



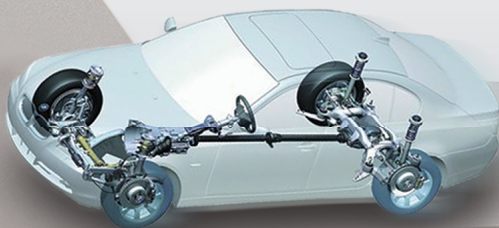
浙江世寶股份有限公司

ZHEJIANG SHIBAO COMPANY LIMITED*

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

Stock Code: 8331

Shibao
steering the future



2010

Interim Report

* For identification purposes only

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of Zhejiang Shibao Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Zhejiang Shibao Company Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

- Revenue for the six months ended 30 June 2010 amounted to approximately RMB268,173,000, an increase of approximately 75.9% compared with approximately RMB152,498,000 for the corresponding period in 2009.
- Profit for the six months ended 30 June 2010 amounted to approximately RMB53,757,000, an increase of approximately 121.3% compared with approximately RMB24,291,000 for the corresponding period in 2009.
- Profit attributable to owners of the Company for the six months ended 30 June 2010 amounted to approximately RMB53,259,000, an increase of approximately 122.7% compared with approximately RMB23,920,000 for the corresponding period in 2009.
- Earnings per share for the six months ended 30 June 2010 was RMB0.2028, an increase of approximately 122.6% compared with RMB0.0911 for the corresponding period in 2009.
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2010.

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Zhejiang Shibao Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2010, together with the comparative figures for the corresponding periods in 2009. The consolidated interim financial statements have not been audited, but have been reviewed by the Company's auditor and audit committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited		Unaudited	
		For the three months ended 30 June		For the six months ended 30 June	
	Note	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	3	152,211	86,573	268,173	152,498
Cost of sales		(97,339)	(57,921)	(169,179)	(101,465)
Gross profit		54,872	28,652	98,994	51,033
Other income and gains		1,088	768	1,352	1,995
Selling and distribution costs		(11,350)	(6,304)	(17,754)	(9,514)
Administrative expenses		(9,644)	(7,136)	(19,302)	(13,905)
Other expenses		—	(102)	(423)	(145)
Finance costs	5	(218)	(63)	(282)	(127)
Share of (losses) / profit of an associate		139	(143)	(107)	(549)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)

	Note	Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Profit before taxation	6	34,887	15,672	62,478	28,788
Income Tax	7	(4,304)	(1,867)	(8,721)	(4,497)
Profit for the period and total comprehensive income		30,583	13,805	53,757	24,291
Total profit and comprehensive income attributable to:					
Owners of the Company	8	30,305	13,615	53,259	23,920
Minority interests		278	190	498	371
		30,583	13,805	53,757	24,291
		RMB	RMB	RMB	RMB
Earnings per share attributable to ordinary equity holders of the Company:	9				
Basic		0.1154	0.0518	0.2028	0.0911

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2010 <i>(Unaudited)</i> RMB'000	31 December 2009 <i>(Audited)</i> RMB'000
	Note		
Non-current assets			
Property, plant and equipment	10	285,011	270,632
Prepaid lease payments		29,958	24,647
Other intangible assets		209	254
Advance payments for property, plant and equipment		7,250	5,041
Investment in an associate	11	5,794	5,853
Deferred tax assets		2,795	1,994
Total non-current assets		<u>331,017</u>	<u>308,421</u>
Current assets			
Inventories	12	105,492	96,289
Trade and note receivables	13	189,354	123,368
Prepayments, deposits and other receivables	14	13,151	21,308
Due from an associate	15	16,908	11,901
Due from the ultimate holding company		310	300
Cash and cash equivalents		31,381	38,609
Total current assets		<u>356,596</u>	<u>291,775</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
	Note		
Current liabilities			
Short-term loan		30,000	—
Trade and notes payables	16	92,164	71,089
Other payables and accruals	17	37,090	36,706
Tax payable		17,111	15,268
Deferred income		888	1,234
		<u>177,253</u>	<u>124,297</u>
Net current assets		<u>179,343</u>	<u>167,478</u>
Total assets less current liabilities		<u>510,360</u>	<u>475,899</u>
Non-current liabilities			
Other interest-bearing borrowings	18	5,090	5,090
Deferred income		—	310
		<u>5,090</u>	<u>5,400</u>
Total non-current liabilities		<u>5,090</u>	<u>5,400</u>
Net assets		<u><u>505,270</u></u>	<u><u>470,499</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
	Note		
Equity			
Equity attributable to owners of the Company:			
Issued capital	19	262,658	262,658
Reserves	20	238,625	185,366
Proposed final dividends		—	18,386
		<u>501,283</u>	<u>466,410</u>
Minority interests		3,987	4,089
Total equity		<u><u>505,270</u></u>	<u><u>470,499</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Net cash inflow from operating activities	16,700	17,729
Net cash outflow from investing activities	(34,787)	(13,717)
Net cash inflow (outflow) before financing activities	(18,087)	4,012
Net cash inflow (outflow) from financing activities	10,859	(13,258)
Net decrease in cash and cash equivalents	(7,228)	(9,246)
Cash and cash equivalents at beginning of the period	38,609	50,052
Cash and cash equivalents at end of the period	31,381	40,806

