

SHIBAO

Steering the Future

2013
Interim Report



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: 1057

* For identification purposes only

HIGHLIGHTS

- Revenue for the six months ended 30 June 2013 amounted to RMB313,749,840.37, an increase of 0.67% compared with RMB311,654,779.31 for the corresponding period in 2012.
- Gross profit margin for the six months ended 30 June 2013 was 27.26% (corresponding period of 2012: 33.21%), gross profit decreased by 17.37% over the corresponding period of 2012.
- Net profit attributable to equity holders of the Parent for the six months ended 30 June 2013 amounted to RMB34,845,868.36, a decrease of 30.10% compared with RMB49,850,190.72 for the corresponding period in 2012.
- Basic earnings per share for the six months ended 30 June 2013 was RMB0.13, a decrease of 31.58% compared with RMB0.19 for the corresponding period in 2012.
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2013.

UNAUDITED INTERIM FINANCIAL STATEMENTS

The Board is pleased to announce the unaudited consolidated financial statements of the Group for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012. The accounting information contained in the interim report has not been audited but has been reviewed by the Company's Audit Committee.

(1) FINANCIAL INFORMATION**1. CONSOLIDATED BALANCE SHEET***30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (6)	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Assets			
Current Assets			
Cash on hand and at bank	1	60,063,414.47	78,543,676.91
Notes receivable	2	113,657,378.56	117,298,613.04
Accounts receivable	3	322,730,049.86	285,788,006.40
Prepayments	5	10,125,699.33	7,492,521.04
Other receivables	4	7,037,366.01	8,858,237.88
Inventories	6	167,473,050.59	136,467,615.08
Available-for-sale financial assets		–	4,000,000.00
Other current assets	7	744,901.87	1,224,181.63
Total current assets		681,831,860.69	639,672,851.98

1. CONSOLIDATED BALANCE SHEET *(continued)*

30 June 2013

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

Item	Note (6)	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Non-current Assets			
Long-term equity investments		–	9,376,207.19
Fixed assets	8	388,965,410.22	352,252,860.50
Construction in progress	9	100,720,507.43	92,861,833.52
Intangible assets	10	103,852,533.19	70,278,922.57
Goodwill	11	4,694,482.34	–
Long-term deferred expenses	12	559,232.44	–
Deferred tax assets	13	3,635,719.66	3,540,202.68
Other non-current assets	15	23,157,913.01	14,255,150.05
Total non-current assets		625,585,798.29	542,565,176.51
Total Assets		1,307,417,658.98	1,182,238,028.49

1. CONSOLIDATED BALANCE SHEET *(continued)**30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (6)	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Liabilities and Shareholders' Equity			
Current Liabilities			
Short-term loans	16	218,000,000.00	191,500,000.00
Notes payable	17	24,232,400.00	19,849,353.45
Accounts payable	18	201,792,317.54	163,609,486.56
Advance from customers	19	2,888,877.89	2,280,342.43
Employee benefits payable	20	5,285,565.59	4,214,108.09
Taxes payable	21	(5,376,234.17)	(2,571,272.18)
Interests payable	22	1,581,505.88	1,497,183.50
Dividends payable	23	21,012,628.40	–
Other payables	24	770,934.52	831,632.70
Non-current liabilities due within one year	25	13,790,400.00	13,790,400.00
Other current liabilities	26	7,985,318.98	8,290,557.10
Total current liabilities		491,963,714.63	403,291,791.65

1. CONSOLIDATED BALANCE SHEET *(continued)**30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (6)	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Non-current Liabilities			
Long-term borrowings	27	15,630,000.00	15,630,000.00
Deferred tax liabilities	13	9,568,115.01	1,505,958.33
Other non-current liabilities	28	26,437,938.03	27,984,418.23
Total non-current liabilities		51,636,053.04	45,120,376.56
Total Liabilities		543,599,767.67	448,412,168.21
Shareholders' Equity			
Share capital	31	277,657,855.00	277,657,855.00
Capital reserve	32	42,299,204.72	42,299,204.72
Surplus reserve	33	109,260,523.91	107,210,809.82
Retained earnings	34	300,357,422.85	289,773,896.98

1. CONSOLIDATED BALANCE SHEET *(continued)**30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (6)	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Equity attributable to equity holders of the Parent		729,575,006.48	716,941,766.52
Minority interests		34,242,884.83	16,884,093.76
Total Shareholders' Equity		763,817,891.31	733,825,860.28
Total Liabilities and Shareholders' Equity		1,307,417,658.98	1,182,238,028.49

2. CONSOLIDATED INCOME STATEMENT*Six months ended 30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (6)	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
1. Revenue	35	313,749,840.37	311,654,779.31
Less: Cost of sales	35	228,227,679.02	208,157,763.51
Business taxes and surcharges	36	1,863,989.77	2,340,817.49
Selling expenses	37	18,452,268.19	15,833,875.00
General and administrative expenses	38	33,820,122.86	27,489,435.93
Financial expenses	39	5,074,450.31	3,721,460.61
Assets impairment losses	41	–	(1,752,338.39)
Add: Investment gains/(losses)	40	10,654,133.80	(580,355.14)
Including: Investment gains/(losses) from associates		(438,462.92)	(580,355.14)
2. Operating profit		36,965,464.02	55,283,410.02
Add: Non-operating income	42	2,013,654.87	3,139,412.78
Less: Non-operating expenses	43	1,343,333.16	264,423.82
Including: Loss on disposal of non-current assets		4,563.81	5,216.20
3. Total profit		37,635,785.73	58,158,398.98
Less: Income tax expenses	44	4,221,315.41	9,982,600.55

2. CONSOLIDATED INCOME STATEMENT *(continued)**Six months ended 30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (6)	Jan.-June 2013 (unaudited)	Jan.-June 2012 <i>(unaudited)</i>
4. Net Profit		33,414,470.32	48,175,798.43
Net profit attributable to equity holders of the Parent		34,845,868.36	49,850,190.72
Minority interests		(1,431,398.04)	(1,674,392.29)
5. Earnings per share:			
(1) Basic earnings per share		0.13	0.19
(2) Diluted earnings per share		0.13	0.19
6. Other comprehensive income		-	-
7. Total comprehensive income		33,414,470.32	48,175,798.43
Total comprehensive income attributable to equity holders of the Parent		34,845,868.36	49,850,190.72
Total comprehensive income attributable to minority shareholders		(1,431,398.04)	(1,674,392.29)

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2013

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

Item		Jan.-June 2013 (unaudited)					Total shareholders' equity
		Attributable to equity holders of the Parent					
		Share capital	Capital reserve	Statutory reserve funds	Retained earnings	Minority interests	
1.	Balance at the end of last year	277,657,855.00	42,299,204.72	107,210,809.82	289,773,896.98	16,884,093.76	733,825,860.28
2.	Balance at the beginning of the year	277,657,855.00	42,299,204.72	107,210,809.82	289,773,896.98	16,884,093.76	733,825,860.28
3.	Increase/(decrease) during the period	-	-	2,049,714.09	10,583,525.87	17,358,791.07	29,992,031.03
(1)	Net profit	-	-	-	34,845,868.36	(1,431,398.04)	33,414,470.32
(2)	Other comprehensive income	-	-	-	-	-	-
	Sub-total of (1) & (2)	-	-	-	34,845,868.36	(1,431,398.04)	33,414,470.32
(3)	Contribution and decrease by shareholders in capital	-	-	-	-	18,790,189.11	18,790,189.11
(a)	Others	-	-	-	-	18,790,189.11	18,790,189.11
(4)	Appropriation of profits	-	-	2,049,714.09	(24,262,342.49)	-	(22,212,628.40)
(a)	Transfer to statutory reserve funds	-	-	2,049,714.09	(2,049,714.09)	-	-
(b)	Distribution to shareholders	-	-	-	(22,212,628.40)	-	(22,212,628.40)
4.	Balance at the end of the period	277,657,855.00	42,299,204.72	109,260,523.91	300,357,422.85	34,242,884.83	763,817,891.31

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Six months ended 30 June 2013

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

Item	Jan.–June 2012 (unaudited)						Total shareholders' equity
	Attributable to equity holders of the Parent						
	Share capital	Capital reserve	Statutory reserve funds	Retained earnings	Minority interests		
1.	Balance at the end of last year	262,657,855.00	27,587,397.23	95,087,541.52	256,035,761.06	20,616,303.73	661,984,858.54
2.	Balance at the beginning of the year	262,657,855.00	27,587,397.23	95,087,541.52	256,035,761.06	20,616,303.73	661,984,858.54
3.	Increase/(decrease) during the period	-	-	7,012,605.24	16,571,799.98	(1,674,392.29)	21,910,012.93
(1)	Net profit	-	-	-	49,850,190.72	(1,674,392.29)	48,175,798.43
(2)	Other comprehensive income	-	-	-	-	-	-
	Sub-total of (1) & (2)	-	-	-	49,850,190.72	(1,674,392.29)	48,175,798.43
(3)	Contribution and decrease by shareholders in capital	-	-	-	-	-	-
(4)	Appropriation of profits	-	-	7,012,605.24	(33,278,390.74)	-	(26,265,785.50)
(a)	Transfer to statutory reserve funds	-	-	7,012,605.24	(7,012,605.24)	-	-
(b)	Distribution to shareholders	-	-	-	(26,265,785.50)	-	(26,265,785.50)
4.	Balance at the end of the period	262,657,855.00	27,587,397.23	102,100,146.76	272,607,561.04	18,941,911.44	683,894,871.47

4. CONSOLIDATED STATEMENT OF CASH FLOWS*Six months ended 30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (6)	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		369,743,003.40	335,314,614.95
Cash received relating to other operating activities	46	2,402,256.28	2,329,777.59
Sub-total of cash inflow		372,145,259.68	337,644,392.54
Cash paid for goods and services		265,664,403.51	225,107,359.38
Cash paid to and on behalf of employees		41,484,508.80	35,718,577.62
Payments of taxes and levies		23,339,981.59	39,447,904.44
Cash paid relating to other operating activities	46	27,832,368.52	19,472,683.24

4. CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)**Six months ended 30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (6)	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Sub-total of cash outflow		358,321,262.42	319,746,524.68
Net cash flow from operating activities	47	13,823,997.26	17,897,867.86
2. Cash flows from investing activities			
Cash received from return of investments		4,000,000.00	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		982,205.65	277,010.06
Cash received relating to other investing activities	46	268,207.13	366,112.77
Sub-total of cash inflow		5,250,412.78	643,122.83

4. CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)**Six months ended 30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (6)	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Cash paid to acquire fixed asset, intangible assets and other long-term assets		34,052,384.60	31,729,433.66
Net cash paid to acquire subsidiaries and other business entities		2,655,381.55	–
Sub-total of cash outflow		36,707,766.15	31,729,433.66
Net cash flow from investing activities		(31,457,353.37)	(31,086,310.83)
3. Cash flows from financing activities			
Cash received from borrowings		60,000,000.00	70,950,000.00
Sub-total of cash inflow		60,000,000.00	70,950,000.00

4. CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)**Six months ended 30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (6)	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Cash paid for debt repayments		56,500,000.00	34,079,832.00
Cash payments for distribution of dividends, profit or interest expenses		7,929,277.81	31,686,000.57
Cash paid relating to other financing activities		–	1,524,162.76
Sub-total of cash outflow		64,429,277.81	67,289,995.33
Net cash flow from financing activities		(4,429,277.81)	3,660,004.67

4. CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)**Six months ended 30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (6)	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
4. Effect of changes in foreign exchange rate on cash and cash equivalents		-	-
5. Net increase/ (decrease) in cash and cash equivalents add: opening balance of cash and cash equivalents		(22,062,633.92)	(9,528,438.30)
		76,773,167.14	40,711,980.73
6. Closing balance of cash and cash equivalents	47	54,710,533.22	31,183,542.43

5. BALANCE SHEET

30 June 2013

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

Item	Note (9)	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Current Assets			
Cash on hand and at bank		24,102,970.01	31,336,987.85
Notes receivable		483,543.12	450,000.00
Accounts receivable	1	27,135,543.56	19,391,554.80
Prepayments		26,620.17	82,651.65
Dividends receivable		–	35,000,000.00
Other receivables	2	222,305,235.21	231,416,409.98
Inventories		6,639,637.61	5,104,897.35
Other current assets		25,555.55	31,357.50
Total current assets		280,719,105.23	322,813,859.13
Non-current Assets			
Long-term equity investments	3	177,145,183.20	137,376,207.19
Fixed assets		7,495,477.27	7,776,892.79
Intangible assets		5,549,316.67	5,441,067.04
Deferred income tax assets		96,920.48	96,920.48
Other non-current assets		5,600,000.00	5,600,000.00
Total non-current assets		195,886,897.62	156,291,087.50
Total Assets		476,606,002.85	479,104,946.63

5. BALANCE SHEET *(continued)*

30 June 2013

*(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (9)	30 June 2013 (unaudited)	31 December 2012 <i>(audited)</i>
Current Liabilities			
Short-term loans		65,000,000.00	65,000,000.00
Accounts payable		5,343,095.19	6,109,290.83
Receipts in advance		48,000.00	48,000.00
Staff cost payable		687,146.71	742,040.71
Taxes payable		438,803.12	836,516.28
Interests payable		130,768.42	127,840.49
Dividends payable		21,012,628.40	–
Other payables		116,707.08	121,177.08
Other current liabilities		400,000.00	1,000,000.00
Total current liabilities		93,177,148.92	73,984,865.39
Total Liabilities		93,177,148.92	73,984,865.39

5. BALANCE SHEET *(continued)**30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (9)	30 June 2013 (unaudited)	31 December 2012 <i>(audited)</i>
Shareholders' Equity			
Share capital		277,657,855.00	277,657,855.00
Capital reserve		41,590,963.68	41,590,963.68
Statutory reserve funds		55,849,270.58	55,797,130.47
Retained earnings		8,330,764.67	30,074,132.09
Total Shareholders' Equity		383,428,853.93	405,120,081.24
Total Liabilities and Shareholders' Equity		476,606,002.85	479,104,946.63

6. INCOME STATEMENT*Six months ended 30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Note (9)	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
1. Revenue	4	18,696,231.23	21,863,036.63
Less: Cost of sales	4	12,580,528.44	15,149,523.13
Business taxes and surcharges		119,173.47	107,764.83
Selling expenses		203,805.75	235,200.17
General and administrative expenses		3,305,405.56	2,862,269.98
Financial expenses		1,850,389.65	1,726,092.77
Add: Investment gains	5	57,168.52	29,186,326.76
Including: Investment gains (losses) from associates		57,168.52	(813,673.24)
2. Operating profit		694,096.88	30,968,512.51
Add: Non-operating income		8,600.00	35,496.34
Less: Non-operating expenses		3,497.85	7,251.20
3. Total profit		699,199.03	30,996,757.65
Less: Income tax expenses		177,797.94	462,548.29
4. Net Profit		521,401.09	30,534,209.36
5. Earnings per share			
(1) Basic earnings per share		-	0.12
(2) Diluted earnings per share		-	0.12
6. Other comprehensive income		-	-
7. Total comprehensive income		521,401.09	30,534,209.36

7. STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2013

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

Item		Jan.-June 2013 (unaudited)				
		Share capital	Capital reserve	Statutory reserve funds	Retained earnings	Total shareholders' equity
1.	Balance at the end of last year	277,657,855.00	41,590,963.68	55,797,130.47	30,074,132.09	405,120,081.24
2.	Balance at the beginning of the year	277,657,855.00	41,590,963.68	55,797,130.47	30,074,132.09	405,120,081.24
3.	Increase/(decrease) during the period	-	-	52,140.11	(21,743,367.42)	(21,691,227.31)
(1)	Net profit	-	-	-	521,401.09	521,401.09
(2)	Other comprehensive income	-	-	-	-	-
	Sub-total of (1) & (2)	-	-	-	521,401.09	521,401.09
(3)	Contribution and decrease by shareholders in capital	-	-	-	-	-
(4)	Appropriation of profits	-	-	52,140.11	(22,264,768.51)	(22,212,628.40)
(a)	Transfer to statutory reserve funds	-	-	52,140.11	(52,140.11)	-
(b)	Distribution to shareholders	-	-	-	(22,212,628.40)	(22,212,628.40)
4.	Balance at the end of the period	277,657,855.00	41,590,963.68	55,849,270.58	8,330,764.67	383,428,853.93

7. STATEMENT OF CHANGES IN EQUITY *(continued)*

Six months ended 30 June 2013

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

		Jan.-June 2012 (unaudited)				
Item		Share capital	Capital reserve	Statutory reserve funds	Retained earnings	Total shareholders' equity
1.	Balance at the end of last year	262,657,855.00	26,879,156.19	49,368,130.86	(1,521,078.91)	337,384,063.14
2.	Balance at the beginning of the year	262,657,855.00	26,879,156.19	49,368,130.86	(1,521,078.91)	337,384,063.14
3.	Increase/(decrease) during the period	-	-	3,053,420.94	1,215,002.92	4,268,423.86
	(1) Net profit	-	-	-	30,534,209.36	30,534,209.36
	(2) Other comprehensive income	-	-	-	-	-
	Sub-total of (1) & (2)	-	-	-	30,534,209.36	30,534,209.36
(3)	Contribution and decrease by shareholders in capital	-	-	-	-	-
(4)	Appropriation of profits	-	-	3,053,420.94	(29,319,206.44)	(26,265,785.50)
(a)	Transfer to statutory reserve funds	-	-	3,053,420.94	(3,053,420.94)	-
(b)	Distribution to shareholders	-	-	-	(26,265,785.50)	(26,265,785.50)
4.	Balance at the end of the period	262,657,855.00	26,879,156.19	52,421,551.80	(306,075.99)	341,652,487.00

8. STATEMENT OF CASH FLOWS

Six months ended 30 June 2013

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
1. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	14,030,586.00	44,740,531.85
Cash received relating to other operating activities	17,119,774.77	120,782.52
Sub-total of cash inflow	31,150,360.77	44,861,314.37
Cash paid for goods and services	15,439,463.96	17,356,007.27
Cash paid to and on behalf of employees	2,578,814.80	2,140,324.82
Payments of taxes and levies	1,497,000.84	801,313.08
Cash paid relating to other operating activities	10,490,773.12	4,514,542.41
Sub-total of cash outflow	30,006,052.72	24,812,187.58
Net cash flow from operating activities	1,144,308.05	20,049,126.79

8. STATEMENT OF CASH FLOWS *(continued)**Six months ended 30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
2. Cash flows from investing activities		
Cash received from investment gains	35,000,000.00	15,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	-	100,000.00
Cash received relating to other investing activities	129,619.47	124,325.54
Sub-total of cash inflow	35,129,619.47	15,224,325.54
Cash paid to acquire fixed asset, intangible assets and other long-term assets	624,471.17	652,076.90
Cash paid for investments	29,711,807.49	-
Net cash paid to acquire subsidiaries and other business entities	10,000,000.00	-
Sub-total of cash outflow	40,336,278.66	652,076.90
Net cash flow from investing activities	(5,206,659.19)	14,572,248.64

8. STATEMENT OF CASH FLOWS *(continued)**Six months ended 30 June 2013**(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)*

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
3. Cash flows from financing activities		
Cash paid for debt repayments	–	5,000,000.00
Cash payments for distribution of dividends, profit or interest expenses	3,171,666.70	28,088,314.39
Cash paid relating to other financing activities	–	1,524,162.76
Sub-total of cash outflow	3,171,666.70	34,612,477.15
Net cash flow from financing activities	(3,171,666.70)	(34,612,477.15)
4. Effect of changes in foreign exchange rate on cash and cash equivalents	–	–
5. Net increase/ (decrease) in cash and cash equivalents	(7,234,017.84)	8,898.28
add: opening balance of cash and cash equivalents	31,336,987.85	997,762.45
6. Closing balance of cash and cash equivalents	24,102,970.01	1,006,660.73

(2) BASIC INFORMATION OF THE COMPANY

The Company is a joint stock limited company registered in Zhejiang Province of the PRC and approved by the document Zhe Shang Shi [2004] No.37 (浙上市[2004]37號) issued by the Listing Affair Team (上市工作領導小組) of the People's Government of Zhejiang Province on 30 April 2004. The Company was established by ways of promotion jointly by Shibao Holding, Wu Wei Xu (吳偉旭), Wu Lang Yue (吳琅躍), Du Chun Mao (杜春茂) and Chen Wen Hong (陳文洪). The Company was approved by and registered with Zhejiang Administration for Industry & Commerce. Its business license registration number is 330000400002163. The Company's H Shares are listed on Hong Kong Stock Exchange. The headquarter of the Company is located at No.1 Shuanglin Road, Fotang Town, Yiwu, Zhejiang Province. The Group is mainly engaged in the development, design, manufacture and sales of automotive steering gears and other key components and parts of steering system. The Group mainly produces automotive steering gear products and is classified to automotive components manufacturing industry.

