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 2013

HIGHLIGHTS

- Revenue for the six months ended 30 June 2013 amounted to RMB313,749,840.37, an increase of 0.67% compared with RMB311,654,779.31 for the corresponding period in 2012.
- Gross profit margin for the six months ended 30 June 2013 was 27.26% (corresponding period of 2012: 33.21%), gross profit decreased by 17.37% over the corresponding period of 2012.
- Net profit attributable to equity holders of the Parent for the six months ended 30 June 2013 amounted to RMB34,845,868.36, a decrease of 30.10% compared with RMB49,850,190.72 for the corresponding period in 2012.
- Basic earnings per share for the six months ended 30 June 2013 was RMB0.13, a decrease of 31.58% compared with RMB0.19 for the corresponding period in 2012.
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2013.

* *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 2013 prepared pursuant to China Accounting Standard for Business Enterprises, together with the comparative figures for the corresponding period in 2012. 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)
(English translation for reference only)

CONSOLIDATED BALANCE SHEET

30 June 2013

	Note (4)	30 June 2013 (unaudited)	31 December 2012 (audited)
Assets			
Current Assets			
Cash on hand and at bank		60,063,414.47	78,543,676.91
Notes receivable	1	113,657,378.56	117,298,613.04
Accounts receivable	2	322,730,049.86	285,788,006.40
Prepayments		10,125,699.33	7,492,521.04
Other receivable		7,037,366.01	8,858,237.88
Inventories		167,473,050.59	136,467,615.08
Available-for-sale financial assets		-	4,000,000.00
Other current assets		744,901.87	1,224,181.63
Total current assets		681,831,860.69	639,672,851.98
Non-current Assets			
Long-term equity investments		-	9,376,207.19
Fixed assets		388,965,410.22	352,252,860.50
Construction in progress		100,720,507.43	92,861,833.52
Intangible assets	3	103,852,533.19	70,278,922.57
Goodwill	4	4,694,482.34	-
Long-term deferred expenses		559,232.44	-
Deferred tax assets		3,635,719.66	3,540,202.68
Other non-current assets		23,157,913.01	14,255,150.05
Total non-current assets		625,585,798.29	542,565,176.51
Total Assets		1,307,417,658.98	1,182,238,028.49

	Note (4)	30 June 2013 (unaudited)	31 December 2012 (audited)
Liabilities and Shareholders' Equity			
Current Liabilities			
Short-term loans	5	218,000,000.00	191,500,000.00
Notes payable	6	24,232,400.00	19,849,353.45
Accounts payable	7	201,792,317.54	163,609,486.56
Advance from customers		2,888,877.89	2,280,342.43
Employee benefits payable		5,285,565.59	4,214,108.09
Taxes payable		(5,376,234.17)	(2,571,272.18)
Interests payable		1,581,505.88	1,497,183.50
Dividend payable		21,012,628.40	-
Other payable		770,934.52	831,632.70
Non-current liabilities due within one year	8	13,790,400.00	13,790,400.00
Other current liabilities		7,985,318.98	8,290,557.10
Total current liabilities		491,963,714.63	403,291,791.65
Non-current Liabilities			
Long-term borrowings	9	15,630,000.00	15,630,000.00
Deferred tax liabilities		9,568,115.01	1,505,958.33
Other non-current liabilities		26,437,938.03	27,984,418.23
Total non-current liabilities		51,636,053.04	45,120,376.56
Total Liabilities		543,599,767.67	448,412,168.21
Shareholders' Equity			
Share capital		277,657,855.00	277,657,855.00
Capital reserve		42,299,204.72	42,299,204.72
Surplus reserve		109,260,523.91	107,210,809.82
Retained earnings		300,357,422.85	289,773,896.98
Equity attributable to equity holders of the Parent		729,575,006.48	716,941,766.52
Minority interests		34,242,884.83	16,884,093.76
Total Shareholders' Equity		763,817,891.31	733,825,860.28
Total Liabilities and Shareholders' Equity		1,307,417,658.98	1,182,238,028.49

CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2013

	Note (4)	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Revenue	12	313,749,840.37	311,654,779.31
Less:Cost of sales	12	228,227,679.02	208,157,763.51
Sales taxes and surcharges		1,863,989.77	2,340,817.49
Selling expenses		18,452,268.19	15,833,875.00
General and administrative expenses		33,820,122.86	27,489,435.93
Financial expenses	13	5,074,450.31	3,721,460.61
Assets impairment losses/(gains)		-	(1,752,338.39)
Add: Investment gains/(losses)	14	10,654,133.80	(580,355.14)
Including: Share of investment gains/ (losses) from associates		(438,462.92)	(580,355.14)
Operating profit		36,965,464.02	55,283,410.02
Add: Non-operating income		2,013,654.87	3,139,412.78
Less: Non-operating expenses		1,343,333.16	264,423.82
Including: Loss on disposal of non-current assets		4,563.81	5,216.20
Total profit		37,635,785.73	58,158,398.98
Less: Income tax expenses	15	4,221,315.41	9,982,600.55
Net Profit		33,414,470.32	48,175,798.43
Net profit attributable to equity holders of the Parent		34,845,868.36	49,850,190.72
Minority interests		(1,431,398.04)	(1,674,392.29)
Earnings per share:	17		
Basic earnings per share		0.13	0.19
Diluted earnings per share		0.13	0.19
Other comprehensive income		-	-
Total comprehensive income		33,414,470.32	48,175,798.43
Including:			
Total comprehensive income attributable to equity holders of the Parent		34,845,868.36	49,850,190.72
Total comprehensive income attributable to minority shareholders		(1,431,398.04)	(1,674,392.29)

II. NOTES TO THE FINANCIAL STATEMENTS

(1) MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation of financial statements

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. Accounting year

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

3. Functional currency

The 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	–	Taxable revenue is subject to value added tax ("VAT") at a tax rate of 17%. The VAT payable is determined by the output VAT net of deductible input VAT of the period.
Urban maintenance and construction tax	–	5-7% on turnover tax paid.
Corporate income tax	–	25% on taxable income.
Education surcharge	–	3% on turnover tax paid.

Each subsidiary is subject to income tax rate as follows:

Name of subsidiary		Income tax rate
Siping Steering Gear Co., Ltd. ("Siping Steering")	–	15%
Hangzhou Shibao Auto Steering Gear Co., Ltd. ("Hangzhou Shibao")	–	15%
Hangzhou New Shibao Electric Power Steering Co., Ltd. ("Hangzhou New Shibao")	–	25%
Jilin Shibao Machinery Manufacturing Co., Ltd. ("Jilin Shibao")	–	25%
Beijing Autonics Technology Co., Ltd. ("Beijing Autonics")	–	25%
Wuhu Sterling	–	25%
Erdos Sterling Steering System Co., Ltd. ("Erdos Sterling")	–	25%

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, a subsidiary of the Company, was recognized as a high-tech enterprise, and was subject to corporate income tax rate of 15% from 2009 to 2011. In 2012, Siping Steering was re-accepted for the qualifications as a high-tech enterprise and is subject to corporate income tax rate of 15% from 2012 to 2014.

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, a subsidiary of the Company, was recognized as a high-tech enterprise, and was subject to corporate income tax rate of 15% from 2008 to 2010. In 2011, Hangzhou Shibao was re-accepted for the qualifications as a high-tech enterprise and is subject to corporate income tax rate of 15% from 2011 to 2013.

(3) BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. Particulars of subsidiaries

(1) Subsidiaries obtained through establishment or investment

Name of subsidiary	Type of holding	Place of registration	Business nature	Registered capital '000	Business scope	Investment amount at end of period	% of share-holding	% of voting rights	Minority interests
Siping Steering	Control	Siping city	Manufacture	11,000	Manufacture of power steering gears, steering knuckles for sedans, and automotive parts and components	8,250,000.00	75%	75%	3,500,000.00
Hangzhou Shibao	Wholly owned	Hangzhou city	Manufacture	69,000	Manufacure of steering gear and automotive parts and components	70,461,807.49	100%	100%	
Hangzhou New Shibao	Control	Hangzhou city	Manufacture	60,000	Manufacture of electronic power steering system	42,000,000.00	70%	70%	9,398,845.74
Jilin Shibao	Wholly owned	Siping city	Manufacture	30,000	Processing of stamping machinery, manufacture and sale of automotive parts and components, sale of metal materials, electro-mechanical products and electronic products, as well as casting and forging	30,000,000.00	100%	100%	
Beijing Autonics	Control	Beijing city	Technology development	10,000	Automobile electronic technology develop, develop and assemble of ECU of elelctronic power steering systems	7,000,000.00	70%	70%	2,237,416.25

