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 2020

Key accounting information and financial indicators

	January-June 2020	January-June 2019	Change
	RMB	RMB	
	(unaudited)	(unaudited)	
Revenue	487,253,473.33	450,513,067.17	8.16%
Net profit attributable to shareholders of the listed company	17,075,548.93	-18,428,119.21	192.66%
Net profit after non-recurring gains and losses attributable to shareholders of the listed company	8,069,915.87	-25,656,039.80	131.45%
Net cash flows from operating activities	46,602,751.59	-7,143,272.74	752.40%
Basic earnings per share (RMB/Share)	0.0216	-0.0233	192.70%
Diluted earnings per share (RMB/Share)	0.0216	-0.0233	192.70%
Weighted average return on net assets	1.30%	-1.25%	2.55%
	30 June 2020	**31 December 2019**	**Change**
	RMB	**RMB**	
	(unaudited)	**(audited)**	
Total assets	1,973,024,269.38	1,975,196,092.31	-0.11%
Net assets attributable to shareholders of the listed company	1,318,910,537.30	1,301,834,988.37	1.31%

* *For identification purpose only*

UNAUDITED INTERIM RESULTS

The board ("**Board**") of directors ("**Director(s)**") of Zhejiang Shibao Company Limited ("**Company**") announces the unaudited consolidated results of the Company and its subsidiaries ("**Group**") for the six months ended 30 June 2020 prepared pursuant to China Accounting Standard for Business Enterprises, together with the comparative figures for the corresponding period in 2019. The consolidated interim results have not been audited, but have been reviewed by the Company's audit committee.

(1) FINANCIAL STATEMENTS

(All amounts in RMB Yuan unless otherwise stated)

CONSOLIDATED BALANCE SHEET
30 June 2020

Item	Note 4	30 June 2020	31 December 2019
		(unaudited)	(audited)
Current assets:			
Cash on hand and at bank		201,711,146.03	130,823,115.52
Financial assets held for trading		780,000.00	71,000,000.00
Accounts receivable	1	384,136,327.61	398,848,776.89
Accounts receivable financing		155,612,859.80	141,483,082.75
Prepayments		5,722,457.01	6,563,922.61
Other receivables		6,978,917.30	6,624,835.27
Inventories		216,167,023.52	216,838,013.54
Other current assets		15,733,825.92	18,876,728.92
Total current assets		986,842,557.19	991,058,475.50
Non-current assets:			
Investment property		37,141,869.09	45,608,029.75
Fixed assets		695,712,836.66	716,268,848.51
Construction in progress		138,460,489.35	118,148,294.12
Intangible assets		81,523,496.89	83,246,762.75
Deferred income tax assets		13,203,047.00	11,644,197.00
Other non-current assets		20,139,973.20	9,221,484.68
Total non-current assets		986,181,712.19	984,137,616.81
Total assets		1,973,024,269.38	1,975,196,092.31

Item	Note 4	30 June 2020	31 December 2019
		(unaudited)	(audited)
Current libailities:			
Short-term borrowings	2	126,133,929.93	143,186,095.89
Notes payable		105,854,576.59	78,049,284.98
Accounts payable	3	309,236,141.41	353,444,997.15
Receipts in advance		2,914,522.51	5,180,624.33
Contract liabilities		20,203,172.32	3,296,944.39
Staff cost payable		15,107,003.36	12,942,278.97
Tax payable		4,789,065.02	2,615,274.29
Other payable		1,370,282.89	1,780,936.38
Other current liabilities		28,779,709.07	24,922,573.49
Total current liabilities		614,388,403.10	625,419,009.87
Non-current libailities:			
Long-term borrowings	4	8,800,000.00	8,800,000.00
Deferred income		38,800,411.45	43,582,481.56
Deferred income tax liabilities		2,581,198.59	2,756,325.71
Total non-current liabilities		50,181,610.04	55,138,807.27
Total liabilities		664,570,013.14	680,557,817.14
Shareholders’ equity:			
Share capital		789,644,637.00	789,644,637.00
Capital reserve		182,334,093.78	182,334,093.78
Surplus reserve		135,379,620.20	135,379,620.20
Retained earnings		211,552,186.32	194,476,637.39
Equity attributable to equity holders of the parent		1,318,910,537.30	1,301,834,988.37
Minority interests		-10,456,281.06	-7,196,713.20
Total equity		1,308,454,256.24	1,294,638,275.17
Total liabilities and equity		1,973,024,269.38	1,975,196,092.31