The Company was reformed to a joint stock limited company from Zhejiang Shibao Steering Gear Co., Ltd., the predecessor of the Company on 12 July 2004.

As at the registration, the Company's registered capital was RMB175,943,855, and total share capital was 175,943,855 shares, among which 165,387,223 shares were legal person shares and 10,556,632 shares were natural person shares. Nominal value of the Company's share is RMB1.00 each.

On 22 August 2005, the Company obtained “Approval of Issuance of Offshore Listing Foreign Shares of Zhejiang Shibao Company Limited” (Zheng Jian Guo He Zi [2005] No.22) (證監國合字[2005]22號) from the CSRC, whereas the issuance of offshore listing foreign shares of the Company was approved by CSRC. On 16 May 2006, the Company completed the initial public offer of H Shares and the Company’s H Shares were listed on the GEM of Hong Kong Stock Exchange. Total issued H Shares of the Company was 86,714,000 H Shares with a nominal value of RMB1.00 each. After the issuance, the Company’s registered capital was increased to RMB262,657,855, among which Shibao Holding, offshore listing H Shares and Wu Wei Xu (吳偉旭) together with other three natural persons as a whole holding 62.97%, 33.01% and 4.02% of the Company’s shares respectively. Increased capital contributions of RMB86,714,000 was verified by Ernst & Young Hua Ming and issued capital verification report An Yong Hua Ming (2007) Yan Zi Di 60468008_B01 (安永華明(2007)驗字第60468008_B01號). In November 2007, Wu Wei Xu (吳偉旭) and other three natural person shareholders signed “Share Transfer Agreement Of Zhejiang Shibao Company Limited” with Wang Yu Jie (王玉潔) and other five natural persons respectively to transfer total 2.87% of the Company’s shares. After the completion of the transfer, Shibao Holding, offshore listing H Shares and Wu Wei Xu (吳偉旭) together with other seven natural persons as a whole holding 62.97%, 33.01% and 4.02% of the Company’s shares respectively.

On 19 April, 2011, Zhang Shi Quan (張世權) signed “Share Transfer Agreement Of Zhejiang Shibao Company Limited” with Wu Wei Xu (吳偉旭), Zhang Jun Yi (張俊義), Fu Zhong Xian (傅忠仙), Hui Yan (惠岩), Wang Yu Jie (王玉潔), Zhang Qin Fang (張琴芳), Zheng Yong Ping (鄭永平) and Du Chun Mao (杜春茂) respectively, whereas Wu Wei Xu (吳偉旭) and other seven natural persons transferred total 4.02% of the Company’s shares to Zhang Shi Quan (張世權). After the completion of the transfer, Shibao Holding, offshore listing H Shares and Zhang Shi Quan (張世權) holding 62.97%, 33.01% and 4.02% of the Company’s shares respectively.

On 24 March 2010, the Company submitted application to CSRC for the transfer listing from the GEM of Hong Kong Stock Exchange to the Main Board of Hong Kong Stock Exchange. On 22 December 2010, the Company received approval letter from CSRC dated 16 December 2010, whereas the proposal of transfer listing of the Company's H Shares from the GEM of Hong Kong Stock Exchange to the Main Board of Hong Kong Stock Exchange was approved. The Company then submitted application to Hong Kong Stock Exchange on 17 January 2011. On 9 March 2011, the Company's H Shares were approved to be listed and traded on the Main Board of Hong Kong Stock Exchange.

On 3 July 2012, the Company obtained "Reply Relating to the Approval of the Initial Public Offering of Zhejiang Shibao Company Limited" (CSRC Approval [2012] No.898) (證監許可[2012]898號), approving the public offering of new shares in China by the Company, from CSRC. On 2 November 2012, the Company commenced the initial public offering of RMB-denominated ordinary shares (A Shares) and was listed on the SME Board of Shenzhen Stock Exchange. The offer size is 15,000,000 shares with nominal value of RMB1.00 each. Following the issue, the total share capital of the Company is increased to RMB277,657,855, among which, Shibao Holding, offshore listing H Shares, RMB-denominated ordinary shares (A Shares) and Zhang Shi Quan (張世權) holding 59.57%, 31.23%, 5.40% and 3.80% of the Company's shares respectively. The capital increase of RMB15,000,000 was verified by Shulun Pan Certified Public Accountants (Special General Partnership) and a capital verification report Xin Kuai Shi Bao Zi [2012] No.310403 (信會師報字[2012]第310403號) was issued.

The business scope of the Company is: manufacture and sales of automotive components; sales of metal materials, electromechanical products and electronic products; and sales of automobiles.

The Group's parent company is Shibao Holding which was registered in the PRC. The Group's ultimate holding parties are Zhang Shi Quan (張世權) and his family members, namely Zhang Bao Yi (張寶義), Tang Hao Hang (湯浩瀚), Zhang Lan Jun (張蘭君) and Zhang Shi Zhong (張世忠).

(3) MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements are presented on the going concern basis.

2. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

These financial statements comply with the requirements of the Accounting Standards for Business Enterprises and fairly and completely reflect the financial positions of the Group and the Company as at 30 June 2013 and their operating results and cash flows for the six months ended 30 June 2013.

3. ACCOUNTING YEAR

The accounting year of the Group is from 1 January to 31 December.

4. FUNCTIONAL CURRENCY

These financial statements are presented in Renminbi (“RMB”), which is the Company’s functional and presentation currency. All values are presented in RMB, except when otherwise indicated.

5. ACCOUNTING METHOD OF BUSINESS COMBINATION UNDER AND NOT UNDER COMMON CONTROL

(1) Business combination under common control

A business combination under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. In a business combination under common control, the party which obtains control of other combining enterprise(s) on the combination date is the merging party, the other combining enterprise(s) is (are) the merged party. The “combination date” refers to the date on which the merging party actually obtains control of the merged parties.

5. ACCOUNTING METHOD OF BUSINESS COMBINATION UNDER AND NOT UNDER COMMON CONTROL *(continued)*

(1) Business combination under common control *(continued)*

The assets and liabilities that the merging party obtains in a business combination shall be measured on the basis of their carrying amounts in the merged parties on the date of combination. The difference between the carrying amount of the net assets which the merging party obtains and the carrying amount of the consideration which it pays (or the total par value of the shares issued) shall adjust the additional capital reserves. If the additional capital reserves are not sufficient to be offset, the retained earnings shall be adjusted.

(2) Business combination not under common control

A business combination not under common control is a business combination in which the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. In a business combination not under common control, the party which obtains control of other combining enterprise(s) on the purchase date is the acquirer, other combining enterprise(s) is (are) the acquirees. The "acquisition date" refers to the date on which the acquirer actually obtains control of the acquirees.

The identifiable assets, liabilities or contingent liabilities under business combination not under common control shall be measured at fair value at the date of acquisition.

5. ACCOUNTING METHOD OF BUSINESS COMBINATION UNDER AND NOT UNDER COMMON CONTROL *(continued)*

(2) Business combination not under common control *(continued)*

Any excess of the sum of the fair value of the consideration payable for a business combination and the fair value of the acquiree's equity held before the acquisition date over the acquirer's interest in the fair value of the acquiree's identifiable net assets is recorded as goodwill, which is subsequently measured at cost less any accumulated impairment losses. If the acquirer's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the fair value of the consideration payable for a business combination and the fair value of the acquiree's equity held before the acquisition date, the fair value of the identifiable assets, liabilities or contingent liabilities as well as the fair value of the consideration payable for a business combination and the fair value of the acquiree's equity held before the acquisition date are reassessed, and after reassessment, any excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets over the sum of the fair value of the consideration payable for a business combination and the fair value of the acquiree's equity held before the acquisition date is recognized as current profit and loss in the consolidated income statement.

6. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated financial statements

The consolidation scope is determined based on the control, the consolidated financial statements include the financial statements of the Company and its subsidiaries for the six months ended 30 June 2013. Subsidiaries represent entities controlled by the Company.

When preparing the consolidated financial statements, same accounting year/period and accounting policies are applied to subsidiaries and the Company. All balance, transactions and unrealized gains and losses resulting from intercompany transactions and dividends within the Group are eliminated on consolidation in full.

6. CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(1) Consolidated financial statements *(continued)*

Where the current loss assumed by the minority shareholders of a subsidiary exceeds the minority interests of beginning equity, the balance of minority interests shows as deficits. Any changes in the minority interests without losing its control is recognized as an equity transaction.

Where the Company combines a subsidiary during the reporting period through a business combination involving entities not under common control, the results and cash flows of the subsidiary are consolidated from the date of acquisition, being the date on which the Group obtains the control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, the identifiable assets, liabilities and contingent liabilities of the subsidiary are consolidated from the date that control commences, based on the fair value of those identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition.

Where the Company combines a subsidiary during the reporting period through a business combination involving entities under common control, the results and cash flows of the subsidiary are consolidated from the beginning of the period during which the combination occurs. In preparing the comparative consolidated financial statements, adjustments were made to relevant items in financial statements in previous periods as if the reporting entity formed after the consolidation had been in existence since the ultimate controlling party started to exercise effective control.

7. CASH AND CASH EQUIVALENTS

Cash represents cash on hand and bank deposits which can be used for payment at any time; cash equivalents represent short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. FOREIGN CURRENCY BUSINESS AND FOREIGN CURRENCY FINANCIAL STATEMENTS CONVERSION

(1) Foreign currency business

The Group converts the amount of foreign currency transactions in to its functional currency.

(2) Foreign currency financial statements conversion

Foreign currency transactions are initially recorded using the functional currency rate of exchange on the first day of the month of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. The exchange differences arising from the above translation, except the ones relating to foreign currency borrowings for the acquisition, construction or production of assets eligible for the capitalization shall be dealt with according to the principle of borrowing cost capitalization, are taken to the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined, and the differences are taken to the income statement or other comprehensive income.

Cash flows in foreign currency are translated into RMB at the exchange rates ruling at the dates of the cash flows. Effect of foreign exchange rate fluctuation on cash is separately disclosed in consolidated cash flow statements.

9. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Category of financial instruments

Financial assets of the Group are categorized into the following categories upon initial recognition: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; available-for-sale financial assets; derivatives designated as effective hedging instruments. The Group determines the categorization of the financial assets at initial recognition.

The financial liabilities of the Group are classified initially as financial liabilities at fair value through profit or loss, other financial liabilities and derivatives designated as hedging instruments in an effective hedge. The Group determines the categorization of the financial liabilities at initial recognition.

(2) Recognition and measurement of financial instruments

The Group recognizes a financial asset or a financial liability on its balance sheet when, and only when, the Group becomes a party to the contractual provisions of the instrument.

The transaction costs of financial assets at fair value through profit or loss are charged to the income statement, while the transaction costs of other financial assets are recognized as part of the initial amount of assets.

9. FINANCIAL INSTRUMENTS *(continued)*

(2) Recognition and measurement of financial instruments *(continued)*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those measured at fair value through profits and losses designated upon initial recognition. Financial assets are classified as held for trading if it satisfies one of the following conditions: the purpose to acquire such financial assets is to sell in the near term; belonging to part of identifiable combined financial instruments and objective evidence exists that it is acquired principally for the purpose of obtaining profit in the near term; derivatives, are also classified as held for trading unless they are designed as effective hedging instruments, financial guarantee agreement, or related to an equity instrument which has no quoted market price, its fair value cannot be measured reliably and settled through exchange of the equity instrument. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the consolidated income statement. Dividends or interest income derived from financial assets at fair value through profit or loss are recognized in the consolidated income statement.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process.

9. FINANCIAL INSTRUMENTS *(continued)*

(2) Recognition and measurement of financial instruments
(continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are subsequently measured at amortized cost using the effective interest rate method. Gains or losses arising from amortization or impairment are recognized in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories. After initial recognition, such financial assets are measured at fair value. Its discount or premium is amortized using effective interest rate method and recognized as interest income or expense. Except for impairment loss and exchange differences of monetary financial assets denominated in foreign currency which are recognized in the income statement, changes in fair value of available-for-sale financial assets are recognized as other comprehensive income in the capital reserve until the investment is derecognized or there is an impairment, then the cumulative gain or loss will be included in the consolidated income statement. Interests and dividends earned are reported as interest income and dividend income, respectively and are recognized in the income statement.

The transaction costs of financial liabilities at fair value through profit or loss are charged to the income statement, while the transaction costs of other financial liabilities are recognized as part of the initial amount of liabilities.

9. FINANCIAL INSTRUMENTS *(continued)*

(2) Recognition and measurement of financial instruments *(continued)*

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit and loss. Financial liabilities are classified as held for trading if they satisfy one of the following conditions: they are acquired for the purpose of sale in the near term, belong to a part of identifiable combined financial instruments which are managed centrally and objective evidence exists that they are acquired principally for the purpose of obtaining profit in the near term; belong to derivatives, unless those are designated as effective hedging instruments, under financial guarantee agreements or related to equity instruments without quoted market price, its fair values of which cannot be measured reliably and settled through exchanges of the equity instruments. These financial liabilities are subsequently measured at fair value, and all the realized or unrealized gains or losses are recognized in the income statement.

Other financial liabilities

The financial liabilities are subsequently measured at amortized cost using effective interest method.

9. FINANCIAL INSTRUMENTS *(continued)*

(3) Recognition and measurement of transfers of financial assets

If the Group has transferred substantially all of the risks and rewards related to the ownership of a financial asset to the transferee, the Group derecognizes the financial asset. However, if it has substantially retained all of the risks and rewards related to the ownership of a financial asset, the Group continues recognizing the asset.

When the Group does not either transfer substantially or retain all of the risks and rewards related to the ownership of a financial asset, the Group treats it as follows, according to the individual circumstances: (i) if the Group relinquishes control over the financial asset, the Group derecognizes the financial asset; (ii) if the Group does not relinquish control over the financial asset, the Group, to the extent of its continuous involvement in the financial asset, recognizes it as a related financial asset and recognizes the relevant liability accordingly.

(4) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the income statement.

(5) Fair value of financial assets and financial liabilities

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid price. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

9. FINANCIAL INSTRUMENTS *(continued)*

(6) Test and provision for impairment of financial assets (exclusive accounts receivable)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, impairment loss will be provided. There is objective evidence that an impairment loss exists when the present value of the estimated future cash flows is adversely affected after initial recognition, and the amount can be measured reliably.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, (i.e., the effective rate computed initial recognition) after taking into consideration of the value of the collaterals, if any. In respect of floating interest rate, the current effective interest rate is used as the discount rate in calculating the present future cash flow.

Where impairment is assessed on an individual basis for individually significant financial assets, an impairment loss is recognized in the consolidated income statement when there is objective evidence that an impairment loss has been incurred. For individually insignificant financial assets, an impairment assessment is made collectively for financial assets which share similar credit risk characteristics. For the financial assets without impairment loss based on individual test (including individually significant or insignificant financial assets), an assessment is made collectively for financial assets which share similar credit risk characteristics. For financial assets with impairment loss recognized based on individual test basis, another assessment is not required to be made collectively for the financial assets which share similar credit risk characteristics.

9. FINANCIAL INSTRUMENTS *(continued)*

(6) Test and provision for impairment of financial assets (exclusive accounts receivable) *(continued)*

Financial assets carried at amortized cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Available-for-sale financial assets

If there is objective evidence that an available-for-sale asset is impaired, accumulated losses arising from decreases in fair values will be removed from other comprehensive income and recognized in the profit or loss. Accumulated losses represent an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statement.

