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 2014

FINANCIAL HIGHLIGHTS

	This reporting period	Corresponding period of last year	Change
	RMB	RMB	
Revenue	394,679,944.00	313,749,840.37	25.79%
Gross profit margin	27.32%	27.26%	0.06%
Net profit attributable to equity holders of the Parent	27,781,320.27	34,845,868.36	-20.27%
Net profit after non-recurring gains and losses attributable to equity holders of the Parent	24,640,250.99	23,207,501.52	6.17%
Net cash flow from operating activities	49,181,447.21	13,823,997.26	255.77%
Basic earnings per share （RMB/Share）	0.10	0.13	-23.08%
Diluted earnings per share （RMB/Share）	0.10	0.13	-23.08%
Weighted average return on net assets（%）	3.67%	4.75%	-1.08%
	At the end of the reporting period	At the beginning of the reporting period	Change
	RMB	RMB	
Total assets	1,390,023,376.27	1,314,155,640.47	5.77%
Net assets attributable to equity holders of the Parent	746,871,797.71	743,553,105.84	0.45%

* *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 2014 prepared pursuant to China Accounting Standard for Business Enterprises, together with the comparative figures for the corresponding period in 2013. 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 2014

	Note (4)	30 June 2014 (unaudited)	31 December 2013 (audited)
Assets			
Current Assets			
Cash on hand and at bank		108,728,648.85	66,950,127.71
Notes receivable	1	98,631,845.26	107,726,195.93
Accounts receivable	2	306,955,513.93	278,671,401.35
Prepayments		4,940,815.57	6,645,582.97
Other receivable		13,932,880.70	14,656,634.69
Inventories		186,003,471.74	180,906,462.73
Non-current assets classified as held for sale and assets of disposal group classified as held for sale		-	10,467,600.00
Other current assets		14,239,005.70	18,682,541.03
Total current assets		733,432,181.75	684,706,546.41
Non-current Assets			
Fixed assets		423,291,016.22	436,022,601.37
Construction in progress		55,771,225.13	50,226,907.30
Intangible assets		136,765,184.57	111,106,921.94
Goodwill		4,694,482.34	4,694,482.34
Deferred tax assets		3,774,896.82	4,655,061.06
Other non-current assets		32,294,389.44	22,743,120.05
Total non-current assets		656,591,194.52	629,449,094.06
Total Assets		1,390,023,376.27	1,314,155,640.47

	Note (4)	30 June 2014 (unaudited)	31 December 2013 (audited)
Liabilities and Shareholders' Equity			
Current Liabilities			
Short-term loans	3	263,175,846.41	234,750,000.00
Notes payable	4	47,188,600.00	39,542,300.00
Accounts payable	5	194,338,068.67	182,042,731.52
Advance from customers		3,630,801.96	4,591,550.94
Employee benefits payable		7,683,876.56	6,935,081.29
Taxes payable		5,118,361.60	6,442,301.09
Interests payable		1,746,846.26	1,508,401.59
Dividend payable		22,962,628.40	-
Other payable		8,552,557.27	1,898,639.32
Non-current liabilities due within one year	6	13,050,400.00	13,050,400.00
Other current liabilities		11,113,373.28	9,934,306.59
Total current liabilities		578,561,360.41	500,695,712.34
Non-current Liabilities			
Long-term borrowings	7	2,830,000.00	2,830,000.00
Deferred tax liabilities		8,640,247.57	9,104,181.29
Other non-current liabilities		29,063,784.52	26,093,228.66
Total non-current liabilities		40,534,032.09	38,027,409.95
Total Liabilities		619,095,392.50	538,723,122.29
Shareholders' Equity			
Share capital		277,657,855.00	277,657,855.00
Capital reserve		40,049,204.72	42,299,204.72
Surplus reserve		113,899,265.72	113,899,265.72
Retained earnings		315,265,472.27	309,696,780.40
Equity attributable to equity holders of the Parent		746,871,797.71	743,553,105.84
Minority interests		24,056,186.06	31,879,412.34
Total Shareholders' Equity		770,927,983.77	775,432,518.18
Total Liabilities and Shareholders' Equity		1,390,023,376.27	1,314,155,640.47

CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2014

	Note (4)	Jan.-June 2014 (unaudited)	Jan.-June 2013 (unaudited)
Revenue	10	394,679,944.00	313,749,840.37
Less:Cost of sales	10	286,843,808.96	228,227,679.02
Sales taxes and surcharges		2,271,553.30	1,863,989.77
Selling expenses		25,261,994.55	18,452,268.19
General and administrative expenses		45,726,310.59	33,820,122.86
Financial expenses	11	7,792,460.20	5,074,450.31
Assets impairment losses		964,739.86	-
Add: Investment gains	12	-	10,654,133.80
Including: Share of investment losses from associates		-	(438,462.92)
Operating profit		25,819,076.54	36,965,464.02
Add: Non-operating income		3,700,447.93	2,013,654.87
Less: Non-operating expenses		364,814.73	1,343,333.16
Including: Loss on disposal of non-current assets		6,531.70	4,563.81
Total profit		29,154,709.74	37,635,785.73
Less: Income tax expenses	13	5,696,615.75	4,221,315.41
Net Profit		23,458,093.99	33,414,470.32
Net profit attributable to equity holders of the Parent		27,781,320.27	34,845,868.36
Minority interests		(4,323,226.28)	(1,431,398.04)
Earnings per share:	15		
Basic earnings per share		0.10	0.13
Diluted earnings per share		0.10	0.13
Other comprehensive income		-	-
Total comprehensive income		23,458,093.99	33,414,470.32
Total comprehensive income attributable to equity holders of the Parent		27,781,320.27	34,845,868.36
Total comprehensive income attributable to minority shareholders		(4,323,226.28)	(1,431,398.04)

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. 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 newly published CAS, and since 1 January 2013, the Company had early adopted six specific standards including “CAS No. 2 Long-term equity investment”, “CAS No. 9 Employee Compensation”, “CAS No. 30 Presentation of Financial Statements” and “CAS No.33 Consolidated Financial Statements”, which are revised by the Ministry of Finance of the PRC in 2014, and “CAS No. 39 Fair Value Measurements” and “CAS No.40 Joint Arrangement”, which are newly issued by the Ministry of Finance of the PRC in 2014. The financial statements have truly and fully reflected the information of the Company, including the financial position, results of operations and cash flows.

3. Accounting year

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

4. Reporting currency

The reporting currency is Renminbi (“RMB”).

(2) TAXATION

1. Major taxes and tax rates

Type of tax	Basis	Tax rate
Value added tax	Sales of goods or rendering of taxable services	17% (Note 1)
Business tax	Amount of payable business tax	5%
Property tax	On 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 2)

(Note 1): Hangzhou Shibao, a controlling subsidiary, enjoys the policy of “exempt, credit, refund” for export goods with an export tax refund rate of 17%.

(Note 2): Unless otherwise stated in the tax concession and approval documents, the Company and other controlling subsidiaries are subject to a tax rate of 25%.

2. Tax concession and approval documents

According to the Document (Zhe Ke Fa Gao [2011] No.263) 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 controlling subsidiary of the Company, was recognized as a high-tech enterprise in 2011 with a valid period from 2011 to 2013. During the period under review, Hangzhou Shibao has applied for re-recognition as a high-tech enterprise. As at the date of this announcement, the review is in progress. Hangzhou Shibao is adopting a tax rate of 15% for income tax pre-declaration during the period under review.

According to the Document (Ji Ke Ban Zi [2012] No.182) 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 controlling subsidiary of the Company, was recognized as a high-tech enterprise in 2012 with a valid period from 2012 to 2014. During the period under review, Siping Steering is subject to an income tax rate of 15%.

(3) BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. Particulars of subsidiaries

(1) Subsidiaries obtained through establishment or investment

Name of subsidiary	Type of subsid-iary	Place of registration /business	Business nature	Register-ed capital '000	Business scope	Investment amount at end of period	% of share-holding	% of voting rights	Whether statements are consolidated	Minority interests
Hangzhou Shibao	Limited liability company	Hangzhou, Zhejiang/ China	Production and manu-facturing	69,000	Manufacure of steering gear and automotive parts and components	70,461,807.49	100%	100%	Yes	-
Hangzhou New Shibao	Limited liability company	Hangzhou, Zhejiang/ China	Production and manu-facturing	60,000	Manufacture of power steering system and other components for automobiles	42,000,000.00	70%	70%	Yes	4,822,445.68
Jilin Shibao	Limited liability company	Siping, Jilin/ China	Production and manu-facturing	30,000	Processing and sale of stamping machinery, manufacture and sales of automotive parts and components, as well as casting and forging	30,000,000.00	100%	100%	Yes	-
Siping Steering (Note 1)	Limited liability company	Siping, Jilin/ China	Production and manu-facturing	11,000	Manufacture of power steering gears and steering knuckles for sedans	13,250,000.00	100%	100%	Yes	-