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2020

Item	Note 4	January-June 2020	January-June 2019
		(unaudited)	(unaudited)
Total revenue	5	487,253,473.33	450,513,067.17
Include: Revenue	5	487,253,473.33	450,513,067.17
Total operating costs		478,908,322.76	479,058,769.28
Incl.: Operating costs	5	380,476,405.80	372,841,463.94
Business taxes and surcharges		5,428,686.09	3,942,346.38
Selling expenses		32,341,528.15	40,159,326.16
General and administrative expenses		28,181,865.03	32,697,905.63
Research and development expenses		30,195,081.30	27,853,907.88
Financial expenses	6	2,284,756.39	1,563,819.29
Incl.: Interest expenses		2,890,228.28	1,763,404.67
Interest income		708,020.72	684,358.02
Add: Other gains		7,289,544.16	6,648,542.97
Investment gains ("—" for loss)		218,395.08	658,689.06
Credit impairment losses ("—" for loss)		1,389,041.03	-1,018,267.87
Assets impairment losses ("—" for loss)		-5,357,716.11	-1,069,918.83
Gains from disposal of assets ("—" for loss)		210,763.10	295,997.68
Operating profit ("—" for loss)		12,095,177.83	-23,030,659.10
Add: Non-operating income		13,515.76	31,677.20
Less: Non-operating expenses		23,959.44	297,806.10
Total profit ("—" for total loss)		12,084,734.15	-23,296,788.00
Less: Income tax expenses	7	-1,731,246.92	-772,061.75
Net profit ("—" for net loss)		13,815,981.07	-22,524,726.25
Classification by business continuity			
- Net profit from continuing operations ("—" for net loss)		13,815,981.07	-22,524,726.25
Classification by ownership			
- Net profit attributable to equity holders of the parent		17,075,548.93	-18,428,119.21
- Minority intersts		-3,259,567.86	-4,096,607.04
Total comprehensive income		13,815,981.07	-22,524,726.25
- Total comprehensive income attributable to equity holders of the parent		17,075,548.93	-18,428,119.21
- Total comprehensive income attributable to minority shareholders		-3,259,567.86	-4,096,607.04
Earnings per share:			
Basic earnings per share	8	0.0216	-0.0233
Diluted earnings per share	8	0.0216	-0.0233

(2) NOTES TO THE FINANCIAL STATEMENTS

1) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of Preparation

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

The financial statements are presented on a going concern basis.

2) MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

The financial statements of the Company have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, which have truly and fully reflected the information of the Company, including the financial position, operating results and cash flows.

2. Accounting year

The accounting year is from 1 January to 31 December.

3. Functional currency

Renminbi ("**RMB**") is adopted as functional currency.

3) TAXATION

1. Major taxes and tax rates

Type of tax	Basis	Tax rate
Value added tax (VAT)	Sales of goods or rendering of taxable services	13%, 9%, 6%, 5% (Note 1)
Property tax	On the property value less 30%, or on rents	1.2%, 12%
Urban maintenance and construction tax	Amount of payable turnover tax	7%, 5%
Education surcharge	Amount of payable turnover tax	3%
Local education surcharge	Amount of payable turnover tax	2%
Corporate income tax	Amount of taxable profit	15%, 25% (Note 2)

Note 1: The sale of the steering systems, parts and other commodities by the Company has been subject to the VAT at the rate of 13%. The "exemption, offset and rebate" tax policy has applied to export goods of Hangzhou Shibao Auto Steering Gear Co., Ltd. and Jilin Shibao Machinery Manufacturing Co., Ltd., both are subsidiaries of the Company, the export rebate rate on export goods is subject to the tax rate of 13%. The transfer of patented technologies and provision of services and otherwise have been subject to the VAT at the rate of 6%. The leasing of properties of the Company acquired after 30 April 2016 is subject to the VAT at the rate of 9%, while the leasing of properties acquired before 30 April 2016 is subject to the VAT at the simplified rate of 5%.

