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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 2022**

Key accounting information and financial indicators

| | January-June 2022 | January-June 2021 | Change |
|--|--------------------------|--------------------------|---------------|
| | RMB | RMB | |
| | (unaudited) | (unaudited) | |
| Revenue | 554,052,591.58 | 573,007,067.30 | -3.31% |
| Net profit attributable to shareholders of the listed company | 855,638.15 | 34,445,168.90 | -97.52% |
| Net profit after non-recurring gains and losses attributable to shareholders of the listed company | -14,076,298.95 | 17,441,840.67 | -180.70% |
| Net cash flows from operating activities | 50,216,520.98 | 66,004,332.51 | -23.92% |
| Basic earnings per share (RMB/Share) | 0.0011 | 0.0436 | -97.48% |
| Diluted earnings per share (RMB/Share) | 0.0011 | 0.0436 | -97.48% |
| Weighted average return on net assets | 0.06% | 2.53% | -2.47% |
| | 30 June 2022 | 31 December 2021 | Change |
| | RMB | RMB | |
| | (unaudited) | (audited) | |
| Total assets | 2,074,162,834.75 | 2,075,458,857.18 | -0.06% |
| Net assets attributable to shareholders of the listed company | 1,377,692,922.37 | 1,376,837,284.22 | 0.06% |

* 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 2022 prepared pursuant to China Accounting Standard for Business Enterprises, together with the comparative figures for the corresponding period in 2021. 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 2022

| Item | Note 4 | 30 June 2022 (unaudited) | 31 December 2021 (audited) |
|-----------------------------------|--------|-----------------------------|-------------------------------|
| Current assets: | | | |
| Cash on hand and at bank | | 134,484,018.11 | 195,849,881.10 |
| Financial assets held for trading | | 90,361,817.99 | 70,388,744.26 |
| Accounts receivable | 1 | 358,272,692.06 | 384,270,904.55 |
| Accounts receivable financing | | 136,998,317.61 | 89,284,490.52 |
| Prepayments | | 9,276,103.53 | 12,646,311.89 |
| Other receivables | | 6,031,192.19 | 7,980,394.93 |
| Inventories | | 371,614,207.17 | 329,151,211.94 |
| Other current assets | | 5,826,122.67 | 11,075,704.23 |
| Total current assets | | 1,112,864,471.33 | 1,100,647,643.42 |
| Non-current assets: | | | |
| Investment property | | 195,263,659.30 | 198,425,856.97 |
| Fixed assets | | 594,044,610.86 | 615,924,086.64 |
| Construction in progress | | 71,964,212.43 | 73,680,237.52 |
| Intangible assets | | 56,983,712.48 | 56,824,823.72 |
| Deferred income tax assets | | 12,376,076.63 | 11,846,890.33 |
| Other non-current assets | | 30,666,091.72 | 18,109,318.58 |
| Total non-current assets | | 961,298,363.42 | 974,811,213.76 |
| Total assets | | 2,074,162,834.75 | 2,075,458,857.18 |

| Item | Note 4 | 30 June 2022 (unaudited) | 31 December 2021 (audited) |
|---|--------|-----------------------------|-------------------------------|
| Current liabilities: | | | |
| Short-term borrowings | 2 | 93,095,737.48 | 153,124,225.71 |
| Notes payable | | 115,298,623.75 | 98,329,394.76 |
| Accounts payable | 3 | 377,230,728.71 | 330,649,783.76 |
| Receipts in advance | | 9,676,600.87 | 14,232,745.02 |
| Contract liabilities | | 14,095,401.56 | 8,058,280.73 |
| Staff cost payable | | 16,360,770.85 | 21,806,321.78 |
| Tax payable | | 5,652,560.57 | 4,898,630.77 |
| Other payable | | 2,455,778.91 | 3,384,879.14 |
| Other current liabilities | | 31,295,344.94 | 29,577,911.66 |
| Total current liabilities | | 665,161,547.64 | 664,062,173.33 |
| Non-current liabilities: | | | |
| Long-term borrowings | 4 | 18,809,999.99 | 18,792,739.73 |
| Deferred income | | 31,819,400.46 | 35,294,031.63 |
| Deferred income tax liabilities | | 2,288,314.83 | 2,475,739.93 |
| Total non-current liabilities | | 52,917,715.28 | 56,562,511.29 |
| Total liabilities | | 718,079,262.92 | 720,624,684.62 |
| Shareholders' equity: | | | |
| Share capital | | 789,644,637.00 | 789,644,637.00 |
| Capital reserve | | 182,334,093.78 | 182,334,093.78 |
| Surplus reserve | | 136,516,449.60 | 136,516,449.60 |
| Retained earnings | | 269,197,741.99 | 268,342,103.84 |
| Equity attributable to equity holders of the parent | | 1,377,692,922.37 | 1,376,837,284.22 |
| Minority interests | | -21,609,350.54 | -22,003,111.66 |
| Total equity | | 1,356,083,571.83 | 1,354,834,172.56 |
| Total liabilities and equity | | 2,074,162,834.75 | 2,075,458,857.18 |