(2) Subsidiaries obtained through business combination not under common control

Name of subsidiary	Type of holding	Place of registration	Business nature	Registered capital '000	Business scope	Investment amount at end of period	% of share-holding	% of voting rights	Minority interests
Wuhu Sterling	Control	Wuhu city	Manufacture	22,800	Develop, manufacture and sale of automobile steering systems and related products, and provision of after-sale services.	19,433,375.71	57.89%	57.89%	19,106,622.84
Erdos Sterling	Control	Erdos city	Manufacture	10,000	Develop, manufacture and sale of automobile steering systems and related products, and provision of after-sale services.		57.89%	100%	

2. Explanation of change in consolidation scope

On 30 January 2013, the Company entered into an Equity Transfer Contract with Wuhu Chery Technology Co., Ltd. ("Chery Technology"), the existing shareholder of Wuhu Sterling, pursuant to which Chery Technology transferred 6% of equity interests held by it in Wuhu Sterling to the Company at a consideration of RMB3,000,000 ("Acquisition"). At the same time, the Company increased its capital contribution to Wuhu Sterling and entered into a Capital Contribution Agreement with other shareholders of Wuhu Sterling. The Company increased its investment by RMB7,000,000, of which RMB2,800,000 was contributed as registered capital and RMB4,200,000 was contributed as capital surplus ("Capital Contribution", and collectively referred to as the "Transactions" together with the aforesaid Acquisition). On 22 April 2013, the relevant industrial and commercial registration procedures have been completed regarding the Transactions and equity interests held by the Company in Wuhu Sterling was increased from 46% to 57.89%. Wuhu Sterling was included in the consolidated accounts of the Company since May 2013.

Erdos Sterling is a wholly owned subsidiary of Wuhu Sterling, and is included in the consolidated accounts of the Company along with Wuhu Sterling. Wuhu Sterling holds 100% equity interests in Erdos Sterling, therefore the Company holds 57.89% shares in Erdos Sterling indirectly and owns controlling rights in Erdos Sterling. Erdos Sterling was included in the consolidated accounts of the Company since May 2013.

3. Newly consolidated entities during the reporting period

	Net Assets at end of period	Net profit for the period
Wuhu Sterling	21,339,828.53	923,717.55
Erdos Sterling	9,679,947.79	-34,650.99

4. Business combination not involving entities under common control during the period

The acquiree	Amount of goodwill	Method of goodwill calculation
Wuhu Sterling	4,694,482.34	The excess of the consideration paid for business combination over the share of the attributable net identifiable assets of the acquiree, measured at fair value at the date of acquisition, was recognized as goodwill.

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

1. Notes receivable

	30 June 2013 (unaudited)	31 December 2012 (audited)
Banker's acceptances	113,657,378.56	117,298,613.04

As at 30 June 2013, the Group has no notes receivable converted to accounts receivable because of the drawer's inability to perform.

As at 30 June 2013, notes receivable with a carrying value of RMB5,700,000.00 have been pledged to obtain notes payable (31 December 2012: RMB11,523,006.00).

2. Accounts receivable

The ageing analysis of accounts receivable is as follows:

	30 June 2013 (unaudited)	31 December 2012 (audited)
Within 1 year	302,018,569.33	282,502,420.92
1-2 years	19,129,689.65	1,476,642.22
2-3 years	1,493,279.64	1,678,563.32
Over 3 years	963,132.52	1,005,001.22
	323,604,671.14	286,662,627.68
Less: Provision for impairment	(874,621.28)	(874,621.28)
	322,730,049.86	285,788,006.40

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 days, extending up to 180 days for major customers. Overdue balances are reviewed regularly by senior management.

As at 30 June 2013, no significant accounts receivable were reversed or recovered.

As at 30 June 2013, no significant accounts receivable were written off.

As at 30 June 2013 and 31 December 2012, the Group did not hold accounts receivable as shareholders holding 5% (inclusive) or more of the voting rights of the Company.

3. Intangible assets

Project	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Total original carrying amount	85,217,720.04	38,727,914.21	-	123,945,634.25
2. Total accumulated amortization	14,938,797.47	5,154,303.59	-	20,093,101.06
3. Total net book value of intangible assets	70,278,922.57	33,573,610.62	-	103,852,533.19
Total carrying value of intangible assets	70,278,922.57	33,573,610.62	-	103,852,533.19

The increase in intangible assets is mainly due to the consolidation of Wuhu Sterling in the consolidated financial statements during the period.

The amount of amortization for the period is RMB2,575,102.30.