(Note 1): On 4 June 2014, the Company entered into an Equity Transfer Agreement with the existing foreign shareholder. According to the prevailing effective Articles of Associaton of Siping Steering, the Company paid RMB5,000,000 to acquire the equity interests in Siping Steering as held by the foreign shareholder. On 11 June 2014, Siping Steering has completed the relevant industry and commerce registration procedures and has renewed the business license.

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

Name of subsidiary	Type of subsid-iary	Place of registration /business	Business nature	Register-ed capital '000	Business scope	Investment amount at end of period	% of share-holding	% of voting rights	Whether statements are consolidated	Minority interests
Beijing Autonics	Limited liability company	Beijing/ China	Technology develop-ment	10,000	Technology development and sale of electronic equipment etc.	7,000,000.00	70%	70%	Yes	2,210,357.53
Wuhu Sterling	Limited liability company	Wuhu, Anhui/ China	Production and manu-facturing	22,800	Develop, manufacture and sale of automobile steering systems and related products	19,447,400.00	57.89%	57.89%	Yes	17,023,382.85
Erdos Sterling (Note 1)	Limited liability company	Erdos, Inner Mongolia/ China	Production and manu-facturing	10,000	Develop, manufacture and sale of automobile steering systems and related products	10,000,000.00	57.89%	57.89%	Yes	

(Note 1): Wuhu Sterling holds 100% equity interests of Erdos Sterling.

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

1. Notes receivable

	30 June 2014 (unaudited)	31 December 2013 (audited)
Banker's acceptances	98,631,845.26	107,726,195.93

2. Accounts receivable

The ageing analysis of accounts receivable is as follows:

	30 June 2014 (unaudited)	31 December 2013 (audited)
Within 1 year	301,765,997.71	270,959,461.83
1-2 years	4,089,204.39	5,583,980.77
2-3 years	282,019.11	1,300,522.42
Over 3 years	1,987,714.04	2,085,024.45
	308,124,935.25	279,928,989.47
Less: Provision for impairment	(1,169,421.32)	(1,257,588.12)
	306,955,513.93	278,671,401.35

The trading terms of the Company and its subsidiaries with their 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.

3. Short-term loans

	30 June 2014 (unaudited)	31 December 2013 (audited)
Pledged loans	-	18,750,000.00
Secured loans	24,175,846.41	17,000,000.00
Guaranteed loans	239,000,000.00	199,000,000.00
	263,175,846.41	234,750,000.00

Annual interest rate of the above short-term loans is 5.60% to 6.30%.

4. Notes payable

	30 June 2014 (unaudited)	31 December 2013 (audited)
Banker's acceptances	47,188,600.00	39,542,300.00

5. Accounts payable

	30 June 2014 (unaudited)	31 December 2013 (audited)
Within 1 year	184,168,475.34	173,184,660.46
1-2 years	6,364,326.21	4,718,684.74
2-3 years	1,135,614.08	2,730,595.95
Over 3 years	2,669,653.04	1,408,790.37
	194,338,068.67	182,042,731.52

6. Non-current liabilities due within one year

	30 June 2014 (unaudited)	31 December 2013 (audited)
Guaranteed loans (Note 1)	4,000,000.00	4,000,000.00
Special funds for treasury bonds (Note 2)	250,400.00	250,400.00
Other loans (Note 3)	8,800,000.00	8,800,000.00
	13,050,400.00	13,050,400.00

(Note 1) These loans were borrowed from China Construction Bank, Siping Branch by Jilin Shibao. These loans were guaranteed by related parties, Siping Steering.

(Note 2) These loans represented special funds for treasury bonds on key technological improvement projects of the State provided by the Ministry of Finance in Siping to a controlling subsidiary, Siping Steering, for a term of fifteen years, with a grace period of four years. The remaining amount of RMB250,400.00 will be repaid according to the requirement of the Ministry of Finance in Siping.