Note 2: Details of corporate income tax rates of different entities

Name of entity	Income tax rate
Hangzhou Shibao Auto Steering Gear Co., Ltd.	15%
Hangzhou New Shibao Electric Power Steering Co., Ltd.	15%
Beijing Autonics Technology Co., Ltd.	15%
Wuhu Sterling Steering System Co., Ltd.	15%
Others	25%

2. Tax concession

1) According to the "Letter Regarding 2017 First Batch Filing of High-tech Enterprises of Zhejiang Province" issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. [2017] 201), the Company's subsidiaries, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. obtained the High-tech Enterprise Certificates (No. GR201733000242 and GR201733001928 respectively) during 2017, with a valid period from 2017 to 2019. During the reporting period, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. have been applying for the recognisation of high-tech enterprises. As at the date of announcement, the approval is not yet received. Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. are subject to a corporate income tax rate of 15% during the period.

2) According to the "Administrative Measures for the Recognition of High-tech Enterprises" (CTP No. [2016] 32) and the "Guidelines for the Recognition Management Work of High-tech Enterprises" (CTP No. [2016] 195), the Company's subsidiary, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201711007542) during 2017, with a valid period from 2017 to 2019. It is subject to a corporate income tax rate of 15% during the period. During the reporting period, Beijing Autonics Technology Co., Ltd. has been applying for the recognisation of high-tech enterprises. As at the date of announcement, the approval is not yet received. Beijing Autonics Technology Co., Ltd. is subject to a corporate income tax rate of 15% during the period.

3) According to the "Notification Regarding the Announcement of the List of the First Batch of High-tech Enterprises of Anhui Province Recognized in 2017" (Ke Gao No. [2017] 62) issued by the Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance, Anhui Provincial State Taxation Bureau and Anhui Provincial Local Taxation Bureau, the Company's subsidiary, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201734000456) during 2017, with a valid period from 2017 to 2019. During the report period, Wuhu Sterling Steering System Co., Ltd. has been applying for the recognisation of high-tech enterprises. As at the date of announcement, the approval is not yet received. Wuhu Sterling Steering System Co., Ltd. is subject to a corporate income tax rate of 15% during the period.

4) In accordance with the announcement relating to the "Policy of strengthen the value-added tax reformation" issued by Ministry of Finance, State Taxation Administration and General Administration of Customs (Ministry of Finance, State Taxation Administration and General Administration of Customs [2019] No.39). The Company was satisfied the conditions of tax credit at the relevant refundable periods and received the refund of VAT credit of RMB5,098,907.74 during January to June 2020.

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

1. Accounts receivable

The aging analysis of accounts receivable is as follows:

Age	30 June 2020 (unaudited)			31 December 2019 (audited)		
	Carrying amount	Provision for bad debts	(%)	Carrying amount	Provision for bad debts	(%)
Within 1 year	378,224,340.86	2,597,561.59	0.69	417,690,591.03	26,002,685.30	6.23
1-2 years	41,837,772.52	34,787,988.95	83.15	30,080,472.69	24,464,226.47	81.33
2-3 years	9,257,240.54	7,797,475.77	84.23	3,271,066.31	1,726,441.37	52.78
Over 3 years	10,443,757.39	10,443,757.39	100.00	4,822,471.59	4,822,471.59	100.00
Total	439,763,111.31	55,626,783.70	12.65	455,864,601.62	57,015,824.73	12.51

The aging analysis of accounts receivable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement with respect to turnover.

The Company's and its subsidiaries' trading terms with their customers generally offer a certain credit period. However, new customers are often required to make payment in advance. The credit period is generally 90 days, extending up to 180 days for major customers. Overdue balances are reviewed regularly by senior management.

