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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 2023**

Key accounting information and financial indicators

	January-June 2023	January-June 2022	Change
	RMB	RMB	
	(unaudited)	(unaudited)	
Revenue	727,947,938.24	554,052,591.58	31.39%
Net profit attributable to shareholders of the listed company	19,837,169.51	855,638.15	2,218.41%
Net profit after non-recurring gains and losses attributable to shareholders of the listed company	8,507,594.78	-14,076,298.95	160.44%
Net cash flows from operating activities	-61,917,321.13	50,216,520.98	-223.30%
Basic earnings per share (RMB/Share)	0.0251	0.0011	2,181.82%
Diluted earnings per share (RMB/Share)	0.0251	0.0011	2,181.82%
Weighted average return on net assets	1.41%	0.06%	1.35%
	30 June 2023	31 December 2022	Change
	RMB	RMB	
	(unaudited)	(audited)	
Total assets	2,413,186,096.90	2,389,483,168.38	0.99%
Net assets attributable to shareholders of the listed company	1,412,498,046.20	1,392,660,876.69	1.42%

* 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 2023 prepared pursuant to China Accounting Standard for Business Enterprises, together with the comparative figures for the corresponding period in 2022. 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 2023

Item	Note 4	30 June 2023 (unaudited)	31 December 2022 (audited)
Current assets:			
Cash on hand and at bank		226,210,560.31	232,225,660.78
Financial assets held for trading		48,148,271.97	120,393,605.57
Accounts receivable	1	555,386,057.81	450,378,856.64
Accounts receivable financing		117,239,390.07	141,228,798.62
Prepayments		8,737,152.08	13,612,688.61
Other receivables		5,781,036.21	4,271,142.19
Inventories		462,473,133.05	418,926,209.83
Other current assets		7,786,045.75	19,121,139.69
Total current assets		1,431,761,647.25	1,400,158,101.93
Non-current assets:			
Investment property		186,175,936.81	191,588,844.28
Fixed assets		649,693,723.02	637,752,505.44
Construction in progress		51,273,480.08	73,883,359.35
Intangible assets		57,156,655.94	56,434,022.38
Deferred income tax assets		15,052,990.43	14,620,602.72
Other non-current assets		22,071,663.37	15,045,732.28
Total non-current assets		981,424,449.65	989,325,066.45
Total assets		2,413,186,096.90	2,389,483,168.38

Item	Note 4	30 June 2023 (unaudited)	31 December 2022 (audited)
Current liabilities:			
Short-term borrowings	2	173,154,538.78	153,164,291.67
Notes payable		224,605,727.00	200,181,609.95
Accounts payable	3	449,598,831.60	492,851,770.30
Receipts in advance		8,998,346.50	10,369,809.24
Contract liabilities		15,328,921.61	6,685,985.59
Staff cost payable		19,178,168.53	24,981,564.62
Tax payable		8,377,730.33	10,511,638.31
Other payable		2,657,924.11	3,336,507.84
Non-current liabilities due within 1 year		5,003,500.00	
Other current liabilities		38,837,516.15	36,783,309.21
Total current liabilities		945,741,204.61	938,866,486.73
Non-current liabilities:			
Long-term borrowings	4	43,813,094.98	43,816,783.33
Deferred income		24,041,081.60	28,083,266.73
Deferred income tax liabilities		5,267,048.38	5,618,659.73
Total non-current liabilities		73,121,224.96	77,518,709.79
Total liabilities		1,018,862,429.57	1,016,385,196.52
Shareholders' equity:			
Share capital		789,644,637.00	789,644,637.00
Capital reserve		182,334,093.78	182,334,093.78
Surplus reserve		137,936,874.81	137,936,874.81
Retained earnings		302,582,440.61	282,745,271.10
Equity attributable to equity holders of the parent		1,412,498,046.20	1,392,660,876.69
Minority interests		-18,174,378.87	-19,562,904.83
Total equity		1,394,323,667.33	1,373,097,971.86
Total liabilities and equity		2,413,186,096.90	2,389,483,168.38

