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 RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

SUMMARY

- Revenue for the six months ended 30 June 2011 amounted to RMB332,827,528.55, an increase of 23.7% compared with RMB269,054,738.33 for the corresponding period in 2010.
- Net profit for the six months ended 30 June 2011 amounted to RMB60,061,650.74, an increase of 11.7% compared with RMB53,757,281.77 for the corresponding period in 2010.
- Net profit attributable to equity holders of the parent for the six months ended 30 June 2011 amounted to RMB60,996,018.28, an increase of 14.5% compared with RMB53,259,365.98 for the corresponding period in 2010.
- Basic Earnings per share for the six months ended 30 June 2011 was RMB0.23, an increase of 15.0% compared with RMB0.20 for the corresponding period in 2010.
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2011.

* *For identification purpose only*

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Zhejiang Shibao Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") prepared pursuant to China Accounting Standard for Business Enterprises ("CAS") for the six months ended 30 June 2011, together with the comparative figures for the corresponding periods in 2010. The consolidated interim results have not been audited, but have been reviewed by the Company's audit committee.

I. FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

Assets	*Note (4)*	**30 June 2011** *(unaudited)*	**31 December 2010** *(audited and restated)*
Current Assets			
Cash on hand and at bank	1	42,986,051.12	65,301,493.65
Notes receivable	2	70,077,760.11	60,152,693.51
Accounts receivable	3	205,601,080.63	127,888,570.64
Prepayments		11,199,205.48	6,971,004.76
Other receivables		5,159,632.99	3,914,239.70
Inventories		137,665,928.60	138,006,793.84
Other current assets		1,412,965.88	1,004,992.67
Total current assets		474,102,624.81	403,239,788.77
Non-current Assets			
Long-term equity investments		6,642,934.45	6,615,273.15
Fixed assets	4	294,838,671.57	282,301,214.46
Construction in progress		68,855,827.29	12,297,067.81
Intangible assets	5	76,407,661.86	78,640,983.02
Deferred income tax assets		4,956,938.14	3,696,580.97
Other non-current assets		19,961,435.80	24,226,795.00
Total non-current assets		471,663,469.11	407,777,914.41
Total Assets		945,766,093.92	811,017,703.18

Liabilities and Shareholders' Equity	*Note (4)*	**30 June 2011** *(unaudited)*	**31 December 2010** *(audited and restated)*
Current Liabilities			
Short-term borrowings	6	80,300,000.00	30,000,000.00
Notes payable		24,890,000.00	14,730,000.00
Accounts payable	7	134,242,708.18	119,447,751.59
Receipts in advance		2,431,409.82	1,104,151.26
Staff cost payable		6,832,360.82	8,737,908.35
Taxes payable		14,661,663.29	12,958,662.68
Interests payable		1,376,644.16	1,167,729.19
Other payables		1,847,252.49	3,721,551.24
Non-current liabilities due within one year	8	5,000,000.00	5,000,000.00
Other current liabilities		10,864,264.44	10,644,849.00
Total current liabilities		282,446,303.20	207,512,603.31
Non-current Liabilities			
Long-term borrowings	9	35,090,000.00	20,090,000.00
Deferred income tax liabilities		1,794,333.33	1,890,458.33
Other non-current liabilities		15,036,945.46	4,748,573.33
Total non-current liabilities		51,921,278.79	26,729,031.66
Total Liabilities		334,367,581.99	234,241,634.97
Shareholders' Equity			
Share capital	10	262,657,855.00	262,657,855.00
Capital reserve		27,587,397.23	27,500,772.59
Statutory reserve funds		91,531,648.11	84,961,353.85
Retained earnings		207,715,529.57	176,929,012.57
Equity attributable to equity holders of the parent		589,492,429.91	552,048,994.01
Minority interest	11	21,906,082.02	24,727,074.20
Total Shareholders' Equity		611,398,511.93	576,776,068.21
Total Liabilities and Shareholders' Equity		945,766,093.92	811,017,703.18

Consolidated Income Statement

	Note (4)	**Jan.-June 2011** *(unaudited)*	**Jan.-June 2010** *(unaudited and restated)*
Revenue	12	332,827,528.55	269,054,738.33
Less: Operating costs	12	213,669,247.61	169,833,851.56
Business taxes and surcharges		2,042,154.50	829,142.97
Selling expenses		18,194,640.86	17,753,904.57
General and administrative expenses		27,053,275.60	19,296,354.97
Financial expenses / (income)	13	1,932,584.96	(76,746.31)
Assets impairment losses		911,429.73	—
Add: Investment gain / (losses)	14	173,570.99	(107,112.26)
Including: Share of gain / (losses) in jointly-controlled entities		173,570.99	(107,112.26)
Operating profit		69,197,766.28	61,311,118.31
Add: Non-operating income	15	4,382,082.79	1,328,230.72
Less: Non-operating expenses	16	624,774.20	161,301.11
Including: Loss on disposal of non-current assets		241,915.36	15,939.43
Total profit		72,955,074.87	62,478,047.92
Less: Income tax expenses	17	12,893,424.13	8,720,766.15
Net Profit		60,061,650.74	53,757,281.77
Net profit attributable to equity holders of the parent		60,996,018.28	53,259,365.98
Minority interests		(934,367.54)	497,915.79
Earnings per share			
Basic earnings per share	18	0.23	0.20
Diluted earnings per share	18	0.23	0.20
Other comprehensive income		—	—
Total comprehensive income		60,061,650.74	53,757,281.77
Including:			
Total comprehensive income attributable to equity holders of the parent		60,996,018.28	53,259,365.98
Total comprehensive income attributable to minority shareholders		(934,367.54)	497,915.79

II. NOTES TO THE FINANCIAL STATEMENTS

(1) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation of financial statements

These 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 and therefore do not include all the information and disclosures in the audited financial statements of 2010.