2. Short-term borrowings

Item	30 June 2020 (unaudited)	31 December 2019 (audited)
Mortgaged loans	3,004,315.07	
Guaranteed loans (Note)	40,041,499.99	90,117,123.29
Credit lonas	83,088,114.87	53,068,972.60
Total	126,133,929.93	143,186,095.89

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

3. Accounts payable

The aging analysis of accounts payable is as follows:

Age	30 June 2020 (unaudited)	31 December 2019 (audited)
Within 1 year	289,735,039.18	335,039,531.43
1-2 years	8,603,688.44	10,354,208.86
2-3 years	3,012,476.02	2,945,278.35
Over 3 years	7,884,937.77	5,105,978.51
Total	309,236,141.41	353,444,997.15

The aging analysis of accounts payable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement with respect to turnover.

4. Long-term borrowings

(1) Breakdown

Item	30 June 2020 (unaudited)	31 December 2019 (audited)
Long-term loans (Note)	8,800,000.00	8,800,000.00
Total	8,800,000.00	8,800,000.00

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

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

Item	30 June 2020 (unaudited)	31 December 2019 (audited)
Current or with 1 year		
Over 1 year but within 2 years		
Over 2 years but within 5 years	8,800,000.00	8,800,000.00
Over 5 years		
Sub-total	8,800,000.00	8,800,000.00
Include：Long-term loans due within 1 year		
Long-term loans due over 1 year	8,800,000.00	8,800,000.00

5. Revenue/cost of sales

(1) Breakdown

Item	January - June 2020 (unaudited)		January - June 2019 (unaudited)	
	Revenue	Cost	Revenue	Cost
Main business	477,350,656.53	377,743,478.79	444,176,981.03	371,677,810.55
Other business	9,902,816.80	2,732,927.01	6,336,086.14	1,163,653.39
Total	487,253,473.33	380,476,405.80	450,513,067.17	372,841,463.94

(2) Performance obligation

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

6. Financial expenses

Item	January - June 2020 (unaudited)	January - June 2019 (unaudited)
Interest expenses	2,890,228.28	1,763,404.67
Interest income	-708,020.72	-684,358.02
Others	102,548.83	484,772.64
Include: Net exchange loss	-313,568.86	187,229.15
Total	2,284,756.39	1,563,819.29

7. Income tax expenses

Item	January - June 2020 (unaudited)	January - June 2019 (unaudited)
Current income tax	2,730.20	2,842.28
Deferred income tax	-1,733,977.12	-774,904.03
Total	-1,731,246.92	-772,061.75

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 2019: Nil).

8. Earnings per share

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

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

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

Item	January - June 2020 (unaudited)	January - June 2019 (unaudited)
Earnings Net profit attributable to the ordinary shareholders of the Company	17,075,548.93	-18,428,119.21
Shares Weighted average number of ordinary shares issued by the Company	789,644,637.00	789,644,637.00
Basic earnings per share (RMB/Share)	0.0216	-0.0233
Diluted earnings per share (RMB/Share)	0.0216	-0.0233

9. Other matters

(1) Segmental reporting – Operating segment

As the operations and assets of both the Company and its subsidiaries are related to automotive steering system and components, and are mainly located in Mainland China where 93.00% of the revenue was generated from domestic sales, no further detailed segmental information needs to be disclosed.

(2) Depreciation and amortization expenses

Item	January - June 2020 (unaudited)	January - June 2019 (unaudited)
Depreciation of fixed assets, oil and gas assets and production related biological materials	41,014,245.42	36,681,115.44
Amortization of intangible assets	2,600,194.82	2,780,568.22
Total	43,614,440.24	39,461,683.66

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

Item	Amount
Gain or loss on disposal of non-current assets (inclusive of provision for assets impairment write-off)	210,763.10
Government subsidy included in profit or loss for the period (except for those closely relevant to normal business of the company, conformed to requirements of State policy, granted on fixed amount basis or enjoyed on continuous fixed amount basis)	7,289,544.16
Gains or losses from discretionary investment or asset management	218,395.08
Independent impairment test of amount receivable, reverse of contract asset impairment provision	1,949,008.65
Other non-operating income and expenses apart from those stated above	-3,459.24
Less: Effect on enterprise income tax	278,676.93
Effect on interest of minority shareholders (after tax)	379,941.76
Total	9,005,633.06

