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Zhejiang Shibao Company Limited*

浙江世寶股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1057)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

Key accounting information and financial indicators

	January-June 2021	January-June 2020	Change
	RMB	RMB	
	(unaudited)	(unaudited)	
Revenue	573,007,067.30	487,253,473.33	17.60%
Net profit attributable to shareholders of the listed company	34,445,168.90	17,075,548.93	101.72%
Net profit after non-recurring gains and losses attributable to shareholders of the listed company	17,441,840.67	8,069,915.87	116.13%
Net cash flows from operating activities	66,004,332.51	46,602,751.59	41.63%
Basic earnings per share (RMB/Share)	0.0436	0.0216	101.85%
Diluted earnings per share (RMB/Share)	0.0436	0.0216	101.85%
Weighted average return on net assets	2.53%	1.30%	1.23%
	30 June 2021	31 December 2020	Change
	RMB	RMB	
	(unaudited)	(audited)	
Total assets	2,020,572,528.10	1,976,246,329.85	2.24%
Net assets attributable to shareholders of the listed company	1,377,126,129.24	1,342,680,960.34	2.57%

* 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 2021 prepared pursuant to China Accounting Standard for Business Enterprises, together with the comparative figures for the corresponding period in 2020. 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 2021

Item	Note 4	30 June 2021 (unaudited)	31 December 2020 (audited)
Current assets:			
Cash on hand and at bank		139,200,815.18	166,389,726.85
Financial assets held for trading		81,600,647.08	904,073.28
Notes receivable			239,784.00
Accounts receivable	1	351,833,601.70	325,598,747.08
Accounts receivable financing		146,803,498.83	187,274,526.18
Prepayments		13,104,998.03	21,628,201.14
Other receivables		10,111,022.49	9,867,974.89
Inventories		304,993,280.44	254,371,320.73
Other current assets		11,731,636.56	14,077,655.52
Total current assets		1,059,379,500.31	980,352,009.67
Non-current assets:			
Investment property		170,370,482.21	175,565,178.66
Fixed assets		627,154,741.23	668,272,431.63
Construction in progress		45,237,499.20	48,682,196.11
Intangible assets		80,875,506.91	81,281,828.17
Deferred income tax assets		12,985,968.21	12,805,998.28
Other non-current assets		24,568,830.03	9,286,687.33
Total non-current assets		961,193,027.79	995,894,320.18
Total assets		2,020,572,528.10	1,976,246,329.85

Item	Note 4	30 June 2021 (unaudited)	31 December 2020 (audited)
Current liabilities:			
Short-term borrowings	2	105,113,488.49	98,116,784.10
Notes payable		98,840,857.43	86,570,132.09
Accounts payable	3	301,771,897.32	318,745,234.60
Receipts in advance		7,976,976.32	14,978,858.81
Contract liabilities		30,794,517.35	9,954,761.23
Staff cost payable		17,782,863.49	20,138,767.07
Tax payable		3,111,315.51	8,337,187.92
Other payable		8,294,883.43	2,740,953.52
Other current liabilities		33,646,917.70	30,200,975.06
Total current liabilities		607,333,717.04	589,783,654.40
Non-current liabilities:			
Long-term borrowings	4	8,800,000.00	8,800,000.00
Deferred income		40,319,679.21	45,985,366.36
Deferred income tax liabilities		2,359,111.08	2,438,113.16
Total non-current liabilities		51,478,790.29	57,223,479.52
Total liabilities		658,812,507.33	647,007,133.92
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		269,767,778.26	235,322,609.36
Equity attributable to equity holders of the parent		1,377,126,129.24	1,342,680,960.34
Minority interests		-15,366,108.47	-13,441,764.41
Total equity		1,361,760,020.77	1,329,239,195.93
Total liabilities and equity		2,020,572,528.10	1,976,246,329.85