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Equity attributable to owners of the Company		
Issued capital		
As at 1 January and 30 June	<u>262,658</u>	<u>262,658</u>
Share premium		
As at 1 January and 30 June	<u>21,144</u>	<u>21,144</u>
Reserve arising from acquisition of minority interests		
As at 1 January and 30 June	<u>5,736</u>	<u>5,736</u>
Statutory surplus reserve		
As at 1 January and 30 June	<u>69,234</u>	<u>58,622</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONTINUED)

	Unaudited For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Retained earnings		
As at 1 January	89,252	51,897
Net profit for the period	53,259	23,920
As at 30 June	142,511	75,817
Reserves	238,625	161,319
Minority interests		
As at 1 January	4,089	3,886
Net profit for the period	498	371
Dividends	(600)	(600)
As at 30 June	3,987	3,657
Total equity	505,270	427,634

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General

The Company is a joint stock limited company registered in the People's Republic of China ("PRC") on 12 July 2004 under the Company Law of the PRC. Its ultimate holding company is Zhejiang Shibao Holding Group Co., Ltd. ("Zhejiang Shibao Holding"), a limited liability company established in the PRC.

The Company's H Shares was listed on GEM of the Stock Exchange on 16 May 2006 (the "Listing").

The Group is principally engaged in the manufacture and sale of automotive steering gear products.

2. Accounting policies

The consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IASs") 34 "Interim Financial Reporting" and in compliance with the disclosure requirements of the GEM Listing Rules.

The accounting policies and basis of preparation adopted in the preparation of the consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2009, except for the adoption of new interpretations and amendments to IFRSs and the accounting policies adopted for new transactions, noted below.

2. Accounting policies (continued)

The Group has adopted the following new interpretations and amendments to IFRSs which are relevant to its operations for the first time for these consolidated interim financial statements.

IFRS 1 (Revised)	<i>First-time Adoption of International Financial Reporting Standards</i>
IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
IFRS 2 Amendments	Amendments to IFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
IFRS 3 (Revised)	<i>Business Combinations</i>
IAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
IAS 39 Amendment	Amendment to IAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to IFRS 5 included in Improvements to IFRSs issued in October 2008	Amendments to IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>

2. Accounting policies *(continued)*

Apart from the above, the Group has adopted Improvements to IFRSs 2009 issued by IASB which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 38 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

The adoption of these new interpretations and amendments to IFRSs has had no financial effect on the financial statements and there have been no significant changes to the accounting policies applied in the financial statements of the Group.

3. Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value added tax, after allowance for returns, trade discounts and various types of government surcharges where applicable.

4. Segment information

The Group's revenue and profit were mainly derived from the sale of automotive steering gear products. The products of the Group are subject to similar risks and returns. The Group mainly conducts its business activities in Mainland China, and all of the Group's assets are located in Mainland China. Accordingly, no segmental analysis by business and geographical segments is presented for the relevant period.

5. Finance costs

Finance costs for the three months and six months ended 30 June 2010 were approximately RMB218,000 and RMB282,000 (corresponding period in 2009: approximately RMB63,000 and RMB127,000) respectively, which was mainly composed of interest expenses for bank short-term loan and other borrowings.

6. Profit before tax

	Unaudited For the three months ended 30 June		Unaudited For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Staff costs (including directors' and supervisors' remuneration):				
Salaries and other staff costs	11,791	7,300	23,293	14,238
Retirement costs				
- defined contribution fund	1,188	681	1,908	1,267
Total staff costs	12,979	7,981	25,201	15,505
Interest expenses	218	63	282	127
Total finance costs	218	63	282	127
Costs of inventories sold	74,255	48,135	127,878	80,347
Depreciation	4,998	4,283	9,998	8,537
Amortisation of prepaid land lease payments	151	151	302	302
Amortisation of other intangible assets	22	21	45	43
Amortisation of deferred income	(305)	(272)	(656)	(544)
Research and development costs	3,990	1,870	6,013	3,911
Auditor's remuneration	325	275	600	550
Interest income	(562)	(91)	(598)	(241)
(Gain)/loss on disposal of property, plant and equipment	(5)	3	(5)	(64)
Write-back for impairment of trade receivables	—	(391)	—	(391)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7. Income tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2010 (2009: Nil).