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

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

Item	30 June 2020 (unaudited)	31 December 2019 (audited)
Net current assets	372,454,154.09	365,639,465.63
Total assets less current liabilities	1,358,635,866.28	1,349,777,082.44

(5) Material commitments

Item	30 June 2020 (unaudited)	31 December 2019 (audited)
Material contracts in relation to acquisition of assets contracted but not recognised	120,145,874.72	130,217,773.67

(6) Events after reporting period

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

(3) INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

(4) DISCUSSION AND ANALYSIS OF OPERATIONS

1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

From January to June 2020, production and sales volume of China automobile industry were 10,112,000 units and 10,257,000 units respectively, representing a decrease of 16.80% and 16.90% respectively as compared with last year. Production and sales of passenger cars were 7,754,000 units and 7,873,000 units respectively, representing a decrease of 22.50% and 22.40% respectively as compared with last year. Among passenger cars, sales volume of China-brand passenger cars were 2,854,000 units representing a decrease of 29.00% as compared with last year. Production and sales volume of new energy cars were 397,000 units and 393,000 units respectively, representing a decrease of 36.50% and 37.40% respectively as compared with last year. Production and sales of commercial vehicles were 2,359,000 units and 2,384,000 units respectively, representing an increase of 9.50% and 8.60% respectively as compared with last year. Among commercial vehicles, production and sales volume of buses decreased by 9.60% and 12.40% respectively as compared with last year; production and sales volume of trucks increased by 11.50% and 10.80% respectively as compared with last year. The top ten automaker groups in China sold 9,139,000 units of automobiles in total, representing a decrease of 16.50% as compared with last year, and their sales represented 89.10% of the total sales of the automobile, representing an increase of 0.4 percentage point as compared with last year.

2) ANALYSIS OF MAIN BUSINESS

1. Changes in major financial information

During the reporting period, the overall performance of automobile industry was better than expectation due to the economic recovery and the stimulation of the promotion policy, which caused the growth of the Company's revenue. The Company recorded a revenue of RMB487,253,473.33, representing an increase of 8.16% as compared with last year.

During the reporting period, the gross profit of the Company's main business amounted to RMB99,607,177.74, representing an increase of RMB27,108,007.26 as compared with last year. The gross profit margin of the Company's main business was 20.87% (corresponding period of last year: 16.32%). The reason for the increase in the gross profit margin of the Company was the boost of some profitable business was better than the overall performance.

During the reporting period, the Company's selling expenses amounted to RMB32,341,528.15, representing a decrease of 19.47% as compared with last year, which was due to the decrease in the warranty fees.

During the reporting period, the Company's general and administrative expenses amounted to RMB28,181,865.03, representing a decrease of 13.81% as compared with last year. It was mainly due to the pandemic of COVID-19, the governmental exemption to the enterprise of the social security expenditure resulting in decrease in staff costs and the strict travelling control launched by the government in the first quarter resulting in decrease in travelling expenses.

During the reporting period, the Company's research and development expenses amounted to RMB30,195,081.30, representing an increase of 8.41% as compared with last year. The research and development expenses accounted for 6.20% of the revenue, which was basically same as compared with last year. The Company's research and development expenses are mainly used on the technical research of automotive steering system's safety, intelligent, automation, energy saving and light weight, so as to maintain the Company's competitive edge in respect of sustainable development. During the reporting period, the Company's research and development expenses were mainly invested in the core technical fields of motorised, intelligent, automation and high-end hydraulic steering.

During the reporting period, the Company's financial expenses amounted to RMB2,284,756.39, representing an increase of 46.10% as compared with last year, which was mainly due to the increase in interest expenses.

During the reporting period, the Company's other gains amounted to RMB7,289,544.16, which was government subsidies.

During the reporting period, the Company's investment gains amounted to RMB218,395.08, representing a decrease of 66.84% as compared with last year, which was mainly due to the decrease in the purchase of the short-term bank wealth management products resulting in the decrease in the gains correspondingly.