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2020

Item	Note 4	January-June 2021 (unaudited)	January-June 2020 (unaudited)
Total revenue	5	573,007,067.30	487,253,473.33
Include: Revenue	5	573,007,067.30	487,253,473.33
Total operating costs		552,162,664.56	478,908,322.76
Incl.: Operating costs	5	432,128,626.46	380,476,405.80
Business taxes and surcharges		3,664,717.54	5,428,686.09
Selling expenses		36,884,049.52	32,341,528.15
General and administrative expenses		39,920,167.79	28,181,865.03
Research and development expenses		37,409,365.24	30,195,081.30
Financial expenses	6	2,155,738.01	2,284,756.39
Incl.: Interest expenses		2,637,148.39	2,890,228.28
Interest income		806,798.33	708,020.72
Add: Other gains		10,700,479.81	7,289,544.16
Investment gains (“—” for loss)		109,233.65	218,395.08
Gains on fair value change (“—” for loss)		103,195.91	
Credit impairment losses (“—” for loss)		2,341,205.34	1,389,041.03
Assets impairment losses (“—” for loss)		-5,924,039.51	-5,357,716.11
Gains from disposal of assets (“—” for loss)		5,527,482.78	210,763.10
Operating profit (“—” for loss)		33,701,960.72	12,095,177.83
Add: Non-operating income		133,020.52	13,515.76
Less: Non-operating expenses		118,173.85	23,959.44
Total profit (“—” for total loss)		33,716,807.39	12,084,734.15
Less: Income tax expenses	7	1,195,982.55	-1,731,246.92
Net profit (“—” for net loss)		32,520,824.84	13,815,981.07
Classification by business continuity			
- Net profit from continuing operations (“—” for net loss)		32,520,824.84	13,815,981.07
Classification by ownership			
- Net profit attributable to equity holders of the parent		34,445,168.90	17,075,548.93
- Minority interests		-1,924,344.06	-3,259,567.86
Total comprehensive income		32,520,824.84	13,815,981.07
- Total comprehensive income attributable to equity holders of the parent		34,445,168.90	17,075,548.93
- Total comprehensive income attributable to minority shareholders		-1,924,344.06	-3,259,567.86
Earnings per share:			
Basic earnings per share	8	0.0436	0.0216
Diluted earnings per share	8	0.0436	0.0216

(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: Sale of the steering systems, parts and other commodities by the Company and its subsidiaries has been subject to the value-added tax (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 being subsidiaries of the Company, and the export rebate rate on export goods was 13%. The transfer of patented technologies and provision of services by the Company and its subsidiaries have been subject to the VAT at the rate of 6%. Leasing of properties acquired prior to 30 April 2016 by the Company and its subsidiaries, Hangzhou New Shibao Electric Power Steering Co., Ltd. and Beijing Autonics Technology Co., Ltd., has been subject to the VAT at the simplified rate of 5%, while leasing of the properties acquired after 30 April 2016 has been subject to the VAT at the rate of 9%.

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 2020 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. [2020] 251), the Company, 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. GR202033006037, GR202033002842 and GR202033003507 respectively), with a valid period from 2020 to 2022. They are subject to a corporate income tax rate of 15% during the period.
- 2) According to the “Letter Regarding 2020 Fourth Batch Filing of High-tech Enterprises of Beijing” issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. [2021]38), the Company’s subsidiary, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR202011007797), with a valid period from 2020 to 2022. It is subject to a corporate income tax rate of 15% during the period.
- 3) According to the “Notification Regarding the Announcement of the List of the First Batch of High-tech Enterprises of Anhui Province Recognized in 2020” (Ke Gao No. [2020] 35) issued by the Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance, Anhui Provincial Office, SAT and Anhui Local Taxation Bureau, the Company’s subsidiary, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR202034000075), with a valid period from 2020 to 2022. It is subject to a corporate income tax rate of 15% during the period.
- 4) According to the Announcement on Policies for Deepening the VAT Reform (Announcement [2019] No.39) issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs, the Company meets the conditions for return of the deductible input VAT as at the end of the period, and the deductible input VAT returned during the period from January to June 2021 was RMB572,736.02.

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 2021 (unaudited)			31 December 2020 (audited)		
	Carrying amount	Provision for bad debts	(%)	Carrying amount	Provision for bad debts	(%)
Within 1 year	347,660,419.58	1,373,225.82	0.39	316,183,564.27	518,590.14	0.16
1-2 years	6,193,941.77	1,817,870.04	29.35	31,270,449.93	23,611,297.55	75.51
2-3 years	32,721,544.02	31,551,207.81	96.42	23,679,568.76	21,404,948.19	90.39
Over 3 years	14,800,537.51	14,800,537.51	100.00	7,581,482.82	7,581,482.82	100.00
Total	401,376,442.88	49,542,841.18	12.34	378,715,065.78	53,116,318.70	14.03