Impairment loss on debt instruments can be reversed through the profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized. Impairment losses on equity instruments are not reversed through the profit or loss. An increase in fair value after impairment is recognized as other comprehensive income.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

10. RECOGNITION AND PROVISION FOR BAD DEBT OF RECEIVABLES

(1) Provision for bad debt of individually significant receivables

<p>Basis for judging the amounts that are individually significant or the standard for the amounts</p>	<p>The Group recognizes the account receivables with an individual balance exceeding RMB100 million and other receivables as individually significant receivables.</p>
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<p>Method of providing provisions for bad debt with amounts that are individually significant</p>	<p>The Group conducts an independent impairment test on the individually significant receivables to separately test financial assets that have never been impaired, including impairment tests conducted within a group of financial assets sharing similar credit risk features. Accounts receivable the impairment loss of which has been recognized are separately tested, excluding impairment tests conducted for a group of accounts receivable sharing similar credit risk features.</p>
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(2) Receivables for which provision for bad debt is recognized by group

Name of group	Method of providing provision for bad bet that is recognized by group	Basis for determining the group
<p>Receivable with an amount individually not significant but higher risk in the group after classifying according to the credit risk characteristics</p>	<p>Other methods</p>	<p>Receivables with an amount not exceeding RMB1,000,000 but aged over 1 year and amount exceeding RMB1,000,000 but not impaired after testing the amount individually and aged over 1 year.</p>

10. RECOGNITION AND PROVISION FOR BAD DEBT OF RECEIVABLES

(continued)

(2) Receivables for which provision for bad debt is recognized by group

(continued)

Other methods are adopted in the group to provide for bad debt provision

Name of group	Description of the methods
Receivable with an amount individually not significant but higher risk in the group after classifying according to the credit risk characteristics	The Company shall determine the amount of bad debt provision according to the group structure of receivable, the ability of repaying the debt by the customers, the history of collection in the past and the current economic condition.

11. INVENTORIES

(1) Category of inventories

Inventories include raw materials, work-in-progress, finished goods and low-value consumables.

(2) Pricing method of delivery of inventories

Pricing method: weighted average method

Inventories are stated at cost initially. Inventories costs comprise purchase costs, processing costs and other costs. The actual cost of delivery of inventories is determined by weighted average method.

11. INVENTORIES *(continued)***(3) Recognition of net realizable value of inventories and provision for diminution in the value of inventories**

On balance sheet date, inventories are stated at the lower of cost and net realizable value, the excess of the cost over the net realizable value of the inventories is recognized as a provision for diminution in the value of inventories in the income statement. If the factor for diminution in the value of inventories disappears and the net realizable value of inventories is higher than its carrying amount, the provision previously recognized can be reversed in the consolidated income statement to the extent of the previously recognized provision amount.

Net realizable value is based on the estimated selling price in the ordinary course of business, less any estimated costs to completion and estimated costs necessary to make the sale and relevant taxes. Inventories provision is made according to category of inventories with respect of raw materials and finished goods.

(4) Inventory system

Inventory system: perpetual physical count method

(5) Amortization of low-value consumables and package items

Low-value consumables

Method of amortization: one-off write-off method

Package items

Method of amortization: one-off write-off method

12. LONG-TERM EQUITY INVESTMENTS

(1) Recognition of cost of investments

The initial recognition of long-term equity investment is measured at initial investment cost upon acquisition. For business combination under common control, the initial investment cost is the share of the investee's equity. For business combination not under common control, the initial investment cost is the combination cost. The combination cost comprises the sum of the assets provided by the acquirer, the liability incurred or taken and the fair value of the equity securities issued. For the long-term equity investment acquired by a way other than business combination, the initial investment cost is recognized as follows: for a long-term equity investment acquired by cash payment, the initial investment cost shall be the actual purchase price, and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment. For a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the securities issued. For the long-term equity investment made by investors, the initial investment cost is determined based on the amount as agreed in the investment contract or agreement, unless the amount agreed does not represent the fair value.

12. LONG-TERM EQUITY INVESTMENTS *(continued)*

(2) Follow-up measurement and recognition of profit and loss

Long-term equity investments where the Group does not have control, joint control or significant influence over the investee, not quoted in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method. Long-term equity investments where the Company has the control over the investees are accounted for using the cost method when preparing the financial statements of the Company. Control refers to the right to decide on the financial and operating policies of a company and to obtain profit from operating earnings of the company. When cost method is used, long-term equity investments are measured at initial investment costs. Cash dividends or profit appropriation declared by the investees are recognized as investment income in the current period, except for the declared but unpaid parts of the cash dividends or profit appropriation which were included in the cash payment for acquiring the investment. Impairment is tested for long-term investments in accordance with the relevant asset impairment policies. When the Group has joint control or significant influence over the investees, the Group's interests in these entities are accounted for using equity accounting method. When equity accounting method is used, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in the consolidated income statement for the current period and the cost of the long-term equity investment is adjusted accordingly. The Group's share of net profit or loss of the investee is determined based on the fair value of identifiable assets of investee on the acquisition date and the Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group

12. LONG-TERM EQUITY INVESTMENTS *(continued)*

(2) **Follow-up measurement and recognition of profit and loss** *(continued)*

and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealized losses provide evidence of an impairment of the asset. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in the investee are reduced to zero, except to the extent that the Group has an obligation to assume additional losses. For changes in owner's equity of the investee other than those arising from its net profit or loss, the Group records directly in equity its share of net book value changes. When long-term equity investment is disposed, the differences between carrying amount and actual consideration received are recognized in the income statement. If long-term equity investments are accounted for using equity accounting, on disposal, the amounts previously recognized in equity and disposed portion are transferred to the profit or loss.

12. LONG-TERM EQUITY INVESTMENTS *(continued)*

(3) Recognition of common control and significant influence to the investees

Joint control represents the contractually agreement in sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers). Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

(4) Test and provision for impairment

The Group assesses if there is any indicator that an asset may be impaired at the balance date. If there is any indicator that an asset may be impaired, the Group will assess its recoverable amount and perform impairment test. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises. A provision for impairment loss of the asset is recognized accordingly. Other long term equity investments that do not have quote in active markets and fair value cannot be measured reliably shall be provided for impairment according to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments. An impairment loss recognized is not reversed in subsequent periods.

13. FIXED ASSETS

(1) Recognition of fixed assets

Fixed assets shall be recognized if, and only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. For subsequent expenditures of fixed assets, if the recognition conditions are satisfied, they are recognized as cost of fixed assets and the carrying amount of replaced components is derecognized. Otherwise, it is normally charged to the consolidated income statement in the period in which it is incurred. Fixed assets are initially measured at cost. The cost of fixed assets comprises purchase price, including relevant taxes, and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

(2) Depreciation of fixed assets

Depreciation is calculated on the straight-line basis to write off the cost of each item of fixed assets to its residual value over its estimated useful life. Residual value, useful lives and depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

Category	Useful lives (year)	Residual value (%)	Annual depreciation rate (%)
Buildings and constructions	10-35	5%	2.7%-9.5%
Plant and equipment	10	5%	9.5%
Transportation vehicles	5	5%	19%
Office equipment and others	5	5%	19%

13. FIXED ASSETS *(continued)*

(3) Test and provision for impairment

The Group assesses if there is any indicator that an asset may be impaired at the balance date. If there is any indicator that an asset may be impaired, the Group will assess its recoverable amount and perform impairment test. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are mainly independent of those from other assets or groups of assets, in which case the recoverable amount is determined for cash-generating unit to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises. A provision for impairment loss of the asset is recognized accordingly.

An impairment loss recognized is not reversed in subsequent periods.

14. CONSTRUCTION IN PROGRESS

(1) Category of construction in progress

Construction in progress comprises the direct expenditures of construction, capitalized borrowing costs before the construction is ready for use and other relevant expenses.

(2) Transfer to fixed assets

Construction in progress is reclassified to the appropriate category of fixed assets when completed and are ready for use.

14. CONSTRUCTION IN PROGRESS *(continued)*

(3) Test and provision for impairment

The Group assesses if there is any indicator that an asset may be impaired at the balance date. If there is any indicator that an asset may be impaired, the Group will assess its recoverable amount and perform impairment test. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are mainly independent of those from other assets or groups of assets, in which case the recoverable amount is determined for cash-generating unit to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises. A provision for impairment loss of the asset is recognized accordingly.

An impairment loss recognized is not reversed in subsequent periods.

15. BORROWING COSTS

(1) Recognition of borrowing costs capitalization

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., fixed assets, investment properties and inventories that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the assets. Except for the above other borrowing costs are recognized as financial expenses in the consolidated income statement when incurred.

15. BORROWING COSTS *(continued)*

(2) Borrowing costs capitalization period

Borrowing costs are capitalized when satisfying all of the following conditions:

- (a) Capital expenditures were incurred;
- (b) Borrowing costs were incurred;
- (c) Acquisition or construction activities for the assets to be ready for use or sale have started.

(3) Cease of borrowing costs capitalization period

The capitalization of such borrowing costs ceases when the qualifying assets are substantially ready for their intended use or sale, subsequent borrowing costs are charged to the income statement.

15. BORROWING COSTS *(continued)*

(4) Calculation of borrowing costs capitalization amount

In the capitalization period, the amount of interest to be capitalized in each accounting period is determined as follows:

- (a) where funds are borrowed specifically for the construction of a qualifying asset, the amount of interest to be capitalized is the interest expense incurred during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- (b) where funds are borrowed generally and used for the construction of a qualifying asset, the amount of interest to be capitalized on such borrowings is determined by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings.

The capitalization period is the period from the date of commencement of capitalization of borrowing costs to the date of cessation of capitalization, excluding any period over which capitalization is suspended. Capitalization of borrowing costs is suspended when the acquisition or construction activities are interrupted abnormally and the interruption lasts over three months and the borrowing costs are recognized in the income statement until the construction or production activities resume.

16. INTANGIBLE ASSETS

(1) Measurement of intangible assets

The intangible assets are recognized and initially measured at cost when it is probably that the related economic benefits will flow to the Group the cost of which can be reliably measured. The intangible assets acquired in the business combination the fair value of which can be reliably measured are separately recognized as intangible assets at fair value.

16. INTANGIBLE ASSETS *(continued)*

(2) Estimation of useful life of intangible assets with finite useful life

The land use rights acquired by the Group are generally accounted for as intangible assets. Or self development and construction of plant and buildings, the related land use rights and buildings are accounted for as intangible assets or fixed assets respectively. The costs for acquiring land and buildings are apportioned between the land use rights and buildings, or accounted for as fixed assets if they cannot be reasonably apportioned.

An intangible asset with a finite useful life is amortized using the straight line method over its useful life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date and are adjusted when necessary.

Item	Useful lives	Basis of determination
Land use rights	50 years	The useful lives of intangible assets are determined on the basis of useful economic life.
Patented technology	10 years	The useful lives of intangible assets are determined on the basis of useful economic life.
Software	5 years	The useful lives of intangible assets are determined on the basis of useful economic life.
Non-patented technology	5-10 years	The useful lives of intangible assets are determined on the basis of useful economic life.

16. INTANGIBLE ASSETS *(continued)*

(3) Recognition of intangible assets with indefinite useful lives

If it is impossible to forecast the useful economic life, it is regarded as intangible asset with indefinite useful lives.

(4) Provision for impairment

The Group assesses if there is any indicator that an asset may be impaired at the balance date. If there is any indicator that an asset may be impaired, the Group will assess its recoverable amount and perform impairment test. Intangible assets with indefinite useful lives are tested at least annually for impairment, irrespective of whether there is any indication that the asset may be impaired. Asset impairment test is conducted annually for intangible assets which are not yet available for use. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are mainly independent of those from other assets or groups of assets, in which case the recoverable amount is determined for cash-generating unit to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises. A provision for impairment loss of the asset is recognized accordingly.

An impairment loss recognized is not reversed in subsequent periods.

16. INTANGIBLE ASSETS *(continued)***(5) Specific standard on classifying the research phase and development phase of internal research and development activities of the Company**

Expenditure on internal research and development activities of the Group is categorised into expenditure arising from the research phase and expenditure arising from the development phase.

Research phase refers to the unique and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development phase refers to a plan or design for the production of new or substantially improved materials, devices, products or processes before the start of commercial production or use, so as to produce new or substantially improved materials, devices, products, etc.

(6) Calculation of expenditure on internal research and development activities

Expenditure arising from the research phase is recognised as profit or loss in the current period. Expenditure on the development phase is capitalized when the Group can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; how the intangible asset will generate economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and its ability to measure reliably the expenditure attributable to the intangible asset during its development. Expenditure in the development phase that does not meet the above criteria is recognized in profit or loss for the period in which it is incurred.

17. LONG-TERM DEFERRED EXPENSES

Long-term deferred expenses are recognised according to the actual amount incurred and amortized on average of the period accrued or as stipulated. If the long-term deferred expenses cannot be accrued in the subsequent accounting periods, then the residual value not amortized for the project will be transferred to the profit or loss for the period in full.

18. PROVISION

(1) Recognition of provision

Except for the contingent consideration and contingent liabilities under business combination, a provision is recognized when:

- (a) a present obligation has arisen as a result of a past event;
- (b) it is probable that a future outflow of resources will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

(2) Measurement of provision

Provisions are initially measured based on the best estimate of the expenditure for performing the current obligation, taking into account the related risks, uncertainties and time value factor. At each balance sheet date, the amount of provisions is reassessed and if there is solid evidence that the carrying value cannot reflect the best estimate, the provisions should be adjusted based on the best estimate.

19. REVENUE

(1) Recognition of revenue from sales of goods

Revenue from sales of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold and related costs incurred or to be incurred can be measured reliably. Revenue from sales of goods is determined according to amounts stipulated in contracts or agreements received or receivable from buyers, unless such amounts are deemed unfair. The receipt of amounts stipulated in contracts or agreements is recognized on a deferred basis. Those with a financing nature are measured at the fair value of amounts stipulated in contracts or agreements.

20. GOVERNMENT GRANTS

(1) Category

Government grant includes both grant relates to gains and assets.

(2) Accounting method

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attached conditions can be complied with. If the fair value could not be reasonably determined, the government grant is measured based on the nominal value. Where the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant is for compensation of expenses or losses incurred, the grant is recognized in the current period's consolidated income statement. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments. Government grants measured based on the nominal value are recognized in the consolidated income statement directly.

21. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

(1) Recognition of deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except: (a) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of deductible temporary differences associated with investments in subsidiaries, investments in jointly-controlled entities and investments in associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group reassesses unrecognized deferred tax assets at each balance sheet date and recognizes deferred tax asset to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

21. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES *(continued)*

(2) Recognition of deferred tax liabilities

Deferred tax liabilities are recognized for all taxable temporary differences, except: (a) where the taxable temporary difference arises from the initial recognition of goodwill, or initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, investments in jointly-controlled entities and investments in associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

22. OPERATING LEASE AND FINANCING LEASE

(1) Accounting method of operating lease

Leases where substantially all the risks and rewards of ownership of assets were transferred to the lessee are accounted for as financial leases, otherwise as operating leases.

As a lessee under operating lease

Rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms. Contingent rentals are charged to consolidated income statement when they are incurred.

23. SIGNIFICANT CHANGES TO ACCOUNTING POLICIES AND ESTIMATES

No significant changes to accounting policies and estimates during the reporting period.

24. AMENDMENTS TO PREVIOUS ACCOUNTING MISTAKES

No significant amendments to previous accounting mistakes during the reporting period.

25. OTHER SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Employee benefits

Employee benefits are all forms of considerations given and other related expenditure incurred in exchange for services rendered by employees. Employee benefits are recognized as a liability in the period which the associated services are rendered by employees. The amount of the employee benefits should be discounted to its present value if the amount is material and is due over one year after the balance sheet date.

All employees of the Group are covered by the social insurances administrated by the local government, including pension, medical care and unemployment insurance as well as housing fund, and the contributions are recognized as cost of assets or charged to income statement.

Termination benefits are payable whenever an employee's employment is voluntarily terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes retirement benefits in the income statement when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal.

Profit distribution

The cash dividends of the Company are recognized as a liability upon the approval at the shareholders general meeting.

Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control, joint control or significant influence from another party, they are considered to be related parties.

25. OTHER SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. However, uncertainty about those estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

Judgements

In the course of applying the accounting policies of the Group, the Management made judgements on the amounts recognized as follows in the financial statements where the areas involved were significant:

Recognition of deferred tax assets

Deferred tax assets are recognized by the Group for all deductible temporary differences arising between the carrying amounts and their basis of taxation for assets and liabilities. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Estimates with uncertainty

On the balance sheet date, the following uncertainties about those key assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

25. OTHER SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

Significant accounting judgements and estimates *(continued)*

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale recognizes movements of their fair values in equity. When the fair value declines, the Management makes assumptions about the decline in value to determine whether there is an impairment that should be recognized in the income statement.

Fair value of unlisted equity investments

The valuation of unlisted equity investments represents the expected future cash flows discounted at the prevailing discount rate of other financial instruments with similar contract terms and risk features. It requires the Group to estimate the expected future cash flows, credit risks, fluctuation and discount rates, so the valuation is uncertain.

Deferred tax assets

Deferred tax assets are recognized for all unused income tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

25. OTHER SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

Significant accounting judgements and estimates *(continued)*

Provision for doubtful debt

The Group adopts the allowance method to account for bad debt loss. The Group conducts impairment tests for the individually significant or insignificant receivables but with relatively large risk after combination in line with the credit risk characteristics. If there is objective evidence indicating that the accounts receivable is impaired, then impairment loss will be recognized and provision for bad debts will be made according to the difference when the present value of future cash flow is fewer than its carrying amounts. For other receivables, the management divides the amount together with other receivables which are unimpaired through separately test of impairment into certain portfolio according to similar credit risk characteristics, then determines the impairment loss in some proportion to the balance at the balance sheet date for provision of bad debts.

Provision for inventory obsolescence

According to the Group's accounting policy of inventories, which are stated at the lower of cost and net realisable value, provision for inventory impairment is made for obsolete and slow moving items, when its cost is higher than its net realisable value. The Group will reassess whether specific inventory is obsolete and slow moving, or its net realisable is lower than its cost on the balance sheet date. The difference between the reassess results and the current estimates will have an effect on the carry amount of inventories for the period of change.