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2022

| Item | Note 4 | January-June 2022 (unaudited) | January-June 2021 (unaudited) |
|---|--------|----------------------------------|----------------------------------|
| Total revenue | 5 | 554,052,591.58 | 573,007,067.30 |
| Include: Revenue | 5 | 554,052,591.58 | 573,007,067.30 |
| Total operating costs | | 560,844,509.58 | 552,162,664.56 |
| Incl.: Operating costs | 5 | 454,020,999.52 | 432,128,626.46 |
| Business taxes and surcharges | | 3,957,983.66 | 3,664,717.54 |
| Selling expenses | | 22,185,307.51 | 36,884,049.52 |
| General and administrative expenses | | 37,171,048.47 | 39,920,167.79 |
| Research and development expenses | | 40,783,290.97 | 37,409,365.24 |
| Financial expenses | 6 | 2,725,879.45 | 2,155,738.01 |
| Incl.: Interest expenses | | 2,477,754.74 | 2,637,148.39 |
| Interest income | | 384,860.73 | 806,798.33 |
| Add: Other gains | | 10,601,438.36 | 10,700,479.81 |
| Investment gains (“—” for loss) | | 398,203.91 | 109,233.65 |
| Gains on fair value change (“—” for loss) | | -1,026,926.27 | 103,195.91 |
| Credit impairment losses (“—” for loss) | | 788,299.86 | 2,341,205.34 |
| Assets impairment losses (“—” for loss) | | -8,534,135.82 | -5,924,039.51 |
| Gains on disposal of assets (“—” for loss) | | 5,187,046.31 | 5,527,482.78 |
| Operating profit (“—” for loss) | | 622,008.35 | 33,701,960.72 |
| Add: Non-operating income | | 25,571.15 | 133,020.52 |
| Less: Non-operating expenses | | 114,791.63 | 118,173.85 |
| Total profit (“—” for total loss) | | 532,787.87 | 33,716,807.39 |
| Less: Income tax expenses | 7 | -716,611.40 | 1,195,982.55 |
| Net profit (“—” for net loss) | | 1,249,399.27 | 32,520,824.84 |
| Classification by business continuity | | | |
| - Net profit from continuing operations (“—” for net loss) | | 1,249,399.27 | 32,520,824.84 |
| Classification by ownership | | | |
| - Net profit attributable to equity holders of the parent | | 855,638.15 | 34,445,168.90 |
| - Minority interests | | 393,761.12 | -1,924,344.06 |
| Total comprehensive income | | 1,249,399.27 | 32,520,824.84 |
| - Total comprehensive income attributable to equity holders of the parent | | 855,638.15 | 34,445,168.90 |
| - Total comprehensive income attributable to minority shareholders | | 393,761.12 | -1,924,344.06 |
| Earnings per share: | | | |
| Basic earnings per share | 8 | 0.0011 | 0.0436 |
| Diluted earnings per share | 8 | 0.0011 | 0.0436 |