4. Goodwill

Name of investee or item generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provisions at end of the period
Wuhu Sterling	-	4,694,482.34	-	4,694,482.34	-
Total	-	4,694,482.34	-	4,694,482.34	-

The carrying amount of goodwill acquired in a business combination was allocated to each of the related asset groups from the acquisition date on a reasonable basis, and the Company has completed impairment test on the related asset groups including goodwill and has found no indication that the goodwill related asset groups need impairment.

5. Short-term loans

	30 June 2013 (unaudited)	31 December 2012 (audited)
Pledged loans	19,000,000.00	--
Guaranteed loans	134,000,000.00	126,500,000.00
Credit loans	65,000,000.00	65,000,000.00
	218,000,000.00	191,500,000.00

As at 30 June 2013 and 31 December 2012, the Group had no short-term loans which was past due but remained unpaid.

6. Notes payable

	30 June 2013 (unaudited)	31 December 2012 (audited)
Banker's acceptances	24,232,400.00	19,849,353.45

As at 30 June 2013 and 31 December 2012, all notes payable of the Group were banker's acceptances.

Note payable were non-interest bearing and were normally settled within six months.

As at 30 June 2013 and 31 December 2012, all notes payable of the Group is due in the next accounting year.

7. Accounts payable

	30 June 2013 (unaudited)	31 December 2012 (audited)
Within 1 year	194,511,631.81	153,244,102.50
1-2 years	5,886,724.96	7,262,957.72
2-3 years	285,926.77	1,128,525.17
Over 3 years	1,108,034.00	1,973,901.17
	201,792,317.54	163,609,486.56

As at 30 June 2013 and 31 December 2012, the Group had no amounts payable to the shareholders holding 5% (inclusive) or more voting rights of the Company.

8. Non-current liabilities due within one year

	30 June 2013 (unaudited)	31 December 2012 (audited)
Guaranteed loans	13,000,000.00	13,000,000.00
Credit loans	790,400.00	790,400.00
	13,790,400.00	13,790,400.00

As at 30 June 2013 and 31 December 2012, there was no amounts which was past due but was granted with extensions among the long-term borrowings due within one year.

As at 30 June 2013 and 31 December 2012, there was no long-term borrowings due within one year which was past due but remained unpaid.

Jilin Shibao obtained a loan of RMB20,000,000.00 from the Siping Branch of China Construction Bank on 1 December 2010, a loan of RMB15,000,000.00 from the Siping Branch of China Construction Bank on 20 May 2011, the annual interest rate of which was 8.28%, and it was secured by Siping Steering. Among such amount, RMB5,000,000.00 was due and repaid on 30 November 2011, RMB13,000,000.00 was due and repaid on 16 November 2012, RMB13,000,000.00 will be due for repayment on 30 November 2013, and the remaining RMB4,000,000.00 will be due for repayment on 30 November 2014.

On 1 January 2002, Siping Steering obtained a loan of RMB2,260,000.00 under the special fund for treasury bond on the state key projects of technological transformation from the Siping Municipal Bureau of Finance, for a term of fifteen years, with a grace period of four years, the annual interest rate of which was 5%. Among such amount, RMB869,600.00 was repaid on 30 December 2011, RMB600,000.00 was repaid on 3 December 2012 and the remaining RMB790,400.00 will be repaid according to the requirement of the Siping Municipal Bureau of Finance.

9. Long-term borrowings

	30 June 2013 (unaudited)	31 December 2012 (audited)
Guaranteed loans	4,000,000.00	4,000,000.00
Credit loans	2,830,000.00	2,830,000.00
Other loans	8,800,000.00	8,800,000.00
	15,630,000.00	15,630,000.00

10. Net current assets

	30 June 2013 (unaudited)	31 December 2012 (audited)
Current assets	681,831,860.69	639,672,851.98
Less: Current liabilities	(491,963,714.63)	(403,291,791.65)
	189,868,146.06	236,381,060.33

11. Total assets less current liabilities

	30 June 2013 (unaudited)	31 December 2012 (audited)
Total assets	1,307,417,658.98	1,182,238,028.49
Less: Current liabilites	(491,963,714.63)	(403,291,791.65)
	815,453,944.35	778,946,236.84

12. Revenue and costs

	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Revenue from main business	311,556,209.91	309,784,471.29
Revenue from other business	2,193,630.46	1,870,308.02
Revenue	313,749,840.37	311,654,779.31
Costs	228,227,679.02	208,157,763.51

Main business (by sectors):

	Jan.-June 2013 (unaudited)		Jan.-June 2012 (unaudited)	
	Revenue	Costs	Revenue	Costs
Automobile components and spare parts manufacture	311,556,209.91	227,714,869.35	309,784,471.29	207,871,385.75
	311,556,209.91	227,714,869.35	309,784,471.29	207,871,385.75