(4) TAXATION

1. MAJOR TAXES AND TAX RATES

Type of tax	Basis of tax	Tax rate
Value added tax	Taxable revenue is subject to value added tax ("VAT") at a tax rate of 17%. The VAT payable is determined by the output VAT net of deductible input VAT of the period.	17%
Urban maintenance and construction tax	On turnover tax paid.	5-7%
Corporate income tax	25% on taxable income.	25%
Education surcharge	3% on turnover tax paid.	3%

Each subsidiary is subject to income tax rate as follows:

Name of subsidiary	Income tax rate
Siping Steering	15%
Hangzhou Shibao	15%
Hangzhou New Shibao	25%
Jilin Shibao	25%
Beijing Autonics	25%
Wuhu Sterling	25%
Erdos Sterling	25%

2. TAX CONCESSION AND APPROVAL DOCUMENTS

According to the Document (Ji Ke Ban Zi [2009] No.115) issued by the Department of Science and Technology, the Department of Finance, the Bureau of State Taxation and the Bureau of Local Taxation of Jilin province, Siping Steering, a subsidiary of the Company, was recognized as a high-tech enterprise, and was subject to corporate income tax rate of 15% from 2009 to 2011. In 2012, Siping Steering was re-accepted for the qualifications as a high-tech enterprise and is subject to corporate income tax rate of 15% from 2012 to 2014.

According to the Document (Zhe Ke Fa Gao [2008] No.250) issued by the Department of Science and Technology, the Department of Finance, the Bureau of State Taxation and the Bureau of Local Taxation of Zhejiang province, Hangzhou Shibao, a subsidiary of the Company, was recognized as a high-tech enterprise, and was subject to corporate income tax rate of 15% from 2008 to 2010. In 2011, Hangzhou Shibao was re-accepted for the qualifications as a high-tech enterprise and is subject to corporate income tax rate of 15% from 2011 to 2013.

(5) BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. PARTICULARS OF SUBSIDIARIES

(1) Subsidiaries obtained through establishment or investment

Name of subsidiary	Type of holding	Place of registration	Business nature	Registered capital '000	Business scope	Investment amount at end of period	% of share-holding	% of voting rights	Consolidated financial statements	Minority interests
Siping Steering	Control	Siping city	Manufacture	11,000	Manufacture of power steering gears, steering knuckles for sedans, and automotive parts and components	8,250,000.00	75%	75%	Yes	3,500,000.00
Hangzhou Shibao	Wholly owned	Hangzhou city	Manufacture	69,000	Manufacture of steering gear and automotive parts and components	70,461,807.49	100%	100%	Yes	-
Hangzhou New Shibao	Control	Hangzhou city	Manufacture	60,000	Manufacture of electronic power steering system	42,000,000.00	70%	70%	Yes	9,398,845.74
Jilin Shibao	Wholly owned	Siping city	Manufacture	30,000	Processing of stamping machinery, manufacture and sale of automotive parts and components, sale of metal materials, electro-mechanical products and electronic products, as well as casting and forging	30,000,000.00	100%	100%	Yes	-
Beijing Autonics	Control	Beijing city	Technology development	10,000	Automobile electronic technology develop, develop and assemble of ECU of electronic power steering systems	7,000,000.00	70%	70%	Yes	2,237,416.25

1. PARTICULARS OF SUBSIDIARIES *(continued)*

(2) Subsidiaries obtained through business combination not under common control

Name of subsidiary	Type of holding	Place of registration	Business nature	Registered capital '000	Business scope	Investment amount at end of period	% of share-holding	% of voting rights	Consolidated financial statements	Minority interests
Wuhu Sterling	Control	Wuhu city	Manufacture	22,800	Develop, manufacture and sale of automobile steering systems and related products, and provision of after-sale services	19,433,375.71	57.89%	57.89%	Yes	19,106,622.84
Erdos Sterling	Control	Erdos city	Manufacture	10,000	Develop, manufacture and sale of automobile steering systems and related products, and provision of after-sale services	-	57.89%	100%	Yes	-

2. EXPLANATION OF CHANGE IN CONSOLIDATION SCOPE

Reasons for two new combined units this year/period as compared with last year:

On 30 January 2013, the Company entered into an Equity Transfer Contract with Wuhu Chery Technology Co., Ltd. ("Chery Technology"), the existing shareholder of Wuhu Sterling, pursuant to which Chery Technology transferred 6% of equity interests held by it in Wuhu Sterling to the Company at a consideration of RMB3,000,000 ("Acquisition"). At the same time, the Company increased its capital contribution to Wuhu Sterling and entered into a Capital Contribution Agreement with other shareholders of Wuhu Sterling. The Company increased its investment by RMB7,000,000, of which RMB2,800,000 was contributed as registered capital and RMB4,200,000 was contributed as capital surplus ("Capital Contribution", and collectively referred to as the "Transactions" together with the aforesaid Acquisition). On 22 April 2013, the relevant industrial and commercial registration procedures have been completed regarding the Transactions and equity interests held by the Company in Wuhu Sterling was increased from 46% to 57.89%. Wuhu Sterling was included in the consolidated accounts of the Company since May 2013.

2. EXPLANATION OF CHANGE IN CONSOLIDATION SCOPE *(continued)*

Erdos Sterling is a wholly owned subsidiary of Wuhu Sterling, and is included in the consolidated accounts of the Company along with Wuhu Sterling. Wuhu Sterling holds 100% equity interests in Erdos Sterling, therefore the Company holds 57.89% shares in Erdos Sterling indirectly and owns controlling rights in Erdos Sterling. Erdos Sterling was included in the consolidated accounts of the Company since May 2013.

3. ENTITIES NEWLY INCLUDED AND NO LONGER INCLUDED IN THE SCOPE OF CONSOLIDATION DURING THE REPORTING PERIOD

Subsidiaries, special purpose entities, operating entities controlled through entrusted operation or lease newly included in the scope of consolidation during this period were as follows:

	Net Assets at end of period	Net profit for the period
Wuhu Sterling	21,339,828.53	923,717.55
Erdos Sterling	9,679,947.79	(34,650.99)

4. BUSINESS COMBINATION NOT INVOLVING ENTITIES UNDER COMMON CONTROL DURING THE REPORTING PERIOD

The acquiree	Amount of goodwill	Method of goodwill calculation
Wuhu Sterling	4,694,482.34	The excess of the consideration paid for business combination over the share of the attributable net identifiable assets of the acquiree, measured at fair value at the date of acquisition, was recognized as goodwill.

(6) NOTES TO THE FINANCIAL STATEMENTS*(All amounts in RMB Yuan unless otherwise stated)**(English translation for reference only)***1. CASH ON HAND AND AT BANK**

Item	30 June 2013 (unaudited)			31 December 2012 (audited)		
	Original currency	Conversion rate	Equivalent RMB	Original currency	Conversion rate	Equivalent RMB
Cash	-	-	184,498.30	-	-	80,461.14
RMB	-	-	184,498.30	-	-	80,461.14
Bank deposits	-	-	54,526,034.92	-	-	76,692,706.00
RMB	-	-	54,439,760.59	-	-	76,662,646.47
US\$	10,842.49	618%	68,101.71	1,848.97	629%	11,642.47
HK\$	21,839.25	80%	17,794.62	22,139.25	81%	18,039.06
CHF	55.41	650%	378.00	55.41	685%	378.00
Other monetary funds	-	-	5,352,881.25	-	-	1,770,509.77
RMB	-	-	5,352,881.25	-	-	1,770,509.77
Total	-	-	60,063,414.47	-	-	78,543,676.91

As at 30 June 2013 and 31 December 2012, the restricted cash on hand and at bank of the Group amounted to RMB5,352,881.25 and RMB1,770,509.77 respectively, which refers to the deposits for issuance of bank bills and letter of credit.

1. CASH ON HAND AND AT BANK *(continued)*

As at 30 June 2013 and 31 December 2012, details of the monetary funds of the Group placed in overseas banks are as follows:

	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Bank deposits		
– HK\$	21,839.25	22,139.25
Converted into RMB	17,794.62	18,039.06

2. NOTES RECEIVABLE

(1) Notes receivable by categories

Category	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Banker's acceptances	113,657,378.56	117,298,613.04
Total	113,657,378.56	117,298,613.04

2. NOTES RECEIVABLE *(continued)*

(2) Notes receivable pledged at the end of the period

The five largest notes receivable pledged:

Issuer	Date of issuance	Due date	Amount
Nanning Kai He Automobile Sales and Services Co., Ltd. (南寧開河汽車銷售服務有限公司)	6 March 2013	6 September 2013	2,000,000.00
Liuan Jia He Automobile Industry and Trade Co., Ltd. (六安嘉禾汽車工貿有限責任公司)	31 January 2013	31 July 2013	1,700,000.00
Ningbo Jiang Bei Yong Chuang Automobile Sales Co., Ltd. (寧波江北甬創汽車銷售有限公司)	28 January 2013	28 July 2013	1,300,000.00
Kunming Chi Feng Automobile Sales Co., Ltd. (昆明馳豐汽車銷售有限公司)	30 January 2013	30 July 2013	700,000.00
Total	–	–	5,700,000.00

As at 30 June 2013, notes receivable with a carrying value of RMB5,700,000.00 have been pledged to obtain notes payable (31 December 2012: RMB11,523,006.00).

2. NOTES RECEIVABLE (continued)

(3) Notes receivable converted to accounts receivables, because of the drawer's inability to perform and notes receivable have been endorsed to other parties, but not yet expired

The Group had no notes receivable converted to accounts receivables, because of the drawer's inability to perform.

Notes receivable have been endorsed to other parties, but not yet expired were as follows:

Issuer	Date issuance	Due date	Amount
Tianjin FAW XIALI Automobile Co., Ltd. (天津一汽夏利汽車股份有限公司)	25 January 2013	25 July 2013	4,130,000.00
Guangxi Kang Kai Automobile Sales and Services Co., Ltd. (廣西康凱汽車銷售服務有限公司)	22 May 2013	22 November 2013	3,200,000.00
Xian Li Heng Automobile Sales and Services Co., Ltd. (西安利亨汽車銷售服務有限公司)	22 May 2013	22 November 2013	3,140,000.00
Shandong Heng Xing Plastic Machinery Manufacturing Co., Ltd. (山東恒星塑料機械製造有限公司)	23 January 2013	22 July 2013	2,000,000.00
Nanning Kai He Automobile Sales and Services Co., Ltd. (南寧開河汽車銷售服務有限公司)	6 March 2013	6 September 2013	2,000,000.00
Total	-	-	14,470,000.00

3. ACCOUNTS RECEIVABLE

(1) Accounts receivable by ageing:

	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Within 1 year	302,018,569.33	282,502,420.92
1-2 years	19,129,689.65	1,476,642.22
2-3 years	1,493,279.64	1,678,563.32
Over 3 years	963,132.52	1,005,001.22
Total	323,604,671.14	286,662,627.68

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. Overdue balances are reviewed regularly by senior management.

3. ACCOUNTS RECEIVABLE (continued)

(2) Accounts receivable by categories

Category	30 June 2013 (unaudited)				31 December 2012 (audited)			
	Carrying balance		Bad debt provision		Carrying balance		Bad debt provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant amount with bad debt provision on individual basis	290,084,226.37	89.64%	-	-	262,419,682.48	91.54%	-	-
Bad debt provision by groups								
Individually insignificant but significant based on credit risk characteristics	3,755,266.72	1.16%	874,621.28	23.29%	2,534,021.64	0.88%	874,621.28	34.52%
Sub-total of groups	3,755,266.72	1.16%	874,621.28	23.29%	2,534,021.64	0.88%	874,621.28	34.52%
Individually insignificant amount with bad debt provision on individual basis	29,765,178.05	9.20%	-	-	21,708,923.56	7.58%	-	-
Total	323,604,671.14	-	874,621.28	-	286,662,627.68	-	874,621.28	-

Individually insignificant but significant based on credit risk characteristics mainly refers to the individually insignificant receivables with long ageing. In addition, the Group conducts an independent impairment test on the individually significant receivables to separately test financial assets that have never been impaired, including impairment tests conducted within a group of financial assets sharing similar credit risk features. Accounts receivable, the impairment loss of which has been recognized are separately tested, excluding impairment tests conducted for the above group.

3. ACCOUNTS RECEIVABLE *(continued)*

(2) Accounts receivable by categories *(continued)*

Bad debt provision by groups using other method:

Group	Carrying balance	Bad debt provision
Individually insignificant but significant based on credit risk characteristics	3,755,266.72	874,621.28
Total	3,755,266.72	874,621.28

(3) Accounts receivable reversed or recovered during the reporting period

During the reporting period, no significant accounts receivable were reversed or recovered.

(4) Accounts receivable write-off during the reporting period

During the reporting period, no significant accounts receivable were write-off.

(5) Accounts receivable for shareholding units with 5% (inclusive) or more of the voting rights of the Company during the reporting period

During the reporting period, no accounts receivable were held by shareholding units holding 5% (inclusive) or more of the voting rights of the Company.

3. ACCOUNTS RECEIVABLE (continued)

(6) The five largest accounts receivable

Name	Relationship with the Company	Amount	Ageing	Percentage of total accounts receivable (%)
FAW Jiefang Qingdao Automobile Co., Ltd. (一汽解放青島汽車有限公司)	Third party customer	36,848,788.87 16,550,336.25	Within 1 year 1-2 years	11.39% 5.11%
FAW Car Co., Ltd. (一汽轎車股份有限公司)	Third party customer	43,196,241.45	Within 1 year	13.35%
Anhui Jianghuai Automobile Co., Ltd. (安徽江淮汽車股份有限公司)	Third party customer	30,674,470.15	Within 1 year	9.48%
Zhejiang Yuan Jing Automotive Parts Co., Ltd. (浙江遠景汽配有限公司)	Third party customer	17,922,775.74	Within 1 year	5.54%
Tianjin FAW XIALI Automobile Co., Ltd. (天津一汽夏利汽車股份有限公司)	Third party customer	17,600,351.30	Within 1 year	5.44%
Total	-	162,792,963.76	-	50.31%

4. OTHER RECEIVABLES

(1) Other receivables by ageing:

	30 June 2013 (unaudited)	31 December 2012 (audited)
Within 1 year	3,928,153.00	5,185,507.49
1-2 years	2,446,045.75	3,480,863.13
2-3 years	570,200.00	97,400.00
Over 3 years	92,967.26	94,467.26
Total	7,037,366.01	8,858,237.88

4. OTHER RECEIVABLES *(continued)*

(2) Other receivables by categories

Category	30 June 2013 <i>(unaudited)</i>				31 December 2012 <i>(audited)</i>			
	Carrying balance		Bad debt provision		Carrying balance		Bad debt provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant amount with bad debt provision on individual basis	4,474,396.91	63.58%	-	-	5,474,396.91	61.8%	-	-
Bad debt provision by groups								
Individually insignificant but significant based on credit risk characteristics	709,213.01	10.08%	-	-	922,730.39	10.42%	-	-
Sub-total of groups	709,213.01	10.08%	-	-	922,730.39	10.42%	-	-
Individually insignificant amount with bad debt provision on individual basis	1,853,756.09	26.34%	-	-	2,461,110.58	27.78%	-	-
Total	7,037,366.01	-	-	-	8,858,237.88	-	-	-

Individually insignificant but significant based on credit risk characteristics mainly refers to the individually insignificant receivables with long ageing. In addition, the Group conducts an independent impairment test on the individually significant receivables to separately test financial assets that have never been impaired, including impairment tests conducted within a group of financial assets sharing similar credit risk features. Accounts receivable, the impairment loss of which has been recognized are separately tested, excluding impairment tests conducted for the above group.

4. OTHER RECEIVABLES *(continued)*

(2) Other receivables by categories *(continued)*

Bad debt provision by groups using other method:

Group	Carrying amount	Bad debt provision
Individually insignificant but significant based on credit risk characteristics	709,213.01	–
Total	709,213.01	–

(3) Other receivables reversed or recovered during the reporting period

During the reporting period, no significant other receivables were reversed or recovered.

(4) Other receivables write-off during the reporting period

During the reporting period, no significant other receivables were write-off.

(5) Other receivables for shareholding units with 5% (inclusive) or more of the voting rights of the Company during the reporting period

During the reporting period, no other receivables were held by shareholding units holding 5% (inclusive) or more of the voting rights of the Company.

4. OTHER RECEIVABLES (continued)

(6) The five largest other receivable

Name	Relationship with the Company	Amount	Ageing	Percentage of total other receivables (%)
Management Committee of Tiedong Economic Development Zone of Siping (四平鐵東經濟開發區管理委員會)	Third party	1,000,000.00	Within 1 year	14.21%
		2,000,000.00	Within 2 years	28.42%
		400,000.00	Within 3 years	5.68%
Mingjie Plastic Products Co., Ltd. (明潔塑料製品有限公司)	Third party	1,074,396.91	Within 1 year	15.27%
Siping City Dongda Industry and Trade Co., Ltd. (四平市東達工貿有限公司)	Third party	650,000.00	Within 2 years	9.24%
Wang Gang (王剛)	Employee of the Company	128,650.17	Within 1 year	1.83%
Finance Bureau of Tiedong District of Siping (四平市鐵東區財政局)	Third party	100,000.00	Over 3 years	1.42%
Total	-	5,353,047.08	-	76.07%

5. PREPAYMENTS

(1) Prepayments by ageing

Ageing	30 June 2013 (unaudited)		31 December 2012 (audited)	
	Amount	%	Amount	%
Within 1 year	9,262,992.70	91.48%	6,429,311.52	85.81%
1-2 years	103,639.20	1.02%	812,697.57	10.85%
2-3 years	508,555.48	5.02%	250,511.95	3.34%
Over 3 years	250,511.95	2.48%	–	–
Total	10,125,699.33	–	7,492,521.04	–

(2) The five largest prepayments

Name	Relationship with the Company	Amount	Date	Reasons for outstanding
Changchun He Yun Lai Sheet Metal Charge Processing Co., Ltd. (長春和運來鈹金爐料加工有限公司)	Third party	1,612,722.00	14 June 2013	Prepayment for materials unsettled
Benxi City Ju Xin Da Machinery Manufacturing Co., Ltd. (本溪市聚鑫達機械製造有限公司)	Third party	1,356,576.39	3 February 2013	Prepayment for materials unsettled
Jilin Province Nong Dian Co., Ltd. (吉林省農電有限公司)	Third party	938,296.33	6 June 2013	Prepayment for electricity bills unsettled
Yangzhong City Hua Ri Plastic Appliance Factory (揚中市華日塑料電器廠)	Third party	845,839.65	8 April 2013	Prepayment for materials unsettled
Yuhuang Zhao Xu Machinery Manufacturing Co., Ltd. (玉環昭旭機械製造有限公司)	Third party	765,899.99	24 May 2013	Prepayment for materials unsettled
Total	–	5,519,334.36	–	–

5. PREPAYMENTS *(continued)*

(3) Prepayments for shareholding units with 5% (inclusive) or more of the voting rights of the Company

During the reporting period, no prepayments were held by shareholding units holding 5% (inclusive) or more of the voting rights of the Company.