These financial statements are presented on the going concern basis.

The financial statements are prepared under the historical cost convention except for certain financial instruments. In case of impairment, the corresponding impairment provision shall be accrued based on the relevant regulations.

2. Statement of compliance with the Accounting Standards for Business Enterprises

Reference is made to the announcement of the Company dated 12August 2011 which mentioned that the Exchange has accepted matters relating to the adoption of Mainland accounting and auditing standards and the appointment of Mainland audit firms. In view of such arrangement and in order to improve efficiency and reduce the cost of disclosure, the Board has decided to prepare only one set of financial statements for the Company under China Accounting Standards for any financial period commencing on or after 1 January 2011 for the purpose of fulfilling its statutory obligation and the periodic financial reporting requirements of the Listing Rules. The Board confirms that there will have no material financial impact on the financial statements which will be brought by the adoption of China Accounting Standards only for fulfillment of its statutory obligation and the periodic financial reporting requirements of the Listing Rules.

Significant accounting policies and accounting estimates will be detailed in the interim report for the six months ended 30 June 2011 of the Company.

3. Accounting Year

The accounting year of the Group is from 1 January to 31 December.

4. Functional currency

These financial statements are presented in Renminbi (“RMB”), which is the Company‘s functional and presentation currency. All values are presented to the nearest Yuan, except when otherwise indicated.

(2) TAXATION

1. Major taxes and tax rates

Value added tax	—	The Group's taxable revenue is subject to value added tax ("VAT") at tax rates of 17%. The VAT payable is determined by the output VAT net of deductible input VAT of the period.
Urban maintenance and construction tax	—	The Group pays 5-7% of turnover tax as urban maintenance and construction tax.
Education surcharge	—	The Group pays 3% of turnover tax as education surcharge.
Individual income tax	—	The Group withholds individual income tax on their behalf for the staff costs paid to the individuals.
Corporate income tax	—	Except for the following entities comprising the Group are entitled for the income tax concession policies, the enterprise income tax was payable by other entities on 25% of their taxable income.

2. Tax concession and approval documents

According to the Document (Ji Ke Ban Zi [2009] No.115) issued by the Department of Science and Technology, the Department of Finance, the Bureau of State Taxation and the Bureau of Local Taxation of Jilin province, Siping Steering Gear Co., Ltd., a subsidiary of the Company, was recognized as a high-tech enterprise, and was subject to an enterprise income tax rate of 15% from 2009 to 2011.

According to the Document (Zhe Ke Fa Gao [2008] No.250) issued by the Department of Science and Technology, the Department of Finance, the Bureau of State Taxation and the Bureau of Local Taxation of Zhejiang province, Hangzhou Shibao Auto Steering Gear Sales Co., Ltd., a subsidiary of the Company, was recognized as a high-tech enterprise, and was subject to an enterprise income tax rate of 15% from 2008 to 2010. In 2011, Hangzhou Shibao Auto Steering Gear Sales Co., Ltd. was re-applying for the qualifications as a high-tech enterprise and is adopting an income tax rate of 15% for the time being.

(3) CONSOLIDATION SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

1. Particulars of subsidiaries

Name of subsidiaries	Place of registration	Business scope	Representative	Registered capital '000	Investment amount '000	At 30 June 2011 Direct (%)	At 30 June 2011 Indirect (%)	At 31 December 2010 Direct (%)	At 31 December 2010 Indirect (%)	Code of entity
Siping Steering Gear Co., Ltd. ("Siping Steering")	Siping City	Manufacture of power steering gears, steering knuckles for sedans and automotive parts and components	Zhang Shi Quan	11,000	8,250	75	—	75	—	70221708-7
Hangzhou Shibao Auto Steering Gear Sales Co., Ltd. ("Hangzhou Shibao")	Hangzhou City (note)	Manufacture of steering gears and automotive parts and components	Zhang Shi Quan	40,000	40,000	100	—	99	—	25392555-4
Hangzhou New Shibao Electric Power Steering Co., Ltd. ("Hangzhou New Shibao")	Hangzhou City	Sales of steering gears components and other components for automobiles	Zhang Bao Yi	60,000	42,000	70	—	70	—	76823319-4
Jilin Shibao Machinery Manufacturing Co., Ltd. ("Jilin Shibao")	Siping City	Processing of stamping machinery, manufacture and sales of automotive parts and components, sales of metal materials, electromechanical products and electronic products, as well as casting and forging	Tang Hao Han	30,000	30,000	100	—	100	—	67730447-9
Beijing Autonic Technologies Co., Ltd. ("Beijing Autonic")	Beijing City	Technology development	Zhang Bao Yi	10,000	7,000	70	—	70	—	77861581-5

Note: On 11 March 2011, the Company acquired the 1% interest in Hangzhou Shibao from Ms. Zhang Hai Qin, the spouse of Zhang Shi Quan

2. **Business combination not involving enterprises under common control**

On 18 October 2010, the Company signed an agreement with Metal Group Co., Ltd.("Metal Group"), the former corporate shareholder of Beijing Autonic Technologies Co., Ltd. ("Beijing Autonic"), regarding stock acquisition. The Company subsequently acquired the 70% interest in Beijing Autonic held by Metal Group for a cash consideration of RMB 2 million and RMB 5 million on 20 July 2010 and 13 September 2010 respectively. The registered capital of Beijing Autonic is RMB10 million. The remaining 30% of the shares of Beijing Autonic are held by two individuals.