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2023

Item	Note 4	January-June 2023 (unaudited)	January-June 2022 (unaudited)
Total revenue	5	727,947,938.24	554,052,591.58
Include: Revenue	5	727,947,938.24	554,052,591.58
Total operating costs		711,390,970.04	560,844,509.58
Incl.: Operating costs	5	579,077,545.19	454,020,999.52
Business taxes and surcharges		5,392,923.11	3,957,983.66
Selling expenses		28,033,083.82	22,185,307.51
General and administrative expenses		45,803,770.12	37,171,048.47
Research and development expenses		50,292,023.37	40,783,290.97
Financial expenses	6	2,791,624.43	2,725,879.45
Incl.: Interest expenses		3,896,386.47	2,477,754.74
Interest income		946,080.27	384,860.73
Add: Other gains		8,909,567.88	10,601,438.36
Investment gains (“-” for loss)		845,506.53	398,203.91
Gains on fair value change (“-” for loss)		-370,859.03	-1,026,926.27
Credit impairment losses (“-” for loss)		3,177,953.27	788,299.86
Assets impairment losses (“-” for loss)		-7,372,678.15	-8,534,135.82
Gains on disposal of assets (“-” for loss)		-984,172.43	5,187,046.31
Operating profit (“-” for loss)		20,762,286.27	622,008.35
Add: Non-operating income		8,045.45	25,571.15
Less: Non-operating expenses		328,635.31	114,791.63
Total profit (“-” for total loss)		20,441,696.41	532,787.87
Less: Income tax expenses	7	-783,999.06	-716,611.40
Net profit (“-” for net loss)		21,225,695.47	1,249,399.27
Classification by business continuity			
- Net profit from continuing operations (“-” for net loss)		21,225,695.47	1,249,399.27
Classification by ownership			
- Net profit attributable to equity holders of the parent		19,837,169.51	855,638.15
- Minority interests		1,388,525.96	393,761.12
Total comprehensive income		21,225,695.47	1,249,399.27
- Total comprehensive income attributable to equity holders of the parent		19,837,169.51	855,638.15
- Total comprehensive income attributable to minority shareholders		1,388,525.96	393,761.12
Earnings per share:			
Basic earnings per share	8	0.0251	0.0011
Diluted earnings per share	8	0.0251	0.0011

(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: The sale of the steering systems, parts and other commodities by the Company and the respective subsidiaries have 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, and the export rebate was 13%. The transfer of patented technologies and provision of services and otherwise by the Company and the respective subsidiaries have been subject to the VAT at the rate of 6%. The leasing of real estate acquired before 30 April 2016 by the Company, Hangzhou New Shibao Electric Power Steering Co., Ltd. and Wuhu Sterling Steering System Co. Ltd., subsidiaries of the Company, is subject to the VAT at the simplified rate of 5%, while the leasing of real estate acquired after 30 April 2016 is 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, namely, 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. During the reporting period, the Company and the Company’s subsidiaries, namely, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. have been applying for the recognition of high-tech enterprises. As at the date of this report, the approval is not yet received. The Company and the Company’s subsidiaries, namely, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. use 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. During the reporting period, Beijing Autonics Technology Co., Ltd. has been applying for the recognition of high-tech enterprises. As at the date of this report, the approval is not yet received. Beijing Autonics Technology Co., Ltd. uses 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. During the reporting period, Wuhu Sterling Steering System Co., Ltd. has been applying for the recognition of high-tech enterprises. As at the date of this report, the approval is not yet received. Wuhu Sterling Steering System Co., Ltd. uses a corporate income tax rate of 15% in the current period.
- 4) According to the Notice on Value-added Tax Policy for Software Products (Cai Shui [2011] No. 100) (《關於軟體產品增值稅政策的通知》(財稅[2011] 100 號)) issued by Ministry of Finance and State Administration of Taxation, Beijing Autonics Technology Co., Ltd., a subsidiary of the Company, is a general taxpayer which sells self-developed and produced software products, and its value-added tax will be refundable if the actual value-added tax burden exceeds 3% as soon as it is imposed.
- 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 [2023] No. 27) (《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[2023] 27 號)), enterprises identified as A class under the comprehensive evaluation will be given 100% reduction on urban land use tax. The land use 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 2023 (unaudited)			31 December 2022 (audited)		
	Carrying amount	Provision for bad debts	Provision (%)	Carrying amount	Provision for bad debts	Provision (%)
Within 1 year	545,102,808.64	490,592.54	0.09	438,653,295.14	397,623.40	0.09
1-2 years	9,872,336.59	544,952.99	5.52	10,486,098.56	647,597.01	6.18
2-3 years	2,476,664.39	1,030,206.28	41.60	4,101,101.30	1,816,417.95	44.29
Over 3 years	30,114,201.75	3,0114,201.75	100.00	32,496,268.47	32,496,268.47	100.00
Total	587,566,011.37	32,179,953.56	5.48	485,736,763.47	35,357,906.83	7.28