6. INVENTORIES

(1) Inventories by categories

Item	30 June 2013 <i>(unaudited)</i>			31 December 2012 <i>(audited)</i>		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Raw materials	59,170,813.67	-	59,170,813.67	55,620,707.37	-	55,620,707.37
Work-in-progress	27,124,570.58	-	27,124,570.58	20,626,741.37	-	20,626,741.37
Finished goods	77,784,549.70	426,788.15	77,357,761.55	59,164,082.89	426,788.15	58,737,294.74
Low-value consumables	3,819,904.79	-	3,819,904.79	1,482,871.60	-	1,482,871.60
Total	167,899,838.74	426,788.15	167,473,050.59	136,894,403.23	426,788.15	136,467,615.08

6. INVENTORIES *(continued)***(2) Provision for impairment of inventories**

Category of inventories	Balance at the beginning of the year	Provision during the period	Decrease during the period		Balance at the end of the period
			Reversal	Write-off	
Finished goods	426,788.15	-	-	-	426,788.15
Total	426,788.15	-	-	-	426,788.15

7. OTHER CURRENT ASSETS

Item	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Prepaid expenses	744,901.87	1,224,181.63
Total	744,901.87	1,224,181.63

8. FIXED ASSETS

(1) Fixed assets

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	
1. Total cost:	513,308,949.74	78,816,719.67	1,457,319.88	590,668,349.53	
Including: Buildings and structures	169,936,530.79	14,407,346.61	-	184,343,877.40	
Plant and equipment	314,439,714.95	58,552,213.21	1,314,119.88	371,677,808.28	
Transportation vehicles	19,641,493.64	3,566,909.69	143,200.00	23,065,203.33	
Office equipment and others	9,291,210.36	2,290,250.16	-	11,581,460.52	
	Balance at the beginning of the period	Increase during the period	Provision during the period	Decrease during the period	Balance at the end of the period
2. Total accumulated depreciation:	161,056,089.24	20,779,057.76	19,376,351.82	579,801.51	200,631,697.31
Including: Buildings and structures	28,004,573.54	2,731,122.88	2,449,006.51	-	33,184,702.93
Plant and equipment	115,834,638.19	17,283,306.94	14,743,123.31	523,094.31	147,337,974.13
Transportation vehicles	10,247,390.63	258,421.25	1,682,702.05	56,707.20	12,131,806.73
Office equipment and others	6,969,486.88	506,206.69	501,519.95	-	7,977,213.52
	Balance at the beginning of the period				Balance at the end of the period
3. Total net value	352,252,860.50	-	-	-	390,036,652.22
Including: Buildings and structures	141,931,957.25	-	-	-	151,159,174.47
Plant and equipment	198,605,076.76	-	-	-	224,339,834.15
Transportation vehicles	9,394,103.01	-	-	-	10,933,396.60
Office equipment and others	2,321,723.48	-	-	-	3,604,247.00
4. Total provision for impairment	-	-	-	-	1,071,242.00
Including: Buildings and structures	-	-	-	-	825,717.39
Plant and equipment	-	-	-	-	245,524.61
5. Total book value	352,252,860.50	-	-	-	388,965,410.22
Including: Buildings and structures	141,931,957.25	-	-	-	150,333,457.08
Plant and equipment	198,605,076.76	-	-	-	224,094,309.54
Transportation vehicles	9,394,103.01	-	-	-	10,933,396.60
Office equipment and others	2,321,723.48	-	-	-	3,604,247.00

During the period, amount of depreciation was RMB19,376,351.82, and cost of fixed assets transfer from construction in progress was RMB6,703,221.75.

9. CONSTRUCTION IN PROGRESS

(1) Construction in progress

Item	30 June 2013 (unaudited)			31 December 2012 (audited)		
	Balance	Provision for impairment	Book value	Balance	Provision for impairment	Book value
Buildings and structures	5,367,455.58	-	5,367,455.58	5,186,751.04	-	5,186,751.04
Plant and equipment	93,051,111.22	-	93,051,111.22	85,537,682.87	-	85,537,682.87
Transportation vehicles	264,439.33	-	264,439.33	186,239.33	-	186,239.33
Office equipment and others	2,037,501.30	-	2,037,501.30	1,951,160.28	-	1,951,160.28
Total	100,720,507.43	-	100,720,507.43	92,861,833.52	-	92,861,833.52

(2) Movement of major construction in progress projects

Project	Balance at the beginning of the period	Increase during the period	Transfer to fixed assets	Balance at the end of the period
Capacity expansion project of Siping Steering	183,760.68	-	183,760.68	-
Capacity expansion project of Hangzhou New Shibao	21,193,139.37	3,725,752.19	3,240,805.30	21,678,086.26
Capacity expansion project of Hangzhou Shibao	27,930,188.00	7,666,562.79	2,887,063.02	32,709,687.77
Jilin precision casting, processing and construction project	43,554,745.47	886,067.58	391,592.75	44,049,220.30
Total	92,861,833.52	12,278,382.56	6,703,221.75	98,436,994.33

10. INTANGIBLE ASSETS

(1) Intangible assets

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
1. Total cost	85,217,720.04	38,727,914.21	-	123,945,634.25
2. Total accumulated amortization	14,938,797.47	5,154,303.59	-	20,093,101.06
3. Total net value	70,278,922.57	33,573,610.62	-	103,852,533.19
Total book value	70,278,922.57	33,573,610.62	-	103,852,533.19

During the reporting period, amount of amortization was RMB2,575,102.30.

11. GOODWILL

Name of investee or item generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provisions at end of the period
Wuhu Sterling	-	4,694,482.34	-	4,694,482.34	-
Total	-	4,694,482.34	-	4,694,482.34	-

The carrying amount of goodwill acquired in a business combination was allocated to each of the related asset groups from the acquisition date on a reasonable basis, and the Company has completed impairment test on the related asset groups including goodwill and has found no indication that the goodwill related asset groups need impairment.

12. LONG-TERM DEFERRED EXPENSES

Item	At the beginning of the period	Increase during the period	Amortization during the period	Other decreases	At the end of the period
License fee	-	40,440.02	2,924.34	-	37,515.68
Tooling	-	440,753.19	53,362.22	-	387,390.97
Assembly line workshop	-	152,235.91	17,910.12	-	134,325.79
Total	-	633,429.12	74,196.68	-	559,232.44

13. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

(1) Deferred tax assets and deferred tax liabilities not stated at the net amount after offset

Recognized deferred tax assets and deferred tax liabilities:

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Deferred tax assets:		
Provision for impairment of assets	169,961.39	169,961.39
Deductible loss	2,984,653.31	2,889,136.33
Warranty expenses	481,104.96	481,104.96
Sub-total	3,635,719.66	3,540,202.68
Deferred tax liabilities:		
Adjustment to fair value of the business combination not under the common control	9,568,115.01	1,505,958.33
Sub-total	9,568,115.01	1,505,958.33

13. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES *(continued)***(1) Deferred tax assets and deferred tax liabilities not stated at the net amount after offset** *(continued)*

Details of unrecognized deferred tax assets:

Item	30 June 2013 (unaudited)	31 December 2012 <i>(audited)</i>
Deductible loss	36,717,708.39	29,970,127.62
Total	36,717,708.39	29,970,127.62

The deductible loss of the unrecognized deferred tax assets will expire in the following years:

Year	30 June 2013 (unaudited)	31 December 2012 <i>(audited)</i>
2015	5,821,084.82	5,821,084.82
2016	10,996,947.74	10,996,947.74
2017	13,152,095.06	13,152,095.06
2018	6,747,580.77	–
Total	36,717,708.39	29,970,127.62

13. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES *(continued)***(1) Deferred tax assets and deferred tax liabilities not stated at the net amount after offset** *(continued)*

Details of taxable differences and deductible differences:

Item	Amount of temporary differences	
	At end	At beginning
Items of taxable differences		
Adjustment to fair value of the business combination not under the common control	38,272,460.03	6,023,833.32
Sub-total	38,272,460.03	6,023,833.32
Items of deductible differences		
Bad debt provision	874,621.28	874,621.28
Warranty expenses	3,207,366.43	3,207,366.43
Deductible loss	11,938,613.23	11,556,545.30
Sub-total	16,020,600.94	15,638,533.01

13. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES *(continued)***(2) Deferred tax assets and deferred tax liabilities stated at the net amount after offset**

Deferred tax assets and deferred tax liabilities after offset:

Item	Deferred	Temporary	Deferred	Temporary
	tax assets/ liabilities after offset at the end of the reporting period	differences after offset at the end of the reporting period	tax assets/ liabilities after offset after offset at the beginning of the reporting period	differences after offset at the beginning of the reporting period
Deferred tax assets	3,635,719.66	–	3,540,202.68	–
Deferred tax liabilities	9,568,115.01	–	1,505,958.33	–

14. PROVISION FOR IMPAIRMENT OF ASSETS

Item	Balance at the beginning of the year	Increase during the period	Decrease during the period		Balance at the end of the period
			Reversal	Write-off	
1. Bad debt provision	874,621.28	–	–	–	874,621.28
2. Provision for decline in price of inventories	426,788.15	–	–	–	426,788.15
3. Provision for impairment of fixed assets	–	1,071,242.00	–	–	1,071,242.00
Total	1,301,409.43	1,071,242.00	–	–	2,372,651.43

15. OTHER NON-CURRENT ASSETS

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Prepaid for purchase of fixed assets and land use rights	23,157,913.01	14,255,150.05
Total	23,157,913.01	14,255,150.05

16. SHORT-TERM LOANS**(1) Short-term loans by categories**

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Pledged loans	19,000,000.00	–
Guaranteed loans	134,000,000.00	126,500,000.00
Credit loans	65,000,000.00	65,000,000.00
Total	218,000,000.00	191,500,000.00

(2) Short-term loans which were past due but remained unpaid

The Company had no short-term loans which were past due but remained unpaid.

17. NOTES PAYABLE

Category	30 June 2013 (unaudited)	31 December 2012 (audited)
Banker's acceptances	24,232,400.00	19,849,353.45
Total	24,232,400.00	19,849,353.45

Amount of notes payable would be due in the next accounting year was RMB24,232,400.00.

All notes payable of the Company were banker's acceptances.

Notes payable were non-interest-bearing and were normally settled on terms of six months.

18. ACCOUNTS PAYABLE**(1) Accounts payable**

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Within 1 year	194,511,631.81	153,244,102.50
1-2 years	5,886,724.96	7,262,957.72
2-3 years	285,926.77	1,128,525.17
Over 3 years	1,108,034.00	1,973,901.17
Total	201,792,317.54	163,609,486.56

18. ACCOUNTS PAYABLE *(continued)***(2) Accounts payable for shareholding units with 5% (inclusive) or more of the voting rights of the Company**

During the reporting period, no accounts payable were held by shareholding units holding 5% (inclusive) or more of the voting rights of the Company.

19. ADVANCE FROM CUSTOMERS**(1) Advance from customers**

Item	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Within 1 year	2,610,901.31	1,791,318.23
1-2 years	277,976.58	489,024.20
Total	2,888,877.89	2,280,342.43

(2) Advance from customers for shareholding units with 5% (inclusive) or more of the voting rights of the Company

During the reporting period, no advance from customers were held by shareholding units holding 5% (inclusive) or more of the voting rights of the Company.

20. EMPLOYEE BENEFITS PAYABLE

Item	Balance at the beginning of the year	Increase during the period	Decrease during the period	Balance at the end of the period
1. Salaries, bonuses, allowances and subsidies	3,735,610.34	31,928,898.84	31,825,989.50	3,838,519.68
2. Staff welfare	6,145.00	3,808,776.03	3,006,912.33	808,008.70
3. Social insurances	-	5,904,150.81	5,904,150.81	-
Including: Medical insurance	-	1,820,365.32	1,820,365.32	-
Basic pension insurance	-	3,557,983.91	3,557,983.91	-
Unemployment insurance	-	277,281.55	277,281.55	-
Work injury insurance	-	119,367.90	119,367.90	-
Maternity insurance	-	129,152.13	129,152.13	-
4. Housing funds	-	157,933.00	157,933.00	-
5. Others	472,352.75	756,207.62	589,523.16	639,037.21
Total	4,214,108.09	42,555,966.30	41,484,508.80	5,285,565.59

The Company had no amount in arrears.

Amount of labour union funds and employee education funds was RMB545,663.48, no amount of non-monetary welfare and compensation for termination of employment relationship.

All employee benefits payable would be settled in the next accounting year.

21. TAXES PAYABLE

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Value added tax	(13,583,522.12)	(11,287,767.03)
Business tax	–	366,313.53
Corporate income tax	5,857,913.77	6,381,541.27
Individual income tax	186,467.94	151,291.58
Urban maintenance and construction tax	602,488.27	596,880.13
Others	1,560,417.97	1,220,468.34
Total	(5,376,234.17)	(2,571,272.18)

22. INTERESTS PAYABLE

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Interest of long-term borrowings	1,160,633.33	1,160,633.33
Interest of short-term loans	420,872.55	336,550.17
Total	1,581,505.88	1,497,183.50

Description of interests payable

Interest of long-term borrowings refers to the loan interest attached to the special funds for treasury bonds on key technological improvement projects of the State granted by the Ministry of Finance in Siping.

23. DIVIDENDS PAYABLE

Name	30 June 2013 (unaudited)	31 December 2012 (audited)
Shibao Holding	13,230,977.84	–
Zhang Shi Quan	844,530.56	–
Shareholders of H Shares	6,937,120.00	–
Total	21,012,628.40	–

24. OTHER PAYABLES**(1) Other payables**

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Deposits	95,050.00	95,050.00
Labour service company management fees	176,077.37	122,149.32
Others	499,807.15	614,433.38
Total	770,934.52	831,632.70

(2) Other payables for shareholding units with 5% (inclusive) or more of the voting rights of the Company

During the reporting period, no other payables were held by shareholding units holding 5% (inclusive) or more of the voting rights of the Company.

25. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR**(1) Non-current liabilities due within one year**

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Long-term borrowings due within one year	13,790,400.00	13,790,400.00
Total	13,790,400.00	13,790,400.00

(2) Long-term borrowings due within one year

Long-term borrowings due within one year:

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Guaranteed loans	13,000,000.00	13,000,000.00
Credit loans	790,400.00	790,400.00
Total	13,790,400.00	13,790,400.00

No amounts which were past due but were granted with extensions among the long-term borrowings due within one year.

25. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR *(continued)*

(2) Long-term borrowings due within one year *(continued)*

The five largest long-term borrowings due within one year:

Borrower	Date of commencement	Maturity date	Currency	Interest rate %	30 June 2013 <i>(unaudited)</i>		31 December 2012 <i>(audited)</i>	
					Foreign currency	RMB	Foreign currency	RMB
Jilin Shibao	1 December 2010	30 November 2013	RMB	8.28%	-	2,000,000.00	-	2,000,000.00
Jilin Shibao	20 May 2011	30 November 2013	RMB	8.28%	-	11,000,000.00	-	11,000,000.00
Siping Steering	1 January 2002	31 December 2013	RMB	5.00%	-	790,400.00	-	790,400.00
Total	-	-	-	-	-	13,790,400.00	-	13,790,400.00

No long-term borrowings due within one year which were past due but remained unpaid.

Description of long-term borrowings due within one year:

Jilin Shibao obtained a loan of RMB20,000,000.00 from the Siping Branch of China Construction Bank on 1 December 2010, a loan of RMB15,000,000.00 from the Siping Branch of China Construction Bank on 20 May 2011, the annual interest rate of which was 8.28%, and it was secured by Siping Steering. Among such amount, RMB5,000,000.00 was due and repaid on 30 November 2011, RMB13,000,000.00 was due and repaid on 16 November 2012, RMB13,000,000.00 will be due for repayment on 30 November 2013, and the remaining RMB4,000,000.00 will be due for repayment on 30 November 2014.

On 1 January 2002, Siping Steering obtained a loan of RMB2,260,000.00 under the special fund for treasury bond on the state key projects of technological transformation from the Siping Municipal Bureau of Finance, for a term of 15 years, with a grace period of 4 years, the annual interest rate of which was 5%. Among such amount, RMB869,600.00 was repaid on 30 December 2011, RMB600,000.00 was repaid on 3 December 2012 and the remaining RMB790,400.00 will be repaid according to the requirement of the Siping Municipal Bureau of Finance.

26. OTHER CURRENT LIABILITIES

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Deferred income	3,092,960.41	3,092,960.41
Accrued expenses	4,892,358.57	5,197,596.69
Total	7,985,318.98	8,290,557.10

Deferred income was the government grants related to assets which would be recognized as income in the next year, including the subsidies granted by the National Development and Reform Commission in respect of the precious casting and processing of automotive components project, the special subsidies granted by NDRC to support the development of the Group's steering knuckle assembly project for sedans and the subsidies granted by the Management Committee of the Tiedong Economic Development Zone in Siping in respect of the precious casting and processing of automotive components project.

Accrued expenses mainly include warranty fee, accrued auditing costs and labour payment.