The management engaged Zhejiang Tian Hui Asset Evaluation Company (浙江天匯資產評估公司) to evaluate the fair value of identifiable net assets of Beijing Autonic as at the acquisition date. The fair value and carrying amount of the respective identifiable net assets are as follows:

	Fair value as at the acquisition date	**Carrying amount as at the acquisition date**
Monetary assets	808,032.84	808,032.84
Inventories	1,548,954.05	1,548,954.05
Other current assets	217,849.43	217,849.43
Fixed assets	63,541.86	63,541.86
Intangible assets	9,244,762.27	1,554,762.27
Current liabilities	(214,965.45)	(214,965.45)
Deferred income tax liabilities	(1,922,500.00)	—
	9,745,675.00	3,978,175.00
Minority interests	2,923,702.50	1,193,452.50
	6,821,972.50	2,784,722.50
Goodwill	178,027.50	
	7,000,000.00	

The operating results and cash flows of Beijing Autonic from the acquisition date to the end of 2010 is set out below:

	Acquisition date to 31 December 2010
Operating income	48,052.19
Net loss	(357,043.81)
Net cash flow from operating activities	(298,241.44)

(4) NOTES TO THE MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash on hand and at bank

	30 June 2011 *(unaudited)*	31 December 2010 *(audited)*
Total cash on hand and at bank	42,986,051.12	65,301,493.65
Less: Restricted cash on hand and at bank (note)	6,590,912.34	16,363,229.50
Cash and cash equivalents	36,395,138.78	48,938,264.15

The cash on hand and at bank of the Group were mainly bank deposits in Renminbi.

Note: The restricted cash on hand and at bank of the Group for the period refers to the deposits for issuance of bank bills and letter of credit.

2. Notes receivable

	30 June 2011 *(unaudited)*	31 December 2010 *(audited and restated)*
Banker's acceptances	70,077,760.11	60,152,693.51

As at 30 June 2011, the Group's pledged notes receivable amounted to RMB1,500,000.00 (31 December 2010: nil).

As at 30 June 2011, the Group had no notes receivable transferred to accounts receivables, because of the drawer's inability to perform and had no discounted but not past due notes receivable.

3. Accounts receivable

The ageing analysis of accounts receivable is as follows:

	30 June 2011 *(unaudited)*	31 December 2010 *(audited and restated)*
Within 1 year	202,896,544.80	125,202,408.62
1-2 years	2,239,899.70	1,667,438.80
2-3 years	347,432.05	1,388,162.62
Over 3 years	2,566,109.47	2,010,394.29
	208,049,986.02	130,268,404.33
Less: Provision for impairment	(2,448,905.39)	(2,379,833.69)
	205,601,080.63	127,888,570.64

The movements in provision for impairment of accounts receivable are as follow:

	1 January 2011	Provision during the period	Decrease during the period		30 June 2011
			Reversal	**Write-off**	*(unaudited)*
Jan. — June 2011	2,379,833.69	69,071.70	—	—	2,448,905.39

4. **Fixed assets**

	Buildings and structures	Plant and equipment	Transportation vehicles	Office equipment and others	Total
Cost:					
At 31 December 2010 (audited and restated)	133,231,265.40	234,007,344.73	17,136,209.73	5,719,469.00	390,094,288.86
Additions	179,293.00	4,282,493.94	1,073,273.06	839,084.10	6,374,144.10
Transfer from construction in progress	24,571.00	19,064,394.92	1,105,831.38	381,223.09	20,576,020.39
Disposal	—	(1,364,231.67)	—	(101,587.19)	(1,465,818.86)
At 30 June 2011 (unaudited)	133,435,129.40	255,990,001.92	19,315,314.17	6,838,189.00	415,578,634.49
Less: accumulated depreciation					
At 31 December 2010 (audited and restated)	21,907,810.27	72,738,943.53	8,708,909.76	4,437,410.84	107,793,074.40
Provision	1,773,629.45	10,610,059.08	619,453.24	801,822.12	13,804,963.89
Disposal	—	(848,516.59)	—	(9,558.78)	(858,075.37)
At 30 June 2011 (unaudited)	23,681,439.72	82,500,486.02	9,328,363.00	5,229,674.18	120,739,962.92
Carrying amount:					
At 30 June 2011 (unaudited)	109,753,689.68	173,489,515.90	9,986,951.17	1,608,514.82	294,838,671.57
At 31 December 2010 (audited and restated)	111,323,455.13	161,268,401.20	8,427,299.97	1,282,058.16	282,301,214.46

5. **Intangible assets**

	Land use right	Patented technology	Software	Non-patented technology	Total
Cost:					
At 31 December 2010 (audited and restated)	57,651,479.00	7,690,000.00	450,550.00	19,554,762.00	85,346,791.00
At 30 June 2011 (unaudited)	57,651,479.00	7,690,000.00	450,550.00	19,554,762.00	85,346,791.00
Less: accumulated amortization					
At 31 December 2010 (audited and restated)	6,240,356.25	128,166.73	286,982.00	50,303.00	6,705,807.98
Amortization	757,455.30	384,499.91	40,455.86.	1,050,910.09	2,233,321.16
At 30 June 2011 (unaudited)	6,997,811.55	512,666.64	327,437.86	1,101,213.09	8,939,129.14
Carrying amount:					
At 30 June 2011 (unaudited)	50,653,667.45	7,177,333.36	123,112.14	18,453,548.91	76,407,661.86
At 31 December 2010 (audited and restated)	51,411,122.75	7,561,833.27	163,568.00	19,504,459.00	78,640,983.02