Main business (by products):

	Jan.-June 2013 (unaudited)		Jan.-June 2012 (unaudited)	
	Revenue	Costs	Revenue	Costs
Power recirculating ball steering gears and its components	110,788,712.53	81,184,127.68	130,424,444.09	90,682,621.97
Steering knuckles	44,324,042.32	28,578,706.21	42,035,299.02	24,600,591.64
Power rack-and-pinion steering gears	110,322,038.13	80,461,622.08	92,312,822.94	56,484,060.09
Manual recirculating ball steering gears	3,674,968.96	3,605,775.28	5,804,408.76	5,196,109.63
Spare parts and others	42,446,447.97	33,884,638.10	39,207,496.48	30,908,002.42
	311,556,209.91	227,714,869.35	309,784,471.29	207,871,385.75

13. Financial expenses/(income)

	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Interest expense	5,327,474.96	4,014,511.83
Interest income	(268,207.13)	(366,112.77)
Other	15,182.48	73,061.55
	5,074,450.31	3,721,460.61

14. Investment gains

	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Equity method of accounting for long-term equity investment income	(438,462.92)	(580,355.14)
Other	11,092,596.72	-
	10,654,133.80	(580,355.14)

During the reporting period, the Company acquired Wuhu Sterling through business combination not involving entities under common control. For the previously held interest in Wuhu Sterling before the acquisition date, the interest was remeasured at fair value on the acquisition date and an investment income of RMB11,092,596.72 was recognized.

For the six months ended 30 June 2013, there was no long-term equity investment income accounted for under the cost method.

For the six months ended 30 June 2013, among the long-term equity investment income accounted for under the equity method, no investment income from investment unit accounted for over 5% of total profit.

15. Income tax expenses

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the reporting period (corresponding period of 2012: Nil).

	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Current income tax calculated according to tax law and relevant provisions	4,535,560.28	9,787,767.13
Adjustment of deferred income tax	(314,244.87)	194,833.42
	4,221,315.41	9,982,600.55

16. Depreciation and amortisation expenses

	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Depreciation of fixed assets	19,376,351.82	15,105,796.73
Amortisation of intangible assets	2,575,102.30	2,088,790.88
	21,951,454.12	17,194,587.61

17. Earnings per share

The calculation of basic earnings per share is 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 dilutive ordinary shares.

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

	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Earnings		
Net profit for the period attributable to the holders of the Company's ordinary shares	34,845,868.36	49,850,190.72
Shares		
Weighted average of ordinary shares issued by the Company	277,657,855.00	262,657,855.00
Basic earnings per share (RMB)	0.13	0.19
Diluted earnings per share (RMB)	0.13	0.19

(5) SEGMENT REPORTING

Operating segment

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

Other information

Geographical information

External revenue of the Group was mainly generated from Mainland China.

All non-current assets of the Group were located in Mainland China.

(6) RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Parent company

Parent company	Relationship	Corporate type	Place of registration	Corporate representative	Business nature	Registered capital '000	Share-holding % in the Company	Voting % in the Company	Organization code
Zhejiang Shibao Holding Group Co., Ltd. ("Shibao Holding")	Controlling shareholder	Limited liability	Yiwu city	Zhang Shi Zhong	Industrial investment	50,000	59.57%	59.57%	75193535-X

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

2. Subsidiaries

Subsidiary	Relationship	Corporate type	Place of registration	Corporate representative	Business nature	Registered capital '000	Share-holding %	Voting %	Organization code
Siping Steering	Controlling subsidiary	Limited liability	Siping city	Zhang Shi Quan	Manufacture	11,000	75%	75%	70221708-7
Hangzhou Shibao	Controlling subsidiary	Limited liability	Hangzhou city	Zhang Shi Quan	Manufacture	69,000	100%	100%	25392555-4
Hangzhou New Shibao	Controlling subsidiary	Limited liability	Hangzhou city	Zhang Bao Yi	Manufacture	60,000	70%	70%	76823319-4
Jilin Shibao	Controlling subsidiary	Limited liability	Siping city	Tang Hao Hang	Manufacture	30,000	100%	100%	67730447-9
Beijing Autonics	Controlling subsidiary	Limited liability	Beijing city	Zhang Bao Yi	Technology development	10,000	70%	70%	77861581-5
Wuhu Sterling	Controlling subsidiary	Limited liability	Wuhu city	Zhang Shi Quan	Manufacture	22,800	57.89%	57.89%	76900919-4
Erdos Sterling	Controlling subsidiary	Limited liability	Erdos city	Zhang Shi Quan	Manufacture	10,000	57.89%	100%	05392555-X