27. LONG-TERM BORROWINGS**(1) Long-term borrowings by category**

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Guaranteed loans	4,000,000.00	4,000,000.00
Credit Loans	2,830,000.00	2,830,000.00
Other loans	8,800,000.00	8,800,000.00
Total	15,630,000.00	15,630,000.00

27. LONG-TERM BORROWINGS (continued)

(2) The five largest long-term borrowings

Borrower	Date of commencement	Maturity date	Currency	Interest rate %	30 June 2013 (unaudited)		31 December 2012 (audited)	
					Foreign currency	RMB	Foreign currency	RMB
Special fund for treasury bond	10 May 2005	31 December 2020	RMB	5.00%	-	2,830,000.00	-	2,830,000.00
China Construction Bank	20 May 2011	30 November 2014	RMB	8.28%	-	4,000,000.00	-	4,000,000.00
Administrative committee of Tiedong Economic Development Zone of Siping	2 December 2011	1 December 2014	RMB	Not contracted	-	8,800,000.00	-	8,800,000.00
Total	-	-	-	-	-	15,630,000.00	-	15,630,000.00

28. OTHER NON-CURRENT LIABILITIES

Item	30 June 2013 (unaudited)	31 December 2012 (audited)
Government grants related to assets	26,437,938.03	27,984,418.23
Total	26,437,938.03	27,984,418.23

Other non-current liabilities were government grants related to assets, including the subsidies granted by National Development and Reform Commission in respect of the precious casting and processing of automotive components project, the special subsidies granted by NDRC to support the development of the Group's steering knuckle assembly project for sedans and the subsidies granted by the Management Committee of the Tiedong Economic Development Zone in Siping in respect of the precious casting and processing of automotive components project.

29. NET CURRENT ASSETS

	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Current assets	681,831,860.69	639,672,851.98
Less: Current liabilities	(491,963,714.63)	(403,291,791.65)
	189,868,146.06	236,381,060.33

30. TOTAL ASSETS LESS CURRENT LIABILITIES

	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Total assets	1,307,417,658.98	1,182,238,028.49
Less: Current liabilities	(491,963,714.63)	(403,291,791.65)
	815,453,944.35	778,946,236.84

31. SHARE CAPITAL

	At the beginning of the year	Issue of new shares	Movement during the period			Sub-total	At the end of the period
			Bonus issue	Transfer from reserve	Others		
Total number of shares	277,657,855.00	-	-	-	-	-	277,657,855.00

32. CAPITAL RESERVE

Item	At the beginning of the year	Increase during the period	Decrease during the period	At the end of the period
Share premium	35,854,815.68	-	-	35,854,815.68
Other capital reserve	6,444,389.04	-	-	6,444,389.04
Total	42,299,204.72	-	-	42,299,204.72

33. SURPLUS RESERVE

Item	At the beginning of the year	Increase during the period	Decrease during the period	At the end of the period
Statutory surplus reserve	107,210,809.82	2,049,714.09	-	109,260,523.91
Total	107,210,809.82	2,049,714.09	-	109,260,523.91

Pursuant to PRC Company Law and the Company's Articles of Association, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve. The appropriation may cease if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital.

34. RETAINED EARNINGS

Item	Amount	% of appropriation/distribution
Retained earnings at end of last year before adjustment	289,773,896.98	-
Retained earnings at beginning of the year after adjustment	289,773,896.98	-
Add: Net profit attributable to equity holders of the parent	34,845,868.36	-
Less: Transfer to statutory reserve funds	2,049,714.09	10.00%
Dividends payable to the holders of the Company's ordinary shares	22,212,628.40	30.80%
Retained earnings at the end of the period	300,357,422.85	-

No adjustment to the retained earnings at beginning of the year.

35. REVENUE AND COST OF SALES

(1) Revenue and cost of sales

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Revenue from main business	311,556,209.91	309,784,471.29
Revenue from other business	2,193,630.46	1,870,308.02
Cost of sales	228,227,679.02	208,157,763.51

(2) Revenue (by sectors)

Sector	Jan.-June 2013 (unaudited)		Jan.-June 2012 (unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Automobile components and spare parts manufacture	311,556,209.91	227,714,869.35	309,784,471.29	207,871,385.75
Total	311,556,209.91	227,714,869.35	309,784,471.29	207,871,385.75

(3) Main business (by products)

Product	Jan.-June 2013 (unaudited)		Jan.-June 2012 (unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Power recirculating ball steering gears and its components	110,788,712.53	81,184,127.68	130,424,444.09	90,682,621.97
Steering knuckles	44,324,042.32	28,578,706.21	42,035,299.02	24,600,591.64
Power rack-and-pinion steering gears	110,322,038.13	80,461,622.08	92,312,822.94	56,484,060.09
Manual recirculating ball steering gears	3,674,968.96	3,605,775.28	5,804,408.76	5,196,109.63
Spare parts and others	42,446,447.97	33,884,638.10	39,207,496.48	30,908,002.42
Total	311,556,209.91	227,714,869.35	309,784,471.29	207,871,385.75

35. REVENUE AND COST OF SALES *(continued)***(4) Revenue from the five largest customers**

Customer	Revenue from main business	Proportion to revenue %
FAW Car Co., Ltd. (一汽轎車股份有限公司)	62,058,867.88	19.78%
Anhui Jianghuai Automobile Co., Ltd. (安徽江淮汽車股份有限公司)	43,927,793.26	14.00%
SG Saipa	33,264,000.00	10.60%
FAW Jiefang Qingdao Automobile Co., Ltd. (一汽解放青島汽車有限公司)	20,643,236.77	6.58%
Dongfeng Liuzhou Motor Co., Ltd. (東風柳州汽車有限公司)	17,760,381.15	5.66%
Total	177,654,279.06	56.62%

36. BUSINESS TAXES AND SURCHARGES

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Urban maintenance and construction tax	1,065,344.99	1,344,609.25
Education surcharges	774,542.28	972,129.05
Other	24,102.50	24,079.19
Total	1,863,989.77	2,340,817.49

37. SELLING EXPENSES

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Transportation and storage cost	6,741,106.53	5,424,346.59
Wages, welfare and bonuses	3,257,758.87	3,471,792.73
Warranty fee	3,443,335.20	2,838,562.20
Travelling expenses	1,599,155.58	1,481,607.94
Entertainment charge	675,414.42	843,412.68
Depreciation of fixed assets	263,398.89	223,516.56
Others	2,472,098.70	1,550,636.30
Total	18,452,268.19	15,833,875.00

38. GENERAL AND ADMINISTRATIVE EXPENSES

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Wages, welfare and bonuses	11,041,747.65	10,593,118.04
Research and development expenses	8,999,412.85	6,548,766.42
Office cost	3,023,415.48	2,313,938.46
Professional service fee	1,033,290.11	1,057,145.11
Depreciation of fixed assets	2,399,729.14	1,947,163.02
Amortization of intangible assets	2,516,922.68	1,955,962.86
Other taxation	1,466,117.80	1,479,435.69
Travelling expenses	1,031,129.74	401,968.02
Entertainment charge	417,366.75	479,550.74
Others	1,890,990.66	712,387.57
Total	33,820,122.86	27,489,435.93

39. FINANCIAL EXPENSES

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Interest expenses	5,327,474.96	4,014,511.83
Interest income	(268,207.13)	(366,112.77)
Other	15,182.48	73,061.55
Total	5,074,450.31	3,721,460.61

40. INVESTMENT GAINS**(1) Investment gains**

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Investment gains from long-term equity investments under equity method of accounting	(438,462.92)	(580,355.14)
Others	11,092,596.72	–
Total	10,654,133.80	(580,355.14)

During the reporting period, the Company acquired Wuhu Sterling through business combination not involving entities under common control. For the previously held interest in Wuhu Sterling before the acquisition date, the interest was remeasured at fair value on the acquisition date and an investment income of RMB11,092,596.72 was recognized.

During the reporting period, among the long-term equity investment income accounted for under the equity method, no investment income from investment unit accounted for over 5% of total profit.

41. ASSET IMPAIRMENT LOSSES

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
1. Bad debt losses	–	(1,543,988.26)
2. Losses for decline in price of inventories	–	(208,350.13)
Total	–	(1,752,338.39)

42. NON-OPERATING INCOME**(1) Non-operating income**

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)	Amount recognized as non-recurring gain and loss during the period
Total gains from disposal of non-current assets	109,251.09	161,725.28	109,251.09
Including: gains from disposal of fixed assets	109,251.09	161,725.28	109,251.09
Government grants	1,621,480.20	1,296,480.18	1,621,480.20
Others	282,923.58	1,681,207.32	282,923.58
Total	2,013,654.87	3,139,412.78	2,013,654.87

42. NON-OPERATING INCOME (continued)

(2) Details of government grants

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)	Remarks
Subsidies for the precious casting and processing of automotive components project	51,480.18	51,480.18	(1)
Subsidies for investment plan for adjustment and improvement project for traditional industry bases including the Northeast Area within National budget	1,495,000.02	1,245,000.00	(2)
Subsidies for corporation project of industries, universities and institutions	75,000.00	–	(3)
Total	1,621,480.20	1,296,480.18	–

- (1) Pursuant to “Description of Subsidy Funds for the Precious Casting and Processing of Automotive Components Project” (《關於汽車零部件精密鑄件及加工建設項目補貼資金的說明》) issued by Siping Tiedong Economic and Technology Development Zone Management Committee, Jilin Shibao received subsidies for the precious casting and processing of automotive components project of RMB2,000,000.00 and RMB3,225,240.00 on 1 February 2009 and 24 December 2009 respectively, totaling RMB5,225,240.00. Revenues of RMB51,480.18 and RMB51,480.18 were recognized during the six months ended 30 June 2013 and 2012 respectively.
- (2) Pursuant to “Reply of the Office of NDRC on Investment Project for Adjustment and Improvement for Traditional Industry Bases Including the Northeast Area within National Budget in 2010” (《國家發展改革委辦公廳關於東北等老工業基地調整改造2010年中央預算內投資項目的復函》) (Fa Gai Ban Chan Ye [2010] No.2684) (發改辦產產[2010]2684號) issued by National Development and Reform Commission, Jilin Shibao received subsidies for the precious casting and processing of automotive components project of RMB29,900,000.00 in total on 27 April 2011, 8 June 2011, 11 August 2011, 31 December 2011 and 16 October 2012 respectively. Revenues of RMB1,495,000.02 and RMB1,245,000.00 were recognized during the six months ended 30 June 2013 and 2012 respectively.
- (3) Pursuant to the “Notice issued in 2012 for the Subsidies for Corporation Projects of Industries, Universities and Institutions” (《關於下達2012年度區級產學研合作項目資助資金的通知》)(Hang Jing Kai Jing [2013] No.23, Hang Jing Kai Cai [2013] No.26) (杭經開經[2013]23號、杭經開財[2013]26號) jointly issued by Economic Development Board and Finance Bureau of Hangzhou Economic and Technological Development Zone, Hangzhou New Shibao received subsidies of RMB75,000.00 for the corporation project of industries, universities and institutions on 13 March 2013.

43. NON-OPERATING EXPENSES

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)	Amount recognized as non-recurring gain and loss during the period
Total loss on the disposal of non-current assets	4,563.81	5,216.20	4,563.81
Including: loss on the disposal of fixed assets	4,563.81	5,216.20	4,563.81
Donation	10,000.00	-	10,000.00
Water conservancy fund	214,588.73	181,987.07	-
Others	1,114,180.62	77,220.55	1,114,180.62
Total	1,343,333.16	264,423.82	1,128,744.43

44. INCOME TAX EXPENSES

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Current income tax calculated according to tax law and relevant provisions	4,535,560.28	9,787,767.13
Adjustment of deferred income tax	(314,244.87)	194,833.42
Total	4,221,315.41	9,982,600.55

45. CALCULATION OF BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

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

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

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Earnings		
Net profit for the period attributable to the holders of the Company's ordinary shares	34,845,868.36	49,850,190.72
Shares		
Weighted average of ordinary shares issued by the Company	277,657,855.00	262,657,855.00
Basic earnings per share (RMB)	0.13	0.19
Diluted earnings per share (RMB)	0.13	0.19

46. NOTES TO THE STATEMENT OF CASH FLOWS

(1) Cash received in relation to other operating activities

Item	Amount
Subsidy income	75,000.00
Non-operating income	282,923.58
Others	2,044,332.70
	<hr/>
Total	2,402,256.28
	<hr/>

(2) Cash paid in relation to other operating activities

Item	Amount
Selling expenses	14,931,110.43
General and administrative expenses	10,535,736.66
Non-operating expenses	1,338,769.35
Financial expenses	15,182.48
Increase in restricted monetary funds	670,371.48
Others	341,198.12
	<hr/>
Total	27,832,368.52
	<hr/>

(3) Cash received in relation to other investment activities

Item	Amount
Interest income	268,207.13
	<hr/>
Total	268,207.13
	<hr/>

47. SUPPLEMENTAL INFORMATION ON THE STATEMENT OF CASH FLOWS

(1) Supplemental information on the statement of cash flows

Supplemental information	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
1. Net profit adjusted to cash flows in relation to operating activities:		
Net profit	33,414,470.32	48,175,798.43
Add: Provision for impairment of assets	–	(1,752,338.39)
Depreciation of fixed assets, oil and gas assets and production related biological materials	19,376,351.82	15,105,796.73
Amortization of intangible assets	2,575,102.30	2,088,790.88
Amortization of long-term deferred expenses	74,196.68	–
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	(104,687.28)	(156,509.08)
Finance expenses	5,059,267.83	3,648,399.06
Investment losses/(gains)	(10,654,133.80)	580,355.14
Decrease/(increase) in deferred income tax assets	(95,516.98)	290,958.42
Increase/(decrease) in deferred income tax liabilities	(218,727.89)	(96,125.00)
Decrease/(increase) in inventories	(13,848,998.60)	6,339,412.81

47. SUPPLEMENTAL INFORMATION ON THE STATEMENT OF CASH FLOWS *(continued)*

(1) Supplemental information on the statement of cash flows *(continued)*

Supplemental information	Jan.-June 2013 <i>(unaudited)</i>	Jan.-June 2012 <i>(unaudited)</i>
1. Net profit adjusted to cash flows in relation to operating activities: <i>(continued)</i>		
Decrease/(increase) in operating receivables	4,468,656.57	(28,435,468.63)
Increase/(decrease) in operating payables	(24,179,872.07)	(26,828,040.43)
Others	(2,042,111.64)	(1,063,162.08)
Net cash flows from operating activities	13,823,997.26	17,897,867.86
2. Major investing and financing activities not related to cash receipts and payments	-	-
3. Net change in cash and cash equivalents:		
Closing balance of cash	54,710,533.22	31,183,542.43
Less: Opening balance of cash	76,773,167.14	40,711,980.73
Net increase/(decrease) in cash and cash equivalents	(22,062,633.92)	(9,528,438.30)

47. SUPPLEMENTAL INFORMATION ON THE STATEMENT OF CASH FLOWS *(continued)*

(2) Information on the acquisition/disposal of subsidiaries and other business entities during the reporting period

Supplemental information	Jan.-June 2013 <i>(unaudited)</i>	Jan.-June 2012 <i>(unaudited)</i>
1. Information on the acquisition of subsidiaries and other business entities:		
1. Price of the acquisition of subsidiaries and other business entities	10,000,000.00	—
2. Cash and cash equivalents paid for the acquisition of subsidiaries and other business entities	10,000,000.00	—
Less: Cash and cash equivalents hold by subsidiaries and other business entities	7,344,618.45	—
3. Net cash paid for the acquisition of subsidiaries and other business entities	2,655,381.55	—
4. The acquired subsidiaries		
Net assets	44,621,679.20	—
Current assets	66,185,919.05	—
Non-current assets	81,371,034.31	—
Current liabilities	94,654,389.59	—
Non-current liabilities	8,280,884.57	—
2. Information on the disposal of subsidiaries and other business entities:	—	—

47. SUPPLEMENTAL INFORMATION ON THE STATEMENT OF CASH FLOWS *(continued)*

(3) Cash and cash equivalents

Item	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
1. Cash	54,710,533.22	76,773,167.14
Including:		
Cash on hand	184,498.30	80,461.14
Bank deposit readily available	54,526,034.92	76,692,706.00
2. Closing balance of cash and cash equivalents	54,710,533.22	76,773,167.14

(7) RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. PARENT COMPANY

Parent company	Relationship	Corporate type	Place of registration	Corporate representative	Business nature	Registered capital '000	Share-holding % in the Company	Voting % in the Company	Organization code
Shibao Holding	Controlling shareholder	Limited liability	Yiwu city	Zhang Shi Zhong	Industrial investment	50,000	59.57%	59.57%	75193535-X

The ultimate controlling parties of the Company are Zhang Shi Quan and his family members, namely, Zhang Bao Yi, Tang Hao Han, Zhang Lan Jun and Zhang Shi Zhong.

2. SUBSIDIARIES

Subsidiary	Relationship	Corporate type	Place of registration	Corporate representative	Business nature	Registered capital '000	Share-holding %	Voting rights %	Organization code
Siping Steering	Controlling subsidiary	Limited liability	Siping city	Zhang Shi Quan	Manufacture	11,000	75%	75%	70221708-7
Hangzhou Shibao	Controlling subsidiary	Limited liability	Hangzhou city	Zhang Shi Quan	Manufacture	69,000	100%	100%	25392555-4
Hangzhou New Shibao	Controlling subsidiary	Limited liability	Hangzhou city	Zhang Bao Yi	Manufacture	60,000	70%	70%	76823319-4
Jilin Shibao	Controlling subsidiary	Limited liability	Siping city	Tang Hao Han	Manufacture	30,000	100%	100%	67730447-9
Beijing Autonics	Controlling subsidiary	Limited liability	Beijing city	Zhang Bao Yi	Technology development	10,000	70%	70%	77861581-5
Wuhu Sterling	Controlling subsidiary	Limited liability	Wuhu city	Zhang Shi Quan	Manufacture	22,800	57.89%	57.89%	76900919-4
Erdos Sterling	Controlling subsidiary	Limited liability	Erdos city	Zhang Shi Quan	Manufacture	10,000	57.89%	100%	05392555-X

3. OTHER RELATED PARTIES

Other related parties	Relationship with the Company	Organization code
Zhang Shi Quan and his family members, namely, Zhang Bao Yi, Tang Hao Han, Zhang Lan Jun and Zhang Shi Zhong	Ultimate controlling parties	Not applicable

4. RELATED PARTY TRANSACTIONS

(1) Particulars of purchase of goods and acceptance of services

Related party	Related party transaction	Pricing method and decision making procedures	Jan.-June 2013 (unaudited)		Jan.-June 2012 (unaudited)	
			Amount	% to similar transaction amount	Amount	% to similar transaction amount
Wuhu Sterling	Purchase of goods	Market price	434,045.23	0.27%	593,448.64	0.41%

Particulars of sales of goods and provision of services

Related party	Related party transaction	Pricing method and decision making procedures	Jan.-June 2013 (unaudited)		Jan.-June 2012 (unaudited)	
			Amount	% to similar transaction amount	Amount	% to similar transaction amount
Wuhu Sterling	Sales of goods	Market price	9,766,110.67	3.13%	13,580,517.87	4.36%

4. RELATED PARTY TRANSACTIONS *(continued)*

(2) Guarantee with related parties

Guarantor	Secured party	Guaranteed amount	Commencement date of the guarantee	Expiry date of the guarantee	Guarantee fully fulfilled
Shibao Holding	Hangzhou Shibao	60,000,000.00	16 April 2012	19 June 2016	No
Shibao Holding	Hangzhou Shibao	30,000,000.00	3 September 2012	3 September 2015	No
Shibao Holding	Hangzhou Shibao	99,000,000.00	17 September 2012	28 November 2015	No

As at 30 June 2013, Shibao Holding provided a maximum guarantee of bank credit business to the Group, and the maximum principal amount of secured claim was RMB189 million. The Group's bank borrowings drawn and outstanding under this guarantee were RMB130 million.