6. **Short-term loans**

	30 June 2011 *(unaudited)*	**31 December 2010** *(audited and restated)*
Guaranteed loans	60,000,000.00	30,000,000.00
Credit loans	20,000,000.00	—
Pledged loans	300,000.00	—
	80,300,000.00	30,000,000.00

	30 June 2011 (unaudited)				
	Currency	**Amount**	**Conditions**	**Interest rate**	**Maturity date**
Industrial and Commercial Bank of China	RMB	300,000.00	Pledged loans	7.61%	5 July 2011
Industrial and Commercial Bank of China	RMB	30,000,000.00	Guaranteed loans	5.85%	10 Oct. 2011
Industrial and Commercial Bank of China	RMB	20,000,000.00	Credit loans	6.31%	30 May 2012
Industrial Bank	RMB	5,000,000.00	Guaranteed loans	6.31%	18 April 2012
Industrial Bank	RMB	25,000,000.00	Guaranteed loans	6.31%	17 April 2012
		80,300,000.00			

	31 December 2010 (audited and restated)				
	Currency	**Amount**	**Conditions**	**Interest rate**	**Maturity date**
Industrial Bank	RMB	20,000,000.00	Guaranteed loans	5.31%	18 April 2011
Industrial Bank	RMB	10,000,000.00	Guaranteed loans	5.31%	15 April 2011
		30,000,000.00			

During the period, the Group had no short-term loans which was past due but remained unpaid.

7. Accounts payable

	30 June 2011 *(unaudited)*	**31 December 2010** *(audited and restated)*
Within 1 year	131,479,150.97	112,449,747.54
1-2 years	2,053,017.55	6,096,755.33
2-3 years	112,729.38	238,609.29
Over 3 years	597,810.28	662,639.43
	134,242,708.18	119,447,751.59

During the period, the Group had no amounts payable to the shareholders or related parties holding 5% or more voting rights of the Company.

As at 30 June 2011, the Group had no significant balance of accounts payable which was aged over one year.

Significant balance of accounts payable which was aged over one year as at 31 December 2010 is set forth below:

Company	Amount payable	Reason
Yangzhong Municipal Huari Plastic Electrical Apparatus Plant (揚中市華日塑膠電器廠)	1,195,009.17	Not settled by supplier

The above significant balance of accounts payable which was aged over one year was fully repaid after the balance sheet date.

8. **Non-current liabilities due within one year**

	30 June 2011 *(unaudited)*	**31 December 2010** *(audited and restated)*
Long-term borrowings due within one year—guaranteed loans	5,000,000.00	5,000,000.00

Jilin Shibao Machinery Manufacturing Co., Ltd. obtained a loan of RMB20,000,000.00 from the Siping Branch of China Construction Bank, which was bearing an annual interest rate of 5.96% and secured by Siping Steering Gear Co., Ltd., for a term begining from 1 December 2010 to 30 November 2015, of which RMB5,000,000.00 will be due for payment on 30 November 2011.

During the period, the Group had no amounts which was past due but was granted with extensions among the long-term borrowings due within one year.

During the period, the Group had no long-term borrowings which was past due but remained unpaid.

9. **Long-term borrowings**

		30 June 2011 (unaudited)			
	Currency	**Amount**	**Conditions**	**Interest rate**	**Maturity date**
Special fund for treasury bond	RMB	2,830,000.00	Other borrowings	5.00%	31 Dec. 2020
Special fund for treasury bond	RMB	2,260,000.00	Other borrowings	5.00%	31 Dec. 2016
China Construction Bank	RMB	13,000,000.00	Guranteed borrowings	5.96%	30 Nov. 2012
China Construction Bank	RMB	2,000,000.00	Guranteed borrowings	5.96%	30 Nov. 2013
China Construction Bank	RMB	11,000,000.00	Guranteed borrowings	7.98%	30 Nov. 2013
China Construction Bank	RMB	4,000,000.00	Guranteed borrowings	7.98%	30 Nov. 2014
Total		35,090,000.00			

	31 December 2010 (audited)				
	Currency	Amount	Conditions	Interest rate	Maturity date
Special fund for treasury bond	RMB	2,830,000.00	Other borrowings	5.00%	31 Dec. 2020
Special fund for treasury bond	RMB	2,260,000.00	Other borrowings	5.00%	31 Dec. 2016
China Construction Bank	RMB	13,000,000.00	Guranteed borrowings	5.96%	30 Nov. 2012
China Construction Bank	RMB	2,000,000.00	Guranteed borrowings	5.96%	30 Nov. 2013
Total		20,090,000.00			

During the period, the Group had no long-term borrowings which was past due but remained unpaid.

Other borrowings refer to the loan under the special fund for treasury bond on the state key projects of technological transformation granted by the Siping Municipal Bureau of Finance.