In accordance with the Corporate Tax Law of the PRC, the profits of the Company and following PRC subsidiaries are taxed at the following tax rates:

	Notes	2010	2009
The Company	(a)	25%	25%
Hangzhou Shibao Steering Gear Co., Ltd. ("Hangzhou Shibao")	(b)	15%	15%
Siping Steering Gear Co., Ltd. ("Siping Steering")	(b)	15%	15%
Hangzhou New Shibao Steering Gear Co., Ltd. ("Hangzhou New Shibao")	(a)	25%	25%
Jilin Shibao Machinery Manufacturing Co., Ltd. ("Jilin Shibao")	(a)	25%	25%

(a) The Company, Hangzhou New Shibao and Jilin Shibao are subject to a corporate income tax rate of 25% in 2010.

(b) Both Hangzhou Shibao and Siping Steering have obtained approval certificate from the relevant tax authorities as High-New Technology Enterprises. Consequently, Hangzhou Shibao and Siping Steering are each subject to a corporate income tax rate of 15% for the year ended 31 December 2010.

8. Profit attributable to owners of the Company

For the three months and six months ended 30 June 2010, profit attributable to owners of the Company were approximately RMB30,305,000 and RMB53,259,000 (corresponding period in 2009: approximately RMB13,615,000 and RMB23,920,000) respectively.

9. Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings per share is based on the profit of the three months and six months ended 30 June 2010 attributable to ordinary equity holders of the Company of approximately RMB30,305,000 and RMB53,259,000 (corresponding period in 2009: approximately RMB13,615,000 and RMB23,920,000) respectively, and the weighted average total number of 262,657,855 shares and 262,657,855 shares (corresponding period in 2009: 262,657,855 shares and 262,657,855 shares) respectively.

Diluted earnings per share for the three months and six months ended 30 June 2010 and 2009 have not been calculated as no diluting event existed during those periods.

10. Property, plant and equipment

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2010	104,363	172,687	4,476	15,712	63,293	360,531
Additions	49	2,480	1,497	1,025	19,431	24,482
Transfers	—	7,651	132	260	(8,043)	—
Disposals	(33)	(115)	—	(222)	—	(370)
	<u>104,379</u>	<u>182,703</u>	<u>6,105</u>	<u>16,775</u>	<u>74,681</u>	<u>384,643</u>
At 30 June 2010						
Accumulated depreciation						
At 1 January 2010	18,752	59,522	3,549	8,076	—	89,899
Charge for the period	1,380	7,411	250	957	—	9,998
Disposals	—	(77)	—	(188)	—	(265)
	<u>20,132</u>	<u>66,856</u>	<u>3,799</u>	<u>8,845</u>	<u>—</u>	<u>99,632</u>
At 30 June 2010						
Net book values						
At 30 June 2010	<u>84,247</u>	<u>115,847</u>	<u>2,306</u>	<u>7,930</u>	<u>74,681</u>	<u>285,011</u>
At 31 December 2009	<u>85,611</u>	<u>113,165</u>	<u>927</u>	<u>7,636</u>	<u>63,293</u>	<u>270,632</u>

11. Investment in an associate

	As at 30 June 2010 <i>(Unaudited)</i> RMB'000	As at 31 December 2009 <i>(Audited)</i> RMB'000
Share of the associate's assets and liabilities		
Current assets	22,370	11,801
Non-current assets	17,009	16,987
Current liabilities	<u>(33,406)</u>	<u>(22,704)</u>
Net assets	<u>5,973</u>	<u>6,084</u>
Unrealised gains resulting from sales to an associate	<u>179</u>	<u>231</u>
Carrying amount of the investment	<u><u>5,794</u></u>	<u><u>5,853</u></u>
Share of the associate's result		
Revenue	13,490	22,955
Profit/(loss)	<u>(107)</u>	<u>275</u>

11. Investment in an associate *(continued)*

Details of the associate as at 30 June 2010 are as follows:

Company Name	Legal status	Place and date of incorporation and operation	Registered/ Paid-up Capital RMB'000	Percentage of equity directly attributable to the Company	Principal activities
Wuhu Sterling Steering System Co., Ltd. ("Wuhu Sterling")	Limited liability company	The PRC 18 November 2004	20,000/ 20,000	36%	Sale and manufacture of steering systems

12. Inventories

	As at 30 June 2010 <i>(Unaudited)</i> RMB'000	As at 31 December 2009 <i>(Audited)</i> RMB'000
At cost:		
Raw materials	30,274	28,608
Work in progress	10,424	12,140
Finished goods	64,682	55,533
Low value consumables	112	8
	<u>105,492</u>	<u>96,289</u>

13. Trade and note receivables

An ageing analysis of trade and note receivables based on invoice date as at the balance sheet date are stated as follows:

	As at 30 June 2010 <i>(Unaudited)</i> RMB'000	As at 31 December 2009 <i>(Audited)</i> RMB'000
Outstanding balances with ages:		
Within 90 days	174,907	106,096
Between 91 days and 180 days	12,161	11,098
Between 181 days and 365 days	2,286	1,781
Over 365 days	—	4,393
	<u>189,354</u>	<u>123,368</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 days, extending up to 180 days for major customers. Trade and notes receivables are non-interest-bearing.

The Group does not hold any collateral or other credit enhancements over these balances.

14. Prepayments, deposits and other receivables

	As at 30 June 2010 <i>(Unaudited)</i> RMB'000	As at 31 December 2009 <i>(Audited)</i> RMB'000
Deposits	1,388	903
Prepayments	9,090	17,716
Other receivables	2,673	2,689
	<u>13,151</u>	<u>21,308</u>

The above balances are unsecured, interest-free and have no fixed terms of repayment.

15. Balances with an associate

Amounts due from an associate as at 30 June 2010 were trade in nature, interest-free and repayable on similar credit terms to those offered to the major customers of the Group.

All balances with an associate are unsecured, interest-free and due for repayment on demand.

16. Trade and notes payables

An ageing analysis of trade and notes payables based on invoice date as at the balance sheet date are as follows:

	As at 30 June 2010 <i>(Unaudited)</i> RMB'000	As at 31 December 2009 <i>(Audited)</i> RMB'000
Outstanding balances with ages:		
Within 90 days	73,655	58,449
Between 91 days and 180 days	12,804	6,915
Between 181 days and 365 days	2,169	1,629
Over 365 days	3,536	4,096
	<u>92,164</u>	<u>71,089</u>

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

17. Other payables and accruals

	As at 30 June 2010 <i>(Unaudited)</i> RMB'000	As at 31 December 2009 <i>(Audited)</i> RMB'000
Advances from customers	3,107	3,088
Payroll payables	3,428	3,716
Welfare payables	527	574
Other payables	30,028	29,328
	<u>37,090</u>	<u>36,706</u>

Other payables are non-interest-bearing and have an average term of one month.

18. Other interest-bearing borrowings

	As at 30 June 2010 <i>(Unaudited)</i> RMB'000	As at 31 December 2009 <i>(Audited)</i> RMB'000
Other borrowings, unsecured	<u>5,090</u>	<u>5,090</u>
Repayable:		
Within one year	—	—
In the second year	—	—
In the third to fifth years, inclusive	—	—
Over five years	<u>5,090</u>	<u>5,090</u>
	<u>5,090</u>	<u>5,090</u>
Portion classified as current liabilities	<u>—</u>	<u>—</u>
Long term portion	<u>5,090</u>	<u>5,090</u>

As at 30 June 2010, included in other unsecured borrowings were loans granted by Siping Municipal Ministry of Finance amounting to RMB5,090,000 (2009: RMB5,090,000), among which borrowings of RMB2,530,000 (2009: RMB2,530,000) bear interest at a commercial rate of 5% (2009: 5%) per annum and are repayable in 2016 and borrowings of RMB2,560,000 (2009: RMB2,560,000) bear interest at a commercial rate of 5% (2009: 5%) per annum and are repayable in 2020.

19. Issued capital

	Nominal value of shares RMB	Number of Domestic Shares	Number of H Shares	Total number of shares	Value RMB'000
At 1 January 2010					
and 30 June 2010	1 per share	175,943,855	86,714,000	262,657,855	262,658

The Domestic Shares are not currently listed on any stock exchange. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote each without restriction.

