and components in the capacity of main responsible person, for which it shall perform obligations upon the delivery of products. There was a credit period of 90–180 days for the contract price, and there were no significant financing components or variable considerations.

## 6. Financial expenses

Item	January - June 2019 (unaudited)	January - June 2018 (unaudited)
Interest expenses	1,763,404.67	1,623,214.05
Interest income	-684,358.02	-2,320,584.46
Other	484,772.64	366,103.55
Total	1,563,819.29	-331,266.86

## 7. Income tax expenses

Item	January - June 2019 (unaudited)	January - June 2018 (unaudited)
Current income tax	2,842.28	288,789.86
Deferred income tax	-774,904.03	59,966.91
Total	-772,061.75	348,756.77

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 2018: 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 2019 (unaudited)	January - June 2018 (unaudited)
Earnings		
Net profit attributable to the ordinary shareholders of the Company	-18,428,119.21	-5,856,497.62
Shares		
Weighted average number of ordinary shares issued by the Company	789,644,637.00	789,644,637.00
Basic earnings per share (RMB/Share)	-0.0233	-0.0074
Diluted earnings per share (RMB/Share)	-0.0233	-0.0074

## 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 where 95.41% of the revenue was generated from domestic sales, no further detailed segmental information needs to be disclosed.

### (2) Depreciation and amortization expenses

Item	January - June 2019 (unaudited)	January - June 2018 (unaudited)
Depreciation of fixed assets, oil and gas assets and production related biological materials	36,681,115.44	33,865,221.34
Amortization of intangible assets	2,780,568.22	3,701,450.13
Total	39,461,683.66	37,566,671.47

### (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)	295,997.68
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	6,648,542.97

Gains or losses from discretionary investment or asset management	658,689.06
Other non-operating income and expenses apart from those stated above	-194,069.13
Less: Effect on enterprise income tax	
Effect on interest of minority shareholders (after tax)	181,239.99
<b>Total</b>	<b>7,227,920.59</b>

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 2019 (unaudited)	31 December 2018 (audited)
Net current assets	588,311,957.96	633,905,311.72
Total assets less current liabilities	1,527,350,891.24	1,554,943,313.85

**(5) Material commitments**

Item	30 June 2019 (unaudited)	31 December 2018 (audited)
Material contracts in relation to acquisition of assets contracted but not recognised	87,167,063.43	98,750,837.23

**(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 2019 (30 June 2018: Nil).

#### (4) DISCUSSION AND ANALYSIS OF OPERATIONS

##### 1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

From January to June 2019, production and sales volume of China automobile industry were 12,132,000 units and 12,323,000 units respectively, representing a decrease of 13.70% and 12.40% respectively as compared with last year. Production and sales of passenger cars were 9,978,000 units and 10,127,000 units respectively, representing a decrease of 15.80% and 14.00% respectively as compared with last year. Among passenger cars, sales volume of China-brand passenger cars was 3,998,000 units, representing a decrease of 21.70% as compared with last year. Production and sales volume of new energy cars were 614,000 units and 617,000 units respectively, representing an increase of 48.50% and 49.60% respectively as compared with last year. Production and sales of commercial vehicles were 2,154,000 units and 2,196,000 units respectively, representing a decrease of 2.30% and 4.10% respectively as compared with last year. Among commercial vehicles, production and sales volume of buses decreased by 10.90% and 6.90% respectively as compared with last year. Production and sales volume of trucks decreased by 1.30% and 3.80% respectively as compared with last year. The top ten automaker groups in China sold 10,997,000 units of automobiles, representing a decrease of 12.10% as compared with last year, and their sales represented 89.20% of the total sales of the automobile, representing an increase of 0.3 percentage point as compared with last year.