(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) |
| Real estate 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 (disposal) of properties acquired prior to 30 April 2016 by the Company and its subsidiary, Hangzhou New Shibao Electric Power Steering 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 |
|---|-----------------|
| The Company | 15% |
| 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) (《關於浙江省 2020 年第一批高新技術企業備案的復函》(國科火字〔2020〕251 號)), 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% in the current 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) (《關於北京市 2020 年第四批高新技術企業備案的復函》(國科火字〔2021〕38 號)), 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% in the current 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) (《關於公佈 2020 年安徽省第一批高新技術企業認定名單的通知》(皖科高〔2020〕35 號)) issued by the Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance, State Taxation Bureau of Anhui Province 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% in the current period.
- 4) According the “Announcement on Further Strengthening the Implementation of Policies for Period-end Uncredited VAT Refund” (MOF and SAT Announcement 2022 No. 14) (《關於進一步加大增值稅期末留抵退稅政策實施力度的公告》(財政部稅務總局公告 2022 年第 14 號)) and the “Announcement on Further Intensifying the Implementation of Policies for Period-end Uncredited VAT Refund” (MOF and SAT Announcement 2022 No. 17) (《關於進一步加快增值稅期末留抵退稅政策實施進度的公告》(財政部稅務總局公告 2022 年第 17 號)), the Company meets the conditions for return of the deductible input VAT at the end of the period, and the deductible input VAT returned during the current period was RMB2,610,994.24.

- 5) According to the provisions of “Implementation Opinions of Yiwu Municipal People's Government on Carrying out Comprehensive Evaluation of the Benefits of Industrial Enterprises in Per Mu and Comprehensive Promotion on the ‘Per-Mu Hero’ Reform (Yi Zheng Fa [2022] No. 33) (《義烏市人民政府關於開展工業企業畝產效益綜合評價全面推進「畝均論英雄」改革的實施意見》(義政發[2022] 33 號)), enterprises identified as B1 class under the comprehensive evaluation will be given 80% reduction on urban land use tax. The land use tax payable by the Company shall be reduced by 80% in the current period.
- 6) According to the “Implementation Opinions of Zhejiang Provincial Taxation Bureau on Implementing the Decision of Provincial Party Committee to Enrich the People through Entrepreneurship and Strengthen the Province through Innovation” (Zhe Di Shui Fa [2008] No. 1) (《浙江省地方稅務局關於貫徹省委推進創業富民創新強省決定的實施意見》(浙地稅發[2008] 1 號)), the newly recognized high-tech enterprises shall be exempted from real estate tax within three years from the year of recognition due to the insignificant short-term benefit as a result of the large investment in technical transformation. The real estate tax payable by the Company shall be reduced by 100% in the current period.

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 2022 (unaudited) | | | 31 December 2021 (audited) | | |
|---------------|--------------------------|-------------------------|--------|----------------------------|-------------------------|--------|
| | Carrying amount | Provision for bad debts | (%) | Carrying amount | Provision for bad debts | (%) |
| Within 1 year | 353,633,467.16 | 326,568.13 | 0.09 | 375,452,499.03 | 410,623.67 | 0.11 |
| 1-2 years | 4,556,776.37 | 813,199.47 | 17.85 | 8,618,848.29 | 1,102,005.67 | 12.79 |
| 2-3 years | 2,639,790.68 | 1,417,574.55 | 53.70 | 17,488,869.42 | 15,776,682.85 | 90.21 |
| Over 3 years | 30,422,795.57 | 30,422,795.57 | 100.00 | 16,479,125.39 | 16,479,125.39 | 100.00 |
| Total | 391,252,829.78 | 32,980,137.72 | 8.43 | 418,039,342.13 | 33,768,437.58 | 8.08 |

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 cash flow.

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 2022 (unaudited) | 31 December 2021 (audited) |
|-------------------------|-----------------------------|-------------------------------|
| Guaranteed loans (Note) | 40,041,499.99 | 100,061,061.33 |
| Credit loans | 53,054,237.49 | 53,063,164.38 |
| Total | 93,095,737.48 | 153,124,225.71 |

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 2022 (unaudited) | 31 December 2021 (audited) |
|---------------|-----------------------------|-------------------------------|
| Within 1 year | 352,945,019.30 | 307,200,373.38 |
| 1-2 years | 10,971,487.05 | 11,740,288.71 |
| 2-3 years | 3,933,815.79 | 5,345,580.62 |
| Over 3 years | 9,380,406.57 | 6,363,541.05 |
| Total | 377,230,728.71 | 330,649,783.76 |

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 cash flow.