20. Reserves

Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the Company and its subsidiaries, the Company and its subsidiaries are required to allocate 10% of their profit after tax, as determined in accordance with their statutory financial statements prepared under the PRC GAAP, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the Company and its subsidiaries, respectively. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR may be converted to increase paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Distributable reserve

In accordance with the Articles of Association of the Company, profit available for distribution to shareholders should be based on the lower of the amount determined under the financial statements prepared under PRC GAAP and the amount determined under the financial statements prepared under IFRS after deduction of the current year's appropriation to the SSR.

21. Related party transactions

During the six months ended 30 June 2009 and 2010, the Company had the following transactions with related parties:

Name of related party	Nature of transaction	Unaudited For the six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Wuhu Sterling	Sales of raw materials to an associate (note (a))	6,251	410
	Sales of finished goods to an associate (note (b))	14,002	7,954
	Purchase of raw materials from an associate (note (a))	8	—
	Purchase of finished goods from an associate (note (b))	1,795	—
		<u>1,795</u>	<u>—</u>

Notes:

- (a) The sales and purchases of raw materials were priced at cost.
- (b) Finished goods are sold and purchased on normal commercial terms.

The above transactions constitute connected transactions within the meaning of the GEM Listing Rules. However, such transactions are intra-group transactions exempted under Rule 20.31(1) of the GEM Listing Rules from all the reporting, announcement and independent shareholders' approval requirements contained in Chapter 20 of the GEM Listing Rules.

22. Commitments

Capital commitments in respect of the acquisition of land, plant and machinery:

	As at 30 June 2010 <i>(Unaudited)</i> RMB'000	As at 31 December 2009 <i>(Audited)</i> RMB'000
Contracted, but not provided for		
Acquisition of land	18,931	18,931
Acquisition of plant and machinery	12,086	13,817
Authorised, but not contracted for	—	—
	<u>31,017</u>	<u>32,748</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating result

For the six months ended 30 June 2010, the Group recorded a revenue of approximately RMB268,173,000, representing a large increase of approximately 75.9% over the corresponding period in 2009. Profit attributable to owners of the Company was approximately RMB53,259,000, representing a large increase of approximately 122.7% over the corresponding period in 2009.

During the period under review, the Group's revenue continued to grow, and the overall gross profit increased by 94.0% over the corresponding period in 2009. The increase in the Group's revenue was mainly due to a continuous increase in the sales of passenger car steering products as a result of the commencement of production of such new products that the Group has invested in the recent years.

The Group's gross profit margin was approximately 36.9% (corresponding period in 2009: approximately 33.5%). The increase in the gross profit margin was mainly due to a reduction in the manufacturing costs as a consequence of volume production of passenger car steering products.

During the period under review, selling and distribution costs increased by approximately RMB8,240,000 over the corresponding period in 2009. Increase in selling and distribution costs was mainly due to an increase in transportation costs, warehouse costs and other sales expenses resulting from an increase in sales volume and the exploration of new markets.

During the period under review, the Group's administrative expenses increased by approximately RMB5,397,000 over the corresponding period in 2009. However, the ratio of administrative expenses to revenue dropped slightly as compared to the corresponding period in 2009. The increase in administrative expenses was mainly due to an increase in staff costs, and legal and other service expenses for the main board transfer listing application.

In view of the above, for the six months ended 30 June 2010, the Group has a profit after tax of approximately RMB53,757,000, representing a large increase of approximately 121.3% compared with approximately RMB24,291,000 for the corresponding period last year.

During the period under review, there were no material changes in the business and regional segments.

Marketing and new products

During the period under review, the first stage construction of Jilin Shibao has completed in general. The first stage is planned to invest three production lines with main products of various kinds of precious casting of automotive components which are supplied to intra-group market. Among these, the first production line with annual capacity of 12,000 ton of precious casting has started production. It can meet 40% of the Group's current casting purchasing demand.

During the period under review, the Group secured new business of developing electric power steering (EPS) system for CHERY green car. The Group's EPS also used in Shanghai EXPO VIP service car and performed well.

During the period under review, the Group participated in the FAW-CAR Core Suppliers Conference 2010 in Shanghai.

Research and development

During the period under review, the Group's R&D center has granted the title of "Provincial Research and Development Center" issued by Science and Technology Department of Zhejiang Province. The Group has recruited experts returned from overseas to manage the overall operation of the new electric power steering (EPS) plant which is currently under preparation.