10. **Share capital**

	30 June 2011 and 31 December 2010	
	No. of shares	Percentage
1. Unlisted shares		
Promoter's shares	175,943,855.00	66.99%
Including:		
Shares held by domestic legal persons	165,387,223.00	62.97%
Shares held by domestic natural persons	10,556,632.00	4.02%
Total unlisted shares	175,943,855.00	66.99%
2. Listed shares		
Overseas listed foreign shares	86,714,000.00	33.01%
Total listed shares	86,714,000.00	33.01%
3. Total of shares	262,657,855.00	100.00%

11. **Minority interest**

Minority interest balance of subsidiary of the Company is as follows:

	30 June 2011 *(unaudited)*	**31 December 2010** *(audited)*
Siping Steering	3,000,000.00	3,250,000.00
Hangzhou Shibao	—	1,282,101.24
Beijing Autonic	2,708,244.63	2,816,589.36
Hangzhou New Shibao	16,197,837.39	17,378,383.60
	21,906,082.02	24,727,074.20

12. **Revenue and costs**

Revenue is as follows:

	Jan.-June 2011 *(unaudited)*	**Jan.-June 2010** *(unaudited and restated)*
Revenue from main business	332,762,718.55	269,002,010.42
Revenue from other business	64,810.00	52,727.91
	332,827,528.55	269,054,738.33

Costs is as follows:

	Jan.-June 2011 *(unaudited)*	**Jan.-June 2010** *(unaudited and restated)*
Costs from main business	213,669,247.61	169,833,851.56

Main business by productsis as follows:

	Jan.-June 2011 (unaudited)		Jan.-June 2010 (unaudited and restated)	
	Revenue	**Costs**	**Revenue**	**Costs**
Power recirculating ball steering gears and its components	127,435,981.15	85,905,107.02	119,145,285.66	78,453,752.60
Steering knuckles	88,064,769.71	50,502,189.02	70,777,043.05	40,627,092.03
Power rack-and-pinion steering gears	71,428,882.78	47,446,932.69	38,277,608.92	26,527,618.60
Manual recirculating ball steering gears	6,519,945.44	5,443,702.10	8,379,458.12	7,019,219.77
Spare parts and others	39,313,139.47	24,371,316.78	32,422,614.68	17,206,168.56
	332,762,718.55	213,669,247.61	269,002,010.42	169,833,851.56

During the relevant period, all of the Group's revenue from main business derived from sales of goods.

13. **Finance expenses /(income)**

	Jan.-June 2011 *(unaudited)*	**Jan.-June 2010** *(unaudited and restated)*
Interest expense	2,099,940.94	281,476.66
Less: Interest income	(267,492.21)	(542,245.34)
Others	100,136.23	184,022.37
	1,932,584.96	(76,746.31)

14. **Investment gains/(losses)**

	Jan.-June 2011 *(unaudited)*	**Jan.-June 2010** *(unaudited and restated)*
Investment gains/(losses) from long-term equity investments under equity method of accounting	173,570.99	(107,112.26)
Including: Investment gains/(losses) from jointly-controlled entities	173,570.99	(107,112.26)

During the period, the Group had no investment gain from long-term equity investments under cost method of accounting.

During the period, none of the Group's investment gain from long-term equity investments under equity method of accounting accounted for over 5% of the total investment.

15. **Non-operating income**

	Jan.-June 2011 *(unaudited)*	Jan.-June 2010 *(unaudited and restated)*
Gains from disposal of fixed assets	1,321.46	20,966.69
Government grants	4,111,797.88	654,833.00
Others	268,963.45	652,431.03
	4,382,082.79	1,328,230.72

16. **Non-operating expenses**

	Jan.-June 2011 *(unaudited)*	Jan.-June 2010 *(unaudited and restated)*
Losses from disposal of fixed assets	241,915.36	15,939.43
Water conservancy fund	184,678.46	141,515.21
Others	198,180.38	3,846.47
	624,774.20	161,301.11

17. **Income tax expenses**

	Jan.-June 2011 *(unaudited)*	Jan.-June 2010 *(unaudited)*
Income tax expenses	14,249,906.30	9,148,755.62
Deferred tax expenses	(1,356,482.17)	(427,989.47)
	12,893,424.13	8,720,766.15

The Group's income tax is calculated based on its estimated taxable income derived from the PRC and the applicable tax rate (see Note (2)).

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2011 (30 June 2010: Nil).

18. **Earnings per share**

The basic earnings per share is calculated based on the net profit attributable to the ordinary equity holders 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 diluted ordinary shares.

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

	Jan.-June 2011 *(unaudited)*	**Jan.-June 2010** *(unaudited)*
Earnings		
Net profits attributable to the ordinary equity holders of the Company	60,996,018.28	53,259,365.98
Shares		
Weighted average of ordinary shares issued by the Company	262,657,855.00	262,657,855.00
Basic earnings per share (RMB)	0.23	0.20
Diluted earnings per share (RMB)	0.23	0.20

(5) OPERATING SEGMENT INFORMATION

For business management purposes, the Group is organised into one single business unit that represents primarily sale of automotive steering products and its corresponding components in Mainland China. Accordingly, no detailed information about operating segment is presented.

Almost all of the Group's external operating income is earned in Mainland China.

Almost all of the Group's non-current assets are located in Mainland China.

(6) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. **Parent company**

Name	Place of registration	Corporate type	Corporate representative	Business nature	Registered capital	Shareholding percent. in the Company	voting proportion in the Company	Organization code
Zhejiang Shibao Holding Group Co., Ltd.	Yiwu City	Limited liability	Zhang Shi Zhong	industrial investment	50 million	62.97%	62.97%	75193535-X

The ultimate holding parties of the Company are Zhang Shi Quan and his family members, i.e., Zhang Bao Yi, Tang Hao Han, Zhang Lan Jun and Zhang Shi Zhong.