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 2023 (unaudited)	31 December 2022 (audited)
Guaranteed loans (Note)	108,101,199.99	83,094,013.88
Credit loans	15,009,503.17	20,021,388.90
Mortgage loans	50,043,835.62	50,048,888.89
Total	173,154,538.78	153,164,291.67

Note: Among the closing balance, the guaranteed loan with a principal of RMB40 million 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), and Wang Zheng Xiao; while the guaranteed loan with a principal of RMB68 million was guaranteed by Zhang Shi Quan.

3. Accounts payable

The aging analysis of accounts payable is as follows:

Age	30 June 2023 (unaudited)	31 December 2022 (audited)
Within 1 year	424,216,713.67	469,522,225.31
1-2 years	9,930,718.05	10,721,731.66
2-3 years	5,228,007.23	5,420,313.64
Over 3 years	10,223,392.65	7,187,499.69
Total	449,598,831.60	492,851,770.30

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 2023 (unaudited)	31 December 2022 (audited)
Credit loans	35,013,094.98	35,016,783.33
Long-term loans (Note)	8,800,000.00	8,800,000.00
Total	43,813,094.98	43,816,783.33

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 2023 (unaudited)	31 December 2022 (audited)
Current or within 1 year		
1-2 years		
2-5 years	43,813,094.98	43,816,783.33
Over 5 years		
Sub-total	43,813,094.98	43,816,783.33
Include: Long-term loans due within 1 year		
Long-term loans due over 1 year	43,813,094.98	43,816,783.33

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

Item	January - June 2023 (unaudited)		January - June 2022 (unaudited)	
	Revenue	Cost	Revenue	Cost
Main business	690,871,908.27	570,941,460.28	529,210,830.87	445,453,927.54
Other business	37,076,029.97	8,136,084.91	24,841,760.71	8,567,071.98
Total	727,947,938.24	579,077,545.19	554,052,591.58	454,020,999.52

(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 RMB3,597,611.49.

6. Financial expenses

Item	January - June 2023 (unaudited)	January - June 2022 (unaudited)
Interest expenses	3,896,386.47	2,477,754.74
Interest income	-946,080.27	-384,860.73
Exchange gains and losses	-313,480.53	527,434.79
Others	154,798.76	105,550.65
Total	2,791,624.43	2,725,879.45

7. Income tax expenses

Item	January - June 2023 (unaudited)	January - June 2022 (unaudited)
Deferred income tax	-783,999.06	-716,611.40
Total	-783,999.06	-716,611.40