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 2021 (unaudited)	31 December 2020 (audited)
Mortgaged loans	2,002,788.77	5,008,155.07
Guaranteed loans (Note)	40,043,988.76	40,050,722.22
Credit loans	63,066,710.96	53,057,906.81
Total	105,113,488.49	98,116,784.10

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 2021 (unaudited)	31 December 2020 (audited)
Within 1 year	281,910,637.35	292,109,142.08
1-2 years	5,012,467.45	19,296,923.57
2-3 years	7,077,889.85	2,718,865.47
Over 3 years	7,770,902.67	4,620,303.48
Total	301,771,897.32	318,745,234.60

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 2021 (unaudited)	31 December 2020 (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 2021 (unaudited)	31 December 2020 (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 2021 (unaudited)		January - June 2020 (unaudited)	
	Revenue	Cost	Revenue	Cost
Main business	551,042,767.49	424,420,736.47	477,350,656.53	377,743,478.79
Other business	21,964,299.81	7,707,889.99	9,902,816.80	2,732,927.01
Total	573,007,067.30	432,128,626.46	487,253,473.33	380,476,405.80

(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.

(3) The income recognised in the period and included in the carrying amount of contract liabilities at the beginning of the period amounted to RMB882,582.38.

6. Financial expenses

Item	January - June 2021 (unaudited)	January - June 2020 (unaudited)
Interest expenses	2,637,148.39	2,890,228.28
Interest income	-806,798.33	-708,020.72
Exchange gains and losses	204,904.12	-313,568.86
Others	120,483.83	416,117.69
Total	2,155,738.01	2,284,756.39

7. Income tax expenses

Item	January - June 2021 (unaudited)	January - June 2020 (unaudited)
Current income tax	1,454,954.56	2,730.20
Deferred income tax	-258,972.01	-1,733,977.12
Total	1,195,982.55	-1,731,246.92

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 2020: 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 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 2021 (unaudited)	January - June 2020 (unaudited)
Earnings		
Net profit attributable to the ordinary shareholders of the Company	34,445,168.90	17,075,548.93
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)	0.0436	0.0216
Diluted earnings per share (RMB/Share)	0.0436	0.0216

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 85.66% 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 2021 (unaudited)	January - June 2020 (unaudited)
Depreciation of fixed assets, oil and gas assets and production related biological materials	39,851,893.19	41,014,245.42
Amortization of intangible assets	1,562,489.58	2,600,194.82
Total	41,414,382.77	43,614,440.24

(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)	5,527,482.78
Unauthorized approval, or without formal approval documents, or occasional tax returns, deductions	172,042.09
Government grants (except for continuous government grants which are closely related to the Company's ordinary business and conforms with the national policies as well as in standard amount and quantities) recognized in gains or losses during the current period	10,528,437.72
Gains or losses from discretionary investment or asset management	109,233.65
Independent impairment test of accounts receivable, reverse of contract asset impairment provision	1,518,895.62
Other non-operating income and expenses apart from those stated above	123,192.36
Less: Effect on enterprise income tax	370,416.31
Effect on interest of minority shareholders (after tax)	605,539.68
Total	17,003,328.23

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 2021 (unaudited)	31 December 2020 (audited)
Net current assets	452,045,783.27	390,568,355.27
Total assets less current liabilities	1,413,238,811.06	1,386,462,675.45

(5) Material commitments

Item	30 June 2021 (unaudited)	31 December 2020 (audited)
Material contracts in relation to acquisition of assets contracted but not recognised	88,555,235.66	78,320,631.95

(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 2021 (30 June 2020: Nil).

(4) DISCUSSION AND ANALYSIS OF OPERATIONS

1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

From January to June 2021, production and sales volume of China automobile industry were 12,569,000 units and 12,891,000 units respectively, representing an increase of 24.20% and 25.60% respectively as compared with last year. Production and sales of passenger cars were 9,840,000 units and 10,007,000 units respectively, representing an increase of 26.80% and 27.00% respectively as compared with last year. Among passenger cars, sales volume of China-brand passenger cars was 4,198,000 units, representing an increase of 46.80% as compared with last year. Production and sales volume of new energy cars were 1,215,000 units and 1,206,000 units respectively, representing a double year-on-year increase. Production and sales of commercial vehicles were 2,730,000 units and 2,884,000 units respectively, representing an increase of 15.70% and 20.90% respectively as compared with last year. The top ten automaker groups in China sold 11,143,000 units of automobiles in total, representing an increase of 23.50% as compared with last year, and their sales represented 86.40% of the total sales of the automobile, a decrease of 1.5 percentage points as compared with last year.