##### 2) ANALYSIS OF MAIN BUSINESS

###### 1. Changes in major financial information

	January-June 2019	January-June 2018	Change
Revenue	450,513,067.17	591,578,777.31	-23.85%
Operating costs	372,841,463.94	498,024,626.88	-25.14%
Selling expenses	40,159,326.16	40,528,863.33	-0.91%
General and administrative expenses	32,697,905.63	35,508,447.02	-7.92%
Research and development expenses	27,853,907.88	32,309,297.22	-13.79%
Financial expenses	1,563,819.29	-331,266.86	572.07%
Other gains	6,648,542.97	7,071,722.79	-5.98%
Investment gains	658,689.06	2,436,590.84	-72.97%
Income tax	-772,061.75	348,756.77	-321.38%
Net cash flow from operating activities	-7,143,272.74	3,151,665.88	-326.65%
Net cash flow from investing activities	-31,958,462.04	-29,730,616.12	7.49%
Net cash flow from financing activities	158,433,917.53	53,277,225.43	197.38%
Net increase of cash and cash equivalents	119,144,953.60	26,693,236.27	346.35%

During the reporting period, the overall performance of the China automobile industry was unsatisfactory and the sales of the China-brand passenger cars was significantly decreased, which caused negative effect to the sales of the products of the Company. The Company recorded a revenue of RMB450,513,067.17, representing a decrease of 23.85% as compared with last year.

During the reporting period, the gross profit of the Company's main business amounted to RMB72,499,170.48, representing a decrease of RMB15,645,828.84 as compared with last year. The gross profit margin of the Company's main business was 16.32% (corresponding period of last year: 15.05%). The reason for the increase of the gross profit margin of the Company is due to the improvement of the gross profit margin of the EPS products.

During the reporting period, the Company's selling expenses amounted to RMB40,159,326.16, which was stable as compared with last year. The decrease in sales of the Company's products resulted in the decrease in the transportation costs correspondingly. However, the increase in the warranty fees offset the decrease in the transportation costs.

During the reporting period, the Company's general and administrative expenses amounted to RMB32,697,905.63, representing a decrease of 7.92% as compared with last year. It was mainly due to the granting of the social security allowances to some subsidiaries resulting in the decrease in staff costs and the decrease in service fees of the intermediaries.

During the reporting period, the Company's research and development expenses amounted to RMB27,853,907.88, representing a decrease of 13.79% as compared with last year. The research and development expenses accounted for 6.18% of the revenue, representing an increase as compared with last year. The Company's research and development expenses are 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's research and development expenses were mainly invested in the core technical fields of motorised, intelligent, automation and high-end hydraulic steering.

During the reporting period, the Company's financial expenses amounted to RMB1,563,819.29 representing an increase of 572.07% as compared with last year, which was mainly due to the decrease in interest income.

During the reporting period, the Company's other gains amounted to RMB6,648,542.97, which was the government subsidies.

During the reporting period, the Company's investment gains amounted to RMB658,689.06, representing a decrease of 72.97% as compared with last year, which was mainly due to the decrease in the purchase of the short-term bank wealth management products resulting in the decrease in the gains correspondingly.

During the reporting period, the Company's income tax expenses amounted to RMB-772,061.75, representing a decrease of 321.38% as compared with last year, which was mainly due to the decrease in the accrual of the deferred income tax.

In view of the above, the Company recorded a net profit attributable to shareholders of the listed company of RMB-18,428,119.21 during the reporting period, representing a decrease of 214.66% as compared with last year.

During the reporting period, net cash flow from operating activities decreased by 326.65% as compared with last year, mainly due to the decrease in cash from sales receipts. Net cash flow from investing activities decreased by 7.49% as compared with last year. Net cash flow from financing activities increased by 197.38% 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 increased by 346.35% as compared with last year.

## 2. Composition of revenue

	January-June 2019		January-June 2018		Change
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Total Revenue	450,513,067.17	100%	591,578,777.31	100%	-23.85%
By industry					
Manufacture of automotive components and part	444,176,981.03	98.59%	585,564,716.30	98.98%	-24.15%
Other	6,336,086.14	1.41%	6,014,061.01	1.02%	5.35%
By products					
Steering system and parts	421,639,264.90	93.59%	556,073,620.88	94.00%	-24.18%
Parts and others	22,537,716.13	5.00%	29,491,095.42	4.98%	-23.58%
Others	6,336,086.14	1.41%	6,014,061.01	1.02%	5.35%