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 2022: 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 2023 (unaudited)	January - June 2022 (unaudited)
Earnings		
Net profit attributable to the ordinary shareholders of the Company	19,837,169.51	855,638.15
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)	0.0251	0.0011
Diluted earnings per share (RMB/Share)	0.0251	0.0011

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 93.15% 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 2023 (unaudited)	January - June 2022 (unaudited)
Depreciation of fixed assets, oil and gas assets and production related biological assets	42,218,939.25	39,020,364.96
Amortization of intangible assets	2,047,579.31	1,828,325.71
Total	44,266,518.56	40,848,690.67

(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)	-984,172.43
Tax rebate or tax credits with unauthorised approvals or without duly approved documents	45,000.00
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	8,543,208.31
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	739,831.65
Independent impairment test of accounts receivable, reverse of contract asset impairment provision	2,825,135.32
Other non-operating income and expenses apart from those stated above	-148,855.67
Other gains and losses items conforming with the definition of non-recurring gains or losses (Note)	63,098.80
Less: Effect on enterprise income tax	138,059.19
Effect on interest of minority shareholders (after tax)	-384,387.94
Total	11,329,574.73

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 2023 (unaudited)	31 December 2022 (audited)
Net current assets	486,020,442.64	461,291,615.20
Total assets less current liabilities	1,467,444,892.29	1,450,616,681.65

(5) Material commitments

Item	30 June 2023 (unaudited)	31 December 2022 (audited)
Material contracts in relation to acquisition of assets contracted but not recognised	72,669,326.96	82,239,716.15

(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 2023 (30 June 2022: Nil).

(4) DISCUSSION AND ANALYSIS OF OPERATIONS

1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

From January to June 2023, production and sales volume of China automobile industry were 13,248,000 units and 13,239,000 units respectively, representing an increase of 9.30% and 9.80% respectively as compared with last year. Production and sales of passenger cars were 11,281,000 units and 11,268,000 units respectively, representing an increase of 8.10% and 8.80% respectively as compared with last year; among passenger cars, sales volume of China-brand passenger cars was 5,986,000 units, representing an increase of 22.40% as compared with last year. Production and sales volume of new energy cars were 3,788,000 units and 3,747,000 units respectively, representing an increase of 42.40% and 44.10% respectively as compared with last year. Production and sales of commercial vehicles were 1,967,000 units and 1,971,000 units respectively, representing an increase of 16.90% and 15.80% respectively as compared with last year. The top ten automaker groups in China sold 11,043,000 units of automobiles in total, representing an increase of 6.80% as compared with last year, and their sales represented 83.40% of the total sales of the automobile, a decrease of 2.4 percentage points as compared with last year.

2) ANALYSIS OF MAIN BUSINESS

1. Overview

During the reporting period, the sales volumes of the Company's hydraulic power recirculation ball steering gears and electric power steering system products increased as the overall performance of automobile industry was good. Meanwhile, the mass production of new products, such as intelligent electric recirculation ball steering gears, intelligent electro-hydraulic recirculation ball steering gears, pipe columns and intermediate shafts, has commenced, which generating new revenue streams for the Company. The Company recorded a revenue of RMB727,947,938.24, representing an increase of 31.39% as compared with last year.

During the reporting period, the gross profit of the Company's main business amounted to RMB119,930,447.99, representing an increase of RMB36,173,544.66 as compared with last year. The gross profit margin of the Company's main business was 17.36% (corresponding period of last year: 15.83%). The increase in the Company's gross profit margin was mainly attributable to the increase in the sales volume of electric power steering system products, which leading to the further improvement of gross profit margin, as well as the increase in profits from the sales volumes of new products such as pipe columns.

During the reporting period, the Company's selling expenses amounted to RMB28,033,083.82, representing an increase of 26.36% as compared with last year, which was mainly due to an increase in expenses such as business entertainment expenses due to business expansion, and the increase in agency expenses for export business. The selling

expenses accounted for 3.85% of revenue, representing a decrease of 0.15 percentage point as compared with the corresponding period of last year.