Human resources

As at 30 June 2010, the Group employed a total of 1,394 employees. For the six months ended 30 June 2010, total staff salaries and welfare costs amounted to approximately RMB25,201,000 (corresponding period in 2009: RMB15,505,000). The Group provided substantial remuneration benefits to employees in accordance with market practices, and provided retirement benefits in accordance with the related laws of the PRC.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity ratios

As at 30 June 2010, the Group had cash and cash equivalents of approximately RMB31,381,000 in comparison with approximately RMB38,609,000 as at 31 December 2009. The current ratio of the Group was approximately 2.0 (31 December 2009: approximately 2.3) and the quick ratio was approximately 1.4 (31 December 2009: approximately 1.6).

Net current assets as at 30 June 2010 were approximately RMB179,343,000 (31 December 2009: approximately RMB167,478,000).

Non-current liabilities as at 30 June 2010 were approximately RMB5,090,000 (31 December 2009: approximately RMB5,400,000).

Taking into account the Group's internally generated funds and bank facilities available, the Directors are of the opinion that the Group has sufficient working capital for its current needs.

Capital structure

As at 30 June 2010, the Group's gearing ratio was approximately 21.0% (31 December 2009: approximately 13.7%). The calculation of gearing ratio is net debt divided by total capital plus net debt. Net debt includes interest-bearing loans and borrowings, trade and notes payables, other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company.

Total loans and borrowings as at 30 June 2010 were approximately RMB35,090,000 (31 December 2009: approximately RMB5,090,000). Among which borrowings of RMB2,530,000 (31 December 2009: RMB2,530,000) bear interest at a commercial rate of 5% (31 December 2009: 5%) per annum and are repayable in 2016; borrowings of RMB2,560,000 (31 December 2009: RMB2,560,000) bear interest at a commercial rate of 5% (31 December 2009: 5%) per annum and are repayable in 2020; and borrowings of RMB30,000,000 (31 December 2009: Nil) bear interest at a commercial rate of 5.31% (31 December 2009: Nil) per annum and are repayable in 2011.

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

PLEDGE OF ASSETS

As at 30 June 2010, the Group did not have any pledges on its assets (31 December 2009: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

As at 30 June 2010, the Group did not have any material acquisition and disposal concerning subsidiaries and associated companies.

FOREIGN CURRENCY EXPOSURE

During the six months ended 30 June 2010, both the sales and purchases of the Group were principally denominated in Renminbi. The Group was not subject to significant exposure in foreign currency risk. No hedge arrangement has been entered into by the Group.

CAPITAL COMMITMENTS

As at 30 June 2010, except the capital commitments as set out in Note 22 of the financial statements, the Group had no other material capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group had no material contingent liabilities.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2010 (2009: Nil).

TRANSFER OF LISTING TO THE MAIN BOARD

On 24 March 2010, the Group has submitted the application for transfer of listing from GEM to the main board. It has been accepted and is under review by the CSRC. The Group will immediately start the application to the Stock Exchange after the granting of the relevant approval by CSRC.

OUTLOOK

China auto industry performed well during the first half of 2010. Both China economy and consumer purchasing power will keep growing rapidly in the second half of 2010 according to estimation, which will form a solid foundation for the development of China auto industry.

The Group's production capacity is expected to be increased largely during the second half of 2010 since the Group has implemented its capacity increase plan for 2010 in general and new equipments are arrived at the plants as scheduled. Meanwhile, the Group's penetration ratio in key customers' market is also expected to be increased. Therefore, it is expected that the Group's business will keep growing rapidly together with the China auto industry in this year.

DISCLOSURE OF THE INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2010, the interests and short positions of each Director, Supervisor and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be entered in the register pursuant to section 352 of the SFO or which are required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(1) Long position in Domestic Shares of the Company:

Name of Director	Capacity	Number of Domestic Shares	Approximate percentage of shareholding in the same class of Shares	Approximate percentage in the Company's total issued share capital
Mr. Zhang Shi Quan ("Mr. Zhang")	Interest in a controlled corporation	165,387,223	94.00%	62.97%

Note: Mr. Zhang holds 40% interest in the registered capital of Zhejiang Shibao Holding which in turn holds 165,387,223 Domestic Shares of the Company. As Mr. Zhang is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Zhejiang Shibao Holding, Mr. Zhang is taken or deemed to be interested in all of the 165,387,223 Domestic Shares held by Zhejiang Shibao Holding.

- (2) Long positions in the registered capital of the ultimate holding company, Zhejiang Shibao Holding, an associated corporation of the Company:

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Zhejiang Shibao Holding
Mr. Zhang	Beneficial owner	RMB20,000,000	40%
Mr. Zhang Bao Yi	Beneficial owner	RMB10,000,000	20%
Mr. Tang Hao Han	Beneficial owner	RMB10,000,000	20%
Ms. Zhang Lan Jun	Beneficial owner	RMB7,500,000	15%
Mr. Zhang Shi Zhong	Beneficial owner	RMB2,500,000	5%

Note: Zhejiang Shibao Holding holds 165,387,223 Domestic Shares, representing 94% of the Domestic Shares in issue and approximately 62.97% of the total issued share capital of the Company, and accordingly is an associated corporation of the Company.