2. **Subsidiary**

The Company's subsidiaries are listed in Note (3) — consolidation scope of consolidated financial statements.

3. **Jointly-controlled entities**

The main information about our jointly-controlled entities is as follows:

	Corporate type	Place of registration	Corporate representative	business nature	Registered capital	Organization code
Wuhu Sterling Steering System Co., Ltd ("Wuhu Sterling")	Other limited liability company	Wuhu City	Zhang Shi Quan	Development, manufacture and sale of steering system and its related products and provision of after-sale services	20,000,000.00	76900919-4

The Company's proportation both of shareholding and voting in the jointly-controlled entities is 36%.

4. **Other related parties**

	Relationship
Zhang Shi Quan and his family members, i.e., Zhang Bao Yi, Tang Hao Han, Zhang Lan Jun and Zhang Shi Zhong	Ultimate holding parties
Zhang Hai Qin	Family members with a close relation with main investors

5. **Major transactions between the Group and related parties**

(1) *Transaction of goods and services with related parties*

Purchase of goods from related parties

	Jan.-June 2011 *(unaudited)*	Jan.-June 2010 *(unaudited and restated)*
Wuhu Sterling	662,809.17	1,802,785.00

During the period, purchase of goods from related parties accounted for 0.27% of the Group's total purchases (Jan.-June 2010: 0.34%). The Group purchased the steering gear from Wuhu Sterling Steering System Co., Ltd. at the market price.

Sales of goods to related parties

	Jan.-June 2011 *(unaudited)*	**Jan.-June 2010** *(unaudited and restated)*
Wuhu Sterling	20,483,812.79	20,253,627.47

During the period, sales of goods to related parties accounted for 6.16% of the Group's total sales (Jan.-June 2010: 7.53%). The Group sold the spare parts and fittings to Wuhu Sterling Steering System Co., Ltd. at the market price.

(2) *Equity transactions with related parties*

Purchase of equity from related parties

The Company purchased the 1% equity in Hangzhou Shibao from Zhang Hai Qin on 11 March 2011 at the consideration of RMB1.15 million, which was determined with reference to the net asset of Hangzhou Shibao as at 31 December 2010 after deduction of the distributed profits of 2010.

(3) *Guarantee with related parties*

Receipt of guarantee from related parties

30 June 2011

	Utilized amount	**Guaranteed amount** *'0,000*	**Commencement date of guarantee**	**Expiry date of guarantee**	**Guarantee fully fulfilled**
Zhejiang Shibao Holding Group Co., Ltd.	Note 1	2,000	29 April 2010	10 April 2013	No
Zhang Shi Quan	Note 2	7,500	11 April 2011	10 April 2013	No
Zhejiang Shibao Holding Group Co., Ltd.	Note 3	3,000	4 May 2010	16 April 2014	No
Zhang Shi Quan	Note 3	2,500	17 April 2011	16 April 2014	No
Zhang Shi Quan	Note 1	500	19 April 2011	18 April 2014	No

Note 1: As at 30 June 2011, these two guarantee contracts together provided the joint liability guarantee for bank borrowings of RMB5 million for Zhejiang Shibao Company Limited.

Note 2: As at 30 June 2011, the guarantee contract provided the joint liability guarantee for bank borrowings of RMB30 million for Zhejiang Shibao Company Limited.

Note 3: As at 30 June 2011, these two guarantee contracts together provided the joint liability guarantee for bank borrowings of RMB25 million for Hangzhou Shibao Auto Steering Gear Sales Co., Ltd..

Provision of guarantee to related parties

30 June 2011

	Guaranteed amount *'0,000*	**Commencement date of guarantee**	**Expiry date of guarantee**	**Guarantee fully fulfilled**
Wuhu Sterling Steering System Co., Ltd.	1,000	19 Jan. 2011	18 Jan. 2012	No

As at 30 June 2011, the Company provided the maximum guarantee in terms of bank credit business to Wuhu Sterling Steering System Co., Ltd., our related party, with a maximum principal balance of RMB10 million, of which RMB10 million was already utilized by Wuhu Sterling Steering System Co., Ltd..

(4) *Other related transactions*

	Jan.-June 2011 *(unaudited)*	**Jan.-June 2010** *(unaudited and restated)*
Key managerial personnel remuneration	1,123,608.00	931,177.00

6. **Balance of receivables/(payables) from/(to) related parties**

	30 June 2011 *(unaudited)*	**31 December 2010** *(audited)*
Accounts receivable		
Wuhu Sterling Steering System Co., Ltd.	13,806,711.87	17,063,803.27

Amounts receivable from related parties are free of interest, unsecured and have no fixed repayment term.

(7) COMMITMENTS

	30 June 2011 *(unaudited)*	31 December 2010 *(audited)*
Capital commitment		
Contracted, but not provided for	53,834,269.69	64,144,432.00

III. INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

IV. MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating result

For the six months ended 30 June 2011, the Group recorded a revenue of RMB332,827,528.55, representing an increase of 23.7% over the corresponding period in 2010. Net profit attributable to equity holders of the parent was RMB60,996,018.28, representing an increase of 14.5% over the corresponding period in 2010.

During the period under review, the Group's revenue continued to grow, and the overall gross profit increased by 20.1% over the corresponding period in 2010. The increase in the Group's revenue was mainly due to a continuous increase in the sales of passenger car steering products.