During the reporting period, the general and administrative expenses amounted to RMB45,803,770.12, representing an increase of 23.22% as compared with last year, which was mainly due to an increase in expenses such as business entertainment expenses due to business expansion, and an increase in staff remuneration expenses due to the increase in personnel. The general and administrative expenses accounted for 6.29% of revenue, representing a decrease of 0.42 percentage point as compared with the corresponding period of last year.

During the reporting period, the research and development expenses amounted to RMB50,292,023.37, representing an increase of 23.32% as compared with last year. The research and development expenses accounted for 6.91% of revenue, representing a decrease of 0.45 percentage point as compared with the corresponding period of last year. 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 financial expenses amounted to RMB2,791,624.43, representing an increase of 2.41% as compared with last year, which was mainly due to an increase in interest expenses.

During the reporting period, the other gains was RMB8,909,567.88, of which government grants amounting to RMB8,801,469.08. The investment gains amounted to RMB845,506.53, representing an increase of 112.33% as compared with last year, which was mainly due to an 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-370,859.03 (corresponding period of last year: RMB-1,026,926.27), 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 RMB3,177,953.27, representing an increase of 303.14% as compared with last year, which was mainly due to an increase in the recovered amount of accounts receivable from previous years in the current period. The gains on disposal of assets was RMB-984,172.43 (corresponding period of last year: RMB5,187,046.31), which was mainly due to no large amount of gains from the disposal of fixed assets in the current period.

During the reporting period, the Company's income tax expenses amounted to RMB-783,999.06 (corresponding period of last year: RMB-716,611.40), 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 RMB19,837,169.51 during the reporting period, representing an increase of 2,218.41% as compared with last year.

During the reporting period, the net cash flows from operating activities was RMB-61,917,321.13, representing a decrease of 223.30% as compared with last year, mainly due to an increase in cash payments for purchase of raw materials and increase in cash payments for the margin for acceptance bills; net cash flows from investing activities was

RMB28,990,902.34, representing an increase of 196.70% as compared with last year, mainly due to an increase in cash receipts for redemption bank short-term wealth management products and a decrease in cash payments for purchase of bank short-term wealth management products; net cash flows from financing activities was RMB20,420,275.69, representing an increase of 132.68% as compared with last year, mainly due to an increase in cash obtained through bank borrowings and a decrease in cash repayment of bank borrowings. In view of the above, during the reporting period, net increase in cash and cash equivalents was RMB-12,192,662.57, representing an increase of 71.50% as compared with last year.

2. Composition of revenue

	January-June 2023		January-June 2022		Change
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Total Revenue	727,947,938.24	100%	554,052,591.58	100%	31.39%
By industry					
Manufacture of automotive components and parts	690,871,908.27	94.91%	529,210,830.87	95.52%	30.55%
Others	37,076,029.97	5.09%	24,841,760.71	4.48%	49.25%
By products					
Steering system and parts	660,865,069.26	90.79%	482,280,833.09	87.05%	37.03%
Parts and others	30,006,839.01	4.12%	46,929,997.78	8.47%	-36.06%
Others	37,076,029.97	5.09%	24,841,760.71	4.48%	49.25%
By geography					
Mainland China	678,107,444.44	93.15%	489,914,623.95	88.42%	38.41%
Other than Mainland China	49,840,493.80	6.85%	64,137,967.63	11.58%	-22.29%

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	690,871,908.27	570,941,460.28	17.36%	30.55%	28.17%	1.53%
By products						
Steering system and parts	660,865,069.26	547,587,499.41	17.14%	37.03%	32.72%	2.69%
Parts and others	30,006,839.01	23,353,960.87	22.17%	-36.06%	-28.95%	-7.79%
By industry						
Mainland China	678,107,444.44	553,921,391.52	18.31%	38.41%	35.53%	1.73%
Other than Mainland China	49,840,493.8	25,156,153.67	49.53%	-22.29%	-44.50%	20.20%