- (3) Long positions in the registered capital of a subsidiary of the Company, Hangzhou Shibao Auto Steering Gear Sales Co., Ltd. ("Hangzhou Shibao"), an associated corporation of the Company:

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Hangzhou Shibao
Mr. Zhang	Family interest (Note 1)	RMB400,000	1%
	Interest in a controlled corporation (Note 2)	RMB39,600,000	99%

Notes:

- (1) Hangzhou Shibao is a subsidiary of the Company which is owned as to 99% by the Company and as to 1% by Mrs. Zhang Hai Qin ("Mrs. Zhang"), the spouse of Mr. Zhang. Mr. Zhang is taken or deemed to be interested in the 1% interest directly held by his spouse in Hangzhou Shibao.
- (2) Mr. Zhang holds 40% interest in the registered capital of Zhejiang Shibao Holding, the ultimate holding company of the Company holding approximately 62.97% of the total issued share capital of the Company. As Mr. Zhang is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Zhejiang Shibao Holding and the Company, Mr. Zhang is taken or deemed to be interested in the 99% interest directly held by the Company in Hangzhou Shibao.

- (4) Long positions in the registered capital of a fellow subsidiary of the Company, Jilin Shibao Mechanical and Electrical Automation Co., Ltd. (“Jilin Shibao Automation”), an associated corporation of the Company:

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Jilin Shibao Automation
Mr. Zhang	Interest in a controlled corporation	RMB1,600,000	80%

Note: Zhejiang Shibao Holding, the ultimate holding company of the Company, owns 80% of Jilin Shibao Automation. As Mr. Zhang holds 40% of the registered capital of Zhejiang Shibao Holding and therefore is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Zhejiang Shibao Holding, Mr. Zhang is taken or deemed to be interested in the 80% interest directly held by Zhejiang Shibao Holding in Jilin Shibao Automation.

- (5) Long positions in the registered capital of a fellow subsidiary of the Company, Changchun Shili Automotive Brake Parts Co., Ltd. ("Changchun Shili Automotive"), an associated corporation of the Company:

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Changchun Shili Automotive
Mr. Zhang	Interest in a controlled corporation	RMB6,300,000	90%

Note: Zhejiang Shibao Holding, the ultimate holding company of the Company, owns 90% of Changchun Shili Automotive. As Mr. Zhang holds 40% of the registered capital of Zhejiang Shibao Holding and therefore is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Zhejiang Shibao Holding, Mr. Zhang is taken or deemed to be interested in the 90% interest directly held by Zhejiang Shibao Holding in Changchun Shili Automotive.

- (6) Long positions in the registered capital of a fellow subsidiary of the Company, Anhui Shibao Casting Industry Co., Ltd. (“Anhui Shibao”), an associated corporation of the Company:

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Anhui Shibao
Mr. Zhang	Interest in a controlled corporation	RMB10,000,000	100%

Note: Zhejiang Shibao Holding, the ultimate holding company of the Company, owns 100% of Anhui Shibao. As Mr. Zhang holds 40% of the registered capital of Zhejiang Shibao Holding and therefore is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Zhejiang Shibao Holding, Mr. Zhang is taken or deemed to be interested in the 100% interest directly held by Zhejiang Shibao Holding in Anhui Shibao.

(7) Long positions in H Shares of the Company:

Name of Director	Capacity	Number of H Shares	Approximate percentage of shareholding in the same class of Shares	Approximate percentage in the Company's total issued share capital
Mr. Zhang Bao Yi	Interest of spouse	324,000	0.37%	0.12%

Note: The above shares are owned by Mrs. Wang Qun (the spouse of Mr. Zhang Bao Yi). Mr. Zhang Bao Yi is taken or deemed to be interested in the entire 324,000 shares of H Share held by his spouse in the Company.

Save as disclosed above, as at 30 June 2010, the Directors are not aware of any Director, Supervisor and Chief Executive of the Company who had or was deemed to have any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to the Division 7 and 8 of Part XV of the SFO, or will be required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company, or will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, Supervisors or Chief Executive of the Company to be notified to the Company and the Stock Exchange.