The Group's gross profit margin was 35.8% (corresponding period in 2010: 36.9%). The slight decrease in the gross profit margin was mainly due to an increase in the raw material purchasing cost.

During the period under review, selling expenses increased by RMB440,736.29 over the corresponding period in 2010. Increase in selling expenses was mainly due to an increase in sales volume resulted in an increase in the other selling expenses. The ratio of selling expenses to revenue of the Group for the six months ended 30 June 2011 was 5.5%, representing a slight decrease of 6.6% over the corresponding period in 2010 due to a decrease of express transportation fee caused by the emergency order placing by the clients.

During the period under review, the Group's general and administrative expenses increased by RMB7,756,920.63 over the corresponding period in 2010. The increase in general and administrative expenses was mainly due to an increase in staff costs, office expenses and other tax expenses. The ratio of general and administrative expenses to revenue of the Group for the six months ended 30 June 2011 was 8.1%, representing a slight increase comparing 7.2% of the corresponding period in 2010 due to the newly added general and administrative expenses of Hangzhou New Shibao, Jilin Shibao and Beijing Autonic.

In view of the above, for the six months ended 30 June 2011, the Group has a net profit of RMB60,061,650.74, representing an increase of 11.7% compared with RMB53,757,281.77 for the corresponding period last year.

During the period under review, there were no material changes in the business and regional segments.

Marketing and new products

During the period under review, the Group had nineteen contract projects under stages of development, trial production or production preparation, and four contract projects started volume production.

Research and development

During the period under review, the Group had two patent applications been issued certificate of patent by the State Intellectual Property Office. As at the date of this announcement, the Group has twenty-one patents and two software copyrights in total.

Human resources

As at 30 June 2011, the Group employed a total of 1,606 employees. For the six months ended 30 June 2011, total staff salaries and welfare costs amounted to RMB29,582,196.72 (corresponding period in 2010: RMB25,201,472.16). The Group provided substantial remuneration benefits to employees in accordance with market practices, and provided retirement benefits in accordance with the related laws of the PRC.

FINANICAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity ratios

As at 30 June 2011, the Group had cash on hand and at bank of RMB42,986,051.12 in comparison with RMB65,301,493.65 as at 31 December 2010.

Net current assets as at 30 June 2011 were RMB191,656,321.61 (31 December 2010: RMB195,727,185.46). The current ratio of the Group was 1.7 (31 December 2010: 1.9) and the quick ratio was 1.2 (31 December 2010: 1.3).

Non-current liabilities as at 30 June 2011 were RMB51,921,278.79 (31 December 2010: RMB26,729,031.66).

Taking into account the Group's internally generated funds and bank facilities available, the Directors are of the opinion that the Group has sufficient working capital for its current needs.

Capital structure

As at 30 June 2011, the Group's gearing ratio was 31.8% (31 December 2010: 21.8%). The calculation of gearing ratio is net debt divided by total capital plus net debt. Net debt includes interest-bearing loans and borrowings, trade and notes payables, other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to equity holders of the parent.

Total borrowings as at 30 June 2011 were RMB120,390,000.00 (31 December 2010: RMB55,090,000.00). Among which RMB85,300,000.00 (31 December 2010: RMB35,000,000.00) were short-term loans, representing 70.9% (31 December 2010: 63.5%) of the total borrowings and are repayable within one year. Borrowings of RMB120,390,000.00 (31 December 2010: RMB55,090,000.00) bear fix interest. For the six months ended 30 June 2011, the average effective interest rate of borrowings of the Group is between 5.0% and 7.98% (corresponding period in 2010: between 5.0% and 5.31%).

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

PLEDGE OF ASSETS

As at 30 June 2011, the Group's pledged deposits with a net carrying amount of RMB6,590,912.34 (31 December 2010: RMB16,363,229.50) were pledged to secure bills payables amounting to RMB24,890,000.00 (31 December 2010: RMB14,730,000.00) granted to the Group.

Save as disclosed above, the Group did not have any other pledges on it's assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the period under review, the Group did not have any material acquisition and disposal concerning subsidiaries and associated companies.

FOREIGN CURRENCY EXPOSURE

During the six months ended 30 June 2011, 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.

OUTLOOK

After the production and sales of automobiles in China experienced rapid growth, it was slowed down to smooth growth during the period under review due to effects of the adjustment of the State macro economy policy and the cease of policies of preferential purchasing tax and others. CAAC forecasts that China automobile market is entering into a stage of smooth growth and recognized that it is good for the long term and rational healthy development of the industry.

During the period under review, the Group's overall business continued to grow with low impact by the slowdown of growth of the production and sales of automobiles in China. Among which, the sales of the Group's passenger car steering products increased largely. The Group has built the reputation of leading technology and reliable quality at China leading automobile manufactures named FAW, DFM and JAC etc., that made a solid foundation for the Group in developing new market and acquiring new business. The Group's passenger car power steering gear has entered into emerging market OEM supply. As at the date of this announcement, the Group had fulfilled sales of 100,000 sets of passenger car power steering gears to Iran automaker and follow-up order is to be increased. It is expected that the Group's sales will have sound growth in the second half of this year.

Year 2011 is the first year of the "12th Five-year Plan" for China, as the participant of the draft of "12th Five-year Plan" of China Automotive Component Industry steering sector, the Group is planned to achieve the combined capacity of 4.05 million units/sets of steering products, including 1 million sets of passenger car steering gears, 1.4 million units of passenger car steering knuckles, 650,000 sets of commercial vehicle steering gears and 1 million sets of green-car/fuel-efficient and low-emission car electric power steerings (EPS).