During the reporting period, the Company's income tax expenses amounted to RMB-1,731,246.92 (corresponding period of last year: -772,061.75), which was mainly due to the increase in deductible temporary differences in the reporting period and the increase in the accrual of the deferred income tax correspondingly, resulting in the change in the deferred income tax in the reporting period.

In view of the above, the Company recorded a net profit attributable to shareholders of listed company of RMB17,075,548.93 during the reporting period, representing an increase of 192.66% as compared with last year.

During the reporting period, the net cash flows from operating activities was RMB46,602,751.59, representing an increase of 752.40% as compared with last year, mainly due to the purchase of materials in cash. Net cash flows from investing activities was RMB17,026,066.48, representing an increase of 153.28% as compared with last year, mainly due to the decrease in purchase of fixed assets and bank short-term wealth products. Net cash flows from financing activities was RMB-19,942,394.24, representing a decrease of 112.59% as compared with last year, mainly due to the repayment of bank borrowing in cash. In view of the above, during the reporting period, net increase in cash and cash equivalents was RMB43,999,992.69, representing a decrease of 63.07% as compared with last year.

2. Composition of revenue

	January-June 2020		January-June 2019		
	Amount	Proportion to revenue	Amount	Proportion to revenue	Change
Total Revenue	487,253,473.33	100%	450,513,067.17	100%	8.16%
By industry					
Manufacture of automotive components and part	477,350,656.53	97.97%	444,176,981.03	98.59%	7.47%
Others	9,902,816.80	2.03%	6,336,086.14	1.41%	56.29%
By products					
Steering system and parts	425,633,013.10	87.36%	421,639,264.90	93.59%	0.95%
Parts and others	51,717,643.43	10.61%	22,537,716.13	5.00%	129.47%
Others	9,902,816.80	2.03%	6,336,086.14	1.41%	56.29%

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

	Revenue	Operating costs	Gross margin	Change of revenue	Change of Operating costs	Change of gross margin
By industry						
Manufacture of automotive components and parts	477,350,656.53	377,743,478.79	20.87%	7.47%	1.63%	4.55%
By products						
Steering system and parts	425,633,013.10	340,341,697.14	20.04%	0.95%	-3.14%	3.37%
Parts and other	51,717,643.43	37,401,781.65	27.68%	129.47%	84.20%	17.78%

3) ANALYSIS OF ASSETS AND LIABILITIES

1. Significant changes in composition of assets

No significant changes in composition of assets at the end of reporting period. Details of changes in assets accounted for over 5% of the total assets are set out below.

	30 June 2020		31 December 2019		
	Amount	Proportion to total assets	Amount	Proportion to total assets	Change
Cash on hand and at bank	201,711,146.03	10.22%	130,823,115.52	6.62%	3.60%
Accounts receivable	384,136,327.61	19.47%	398,848,776.89	20.19%	-0.72%
Accounts receivable financing	155,612,859.80	7.89%	141,483,082.75	7.16%	0.73%
Inventories	216,167,023.52	10.96%	216,838,013.54	10.98%	-0.02%
Fixed assets	695,712,836.66	35.26%	716,268,848.51	36.26%	-1.00%
Construction in progress	138,460,489.35	7.02%	118,148,294.12	5.98%	1.04%
Short-term borrowings	126,133,929.93	6.39%	143,186,095.89	7.25%	-0.86%
Notes payable	105,854,576.59	5.37%	78,049,284.98	3.95%	1.42%
Accounts payable	309,236,141.41	15.67%	353,444,997.15	17.89%	-2.22%

2. Assets and liabilities measured at fair value

Item	Amount at the beginning of the period	Gain/loss on changes in fair value for the current period	Cumulative changes in fair value recorded in equity	Impairment loss for the current period
Financial assets				
Bank wealth management product	71,000,000.00			
Total	71,000,000.00			

(continued)

Item	Amount purchased during the reporting period	Amount sold during the reporting period	Amount at the end of the period
Financial assets			
Bank wealth management product	30,200,000.00	100,420,000.00	780,000.00
Total	30,200,000.00	100,420,000.00	780,000.00