4. Long-term borrowings

(1) Breakdown

| Item | 30 June 2022 (unaudited) | 31 December 2021 (audited) |
|------------------------|-----------------------------|-------------------------------|
| Credit loans | 10,009,999.99 | 9,992,739.73 |
| Long-term loans (Note) | 8,800,000.00 | 8,800,000.00 |
| Total | 18,809,999.99 | 18,792,739.73 |

Note: These loans were provided by Jilin Tiedong Economic Development Zone Administration Committee as non-interest 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 2022 (unaudited) | 31 December 2021 (audited) |
|--|-----------------------------|-------------------------------|
| Current or within 1 year | | |
| 1-2 years | | |
| 2-5 years | 18,809,999.99 | 18,792,739.73 |
| Over 5 years | | |
| Sub-total | 18,809,999.99 | 18,792,739.73 |
| Include: Long-term loans due within 1 year | | |
| Long-term loans due over 1 year | 18,809,999.99 | 18,792,739.73 |

5. Revenue/cost of sales**(1) Breakdown**

| Item | January - June 2022 (unaudited) | | January - June 2021 (unaudited) | |
|----------------|------------------------------------|----------------|------------------------------------|----------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 529,210,830.87 | 445,453,927.54 | 551,042,767.49 | 424,420,736.47 |
| Other business | 24,841,760.71 | 8,567,071.98 | 21,964,299.81 | 7,707,889.99 |
| Total | 554,052,591.58 | 454,020,999.52 | 573,007,067.30 | 432,128,626.46 |

(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 current period and included in the carrying amount of contract liabilities at the beginning of the period amounted to RMB4,952,091.13.

6. Financial expenses

| Item | January - June 2022 (unaudited) | January - June 2021 (unaudited) |
|---------------------------|------------------------------------|------------------------------------|
| Interest expenses | 2,477,754.74 | 2,637,148.39 |
| Interest income | -384,860.73 | -806,798.33 |
| Exchange gains and losses | 527,434.79 | 204,904.12 |
| Others | 105,550.65 | 120,483.83 |
| Total | 2,725,879.45 | 2,155,738.01 |

7. Income tax expenses

| Item | January - June 2022 (unaudited) | January - June 2021 (unaudited) |
|---------------------|------------------------------------|------------------------------------|
| Current income tax | | 1,454,954.56 |
| Deferred income tax | -716,611.40 | -258,972.01 |
| Total | -716,611.40 | 1,195,982.55 |

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 period (corresponding period of 2021: 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 of basic earnings per share is as follows:

| Item | January - June 2022 (unaudited) | January - June 2021 (unaudited) |
|---|------------------------------------|------------------------------------|
| Earnings | | |
| Net profit attributable to the ordinary shareholders of the Company | 855,638.15 | 34,445,168.90 |
| 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) | 0.0011 | 0.0436 |
| Diluted earnings per share (RMB/Share) | 0.0011 | 0.0436 |

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 88.42% 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 2022 (unaudited) | January - June 2021 (unaudited) |
|---|------------------------------------|------------------------------------|
| Depreciation of fixed assets, oil and gas assets and production related biological assets | 39,020,364.96 | 39,851,893.19 |
| Amortization of intangible assets | 1,828,325.71 | 1,562,489.58 |
| Total | 40,848,690.67 | 41,414,382.77 |

(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) | 5,187,046.31 |
| 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 | 10,539,422.29 |
| Change in gains or losses generated from changes in fair value from financial assets held for trading, derivative financial assets, trading financial liabilities, derivative financial liabilities; and investment gains from disposal of financial assets held for trading, derivative financial assets, trading financial liabilities, derivative financial liabilities and other bond investments, other than effective hedging activities associated with normal business operations of the Company | -380,396.18 |
| Independent impairment test of accounts receivable, reverse of contract asset impairment provision | 180,576.09 |
| Other non-operating income and expenses apart from those stated above | -5,486.94 |
| Other gains and losses items conforming with the definition of non-recurring gains or losses (Note) | 62,016.07 |
| Less: Effect on enterprise income tax | |
| Effect on interest of minority shareholders (after tax) | 651,240.54 |
| Total | 14,931,937.10 |

Note: Other gains and losses items conforming with the definition of non-recurring gains or losses are refund of the handling fees for withholding and payment of individual income tax.