V. OTHER MATTTERS

PROPOSED ISSUE OF A SHARES

All resolutions proposed at the EGM, H Shares Class Meeting and Domestic Shares Class Meeting held on 20 June 2011 were duly passed, which included the resolutions of proposed issue of not more than 65,000,000 A Shares with a nominal value of RMB1.00 each ("Issue of A Shares"), proposed amendments to the Articles and the rules of procedures and proposed adoption of the internal rules.

The Issue of A Shares will be subject to, among other things, the approval by the CSRC. Details of the Issue of A Shares are set out in the Company's announcements dated 7 April 2011 and 20 June 2011, and circular dated 4 May 2011.

INCREASE IN EQUITY IN JOINTLY-CONTROLLED ENTITIES WUHU STERLING

On 8 April 2011, the Company (the "Transferee") and Sun Ya Hong (the "Transferor") entered into an equity transfer agreement where the Transferor agreed to transfer 10% of the equity of Wuhu Sterling to the Company. The transfer consideration is RMB4,840,000.00 in cash. Wuhu Sterling is mainly engaged in the development, manufacturing and sale of automobile steering system and related products.

Before the completion of the equity transfer agreement, the Company and the Transferor hold 36% and 15% of equity of Wuhu Sterling respectively. The Transferor intended to sell all his interest in the equity of Wuhu Sterling, among which 10% of the equity of Wuhu Sterling selling to the Company and the remaining 5% selling to an existing shareholder of Wuhu Sterling. After the completion of the equity transfer agreement, the Company will hold 46% of the equity of Wuhu Sterling.

As at the date of this announcement, amendment of the business registration has not been completed. The Company will use internal resources to pay the transfer consideration.

VI. CONNECTED PARTY TRANSACTIONS

On 11 March 2011, the Company (the "Buyer") and Ms. Zhang Hai Qin (the "Seller") entered into a share transfer agreement (the "Share Transfer Agreement") for the transfer of 1% equity interest of Hangzhou Shibao (the "Target Company") at a purchase consideration of RMB1,150,000.00 in cash (the " Consideration").

The Seller is the spouse of Mr. Zhang Shi Quan (an executive Direct, Chairman and General Manager of the Company). Mr. Zhang Shi Quan holds 40% interest in the registered capital of Zhejiang Shibao Holding, the ultimate holding company of the Company, which in turns holds 62.97% of the issued shares of the Company. Pursuant to Chapter 14A of the Listing Rules, the Seller is a connected party of the Company. Therefore the transaction pursuant to the Share Transfer Agreement forms the connected party transaction of the Company. Take into consideration that the applicable percentage ratio (except profit ratio) of the proposed transaction pursuant to the Share Transfer Agreement is exceeded 0.1% but less than 5%, such transaction is required to comply with the reporting and announcement requirements contained in Chapter 14A of the Listing Rules, but exempted from the independent shareholders' approval requirement.

Before the completion of the Share Transfer Agreement, the Company and the Seller hold 99% and 1% of the equity interest of the Target Company respectively.

The Consideration is decided through fare negotiation between the Company and the Seller taking into consideration of the latest audited net assets of the Target Company after the distribution of dividends of the financial year of 2010. The Consideration is paid by internal resources of the Company.

At the time of establishment of the Target Company, the Company Law of the PRC required that there shall be at least two investors. At present, the Directors are of the view that, by acquiring 1% equity interest in the Target Company and making it a direct wholly-owned subsidiary of the Company would enhance the governance of the Company, improve its shareholding structure and benefit its long-term development. Upon the completion of the Share Transfer Agreement, the Target Company will become a direct wholly-owned subsidiary of the Company and the related accounts will continue to be consolidated to the Group's accounts. On 25 March 2011, the share transfer was completed.

Details of the connected party transaction are set out in the Company's announcement dated 1 April 2011.

Apart from the above transaction, for the six months ended 30 June 2011, the Group has no transaction required to be disclosed as connected party transactions pursuant to the Listing Rules.

VII. REVIEW OF THE UNAUDITED INTERIM RESULTS

The Company's audit committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2011.

VIII. CODE ON CORPORATE GOVERNANCE PRACTICES

For the period under review, the Group had been in compliance with the majority of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, with the exception of Rule A.2.1 of the Code on Corporate Governance Practices stating that 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 period under review. Mr. Zhang Shi Quan is the Group's founder, and is responsible for overseeing the overall strategic planning, new business investment, 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 response to market changes and finalization of strategic plans. The Board will review the efficiency of this management structure arrangement from time to time.

IX. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the commencement of listing of the H Shares of the Company on GEM on 16 May 2006 and the transfer listing from GEM to the Main Board on 9 March 2011, neither the Company nor any of its subsidiaries 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
26 August 2011

As at the date of this announcement, the Board comprises Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Mr. Zhu Jie Rong and Ms. Zhang Lan Jun as executive Directors, Mr. Zhang Shi Zhong and Mr. Lou Run Zheng as non-executive Directors, and Mr. Zhao Chun Zhi, Mr. Chen Guo Feng, Mr. Chau Kam Wing, Donald and Mr. Zhang Hong Zhi as independent non-executive Directors.

This announcement is available on the Exchange's website (http://www.hkexnews.hk) and also on the Company's website (http://www.zjshibao.com).