3. Other related parties

Other related parties	Relationship with the Company
Zhang Shi Quan and his family members, namely, Zhang Bao Yi, Tang Hao Han, Zhang Lan Jun and Zhang Shi Zhong	Ultimate controlling parties

4. Related party transactions

Particulars of purchase of goods and acceptance of services:

Related party	Related party transaction	Pricing method and decision making procedures	Jan.-June 2013 (unaudited)		Jan.-June 2012 (unaudited)	
			Amount	% to similar transaction amount	Amount	% to similar transaction amount
Wuhu Sterling	Purchase of goods	Market price	434,045.23	0.27%	593,448.64	0.41%

Particulars of sales of goods and provision of services:

Related party	Related party transaction	Pricing method and decision making procedures	Jan.-June 2013 (unaudited)		Jan.-June 2012 (unaudited)	
			Amount	% to similar transaction amount	Amount	% to similar transaction amount
Wuhu Sterling	Sales of goods	Market price	9,766,110.67	3.13%	13,580,517.87	4.36%

Guarantee with related parties:

Guarantor	Secured party	Guaranted amount	Commencement date of the guarantee	Expiry date of the guarantee	Guarantee fully fulfilled
Shibao Holding	Hangzhou Shibao	60,000,000.00	16 April 2012	19 June 2016	No
Shibao Holding	Hangzhou Shibao	30,000,000.00	3 September 2012	3 September 2015	No
Shibao Holding	Hangzhou Shibao	99,000,000.00	17 September 2012	28 November 2015	No

As at 30 June 2013, Shibao Holding provided a maximum guarantee of bank credit business to the Group, and the maximum principal amount of secured claim was RMB189 million. The Group's bank borrowings drawn and outstanding under this guarantee were RMB130 million.

Other related party transactions

	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Key managerial personnel remuneration	1,227,481.91	1,245,281.12

(7) COMMITMENTS

	30 June 2013 (unaudited)	31 December 2012 (audited)
Capital commitment		
Contracted, but not provided for	21,020,350.08	30,682,636.33

III. INTERIM DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

IV. MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Automobile manufacture and sales

For the six months ended 30 June 2013, production and sales volume of China auto industry was 10,751,700 units and 10,782,200 units respectively, representing an increase of 12.80% and 12.30% over the corresponding period in 2012. Among these, production and sales of passenger cars were 8,664,500 units and 8,665,100 units respectively, representing an increase of 14.00% and 13.80% over the corresponding period in 2012; production and sales of commercial vehicles were 2,087,200 units and 2,117,100 units respectively, representing an increase of 8.20% and 6.70% over the corresponding period in 2012. For the six months ended 30 June 2013, sales of China-brand passenger cars was 3,566,700 units, representing an increase of 13.20% over the corresponding period in 2012, which accounted for 41.20% of total sales of passenger cars, representing a decrease of 0.20% over the corresponding period in 2012. Among commercial vehicles, production and sales volume of buses was increased by 14.80% and 14.90% respectively over the corresponding period in 2012; production and sales volume of trucks was increased by 7.00% and 5.50% respectively over the corresponding period in 2012; production and sales volume of tractor trucks was increased by 17.80% and 13.40% respectively over the corresponding period in 2012. For the six months ended 30 June 2013, top ten automaker groups in China produced 9,513,900 units of automobiles, representing 88.20% of the production of automobile industry, an increase of 0.80% over the corresponding period in 2012.

BUSINESS REVIEW

Operating result

For the six months ended 30 June 2013, the Group recorded a revenue of RMB313,749,840.37, representing an increase of 0.67% over the corresponding period of 2012. Net profit attributable to equity holders of the Parent was RMB34,845,868.36, representing a decrease of 30.10% over the corresponding period of 2012.

During the period under review, the Group's gross profit decreased by 17.37% over the corresponding period of 2012. The gross profit margin of the Group was 27.26% (corresponding period of 2012: 33.21%). The decrease in the gross profit margin was mainly due to price cuts of the Group's products.

During the period under review, the Group's non-operating income was RMB2,013,654.87, decreased by RMB1,125,757.91 over the corresponding period of 2012. The Group's non-operating income mainly comprised the receipt of government grants of RMB1,621,480.20.