(Note 3) These loans represented the capital loans from the Management Committee of the Tiedong Economic Development Zone in Siping to a controlling subsidiary, Jilin Shibao, to expand production.

7. Long-term borrowings

	30 June 2014 (unaudited)	31 December 2013 (audited)
Special funds for treasury bonds (Note)	2,830,000.00	2,830,000.00

(Note) These loans represented special funds for treasury bonds on key technological improvement projects of the State provided by the Ministry of Finance in Siping to a controlling subsidiary, Siping Steering.

8. Net current assets

	30 June 2014 (unaudited)	31 December 2013 (audited)
Current assets	733,432,181.75	684,706,546.41
Less: Current liabilities	(578,561,360.41)	(500,695,712.34)
	154,870,821.34	184,010,834.07

9. Total assets less current liabilities

	30 June 2014 (unaudited)	31 December 2013 (audited)
Total assets	1,390,023,376.27	1,314,155,640.47
Less: Current liabilities	(578,561,360.41)	(500,695,712.34)
	811,462,015.86	813,459,928.13

10. Revenue and costs

	Jan.-June 2014 (unaudited)	Jan.-June 2013 (unaudited)
Revenue from main business	393,740,233.75	311,556,209.91
Revenue from other business	939,710.25	2,193,630.46
Revenue	394,679,944.00	313,749,840.37
Cost of sales	286,843,808.96	228,227,679.02

Main business (by sectors):

	Jan.-June 2014 (unaudited)		Jan.-June 2013 (unaudited)	
	Revenue	Cost of slaes	Revenue	Cost of sales
Automobile components and spare parts manufacture	393,740,233.75	286,247,804.94	311,556,209.91	227,714,869.35
	393,740,233.75	286,247,804.94	311,556,209.91	227,714,869.35

Main business (by products):

	Jan.-June 2014 (unaudited)		Jan.-June 2013 (unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Power rack-and-pinion steering gears	184,732,364.63	124,515,777.23	110,322,038.13	80,461,622.08
Power recirculating ball steering gears and its components	112,410,909.63	87,056,823.48	110,788,712.53	81,184,127.68
Steering knuckles	50,039,337.48	32,514,676.01	44,324,042.32	28,578,706.21
Spare parts and others	46,557,622.01	42,160,528.22	46,121,416.93	37,490,413.38
	393,740,233.75	286,247,804.94	311,556,209.91	227,714,869.35

11. Financial expenses

	Jan.-June 2014 (unaudited)	Jan.-June 2013 (unaudited)
Interest expense	7,519,120.27	5,327,474.96
Interest income	(302,143.56)	(268,207.13)
Other	575,483.49	15,182.48
Including: Net exchange gains and losses	359,563.47	-
	7,792,460.20	5,074,450.31

12. Investment gains

	Jan.-June 2014 (unaudited)	Jan.-June 2013 (unaudited)
Investment gains from long-term equity investments under equity method of accounting	-	(438,462.92)
Other (Note)	-	11,092,596.72
	-	10,654,133.80

(Note) The Company acquired Wuhu Sterling through business combination involving entities not 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.

13. Income tax expenses

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 2013: Nil).

	Jan.-June 2014 (unaudited)	Jan.-June 2013 (unaudited)
Current income tax calculated according to tax law and relevant provisions	5,280,385.23	4,535,560.28
Adjustment of deferred income tax	416,230.52	(314,244.87)
	5,696,615.75	4,221,315.41

14. Depreciation and amortisation expenses

	Jan.-June 2014 (unaudited)	Jan.-June 2013 (unaudited)
Depreciation of fixed assets	24,686,217.41	19,376,351.82
Amortisation of intangible assets	4,892,607.46	2,575,102.30
	29,578,824.87	21,951,454.12

15. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to the holders of the Company's ordinary shares 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 2014 (unaudited)	Jan.-June 2013 (unaudited)
Earnings		
Net profit for the period attributable to the holders of the Company's ordinary shares	27,781,320.27	34,845,868.36
Shares		
Weighted average of ordinary shares issued by the Company	277,657,855.00	277,657,855.00
Basic earnings per share (RMB)	0.10	0.13
Diluted earnings per share (RMB)	0.10	0.13

(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 company	Yiwu, Zhejiang	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

Particulars of the subsidiaries of the Company is set out in the note (3) to the financial statements.