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

Assets with restrictions in ownership or use rights

Item	Carrying amount at the end of the period	Reason for restriction
Cash on hand and at bank	40,597,671.55	Security deposits of the notes pool
Notes receivable	48,166,721.04	Pledge of the notes pool
Fixed assets	3,800,038.42	Borrowing and note credit mortgage
Intangible assets	3,061,636.67	Borrowing and note credit mortgage
Total	95,626,067.68	

4. Financial resources and capital structure

At the end of the reporting period, the amount of total loans and borrowings of the Company was RMB134,800,000.00 (31 December 2019: RMB151,800,000.00). Total loans and borrowings decreased by RMB17,000,000.00 when compared with the beginning of the year, mainly due to the decrease in guaranteed loans and increase in credit loans. RMB8,800,000.00 of the total loans and borrowings of the Company shall be repaid over 2 years but within 5 years. Loans and borrowings at fixed interest rates amounted to RMB43,000,000.00 (31 December 2019: RMB90,000,000.00).

The Company issued 38.2 million RMB ordinary shares (A Shares) by way of non-public issue in 2014 at issue price of RMB18.46 per share, which raised a gross proceeds of RMB705,172,000.00 and a net proceeds of RMB658,162,877.04 after deducting the related costs. On 11 December 2014, the proceeds were credited into the regulatory proceeds account of the Company. The amount of the proceeds actually utilized by the Company between January and June of 2020 was RMB35,495,927.43, and RMB50,000,000.00 was used for temporary supplement of working capital. As at 30 June 2020, balance of proceeds amounted to RMB15,148,173.49, which included the accumulated amount of interests received from bank deposits and net gains from short-term bank wealth management products less bank handling fees and others.

The capital structure of the Company consists of borrowings, bank deposits and equity attributable to shareholders of the Company. The management determines the capital structure by considering the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through the payment of dividends, new share issues as well as repayment of bank borrowings.

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. At the end of the reporting period, the Company's gearing ratio was -2.04% (at the end of last year: 2.62 %).

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

4) MATERIAL ACQUISITION AND DISPOSAL

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

5) FOREIGN CURRENCY EXPOSURE

During the reporting period, both the sales and purchases of the Group were principally denominated in Renminbi. The Group was not subject to significant exposure in foreign currency risk. No hedge arrangement has been entered into by the Group.

6) CONTINGENT LIABILITIES

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

7) OUTLOOK

Due to the outbreak of COVID-19 since early 2020, strict travel restriction was imposed in most areas across China during later January to late March. Being affected by such negative factor, market demand for automobiles was dampened and the operation of the upstream and downstream enterprises of the automobile industry was impacted, leaving the Company under great operation pressure. Since the second quarter, the overall performance of automobile industry was better than expectation due to the economic recovery and the stimulation of the promotion policy, which caused the growth of the Company's revenue. However, the uncertainty caused by global pandemic was still exist. Following the maturity of the promotion policy, the demand in the domestic market would be dropped due to the excessive demand. The Company believed that the overall economic environment in the second half year was full of uncertainty.

Looking ahead, the Company will adopt a more prudent investment strategy, focus on its core business, and accelerate the research and development and pilot production of technologies and products in intelligent steering automobiles and unmanned automobiles, with an aim to maintain stable operation and make arrangements for future development.

Investors are reminded that the operation plan does not constitute a result guarantee of the Company to the investors. Investors should be fully aware of such risk and the difference between an operation plan and result guarantee.

(5) CORPORATE GOVERNANCE

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

Under code provision A.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Board has not arranged a liability insurance cover for the Directors and senior executives taking into the consideration that the industry, business and financial situation of the Company are stable at present, and the Company has established sufficient internal control system. The Board will review the need for the insurance cover from time to time.

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

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

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

Hangzhou, Zhejiang, the PRC
21 August 2020

As at the date of this announcement, the Board comprises Mr. Zhang Bao Yi, Mr. Tang Hao Han, Ms. Zhang Lan Jun and Ms. Liu Xiao Ping as executive Directors; Mr. Zhang Shi Quan and Mr. Zhang Shi Zhong as non-executive Directors; and Mr. Lin Yi, Mr. Gong Jun Jie and Mr. Shum Shing Kei as independent non-executive Directors.