ARRANGEMENTS FOR PURCHASE OF SHARES OR DEBENTURES

At no time during the period under review was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and no Directors, Supervisors and Chief Executives of the Company nor any of their spouses or children under 18 has the right to subscribe for the shares in the Company, or has exercised such right.

SHARE OPTION SCHEMES

As at 30 June 2010, the Company has not implemented any share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, so far as is known to the Directors, Supervisors and Chief Executive of the Company, the following persons (other than the Directors, Supervisors and Chief Executive of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in Shares of the Company:

Name of Shareholder	Capacity	Number and class of Shares	Approximate percentage of shareholding in the same class of Shares	Approximate percentage in the Company's total issued share capital
Zhejiang Shibao Holding (Note)	Beneficial owner	165,387,223 Domestic Shares	94.00%	62.97%
Mr. Zhang (Note)	Interest in a controlled corporation	165,387,223 Domestic Shares	94.00%	62.97%
Mrs. Zhang (Note)	Interest of spouse	165,387,223 Domestic Shares	94.00%	62.97%
Mr. Fang Zhen Chun	Beneficial owner	15,434,000 H Shares	17.80%	5.88%
Mr. Gu Wei Rong	Beneficial owner	4,432,000 H Shares	5.11%	1.69%

Note: As at 30 June 2010, Zhejiang Shibao Holding owned 165,387,223 Domestic Shares of the Company. As Mr. Zhang holds 40% interest in the registered capital of Zhejiang Shibao Holding, Mr. Zhang is deemed to be interested in all of the 165,387,223 Domestic Shares of the Company held by Zhejiang Shibao Holding. Mr. Zhang's indirect interest in these 165,387,223 Domestic Shares of the Company are also disclosed in the paragraph headed "Disclosure of the interests and short positions of Directors, Supervisors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its associated corporations". Mrs Zhang, as the spouse of Mr. Zhang, is deemed to be interested in all of these Domestic Shares which Mr. Zhang is taken or deemed to have interest in. These Domestic Shares represent the same interest and therefore duplicate amongst Zhejiang Shibao Holding, Mr. Zhang and Mrs. Zhang.

Save as disclosed above, as at 30 June 2010, Directors are not aware of any other person (other than the Directors, Supervisors and Chief Executives of the Company as disclosed above) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under section 336 of the SFO.

COMPETING INTERESTS

During the period under review, none of the Directors, the substantial shareholders or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had an interest in a business which competed or might compete with the business of the Group, or had any other conflicts of interest with the Group.

AUDIT COMMITTEE

The Company established an audit committee on 26 April 2006 with written terms of reference in compliance with the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee has three members, namely Mr. Chen Guo Feng, Mr. Chau Kam Wing, Donald and Ms. Zhang Mei Jun. Mr. Chen Guo Feng and Mr. Chau Kam Wing, Donald are independent non-executive Directors and Ms. Zhang Mei Jun is a non-executive Director. The chairman of the audit committee is Mr. Chau Kam Wing, Donald.

The Company's financial statements for the six months ended 30 June 2010 have been reviewed by the audit committee.

BOARD PRACTICES AND PROCEDURES

During the period under review, the Company has been in compliance with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiry of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the period under review, the Group had been in compliance with the majority of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules, with the exception of Rule A.2.1 of the Code on Corporate Governance Practices stating that the roles of the chairman and the chief executive shall be separated, and shall not be undertaken by the same individual.

Mr. Zhang Shi Quan has been the Chairman and General Manager of the Company during the period under review. Mr. Zhang Shi Quan is the Group's founder, and is responsible for overseeing the overall strategic planning, new business investment, acquisition and merging. In view of the nature of the Company's business, the Board considers that the current management structure arrangement is considerably effective in response to market changes and finalization of strategic plans. The Board will review the efficiency of this management structure arrangement from time to time.

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

Since the commencement of Listing of the H Shares of the Company on GEM on 16 May 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the PRC, the place of jurisdiction where the Company was established, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PUBLIC FLOAT

As at the date of this report, the Company is in compliance with Rule 11.23(7) of the GEM Listing Rules which required at least 25% of the total issued share capital of the Company be held by the public.

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

Hangzhou, Zhejiang, the PRC
6 August 2010

As at the date of this report, the Board comprises Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Mr. Zhu Jie Rong and Ms. Zhang Lan Jun as executive Directors, Mr. Zhang Shi Zhong, Ms. Zhang Mei Jun and Mr. Lou Run Zheng as non-executive Directors, and Mr. Zhao Chun Zhi, Mr. Chen Guo Feng and Mr. Chau Kam Wing, Donald as independent non-executive Directors.