3. 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 2014 (unaudited)		Jan.-June 2013 (unaudited)	
			Amount	% to similar transaction amount	Amount	% to similar transaction amount
Wuhu Sterling (Note)	Purchase of goods	Market price	-	-	434,045.23	0.27%

Particulars of sales of goods and provision of services:

Related party	Related party transaction	Pricing method and decision making procedures	Jan.-June 2014 (unaudited)		Jan.-June 2013 (unaudited)	
			Amount	% to similar transaction amount	Amount	% to similar transaction amount
Wuhu Sterling (Note)	Sales of goods	Market price	-	-	9,766,110.67	3.13%

(Note) During the period under review, accounts of Wuhu Sterling was included in the Company's consolidated financial statements.

Particulars of guarantee:

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	2013.10.24-2014.06.17	2014.10.24-2014.12.17	No
Shibao Holding	Hangzhou Shibao	60,000,000.00	2013.09.16-2014.02.26	2014.09.16-2015.02.25	No
Shibao Holding	Zhejiang Shibao	20,000,000.00	2014.06.17	2014.12.16	No
Zhang Shi Quan	Zhejiang Shibao	20,000,000.00	2014.06.17	2014.12.16	No
Zhang Shi Quan	Zhejiang Shibao	99,000,000.00	2013.10.09-2014.03.06	2014.10.08-2015.02.06	No
Zhang Shi Zhong	Zhejiang Shibao	20,000,000.00	2014.06.17	2014.12.16	No

4. **Accounts receivable and accounts payable with related parties**

Item	Related parties	Balance at the end of the period	Balance at the beginning of the period
Notes payable	Zhejiang Shibao [Note]	6,610,000.00	4,550,000.00
Notes payable	Hangzhou Shibao [Note]	4,392,532.53	3,159,286.84
Notes payable	Jilin Shibao [Note]	1,000,000.00	2,400,000.00
Notes payable	Hangzhou New Shibao [Note]	700,000.00	200,000.00
Total		12,702,532.53	10,309,286.84

(Note) Note payables are banker's acceptances issued by the controlling subsidiaries, namely Hangzhou Shibao, Hangzhou New Shibao and Wuhu Sterling. Banker's acceptances after received by Zhejiang Shibao, Hangzhou Shibao, Jilin Shibao and Hangzhou New Shibao have been endorsed to other parties.

(7) COMMITMENTS

	30 June 2014 (unaudited)	31 December 2013 (audited)
Material contracts in relation to acquisition of assets contracted but not recognized	24,131,447.32	46,551,479.10

III. INTERIM DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

IV. MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND FINANCIAL REVIEW

During the reporting period, the Company recorded a revenue of RMB394,679,944.00, representing an increase of 25.79% over the corresponding period of 2013. The increase of revenue was mainly due to an increase in sales of steering products for passenger cars.

During the reporting period, the gross profit of Company increased by RMB22,313,973.69 over the corresponding period of 2013. The gross profit margin of the Company was 27.32% (corresponding period of 2013: 27.26%). The increase in the gross profit margin was mainly due to change in the Company's products portfolio.

During the reporting period, the Company's selling expenses was RMB25,261,994.55, representing an increase of 36.90% over the corresponding period of 2013. Increase in selling expenses was mainly due to an increase in transportation costs and the provision of warranty expenses. During the reporting period, the Company's general and administrative expenses was RMB45,726,310.59, representing an increase of 35.20% over the corresponding period of 2013. Increase in general and administrative expenses was mainly due to an increase in the research and development expenses and staff costs. During the reporting period, the Company's financial expenses was RMB7,792,460.20, representing an increase of 53.56% over the corresponding period of 2013. Increase in financial expenses was mainly due to an increase in bank borrowings during the period under review, used for production expansion of the Group.

During the reporting period, the Company's research and development expenses was RMB14,121,969.06. The ratio of research and development expenses to the Company's net assets and revenue was 1.83% and 3.58% respectively. The Company'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 and large investment is one of the core competencies of the Company, and helps the Company to acquire new businesses and positions the Company to a leading edge of the industry.