2) ANALYSIS OF MAIN BUSINESS

1. Changes in major financial information

During the reporting period, the automotive industry is growing faster which contributed to the increase in the Company's revenue, resulting in the increase in the Company's earnings. The Company recorded a revenue of RMB573,007,067.30, representing an increase of 17.60% as compared with last year.

During the reporting period, the gross profit of the Company's main business amounted to RMB126,622,031.72, representing an increase of RMB27,014,853.28 as compared with last year. The gross profit margin of the Company's main business was 22.98% (corresponding period of last year: 20.87%). The increase in the gross profit margin of the Company was mainly due to cost optimization resulting from the expansion of sales scale.

During the reporting period, the Company's selling expenses amounted to RMB36,884,049.52, representing an increase of 14.05% as compared with last year, which was mainly due to the increase in sales resulting in a corresponding increase in transport costs, as well as an increase in export agency fees and insurance premiums.

During the reporting period, the general and administrative expenses amounted to RMB39,920,167.79, representing an increase of 41.65% as compared with last year, which was mainly due to the combined effect of the increase in staff remuneration expenses due to the withdrawal of the government's policy of reduction in enterprise social security expenses since January 2021 in light of the coronavirus pandemic in the corresponding period of last year, and the increase in office expenditure arising from the subsequent expenditures for decoration and security for the completed new plant area of the Company located in Yiwu.

During the reporting period, the Company's research and development expenses amounted to RMB37,409,365.24, representing an increase of 23.89% as compared with last year. The research and development expenses accounted for 6.53% (corresponding period of last year: 6.20%) of the revenue. 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 RMB2,155,738.01, representing a decrease of 5.65% as compared with last year, which was mainly due to the decrease in interest expenses.

During the reporting period, the Company's other gains amounted to RMB10,700,479.81, of which government subsidies amounted to RMB10,528,437.72. The Company's investment gains amounted to RMB109,233.65, representing a decrease of 49.98% as compared with last year, which was mainly due to the decrease in revenue resulting from the decrease in bank short-term wealth management products redeemed. The credit impairment loss was RMB2,341,205.34, representing an increase of 68.55% as compared to same period last year, which was mainly due to the combined effect of no provision for large amounts of bad debts on accounts receivable in the period, and the recovery of bad debts on accounts receivable in previous years.

During the reporting period, the Company's income tax expenses amounted to RMB1,195,982.55 (corresponding period of last year: RMB-1,731,246.92), which was mainly due to the increase in income tax expense resulting from the current period's profits.

In view of the above, the Company recorded a net profit attributable to shareholders of listed company of RMB34,445,168.90 during the reporting period, representing an increase of 101.72% as compared with last year.

During the reporting period, the net cash flows from operating activities was RMB66,004,332.51, representing an increase of 41.63% as compared with last year, the increase in cash was mainly due to the return of security deposits of bank acceptance bills and the receipt of project deposits. Net cash flows from investing activities was RMB-98,812,820.97, representing a decrease of 680.36% as compared with last year, mainly due to the increase in cash payment for purchase of bank short-term wealth products. Net cash flows from financing activities was RMB4,359,556.00, representing an increase of 121.86% as compared with last year, mainly due to the increase in bank borrowings. In view of the above, during the reporting period, net increase in cash and cash equivalents was RMB-28,653,836.58, representing a decrease of 165.12% as compared with last year.