During the period under review, the Group's selling expenses increased by RMB2,618,393.19 over the corresponding period of 2012. The ratio of selling expenses to revenue also increased over the corresponding period of 2012. Increase in selling expenses was mainly due to an increase in transportation and storage cost, warranty expenses and other expenses.

During the period under review, the Group's general and administrative expenses increased by RMB6,330,686.93 over the corresponding period of 2012. The ratio of general and administrative expenses to revenue also increased over the corresponding period of 2012. Increase in general and administrative expenses was mainly due to an increase in research and development expenses and office costs.

During the period under review, the Group's financial expenses increased by RMB1,352,989.70 over the corresponding period of 2012. Increase in financial expenses was mainly due to an increase in bank borrowings to meet demands for the Group's expanded operation and production scale.

During the period under review, the Group's research and development expenses were RMB8,999,412.85, representing an increase of 37.42% over the corresponding period of 2012. The ratio of research and development expenses to the Group's unaudited net assets and revenue for the first half of 2013 was 1.18% and 2.87% respectively. The Group's research and development expenses was used in the research and development of automotive steering related new technologies and the implementation of development projects of automotive steering assembly products. Leading research and development capacity is one of the core competencies of the Group, and helps the Group to acquire new businesses and positions the Group to a leading edge of the industry.

During the reporting period, the Company acquired Wuhu Sterling through business combination not involving entities under common control. For the previously held interest in Wuhu Sterling before the acquisition date, the interest was remeasured at fair value on the acquisition date and an investment income of RMB11,092,596.72 was recognized.

In view of the above, for the six months ended 30 June 2013, the Group has a net profit of RMB33,414,470.32, representing a decrease of 30.64% compared with RMB48,175,798.43 for the corresponding period of 2012.

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

Marketing and business development

During the period under review, the Group obtained three new development projects. The Group also has additional twelve new development projects brought in by Wuhu Sterling as it became a subsidiary controlled by the Group. As at 30 June 2013, the Group has fifteen development projects in the development stage. During the period under review, the Group has other nine development projects started volume production.

Production facilities

During the period under review, the third production line for precious casting of Jilin Shibao has been ready for production. Meanwhile, in order to improve production efficiency and product quality, both Hangzhou Shibao and Siping Steering modified their production sites and purchased new equipments.

Research and development

During the period under review, the Group has twelve applications been issued certificate of patent by the State Intellectual Property Office. The Group also has additional twelve new patents brought in by Wuhu Sterling as it became a subsidiary controlled by the Group, among which one is patent of invent. As at 30 June 2013, the Group has forty nine patents and two software copyrights in total.

Human resources

As at 30 June 2013, the Group employed a total of 1,605 employees. For the six months ended 30 June 2013, total staff salaries and welfare costs amounted to RMB42,555,966.30. 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 2013, the Group had cash on hand and at banks of RMB60,063,414.47 (31 December 2012: RMB78,543,676.91), including restricted cash on hand and at banks of RMB5,352,881.25 (31 December 2012: RMB1,770,509.77). The restricted cash on hand and at banks of the Group with limited ownership right refers to the deposits for issuance of bank bills and letters of credit.

As at 30 June 2013, the current ratio of the Group was 1.39 (31 December 2012: 1.59), and the quick ratio was 1.04 (31 December 2012: 1.24).

Net current assets as at 30 June 2013 was RMB189,868,146.06 (31 December 2012: RMB236,381,060.33).

As at 30 June 2013, non-current liabilities were RMB51,636,053.04 (31 December 2012: RMB45,120,376.56), increased by RMB6,515,676.48 when compared with beginning of the year mainly as a result of an increase in deferred income tax liabilities.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 days, extending up to 180 days for major customers. Overdue balances are reviewed regularly by senior management.

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

Capital structure

The Group's gearing ratio as at 30 June 2013 was 41.58% (31 December 2012: 37.93%). The calculation of gearing ratio is to divide total liabilities by total assets. Total liabilities is the sum of liabilities bearing by the Group, including current liabilities and long-term liabilities. Total assets is the sum of assets holding by the Group, including current assets and non-current assets.

As at 30 June 2013, the amount of total loans and borrowings was RMB247,420,400.00 (31 December 2012: RMB220,920,400.00), in which RMB235,000,000.00 (31 December 2012: RMB208,500,000.00) were bank loans. Total loans and borrowings increased by RMB26,500,000.00 when compared with beginning of the year. The increased loans and borrowings were mainly used for expansion of the Group's operation and production scale. Loans and borrowings which are short-term and repayable within one year amounted to RMB231,790,400.00 (31 December 2012: RMB205,290,400.00), accounting for 93.68% (31 December 2012: 92.93%) of the total loans and borrowings. Loans and borrowings at fixed interest rates were RMB13,620,400.00 (31 December 2012: RMB53,620,400.00).