(3) Other related party transactions

	Jan.-June 2013 <i>(unaudited)</i>	Jan.-June 2012 <i>(unaudited)</i>
Key managerial personnel remuneration	1,227,481.91	1,245,281.12

(8) COMMITMENTS

1. MAJOR COMMITMENTS

	Jan.-June 2013 <i>(unaudited)</i>	Jan.-June 2012 <i>(unaudited)</i>
Capital commitment:		
Contracted, but not provided for	21,020,350.08	30,682,636.33

(9) NOTES TO MAJOR ITEMS OF THE PARENT'S FINANCIAL STATEMENTS**1. ACCOUNTS RECEIVABLE****(1) Accounts receivable by ageing:**

	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Within 1 year	26,750,831.94	19,391,554.80
1-2 years	384,711.62	-
2-3 years	-	94,702.91
Over 3 years	387,681.91	292,979.00
Total	27,523,225.47	19,779,236.71

(2) Accounts receivable by categories:

Category	30 June 2013 <i>(unaudited)</i>				31 December 2012 <i>(audited)</i>			
	Carrying balance		Bad debt provision		Carrying balance		Bad debt provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant amount with bad debt provision on individual basis	27,135,543.56	98.59%	-	-	19,391,554.80	98.04%	-	-
Bad debt provision by groups								
Individually insignificant but significant based on credit risk characteristics	387,681.91	1.41%	387,681.91	100%	387,681.91	1.96%	387,681.91	100.00%
Sub-total of groups	387,681.91	1.41%	387,681.91	100%	387,681.91	1.96%	387,681.91	100.00%
Total	27,523,225.47	-	387,681.91	-	19,779,236.71	-	387,681.91	-

1. ACCOUNTS RECEIVABLE *(continued)***(2) Accounts receivable by categories** *(continued)*

Bad debt provision by groups using other method:

Group	Carrying balance	Bad debt provision
Individually insignificant but significant based on credit risk characteristics	387,681.91	387,681.91
Total	387,681.91	387,681.91

(3) Accounts receivable reversed or recovered during the reporting period

During the reporting period, no significant accounts receivable were reversed or recovered.

(4) Accounts receivable write-off during the reporting period

During the reporting period, no significant accounts receivable were write-off.

(5) Accounts receivable for shareholding units with 5% (inclusive) or more of the voting rights of the Company during the reporting period

During the reporting period, no accounts receivable were held by shareholding units holding 5% (inclusive) or more of the voting rights of the Company.

1. ACCOUNTS RECEIVABLE (continued)

(6) The five largest accounts receivable

Name	Relationship with the Company	Amount	Ageing	Percentage of total accounts receivable (%)
Wuhu Sterling	Subsidiary of the Company	26,750,831.94	Within 1 year	97.19%
		384,711.62	1-2 years	1.40%
Ganzhou Jiang Huan Automobile Manufacture Co., Ltd. (贛州江環汽車製造有限公司)	Third party customer	125,000.00	Over 3 years	0.45%
Nanjing Nan Qi Automobile Steering Gear Co., Ltd. (南京南汽汽車轉向器有限公司)	Third party customer	94,702.94	Over 3 years	0.34%
Hubei San Huan Special Vehicle Co., Ltd. (湖北三環專用汽車有限公司)	Third party customer	43,400.00	Over 3 years	0.16%
Dongfeng Automobile Transmission Shaft Co., Ltd. Shiyuan Sub-company (東風汽車傳動軸有限公司十堰分公司)	Third party customer	36,000.00	Over 3 years	0.13%
Total	-	27,434,646.50	-	99.67%

(7) Accounts receivable for related party

Name	Relationship with the Company	Amount	Percentage of total accounts receivable (%)
Wuhu Sterling	Subsidiary of the Company	27,135,543.56	98.59%
Total	-	27,135,543.56	98.59%

2. OTHER RECEIVABLES

(1) Other receivables by ageing:

	30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>
Within 1 year	116,738,905.59	115,435,363.16
1-2 years	50,700,100.00	28,725,029.60
2-3 years	29,819,000.00	44,729,393.80
Over 3 years	25,047,229.62	42,526,623.42
Total	222,305,235.21	231,416,409.98

(2) Other receivables by categories:

Category	30 June 2013 <i>(unaudited)</i>				31 December 2012 <i>(audited)</i>			
	Carrying balance		Bad debt provision		Carrying balance		Bad debt provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Individually significant amount with bad debt provision on individual basis	221,997,675.01	99.86%	-	-	231,178,887.12	99.90%	-	-
Bad debt provision by groups								
Individually insignificant but significant based on credit risk characteristics	96,329.62	0.04%	-	-	102,259.22	0.04%	-	-
Sub-total of groups	96,329.62	0.04%	-	-	102,259.22	0.04%	-	-
Individually insignificant amount with bad debt provision on individual basis	211,230.58	0.10%	-	-	135,263.64	0.06%	-	-
Total	222,305,235.21	-	-	-	231,416,409.98	-	-	-

2. OTHER RECEIVABLES *(continued)***(2) Other receivables by categories** *(continued)*

Bad debt provision by groups using other method:

Group	Carrying balance	Bad debt provision
Individually insignificant but significant based on credit risk characteristics	96,329.62	–
Total	96,329.62	–

(3) Other receivables reversed or recovered during the reporting period

During the reporting period, no significant other receivables were reversed or recovered.

(4) Other receivables write-off during the reporting period

During the reporting period, no significant other receivables were write-off.

(5) Other receivables for shareholding units with 5% (inclusive) or more of the voting rights of the Company during the reporting period

During the reporting period, no other receivables were held by shareholding units holding 5% (inclusive) or more of the voting rights of the Company.

2. OTHER RECEIVABLES *(continued)*

(6) The five largest other receivables

Name	Relationship with the Company	Amount	Ageing	Percentage of total other receivables (%)
Jilin Shibao	Subsidiary of the Company	69,770,000.00	Within 3 years	31.38%
		25,020,000.00	Over 3 years	11.25%
Hangzhou New Shibao	Subsidiary of the Company	63,000,000.00	Within 2 years	28.34%
Hangzhou Shibao	Subsidiary of the Company	36,583,209.58	Within 1 year	16.46%
Beijing Autonics	Subsidiary of the Company	14,400,000.00	Within 3 years	6.48%
Siping Steering	Subsidiary of the Company	13,224,465.43	Within 1 year	5.95%
Total	-	221,997,675.01	-	99.86%

(7) Other receivables for related party

Name	Relationship with the Company	Amount	Percentage of total other receivables (%)
Jilin Shibao	Subsidiary of the Company	94,790,000.00	42.63%
Hangzhou New Shibao	Subsidiary of the Company	63,000,000.00	28.34%
Hangzhou Shibao	Subsidiary of the Company	36,583,209.58	16.46%
Beijing Autonics	Subsidiary of the Company	14,400,000.00	6.48%
Siping Steering	Subsidiary of the Company	13,224,465.43	5.95%
Total	-	221,997,675.01	99.86%

3. LONG-TERM EQUITY INVESTMENTS

Investee	Accounting Method	Cost of investment	Balance at the beginning of the period	Increase/decrease	Balance at the end of the period	% of shareholding in investee	% of voting rights in investee
Hangzhou Shibao	Cost method	70,461,807.49	40,750,000.00	29,711,807.49	70,461,807.49	100.00%	100.00%
Siping Steering	Cost method	8,250,000.00	8,250,000.00	-	8,250,000.00	75.00%	75.00%
Jilin Shibao	Cost method	30,000,000.00	30,000,000.00	-	30,000,000.00	100.00%	100.00%
Hangzhou New Shibao	Cost method	42,000,000.00	42,000,000.00	-	42,000,000.00	70.00%	70.00%
Beijing Autonics	Cost method	7,000,000.00	7,000,000.00	-	7,000,000.00	70.00%	70.00%
Wuhu Sterling	Cost method	22,609,936.00	9,376,207.19	10,057,168.52	19,433,375.71	57.89%	57.89%
Total	-	180,321,743.49	137,376,207.19	39,768,976.01	177,145,183.20	-	-

4. REVENUE AND COST OF SALES

(1) Revenue

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Revenue from main business	18,696,231.23	21,863,036.63
Total	18,696,231.23	21,863,036.63
Cost of sales	12,580,528.44	15,149,523.13

4. REVENUE AND COST OF SALES *(continued)*

(2) Main business (by sectors)

Sector	Jan.-June 2013 <i>(unaudited)</i>		Jan.-June 2012 <i>(unaudited)</i>	
	Revenue	Cost of sales	Revenue	Cost of sales
Automobile components and spare parts manufacture	18,696,231.23	12,580,528.44	21,863,036.63	15,149,523.13
Total	18,696,231.23	12,580,528.44	21,863,036.63	15,149,523.13

(3) Main business (by products)

Product	Jan.-June 2013 <i>(unaudited)</i>		Jan.-June 2012 <i>(unaudited)</i>	
	Revenue	Cost of sales	Revenue	Cost of sales
Manual recirculating ball steering gears	2,435,628.60	2,512,841.47	5,334,229.48	5,139,373.93
Spare parts and others	16,260,602.63	10,067,686.97	16,528,807.15	10,010,149.20
Other	18,696,231.23	12,580,528.44	21,863,036.63	15,149,523.13

4. REVENUE AND COST OF SALES (continued)

(4) Revenue from the five largest customers

Customer	Revenue	Proportion to revenue %
Wuhu Sterling	12,713,257.03	68.00%
Hangzhou Shibao	5,558,042.65	29.73%
Yiwu He Feng Automobile Spare Parts Co., Ltd. (義烏市和豐汽車配件有限公司)	175,638.74	0.94%
Zhejiang Wuyi Hua Rong Ductile Iron Casting Co., Ltd. (浙江武義華榮球鐵鑄造有限公司)	127,840.16	0.68%
Siping Steering	43,511.90	0.23%
Total	18,618,290.48	99.58%

5. INVESTMENT GAINS

(1) Details of investment gains

Item	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
Investment gains from long-term equity investments under cost method of accounting	–	30,000,000.00
Investment gains from long-term equity investments under equity method of accounting	57,168.52	(813,673.24)
Total	57,168.52	29,186,326.76

(2) Investment gains from long-term equity investments under equity method of accounting

Investee	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)	Reasons of increase/decrease
Wuhu Sterling	57,168.52	(813,673.24)	After taking into account the increase in net profit margin from unrealized gross profit

6. SUPPLEMENTAL INFORMATION ON THE STATEMENT OF CASH FLOWS

Supplemental information	Jan.-June 2013 <i>(unaudited)</i>	Jan.-June 2012 <i>(unaudited)</i>
1. Net profit adjusted to cash flows in relation to operating activities:		
Net profit	521,401.09	30,534,209.36
Depreciation of fixed assets, oil and gas assets and production related biological materials	532,284.64	407,279.33
Amortization of intangible assets	93,032.42	86,323.02
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	-	(20,280.14)
Finance expenses	1,844,975.16	1,649,790.02
Investment losses/(gains)	(57,168.52)	(29,186,326.76)
Decrease/(increase) in deferred income tax assets	-	585.01
Decrease/(increase) in inventories	(1,534,740.26)	700,834.20
Decrease/(increase) in operating receivables	1,395,476.32	16,325,054.86
Increase/(decrease) in operating payables	(1,650,952.80)	(448,342.11)
Net cash flows from operating activities	1,144,308.05	20,049,126.79

6. SUPPLEMENTAL INFORMATION ON THE STATEMENT OF CASH FLOWS *(continued)*

Supplemental information	Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)
2. Major investing and financing activities not related to cash receipts and payments:	–	–
3. Net change in cash and cash equivalents:		
Closing balance of cash	24,102,970.01	1,006,660.73
Less: Opening balance of cash	31,336,987.85	997,762.45
Net increase/(decrease) in cash and cash equivalents	(7,234,017.84)	8,898.28

10. SUPPLEMENTAL INFORMATION

1. NON-RECURRING GAIN AND LOSS DURING THE PERIOD

Item	Amount
Gain or loss on disposal of non-current assets (inclusive of provision for assets impairment write-off)	104,687.28
Government grants recognized in gain or loss during the period (exclusive of government grants closely related to operating business and provided according to National standard fixed value or volume)	1,621,480.20
Investment costs paid by the investor in acquiring the subsidiaries, associates and joint ventures less the gain derived from the fair value of the investee's identifiable net assets at the time of investment	11,092,596.72
Other non-operating income and expenses other than the above	(841,257.04)
Less: Income tax effect	301,856.78
Effect on interest of minority shareholders (after tax)	37,283.54
<hr/>	
Total	11,638,366.84

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

Profit during the period	Weighted average return on net assets ratio %	Earnings per share	
		Basic	Diluted
Net profit attributable to the holders of the Company's ordinary shares	4.75%	0.13	0.13
Net profit, after deduction of non-recurring gain and loss, attributable to the holders of the Company's ordinary shares	3.16%	0.08	0.08

3. DESCRIPTION ON IRREGULAR MOVEMENTS IN MAJOR ITEMS OF THE FINANCIAL STATEMENTS AND THE REASON

The statement items which data change 30% or more for both periods, or account for 5% of total assets as at the balance sheet date or more than 10% of total profit for the reporting period are analyzed as follows:

- 1) Items of the consolidated balance sheet as at 30 June 2013 with relatively material changes as compared with those as at 31 December 2012 are set forth below:

		30 June 2013 <i>(unaudited)</i>	31 December 2012 <i>(audited)</i>	Change %
Notes receivable	(1)	113,657,378.56	117,298,613.04	-3.10%
Accounts receivable	(2)	322,730,049.86	285,788,006.40	12.93%
Prepayments	(3)	10,125,699.33	7,492,521.04	35.14%
Inventories	(4)	167,473,050.59	136,467,615.08	22.72%
Available-for-sale financial assets	(5)	-	4,000,000.00	-100.00%
Other current assets	(6)	744,901.87	1,224,181.63	-39.15%
Long-term equity investment	(7)	-	9,376,207.19	-100.00%
Fixed assets	(8)	388,965,410.22	352,252,860.50	10.42%
Construction in progress	(9)	100,720,507.43	92,861,833.52	8.46%
Intangible assets	(10)	103,852,533.19	70,278,922.57	47.77%
Other non-current assets	(11)	23,157,913.01	14,255,150.05	62.45%
Short-term loans	(12)	218,000,000.00	191,500,000.00	13.84%
Accounts payable	(13)	201,792,317.54	163,609,486.56	23.34%
Taxes payable	(14)	(5,376,234.17)	(2,571,272.18)	109.09%
Dividends payable	(15)	21,012,628.40	-	-
Deferred income tax liabilities	(16)	9,568,115.01	1,505,958.33	535.35%

3. DESCRIPTION ON IRREGULAR MOVEMENTS IN MAJOR ITEMS OF THE FINANCIAL STATEMENTS AND THE REASON *(continued)*

1) *(continued)*

- (1) The decrease in notes receivable was mainly due to notes receivable at the end of the year that were not matured became matured at the end of the period and had been endorsed to the banks for acceptance;
- (2) The increase in accounts receivable was mainly due to the increase in account receivable from the consolidation of Wuhu Sterling to the accounts of the Group and a longer period in collection during this interim period;
- (3) The increase in prepayments was mainly to due additional prepayments on the purchase of raw materials during this period;
- (4) The increase in inventories was mainly due to the increase in inventories from the consolidation of Wuhu Sterling to the accounts of the Group during this period;
- (5) The decrease in available-for-sale financial assets was mainly due to the redemption of financial products from the banks;
- (6) The decrease in other current assets was due to the decrease in moulds amortized within one year purchased by the Group;
- (7) The decrease in long-term equity investment was mainly due to the consolidation of Wuhu Sterling to the accounts of the Group during this period, for which the calculation was changed from equity method to cost method;
- (8) The increase in fixed assets was mainly due to the increase in fixed assets from the consolidation of Wuhu Sterling to the accounts of the Group during this period;
- (9) The increase in construction in progress was mainly due to the machinery and equipment added for the increase in production capacity did not become ready for use;
- (10) The increase in intangible assets was mainly due to the increase in intangible assets from the consolidation of Wuhu Sterling to the accounts of the Group during this period;
- (11) The increase in other non-current assets was mainly due to the prepayment for the purchase of fixed assets paid during this period;
- (12) The increase in short-term loans was mainly due to the increase in short-term loans from the consolidation of Wuhu Sterling to the accounts of the Group during this period;
- (13) The increase in accounts payable was mainly due to the increase in accounts payable from the consolidation of Wuhu Sterling to the accounts of the Group during this period and additional purchases made during this period;
- (14) The decrease in taxes payable was mainly due to input VAT greater than output VAT payable during this period;
- (15) The increase in dividends payable was mainly due to the distribution for the year of 2012 implemented during this period did not yet pay to certain shareholders;
- (16) The increase in deferred income tax liabilities was mainly due to the acquisition of Wuhu Sterling through business combination of entities not under common control and the combination of entities not under common control had resulted in the adjustment of fair value.