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 2022 (unaudited) | 31 December 2021 (audited) |
|---------------------------------------|-----------------------------|-------------------------------|
| Net current assets | 447,702,923.69 | 436,585,470.09 |
| Total assets less current liabilities | 1,409,001,287.11 | 1,411,396,683.85 |

(5) Material commitments

| Item | 30 June 2022 (unaudited) | 31 December 2021 (audited) |
|---|-----------------------------|-------------------------------|
| Material contracts in relation to acquisition of assets contracted but not recognised | 87,109,052.65 | 92,399,195.31 |

(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 2022 (30 June 2021: Nil).

(4) DISCUSSION AND ANALYSIS OF OPERATIONS

1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

From January to June 2022, production and sales volume of China automobile industry were 12,117,000 units and 12,057,000 units respectively, representing a decrease of 3.70% and 6.60% respectively as compared with last year. Production and sales of passenger cars were 10,434,000 units and 10,355,000 units respectively, representing an increase of 6.00% and 3.40% respectively as compared with last year; among passenger cars, sales volume of China-brand passenger cars was 4,891,000 units, representing an increase of 16.50% as compared with last year. Production and sales volume of new energy cars were 2,661,000 units and 2,600,000 units respectively, both representing an increase of 1.2 times as compared with last year. Production and sales of commercial vehicles were 1,683,000 units and 1,702,000 units respectively, representing a decrease of 38.50% and 41.20% respectively as compared with last year. The top ten automaker groups in China sold 10,343,000 units of automobiles in total, representing a decrease of 6.20% as compared with last year, and their sales represented 85.80% of the total sales of the automobile, an increase of 0.3 percentage point as compared with last year.

2) ANALYSIS OF MAIN BUSINESS

1. Changes in major financial information

During the reporting period, the product sales of the Company's electric power steering system on passenger cars recorded an increase. However, affected by the unfavorable performance of the automobile industry, especially the significant year-on-year decline in the production and sales volume of commercial cars, the Company recorded a decrease on its sales of commercial vehicle steering products. The Company recorded a revenue of RMB554,052,591.58, representing a decrease of 3.31% as compared with last year.

During the reporting period, the gross profit of the Company's main business amounted to RMB83,756,903.33, representing a decrease of RMB42,865,127.69 as compared with last year. The gross profit margin of the Company's main business was 15.83% (corresponding period of last year: 22.98%). The decrease in the gross profit margin of the Company was mainly due to the combined effect of the transportation costs of RMB8,186,510.55 incurred by the Company to fulfill the customer contract before the transfer of the control of goods in the current period was presented in the "operating costs" based on the Q&A on the Implementation of the New Criteria of Revenue issued by Ministry of Finance in November 2021, which resulted in a corresponding reduction in the gross profit; the raw material procurement costs were at a high level; and the decline in the sales of commercial vehicle steering products with higher gross margin.

During the reporting period, the Company's selling expenses amounted to RMB22,185,307.51, representing a decrease of 39.85% as compared with last year. In addition to the above-mentioned transportation costs of RMB8,186,510.55 presented in the "operating costs", resulting in the corresponding reduction in selling expenses, the decrease was also mainly due to the decrease in warranty expenses, export business agency fee and insurance premium.

During the reporting period, the general and administrative expenses amounted to RMB37,171,048.47, representing a decrease of 6.89% as compared with last year, which was mainly due to the decrease in staff remuneration expenses.

During the reporting period, the Company's research and development expenses amounted to RMB40,783,290.97, representing an increase of 9.02% as compared with last year. The research and development expenses accounted for 7.36% (corresponding period of last year: 6.53%) of revenue. The Company's research and development expenses are mainly used on the technical research of automotive steering system's safety, intelligent, automatic, 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 steering's motorised, intelligent and automation.

During the reporting period, the Company's financial expenses amounted to RMB2,725,879.45, representing an increase of 26.45% as compared with last year, which was mainly due to the decrease in interest income and increase in exchange losses.