## 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	444,176,981.03	371,677,810.55	16.32%	-24.15%	-25.28%	1.27%
By products						
Steering system and parts	421,639,264.90	351,372,336.34	16.67%	-24.18%	-25.69%	1.71%

## 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 2019		31 December 2018		Change
	Amount	Proportion to total assets	Amount	Proportion to total assets	
Cash on hand and at bank	253,603,400.11	11.99%	129,531,349.92	6.33%	5.66%
Notes receivable	136,214,870.54	6.44%	142,065,764.04	6.95%	-0.51%
Accounts receivable	439,478,837.71	20.79%	468,614,553.04	22.91%	-2.12%
Inventories	285,138,452.84	13.49%	296,617,482.37	14.50%	-1.01%

Fixed assets	641,794,339.03	30.36%	648,472,200.05	31.71%	-1.35%
Construction in progress	120,659,054.98	5.71%	101,847,457.97	4.98%	0.73%
Short-term borrowings	180,000,000.00	8.51%	20,000,000.00	0.98%	7.53%
Accounts payable	287,559,714.22	13.60%	308,232,664.17	15.07%	-1.47%

## 2. Assets and liabilities measured at fair value

Item	Amount at the beginning of the period	Gain/loss on changes in fair value for the current period	Cumulative changes in fair value recorded in equity	Impairment loss for the current period
Financial assets				
Bank wealth management product	60,000,000.00			
Total	60,000,000.00			

(continued)

Item	Amount purchased during the reporting period	Amount sold during the reporting period	Amount at the end of the period
Financial assets			
Bank wealth management product	70,000,000.00	100,000,000.00	30,000,000.00
Total	70,000,000.00	100,000,000.00	30,000,000.00

## 3. 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	14,165,261.54	Security deposits of the notes pool
Notes receivable	28,361,974.13	Pledge of the notes pool
Fixed assets	4,121,850.34	Borrowing credit mortgage
Intangible assets	3,150,470.63	Borrowing credit mortgage
Total	49,799,556.64	

## 4. Financial resources and capital structure

At the end of the reporting period, the amount of total loans and borrowings of the Company was RMB189,080,000.00 (31 December 2018: RMB29,080,000.00). Total loans and borrowings increased by RMB160,000,000.00 when compared with the beginning of the year, mainly due to the increase of guaranteed loans. RMB9,080,000.00 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 2018: 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 2019 was RMB47,746,044.84, and RMB160,000,000.00 was used for temporary supplement of working capital. As at 30 June 2019, balance of proceeds amounted to RMB111,971,836.81, 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 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 plus net debt. At the end of the reporting period, the Company's gearing ratio was 4.55% (31 December 2018: -6.52 %).

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

#### **4) MATERIAL ACQUISITION AND DISPOSAL**

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

#### **5) 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.

#### **6) CONTINGENT LIABILITIES**

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

#### **7) OUTLOOK**

As affected by the unsatisfactory performance of the overall automobile industry, the Company's operation will still face greater pressure in the second half of the year of 2019. Considering the significant decrease in the profitability of the Company at present, the Company will adopt more cautious investment strategies, properly slow down the construction of new production lines, adjust and reconstruct old production lines, accelerate the development of new technology, the development and trial production of new products, and properly solve the contradiction between survival and development, and make arrangements for future development.

**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 2019

Net profit attributable to shareholders of the listed issuer between January and September 2019 (RMB ten thousands)	-3,000.00	to	-2,000.00
Net profit attributable to shareholders of the listed issuer between January and September 2018 (RMB ten thousands)	-539.50		
Illustrations on reasons attributable to the movements in results	The overall performance of automobile industry was unsatisfactory, the Company's operation faced greater pressure and the profitability of the Company decreased. The new technology and new products were in the initial stages and did not contribute profit.		
The change of net profit attributable to shareholders of the listed issuer between July and September 2019 as compared with last year	Net profit attributable to shareholders of the listed issuer between July and September 2019 was expected to be RMB-11,571,900 to RMB-1,571,900. It was expected to be decreased by RMB12,033,400 to RMB2,033,400 as compared with last year.		

**(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  
 23 August 2019

*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.*