As at the end of the reporting period, the net increase in the Company's cash and cash equivalents was RMB30,554,435.54, representing an increase of 238.49% over the corresponding period of 2013. The increase was mainly due to an increase of cash inflow from operating activities and bank loans.

The Company recorded a net profit attributable to equity holders of the Parent of RMB27,781,320.27, representing a decrease of 20.27% as compared with the corresponding period of 2013. The decrease was mainly due to no investment gains during the period. However, net profit after non-recurring gains and losses attributable to equity holders of the Parent was RMB24,640,250.99, representing an increase of 6.17%.

As at the end of the reporting period, the Company's gearing ratio was 44.54%, representing an increase of 3.55% as compared with the beginning of the year. The calculation of gearing ratio is to divide total liabilities by the total assets. Total liabilities is the sum of liabilities bearing by the Group, includes current liabilities and long-term liabilities. Total assets is the sum of assets holding by the Group, includes current assets and non-current assets. As at the end of the reporting period, the Company's total assets was RMB1,390,023,376.27, equity attributable to equity holders of the Parent was RMB746,871,797.71, representing an increase of 5.77% and 0.45% respectively as compared with the beginning of the year.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2014, the amount of total loans and borrowings was RMB279,056,246.41 (31 December 2013: RMB250,630,400.00). Total loans and borrowings increased by RMB28,425,846.41 when compared with the beginning of the year, the increased loans and borrowings were mainly used to expand the production capacity of the Group. Among which, loans and borrowings of short-term and due within one year amounted to RMB276,226,246.41 (31 December 2013: RMB247,800,400.00), representing a share of 98.99% (31 December 2013: 98.87%) in total loans and borrowings. Loans and borrowings at fixed interest rates amounted to RMB171,256,246.41 (31 December 2013: RMB177,830,400.00).

At the Board meeting held on 27 January 2014, the Board resolved that the Company intends to issue not more than 38,200,000 new A Shares, representing approximately 20.01% of the A Shares and approximately 13.76% of the total shares of the Company currently in issue respectively. The issue price of the new A Shares will be not less than RMB18.54 per A Share, being not less than 90% of the average trading price per A Share as quoted on the Shenzhen Stock Exchange for the price determination period (which is calculated by dividing the total turnover of the A Shares during the price determination period by the total trading volume of the A Shares during the same period). The amount of gross proceeds from the additional A Shares issue is expected to be not more than RMB708,000,000. The Company intends to use such Proceeds for the projects. Resolutions of the issue of A Shares were passed at the EGM, the A Shares Class Meeting and the H Shares Class Meeting held on 20 March 2014. As at the date of this announcement, the Company has submitted the related applications to and has accepted by the CSRC, the review is in progress. Details of the issue of A Shares are set out in the Company's announcement dated 27 January 2014 and 30 June 2014, the Company's overseas regulatory announcements dated 28 January 2014 and 30 June 2014, and the Company's circular dated 4 March 2014.

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

PLEDGE OF ASSETS

As at 30 June 2014, the restricted cash on hand and at bank of the Group was RMB19,564,788.95 (31 December 2013: RMB8,340,703.35) which refers to the deposits for issuance of bank acceptances and letter of credit.

As at 30 June 2014, buildings and constructions with a carrying value of RMB5,737,905.94 (31 December 2013: RMB5,899,575.10) as included in fixed assets and land use rights with a carrying value of RMB7,029,943.96 (31 December 2013: RMB7,114,530.58) as included in intangible assets, have been pledged as security for a loan granted to a subsidiary.