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

PLEDGE OF ASSETS

As at 30 June 2013, the restricted cash on hand and at banks of the Group was RMB5,352,881.25 (31 December 2012: RMB1,770,509.77) which refers to the deposits for issuance of bank bills and letters of credit.

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2013, 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

The strategy of the Company is to commit itself to the research and development and manufacturing of automotive steering technologies and products, and provide high-tech and high-quality steering products to automakers. The Company is also committed itself to the research and development of light-weight and energy-saving technologies for automotive steerings, and to be a leading brand of electric power steering (EPS) system in the PRC. The Company is also developing the global market through acquisition, merging and export trading.

In 2013, the Company has planned to further expand hydraulic power steering gear businesses by increasing the volume of existing projects and acquiring new projects, and to increase profit by increasing the production and sales volume of electric power steering (EPS) system. The Company will also further increase the capacity of automotive components precious casting and machining, therefore to not only meet the needs for the Group's internal use, but will also make external businesses.

Take into considerations that the Group's gross profit margin decreased due to price cuts of the Group's products and expenses increased due to the Group's operation and production scales expansion, the Company forecasts the net profit attributable to equity holders of the Parent for the nine months ended 30 September 2013 ranged from RMB31.350.500.00 to RMB43.890.700.00, representing a decrease of 50.00% to 30.00% respectively over the corresponding period of 2012.

V. OTHER MATTERS

ACQUISITION OF AND INCREASE IN EQUITY IN WUHU STERLING

On 30 January 2013, the Company entered into an Equity Transfer Contract with Wuhu Chery Technology Co., Ltd. ("Chery Technology"), the existing shareholder of Wuhu Sterling, pursuant to which Chery Technology transferred 6% of equity interests held by it in Wuhu Sterling to the Company at a consideration of RMB3,000,000 ("Acquisition"). At the same time, the Company increased its capital contribution to Wuhu Sterling and entered into a Capital Contribution Agreement with other shareholders of Wuhu Sterling. The Company increased its investment by RMB7,000,000, of which RMB2,800,000 was contributed as registered capital and RMB4,200,000 was contributed as capital surplus ("Capital Contribution", and collectively referred to as the "Transactions" together with the aforesaid Acquisition). The Company paid RMB10,000,000 in aggregate as the consideration for the Transactions. Through the Transactions, the Company will obtain controlling interests in Wuhu Sterling. As such, Wuhu Sterling will be included into the overall development plan of the Company. At the same time, leading technology and techniques in the field of steering gear that the Company possesses will help Wuhu Sterling to obtain the exclusive supply qualification of the vehicle assembly base of Chery Auto in the north western PRC, as well as to create opportunities on business development of steering gear for mid-high end vehicles of joint venture projects entered into by Chery Auto with Jaguar Land Rover and Israeli corporations etc.. As such, the production capacity and market share of the Company will further expand. As the applicable percentage ratios in respect of the Acquisition and the Capital Contribution are more than 5%

but less than 25%, the Transactions constituted discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules of Hong Kong Stock Exchange. On 22 April 2013, the relevant industrial and commercial registration procedures have been completed regarding the Transactions and equity interests held by the Company in Wuhu Sterling was increased from 46% to 57.89%. Wuhu Sterling was included in the consolidated accounts of the Company since May 2013.

VI. CORPORATE GOVERNANCE CODE

For the period under review, the Company had been in compliance with the majority of the code provisions set out in the Code on Corporate Governance Practices with the exception of code provisions A.2.1 and A.1.8.

Under code provision A.2.1, 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.

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 for the Directors and senior executives taking into the consideration that the industry, business and financial situation of the Company is 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.

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

Since the commencement of listing of the H Shares of the Company on GEM of the Hong Kong Stock Exchange on 16 May 2006 and the transfer listing from GEM of the Hong Kong Stock Exchange to the Main Board of the Hong Kong Stock Exchange on 9 March 2011, and the listing of the A Shares of the Company on Shenzhen Stock Exchange on 2 November 2012, 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 and General Manager

Hangzhou, Zhejiang, the PRC
23 August 2013

As at the date of this announcement, the Board of the Company 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. Li Zi Biao, Mr. Chau Kam Wing, Donald and Mr. Zhang Hong Zhi as independent non-executive Directors.

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