During the reporting period, the Company's other gains was RMB10,601,438.36, of which government grants amounting to RMB10,539,422.29. The Company's investment gains amounted to RMB398,203.91, representing an increase of 264.54% as compared with last year, which was mainly due to the increase in gains resulting from the increase in redemption amount of bank short-term wealth management products. The gains on fair value change was RMB-1,026,926.27 (corresponding period of last year: RMB103,195.91), which was mainly due to the change in the fair value of the shares acquired by the Company as a creditor as a result of debt restructuring. The credit impairment losses was RMB788,299.86, representing a decrease of 66.33% as compared with last year, which was mainly due to decrease in the recovered amount of accounts receivable from previous years in the current period.

During the reporting period, the Company's income tax expenses amounted to RMB-716,611.40 (corresponding period of last year: RMB1,195,982.55), which was mainly due to the combined effect of no current income tax expense for the current period; the increase in deductible temporary differences in the current period causing the corresponding increase in the accrual of the deferred income tax assets; and the decrease in deductible temporary differences in the current period causing the corresponding decrease in the accrual of the deferred income tax liabilities.

In view of the above, the Company recorded a net profit attributable to shareholders of listed company of RMB855,638.15 during the reporting period, representing a decrease of 97.52% as compared with last year.

During the reporting period, the net cash flows from operating activities was RMB50,216,520.98, representing a decrease of 23.92% as compared with last year, mainly due to the decrease in cash receipts from sales and increase in cash payments for the purchase of raw materials; net cash flows from investing activities was RMB-29,980,374.75, representing an increase of 69.66% as compared with last year, mainly due to the increase in cash receipts for redemption bank short-term wealth management products and decrease in cash payments for purchase and construction of fixed assets; net cash flows from financing activities was RMB-62,488,982.71, representing a decrease of 1,533.38% as compared with last year, mainly due to the decrease in cash obtained through bank borrowings and the increase in cash repayment of bank borrowings. In view of the above, during the reporting period, net increase in cash and cash equivalents was RMB-42,780,271.27, representing a decrease of 49.30% as compared with last year.

2. Composition of revenue

| | January-June 2022 | | January-June 2021 | | Change |
|--|-------------------|-----------------------|-------------------|-----------------------|---------|
| | Amount | Proportion to revenue | Amount | Proportion to revenue | |
| Total Revenue | 554,052,591.58 | 100% | 573,007,067.30 | 100% | -3.31% |
| By industry | | | | | |
| Manufacture of automotive components and parts | 529,210,830.87 | 95.52% | 551,042,767.49 | 96.17% | -3.96% |
| Others | 24,841,760.71 | 4.48% | 21,964,299.81 | 3.83% | 13.10% |
| By products | | | | | |
| Steering system and parts | 482,280,833.09 | 87.05% | 508,318,466.21 | 88.71% | -5.12% |
| Parts and others | 46,929,997.78 | 8.47% | 42,724,301.28 | 7.46% | 9.84% |
| Others | 24,841,760.71 | 4.48% | 21,964,299.81 | 3.83% | 13.10% |
| By geography | | | | | |
| Mainland China | 489,914,623.95 | 88.42% | 490,809,418.01 | 85.66% | -0.18% |
| Other than Mainland China | 64,137,967.63 | 11.58% | 82,197,649.29 | 14.34% | -21.97% |

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 | 529,210,830.87 | 445,453,927.54 | 15.83% | -3.96% | 4.96% | -7.15% |
| By products | | | | | | |
| Steering system and parts | 482,280,833.09 | 412,585,849.46 | 14.45% | -5.12% | 3.84% | -7.39% |
| Parts and others | 46,929,997.78 | 32,868,078.08 | 29.96% | 9.84% | 21.29% | -6.61% |
| By industry | | | | | | |
| Mainland China | 489,914,623.95 | 408,693,080.45 | 16.58% | -0.18% | 7.07% | -5.65% |
| Other than Mainland China | 64,137,967.63 | 45,327,919.07 | 29.33% | -21.97% | -10.08% | -9.34% |