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 2023		31 December 2022		Change
	Amount	Proportion to total assets	Amount	Proportion to total assets	
Cash on hand and at bank	226,210,560.31	9.37%	232,225,660.78	9.72%	-0.35%
Accounts receivable	555,386,057.81	23.01%	450,378,856.64	18.85%	4.16%
Inventories	462,473,133.05	19.16%	418,926,209.83	17.53%	1.63%
Investment property	186,175,936.81	7.71%	191,588,844.28	8.02%	-0.31%
Fixed assets	649,693,723.02	26.92%	637,752,505.44	26.69%	0.23%
Short-term borrowings	173,154,538.78	7.18%	153,164,291.67	6.41%	0.77%
Notes payable	224,605,727.00	9.31%	200,181,609.95	8.38%	0.93%
Accounts payable	449,598,831.60	18.63%	492,851,770.30	20.63%	-2.00%

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	Provision for impairment for the period	Amount purchased during the reporting period	Amount sold during the reporting period	Other movement	Amount at the end of the period
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets)	3,264,691.96	-526,464.94						2,738,227.02
2. Bank short-term wealth management products	117,128,913.61	155,605.91			93,000,000.00	164,874,474.57		45,410,044.95
3. Accounts receivable financing	141,228,798.62				443,254,051.78	467,243,460.33		117,239,390.07
Sub-total of financial assets	261,622,404.19	-370,859.03			536,254,051.78	632,117,934.90		165,387,662.04
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	82,744,000.56	Margin for the notes pool
Cash on hand and at bank	15,000.00	Frozen funds
Cash on hand and at bank	176.64	Suspended account deposits
Accounts receivable financing	74,507,939.23	Pledge for the notes pool
Fixed assets	46,287,939.70	Borrowing and pledge for comprehensive credit
Intangible assets	21,914,364.26	Borrowing and pledge for comprehensive credit
Investment property	911,672.72	Borrowing and pledge for comprehensive credit
Total	226,381,093.11	

4. Financial resources and capital structure

At the end of the reporting period, the amount of total loans and borrowings of the Company was RMB221,777,003.16 (31 December 2022: RMB196,780,000.00). Total loans and borrowings increased by RMB24,997,003.16 when compared with the beginning of the year, mainly due to an increase in guaranteed loans. RMB43,780,000.00 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 RMB127,997,003.16 (31 December 2022: RMB103,000,000.00).

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, 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 5.33% (31 December 2022: 2.92%).

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 2023, driven by the promotion policy, the announcement of the implementation of the national emission standards VI for light vehicles, and the launch of a large number of new vehicle models, the vehicle market demands in China was gradually picking up after experiencing the impact of changes in promotion policy and market price fluctuations in the first quarter, the market thereby recorded a higher growth in the first half of the year. Looking into the second half of the year, the potential of consumption in vehicle market will be further unleashed and the vehicle industry is expected to achieve stable growth throughout the year, as the vehicle market is riding on the benefits emerging from the gradual macro-economic recovery.

After investing in research and development and establishing technological reserves in the past few years, the Company has commenced mass production of intelligent electric recirculation ball steering gear and intelligent electro-hydraulic recirculation ball steering gear, which have been adopted by many domestic leading commercial vehicle manufacturers. The sales volumes of pipe columns and intermediate shafts increased sharply, and the pipe columns and intermediate shafts were adopted by new car manufacturers, such as NIO Inc., for their vehicle parts as local system substitution.

Looking forward, the Company will improve the capacity for automotive intelligent steering products and modular supply, and step up efforts to develop the research and development for and products of automotive wire-controlled steering, to support the continuous 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 2023

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. Gong Jun Jie, Mr. Lin Yi and Mr. Tsui Chun Shing as independent non-executive Directors.