2. Composition of revenue

	January-June 2021		January-June 2020		Change
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Total Revenue	573,007,067.30	100%	487,253,473.33	100%	17.60%
By industry					
Manufacture of automotive components and part	551,042,767.49	96.17%	477,350,656.53	97.97%	15.44%
Others	21,964,299.81	3.83%	9,902,816.80	2.03%	121.80%
By products					
Steering system and parts	508,318,466.21	88.71%	425,633,013.10	87.36%	19.43%
Parts and others	42,724,301.28	7.46%	51,717,643.43	10.61%	-17.39%
Others	21,964,299.81	3.83%	9,902,816.80	2.03%	121.80%
By geography					
Mainland China	490,809,418.01	85.66%	453,147,738.80	93.00%	8.31%
Other than Mainland China	82,197,649.29	14.34%	34,105,734.53	7.00%	141.01%

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	551,042,767.49	424,420,736.47	22.98%	15.44%	12.36%	2.11%
By products						
Steering system and parts	508,318,466.21	397,321,743.02	21.84%	19.43%	16.74%	1.80%
Parts and other	42,724,301.28	27,098,993.45	36.57%	-17.39%	-27.55%	8.89%
By industry						
Mainland China	490,809,418.01	381,717,081.89	22.23%	8.31%	5.57%	2.02%
Other than Mainland China	82,197,649.29	50,411,544.57	38.67%	141.01%	166.74%	-5.92%

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 2021		31 December 2020		Change
	Amount	Proportion to total assets	Amount	Proportion to total assets	
Cash on hand and at bank	139,200,815.18	6.89%	166,389,726.85	8.42%	-1.53%
Accounts receivable	351,833,601.70	17.41%	325,598,747.08	16.48%	0.93%
Accounts receivable financing	146,803,498.83	7.27%	187,274,526.18	9.48%	-2.21%
Inventories	304,993,280.44	15.09%	254,371,320.73	12.87%	2.22%
Investment property	170,370,482.21	8.43%	175,565,178.66	8.88%	-0.45%
Fixed assets	627,154,741.23	31.04%	668,272,431.63	33.82%	-2.78%
Short-term borrowings	105,113,488.49	5.20%	98,116,784.10	4.96%	0.24%
Accounts payable	301,771,897.32	14.93%	318,745,234.60	16.13%	-1.20%

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	Amount purchased during the reporting period	Amount sold during the reporting period	Amount at the end of the period
Financial assets						
1. Financial assets held for trading (excluding derivative financial assets)	904,073.28	103,195.91	103,195.91	593,377.89		1,600,647.08
2. Short-term bank wealth management products				140,000,000.00	60,000,000.00	80,000,000.00
3. Accounts receivable financing	187,274,526.18			393,318,554.41	433,789,581.76	146,803,498.83
Sub-total of financial assets	188,178,599.46	103,195.91	103,195.91	533,911,932.30	493,789,581.76	228,404,145.91
Financial liabilities	0.00					0.00

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	11,770,345.96	Security deposits of the notes pool
Cash on hand and at bank	11,034,087.31	Frozen funds for litigation
Accounts receivable financing	49,630,146.00	Pledge of the notes pool
Fixed assets	3,478,226.50	Borrowing and note credit mortgage
Intangible assets	2,972,802.71	Borrowing and note credit mortgage
Total	78,885,608.48	

4. Financial resources and capital structure

At the end of the reporting period, the amount of total loans and borrowings of the Company was RMB113,800,000.00 (31 December 2020: RMB106,800,000.00). Total loans and borrowings increased by RMB7,000,000.00 when compared with the beginning of the year, mainly due to the increase in guaranteed 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 RMB42,000,000.00 (31 December 2020: RMB45,000,000.00).

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 -0.18% (31 December 2020: -2.95%).

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

Based on the statistics of China Association of Automobile Manufactures, in June 2021, automobile production and sales continued to show a significant decline after May. In particular, the production and sales of passenger cars were mainly affected by insufficient supply of chips, and the commercial vehicles were relevant to the switch of emission standards.

In the second half of 2021, China's economy is expected to continue to maintain a stable recovery, which will support automobile consumption. However, there remains unstable and uncertain factors in the global economic recovery and epidemic prevention and control. Chip supply issues and sharp increases in prices of raw materials will affect the automotive industry. The Company expects that cost pressures will increase in the second half of 2021 and the operating environment will be relatively complex and changeable.

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 results guarantee of the Company to the investors. Investors should be fully aware of such risk and the difference between an operation plan and results 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 and A.6.7.

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.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings of shareholders to gain and develop a balanced understanding of the views of shareholders. Mr. Shum Shing Kei, an independent non-executive Director, who retired on 30 June 2021 was absent from the annual general meeting of the Company held on 30 June 2021 due to other important business.

(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
20 August 2021

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. Tsui Chun Shing as independent non-executive Directors.