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 2022 | | 31 December 2021 | | Change |
|-------------------------------|----------------|----------------------------|------------------|----------------------------|--------|
| | Amount | Proportion to total assets | Amount | Proportion to total assets | |
| Cash on hand and at bank | 134,484,018.11 | 6.48% | 195,849,881.10 | 9.44% | -2.96% |
| Accounts receivable | 358,272,692.06 | 17.27% | 384,270,904.55 | 18.51% | -1.24% |
| Accounts receivable financing | 136,998,317.61 | 6.60% | 89,284,490.52 | 4.30% | 2.30% |
| Inventories | 371,614,207.17 | 17.92% | 329,151,211.94 | 15.86% | 2.06% |
| Investment property | 195,263,659.30 | 9.41% | 198,425,856.97 | 9.56% | -0.15% |
| Fixed assets | 594,044,610.86 | 28.64% | 615,924,086.64 | 29.68% | -1.04% |
| Notes payable | 115,298,623.75 | 5.56% | 98,329,394.76 | 4.74% | 0.82% |
| Accounts payable | 377,230,728.71 | 18.19% | 330,649,783.76 | 15.93% | 2.26% |

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) | 6,993,220.94 | -1,768,992.92 | -1,182,876.29 | | | 5,224,228.02 |
| 2. Bank short-term wealth management products | 63,395,523.32 | 742,066.65 | 1,437,589.97 | 140,000,000.00 | 119,000,000.00 | 85,137,589.97 |
| 3. Accounts receivable financing | 89,284,490.52 | | | 394,097,901.46 | 346,384,074.37 | 136,998,317.61 |
| Sub-total of financial assets | 159,673,234.78 | -1,026,926.27 | 254,713.68 | 534,097,901.46 | 465,384,074.37 | 227,360,135.60 |
| 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 | 11,359,596.81 | Security deposits of the notes pool |
| Cash on hand and at bank | 11,046,434.74 | Frozen funds |
| Cash on hand and at bank | 10,000,000.00 | Security deposit for comprehensive bank credit |
| Cash on hand and at bank | 1,815,000.00 | Security deposit for bank acceptance bills |
| Cash on hand and at bank | 430,000.00 | Security deposit for letter of credit |
| Accounts receivable financing | 62,109,577.67 | Pledge for the notes pool |
| Fixed assets | 3,156,414.58 | Pledge for letter of notes |
| Intangible assets | 1,943,277.27 | Pledge for letter of notes |
| Investment property | 940,691.48 | Pledge for letter of notes |
| Total | 102,800,992.55 | |

4. Financial resources and capital structure

At the end of the reporting period, the amount of total loans and borrowings of the Company was RMB111,800,000.00 (31 December 2021: RMB171,780,000.00). Total loans and borrowings decreased by RMB59,980,000.00 when compared with the beginning of the year, mainly due to the decrease in guaranteed loans. RMB18,800,000.00 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 RMB60,000,000.00 (31 December 2021: RMB109,980,000.00).

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, issue of new shares 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 0.88% (31 December 2021: 2.12%).

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

In the first half of 2022, due to factors including chip shortages and the COVID-19 epidemic in several places in China, the automobile industry experienced triple pressures of supply shortage, demand contraction and weakening expectations, which seriously impacted on the supply chain of the automobile industry chain. From March to April 2022, the automobile production and sales experienced a cliff-like decline. Meanwhile, the production and sales of new energy cars continued to grow rapidly, the production and sales of passenger cars were higher than that of the corresponding period of last year, and the market share of China-brand passenger cars increased significantly.

In the second half of 2022, with the introduction of a series of policies and measures to stabilize the economy and promote the consumption, market consumption confidence is expected to revive, and the automobile industry is expected to maintain stable growth. However, the shortage of chips is difficult to be eased in the short-term, and factors such as the great uncertainties of the international situation still make the second half of 2022 full of challenges and uncertainties.

Looking forward, in the context of the further strengthening of the development trend of automobile motorization, intelligence and networking, the Company will accelerate the development and trial production of automobile steering technologies and products related to intelligent driving and unmanned driving, and increase the investment in research and development, capacity building and market development in products and technologies fields including electric power steering, electro-hydraulic steering, wire-controlled steering, columns and intermediate shafts to facilitate the future development of the Company.

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 C.1.8.

Under code provision C.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 2022

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.