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

MATERIAL ACQUISITIONS AND DISPOSALS

Acquisition of remaining equity interests in Siping Steering

On 4 June 2014, the Company entered into an Equity Transfer Agreement with the Vendor (PROMISED LAND VENTURES LLC（美國寶園公司）), to purchase 25% of equity interests of Siping Steering (a non-wholly owned subsidiary of the Company) held by the Vendor. The term of operation for Siping Steering was expired on 16 June 2014. It was decided that both parties did not wish to extend the term of partnership. According to the then effective Articles of Association of Siping Steering, the Company paid RMB5,000,000 to acquire the equity interests in Siping Steering as held by the Vendor. As the applicable ratios in respect of the Acquisition under the Equity Transfer Agreement are more than 5% but less than 25%, the Acquisition under the Equity Transfer Agreement constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules. In addition, as the Vendor held 25% of equity interests in Siping Steering, therefore its is regarded as being a connected person of the Company under Chapter 14A of the Listing Rules and the Acquisition constitutes a connected transaction under the Listing Rules. As the consideration of the Acquisition is less than HK$10,000,000, the Acquisition shall only subject to the reporting and announcement rules under Rule 14A.32 of the Listing Rules, but would be exempt from the independent shareholders' approval requirement. On 11 June 2014, Siping Steering has completed the relevant industry and commerce registration procedures. Since then Siping Steering has became a wholly owned subsidiary of the Company, and has changed from a Sino-foreign cooperative joint venture to an enterprise wholly owned by a legal person. Its financial results was continued to be consolidated into the Group's accounts, but no longer deducting the minority interests of RMB500,000. In addition, the consolidated balance sheet of the Company will not deduct the minority interests of RMB2,750,000.

Save as disclosed above, during the period under review, the Group did not have any other material acquisition and disposal concerning subsidiaries and associates.

FOREIGN CURRENCY EXPOSURE

During the period under review, 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.

CAPITAL COMMITMENTS

As at 30 June 2014, apart from commitments set out in the note (7) to the financial statements, the Group has no other material capital commitments.

OUTLOOK

The Company's development strategy is to further invest on the research and development of high performance, intelligent, light-weight and energy-saving technologies for automotive steerings, therefore to expand business to the middle to high end market and to gain global sourcing business. The Company will also make the mass production of the electric power steering system (EPS) products. Three hydraulic power steering development projects of the Company were authenticated industry new products of Zhejiang province. In addition, electric power steering (EPS) system development project of the Company for clean energy vehicles was the national high-tech industrialization model project of NDRC (National Development and Reform Commission).

During the period under review, Hangzhou New Shibao seized new business of developing electric power steering (EPS) for BAIC Motor in the bidding and became the EPS supplier of BAIC Motor. Among which, one development project is expected to start production in 2015.

During the period under review, the precious casting and processing of automotive components project (汽車零部件精密鑄件與加工建設項目), one of the projects intended to use proceeds of the additional A shares issue, implemented at Jilin Shibao, passed tests at German testing facilities of Mercedes-Benz Daimler. Jilin Shibao became a qualified supplier of Mercedes-Benz Daimler for global sourcing, and is now preparing for mass production.

During the period under review, the increase of production of power automotive steering gears project (汽車液壓助力轉向器擴產項目), one of the projects intended to use proceeds of the additional A shares issue, implemented at Hangzhou Shibao, became a qualified supplier of SGMW, Hyundai and Changan Mazda. Hangzhou Shibao also passed tests at German testing facilities of Mercedes-Benz Daimler and is in the process of qualified supplier audit of Mercedes-Benz Daimler for global sourcing.

As at the end of the period, the Company has 7 development projects started production, and 17 projects were in the process of development. These projects are expected to contribute revenue to the Company one after another in the future.

For the second half of 2014, the Company plans to make investment to increase production capacity. Also, the Company plans to further penetrate to the China brand OEM market. However, the Company understands that the important of the diversity of customers and markets, therefore the Company will actively develop the JV OEM customers and global sourcing business with large multinational automakers.

<u>FORECAST ON THE OPERATING RESULTS BETWEEN JANUARY AND SEPTEMBER 2014</u>

Change in net profit attributable to equity holders of the Parent between January and September 2014 (%)	-30%	To	0%
Range of change in net profit attributable to equity holders of the Parent between January and September 2014 (RMB ten thousands)	3,048.55	To	4,355.07
Net profit attributable to equity holders of the Parent between January and September 2013 (RMB ten thousands)			4,355.07
Illustrations on reasons attributable to the movements in results	Large decrease in non-recurring gains.		

V. 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 Corporate Governance Code with the exception of code provisions A.2.1, A.1.8 and A.6.7.

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 are stable at present, and the Company has established sufficient internal control systems. The Board will review the need for the insurance cover from time to time.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors and other non-executive Directors were unable to attend the Company's annual general meeting held on 30 June 2014 due to their other business engagements.

VI. 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
21 August 2014

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. Chau Kam Wing, Donald, Mr. Zhao Chun Zhi, Mr. Zhang Hong Zhi and Mr. Guo Kong Hui as independent non-executive directors.