3. DESCRIPTION ON IRREGULAR MOVEMENTS IN MAJOR ITEMS OF THE FINANCIAL STATEMENTS AND THE REASON *(continued)*

- 2) Items of the consolidated income statement for the six months ended 30 June 2013 with relatively material changes as compared with those for the six months ended 30 June 2012 are set forth below:

		Jan.-June 2013 (unaudited)	Jan.-June 2012 (unaudited)	Change %
Revenue	(1)	313,749,840.37	311,654,779.31	0.67%
Cost of sales	(2)	228,227,679.02	208,157,763.51	9.64%
Selling expenses	(3)	18,452,268.19	15,833,875.00	16.54%
General and administrative expenses	(4)	33,820,122.86	27,489,435.93	23.03%
Financial expenses	(5)	5,074,450.31	3,721,460.61	36.36%
Asset impairment losses	(6)	-	(1,752,338.39)	-100.00%
Investment gains/(losses)	(7)	10,654,133.80	(580,355.14)	-1,935.80%
Non-operating income	(8)	2,013,654.87	3,139,412.78	-35.86%
Non-operating expenses	(9)	1,343,333.16	264,423.82	408.02%
Income tax expenses	(10)	4,221,315.41	9,982,600.55	-57.71%

3. DESCRIPTION ON IRREGULAR MOVEMENTS IN MAJOR ITEMS OF THE FINANCIAL STATEMENTS AND THE REASON *(continued)*

2) *(continued)*

- (1) The increase in revenue was mainly due to the increase in revenue from the consolidation of Wuhu Sterling to the accounts of the Group during this period;
- (2) The increase in cost of sales was mainly due to the increase in cost from the consolidation of Wuhu Sterling to the accounts of the Group during this period;
- (3) The increase in selling expenses was mainly due to the increase of transportation and storage costs, warranty expenses and other expenses;
- (4) The increase in general and administrative expenses was mainly due to the increase in research and development expenses as well as office expenses;
- (5) The increase in financial expenses was mainly due to the increase in bank loans during this period as compared with the same period last year, which were used to expand the scale of production;
- (6) The increase in asset impairment losses was mainly due to no reversal of provision for bad debts during this period;
- (7) The increase in investment gains was mainly due to the acquisition of Wuhu Sterling through business combination of entities not under common control during this period. The equity interests held in Wuhu Sterling prior to the date of purchase were remeasured according to the fair value of such equity interests on the date of purchase so as to recognize the related investment gain;
- (8) The decrease in non-operating income was due to decrease of government grants during the period;
- (9) The increase in non-operating expenses was due to the increase of expenses not directly related to production and operating activities of the Group during this period;
- (10) The decrease in income tax expenses was due to the decrease in taxable profit for this period.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Automobile manufacture and sales

For the six months ended 30 June 2013, production and sales volume of China auto industry was 10,751,700 units and 10,782,200 units respectively, representing an increase of 12.80% and 12.30% over the corresponding period in 2012. Among these, production and sales of passenger cars were 8,664,500 units and 8,665,100 units respectively, representing an increase of 14.00% and 13.80% over the corresponding period in 2012; production and sales of commercial vehicles were 2,087,200 units and 2,117,100 units respectively, representing an increase of 8.20% and 6.70% over the corresponding period in 2012. For the six months ended 30 June 2013, sales of China-brand passenger cars was 3,566,700 units, representing an increase of 13.20% over the corresponding period in 2012, which accounted for 41.20% of total sales of passenger cars, representing a decrease of 0.20% over the corresponding period in 2012. Among commercial vehicles, production and sales volume of buses increased by 14.80% and 14.90% respectively over the corresponding period in 2012; production and sales volume of trucks increased by 7.00% and 5.50% respectively over the corresponding period in 2012; production and sales volume of tractor trucks increased by 17.80% and 13.40% respectively over the corresponding period in 2012. For the six months ended 30 June 2013, top ten automaker groups in China produced 9,513,900 units of automobiles, representing 88.20% of the production of automobile industry and an increase of 0.80% over the corresponding period in 2012.

BUSINESS REVIEW

Operating result

For the six months ended 30 June 2013, the Group recorded a revenue of RMB313,749,840.37, representing an increase of 0.67% over the corresponding period of 2012. Net profit attributable to equity holders of the Parent was RMB34,845,868.36, representing a decrease of 30.10% over the corresponding period of 2012.

During the period under review, the Group's gross profit decreased by 17.37% over the corresponding period of 2012. The gross profit margin of the Group was 27.26% (corresponding period of 2012: 33.21%). The decrease in the gross profit margin was mainly due to price cuts of the Group's products.

During the period under review, the Group's non-operating income was RMB2,013,654.87, decreased by RMB1,125,757.91 over the corresponding period of 2012. The Group's non-operating income mainly comprised the receipt of government grants of RMB1,621,480.20.

During the period under review, the Group's selling expenses increased by RMB2,618,393.19 over the corresponding period of 2012. The ratio of selling expenses to revenue also increased over the corresponding period of 2012. Increase in selling expenses was mainly due to an increase in transportation and storage cost, warranty expenses and other expenses.

During the period under review, the Group's general and administrative expenses increased by RMB6,330,686.93 over the corresponding period of 2012. The ratio of general and administrative expenses to revenue also increased over the corresponding period of 2012. Increase in general and administrative expenses was mainly due to an increase in research and development expenses and office costs.

During the period under review, the Group's financial expenses increased by RMB1,352,989.70 over the corresponding period of 2012. Increase in financial expenses was mainly due to an increase in bank borrowings to meet demands for the Group's expanded operation and production scale.

During the period under review, the Group's research and development expenses were RMB8,999,412.85, representing an increase of 37.42% over the corresponding period of 2012. The ratio of research and development expenses to the Group's unaudited net assets and revenue for the first half of 2013 was 1.18% and 2.87% respectively. The Group's research and development expenses was used in the research and development of automotive steering related new technologies and the implementation of development projects of automotive steering assembly products. Leading research and development capacity is one of the core competencies of the Group, and helps the Group to acquire new businesses and positions the Group to a leading edge of the industry.

During the reporting period, the Company acquired Wuhu Sterling through business combination not involving entities under common control. For the previously held interest in Wuhu Sterling before the acquisition date, the interest was remeasured at fair value on the acquisition date and an investment income of RMB11,092,596.72 was recognized.

In view of the above, for the six months ended 30 June 2013, the Group has a net profit of RMB33,414,470.32, representing a decrease of 30.64% compared with RMB48,175,798.43 for the corresponding period of 2012.

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

Marketing and business development

During the period under review, the Group obtained three new development projects. The Group also has additional twelve new development projects brought in by Wuhu Sterling as it became a subsidiary controlled by the Company. As at 30 June 2013, the Group has fifteen development projects in the development stage. During the period under review, the Group has other nine development projects started volume production.

Production facilities

During the period under review, the third production line for precious casting of Jilin Shibao has been ready for production. Meanwhile, in order to improve production efficiency and product quality, both Hangzhou Shibao and Siping Steering modified their production sites and purchased new equipments.

Technology research and development

During the period under review, the Group has twelve applications been issued certificate of patent by the State Intellectual Property Office. The Group also has additional twelve new patents brought in by Wuhu Sterling as it became a subsidiary controlled by the Company, among which one is patent of invent. As at 30 June 2013, the Group has forty nine patents and two software copyrights in total.

Human resources

As at 30 June 2013, the Group employed a total of 1,605 employees. For the six months ended 30 June 2013, total staff salaries and welfare costs amounted to RMB42,555,966.30. 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 2013, the Group had cash on hand and at banks of RMB60,063,414.47 (31 December 2012: RMB78,543,676.91), including restricted cash on hand and at banks of RMB5,352,881.25 (31 December 2012: RMB1,770,509.77). The restricted cash on hand and at banks of the Group with limited ownership right refers to the deposits for issuance of bank bills and letters of credit.

As at 30 June 2013, the current ratio of the Group was 1.39 (31 December 2012: 1.59), and the quick ratio was 1.04 (31 December 2012: 1.24).

Net current assets as at 30 June 2013 was RMB189,868,146.06 (31 December 2012: RMB236,381,060.33).

As at 30 June 2013, non-current liabilities were RMB51,636,053.04 (31 December 2012: RMB45,120,376.56), increased by RMB6,515,676.48 when compared with beginning of the year mainly as a result of an increase in deferred income tax liabilities.

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. Overdue balances are reviewed regularly by senior management.

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

Capital structure

The Group's gearing ratio as at 30 June 2013 was 41.58% (31 December 2012: 37.93%). The calculation of gearing ratio is to divide total liabilities by total assets. Total liabilities is the sum of liabilities bearing by the Group, including current liabilities and long-term liabilities. Total assets is the sum of assets holding by the Group, including current assets and non-current assets.

As at 30 June 2013, the amount of total loans and borrowings was RMB247,420,400.00 (31 December 2012: RMB220,920,400.00), in which RMB235,000,000.00 (31 December 2012: RMB208,500,000.00) were bank loans. Total loans and borrowings increased by RMB26,500,000.00 when compared with beginning of the year. The increased loans and borrowings were mainly used for expansion of the Group's operation and production scale. Loans and borrowings which are short-term and repayable within one year amounted to RMB231,790,400.00 (31 December 2012: RMB205,290,400.00), accounting for 93.68% (31 December 2012: 92.93%) of the total loans and borrowings. Loans and borrowings at fixed interest rates were RMB13,620,400.00 (31 December 2012: RMB53,620,400.00).

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

PLEDGE OF ASSETS

As at 30 June 2013, the restricted cash on hand and at banks of the Group was RMB5,352,881.25 (31 December 2012: RMB1,770,509.77) which refers to the deposits for issuance of bank bills and letters of credit.

Save as disclosed above, the Group did not have any other pledges on its assets.

MATERIAL ACQUISITIONS AND DISPOSALS

For the period under review, the Group did not have any material acquisition and disposal concerning subsidiaries and associated companies.

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2013, 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 2013, except the capital commitments as set out in Note (8) to the financial statements, the Group had no other material capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group had no material contingent liabilities.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

OUTLOOK

The strategy of the Company is to commit itself to the research and development and manufacturing of automotive steering technologies and products, and provide high-tech and high-quality steering products to automakers. The Company is also committed itself to the research and development of light-weight and energy-saving technologies for automotive steerings, and to be a leading brand of electric power steering (EPS) system in the PRC. The Company is also developing the global market through acquisition, merging and export trading.

In 2013, the Company has planned to further expand hydraulic power steering gear businesses by increasing the volume of existing projects and acquiring new projects, and to increase profit by increasing the production and sales volume of electric power steering (EPS) system. The Company will also further increase the capacity of automotive components precious casting and machining, therefore to not only meet the needs for the Group's internal use, but will also make external businesses.

Take into considerations that the Group's gross profit margin decreased due to price cuts of the Group's products and expenses increased due to the Group's operation and production scales expansion, the Company forecasts the net profit attributable to equity holders of the Parent for the nine months ended 30 September 2013 ranged from RMB31,350,500.00 to RMB43,890,700.00, representing a decrease of 50.00% to 30.00% respectively over the corresponding period of 2012.

OTHER MATTERS

ACQUISITION OF AND INCREASE IN EQUITY IN WUHU STERLING

On 30 January 2013, the Company entered into an Equity Transfer Contract with Wuhu Chery Technology Co., Ltd. (“Chery Technology”), the existing shareholder of Wuhu Sterling, pursuant to which Chery Technology transferred 6% of equity interests held by it in Wuhu Sterling to the Company at a consideration of RMB3,000,000 (“Acquisition”). At the same time, the Company increased its capital contribution to Wuhu Sterling and entered into a Capital Contribution Agreement with other shareholders of Wuhu Sterling. The Company increased its investment by RMB7,000,000, of which RMB2,800,000 was contributed as registered capital and RMB4,200,000 was contributed as capital surplus (“Capital Contribution”, and collectively referred to as the “Transactions” together with the aforesaid Acquisition). The Company paid RMB10,000,000 in aggregate as the consideration for the Transactions. Through the Transactions, the Company will obtain controlling interests in Wuhu Sterling. As such, Wuhu Sterling will be included into the overall development plan of the Company. At the same time, the leading technology and techniques in the field of steering gear that the Company possesses will help Wuhu Sterling to obtain the exclusive supply qualification of the vehicle assembly base of Chery Auto in the north western PRC, as well as to create opportunities on business development of steering gear for mid-high end vehicles of joint venture projects entered into by Chery Auto with Jaguar Land Rover and Israeli corporations etc.. As such, the production capacity and market share of the Company will further expand. As the applicable percentage ratios in respect of the Transactions are more than 5% but less than 25%, the Transactions constituted a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules of Hong Kong Stock Exchange. On 22 April 2013, the relevant industrial and commercial registration procedures have been completed regarding the Transactions and equity interests held by the Company in Wuhu Sterling was increased from 46% to 57.89%. Wuhu Sterling was included in the consolidated accounts of the Company since May 2013.

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 2013, 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 and any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be entered in the register pursuant to section 352 of the SFO or interests and short positions which are required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

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

Name of Director	Capacity	Number of A Shares	Approximate percentage of shareholding in same class of shares	Approximate percentage in the Company's total issued share capital
Mr. Zhang Shi Quan	Interest in a controlled corporation (Note 1)	165,387,223	86.62%	59.57%
	Beneficial owner	10,556,632	5.53%	3.80%

Note:

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

- (2) Long positions in the registered capital of the Ultimate Holding Company, Shibao Holding (an associated corporation of the Company):

Name of Director	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of 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: Shibao Holding holds 165,387,223 A Shares representing 86.62% of the A Shares in issue and 59.57% 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 fellow subsidiary of the Company, Changchun Shili (an associated corporation of the Company):

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

Note: Changchun Shili, a subsidiary of Shibao Holding, the Ultimate Holding Company of the Company, is owned as to 90% by Shibao Holding. As Mr. Zhang holds 40% interest in the registered capital of 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 Shibao Holding, Mr. Zhang is taken or deemed to be interested in the 90% interest directly held by Shibao Holding in Changchun Shili.

On 17 May 2012, the Company and Shibao Holding entered into the Acquisition Agreement, pursuant to which Shibao Holding has conditionally agreed to dispose of and the Company has conditionally agreed to acquire 90% equity interest in Changchun Shili for a total consideration of RMB10,467,600.00. Shibao Holding is a controlling shareholder of the Company. Shibao Holding is, hence, a connected person of the Company under the Listing Rules of Hong Kong Stock Exchange. Accordingly, the transaction under the Acquisition Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules of Hong Kong Stock Exchange. As the relevant applicable percentage ratios in respect of the transaction under the Acquisition Agreement are more than 0.1% but lower than 5%, the Acquisition Agreement is exempt from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements under the Listing Rules of Hong Kong Stock Exchange. On 10 July 2013, Changchun Shili completed the relevant industrial and commercial registration procedures and obtained a "Notification of Industrial and Commercial Registration Changes" issued by Changchun Industrial and Commercial Bureau. Upon the completion of the aforesaid procedures, the Company became a shareholder of Changchun Shili by holding 90% equity interest in it, Changchun Shili became a direct non-wholly owned subsidiary of the Company and its relevant accounts will be included into the consolidated accounts of the Group.

- (4) Long positions in the registered capital of a fellow subsidiary of the Company, Anhui Changshan (an associated corporation of the Company):

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

Note: Anhui Changshan, a subsidiary of Shibao Holding, the Ultimate Holding Company of the Company, is owned as to 100% by Shibao Holding. As Mr. Zhang holds 40% interest in the registered capital of 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 Shibao Holding, Mr. Zhang is taken or deemed to be interested in the 100% interest directly held by Shibao Holding in Anhui Changshan.

Save as disclosed above, as at 30 June 2013, Directors are not aware of any Director, Supervisor and Chief Executive of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of the Company or any of its associated corporation (within the meaning of SFO) which will be required pursuant to the Division 7 & 8 of Part XV of the SFO to be notified to the Company and the Hong Kong Stock Exchange, 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 the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, so far as is known to the Directors 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 same class of shares	Approximate percentage in the Company's total issued share capital
Shibao Holding	Beneficial owner (Note 1&2)	165,387,223 A Shares	86.62%	59.57%
Mr. Zhang	Interest in a controlled corporation (Note 1&2)	165,387,223 A Shares	86.62%	59.57%
	Beneficial owner (Note 2)	10,556,632 A Shares	5.53%	3.80%

Note:

- (1) As at 30 June 2013, Shibao Holding owned 165,387,223 A Shares of the Company. As Mr. Zhang holds 40% interest in the registered capital of Shibao Holding, Mr. Zhang is deemed to be interested in all of the 165,387,223 A Shares of the Company held by Shibao Holding.
- (2) Mr. Zhang's interest in these 175,943,855 A Shares of the Company, including 165,387,223 A Shares owned by Shibao Holding and 10,556,632 A Shares directly owned by himself, 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". These 165,387,223 A Shares of the Company owned by Shibao Holding represent the same interest and therefore duplicate amongst Shibao Holding and Mr. Zhang.

Save as disclosed above, as at 30 June 2013, Directors are not aware of any other person (other than the Directors, Supervisors and Chief Executive 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.

ARRANGEMENTS FOR PURCHASE OF SHARES OR DEBENTURES

During the period under review, none of the Company, its Ultimate Holding Company or any subsidiaries of its Ultimate Holding Company has entered into any arrangement, allowing Directors of the Company can be benefited from the purchase of the shares or debentures of the Company or any other legal person entities, and none of the Directors, Supervisors and Chief Executive or their respectively spouse or children under 18 has any right or has exercised any right to subscribe for securities of the Company.

SHARE OPTION SCHEMES

As at 30 June 2013, the Company has not implemented any share option scheme.

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 Listing Rules of Hong Kong Stock Exchange) or their respective associates had an interest in a business which competed or might compete with the business of the Group, or had an interest in a company which may have conflicts of interest with the Group's business.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 26 April 2006 and has stipulated written terms of reference for the Remuneration Committee. The main duties of the Remuneration Committee include (i) making recommendations to the Board on the remuneration policies and structure for the Directors and senior management of the Company; (ii) setting up a formal and transparent procedure for determination of such remuneration policies; and (iii) evaluating performances and formulating the remuneration policies based on such evaluations.

The Remuneration Committee consists of three members, namely Mr. Chau Kam Wing, Donald (Chairman of the Remuneration Committee) and Mr. Zhang Hong Zhi (both are independent non-executive Directors) and Mr. Zhang Shi Zhong (non-executive Director).

NOMINATION COMMITTEE

The Company established the Nomination Committee on 13 May 2011 and has stipulated written terms of reference for the Nomination Committee. The main duties of the Nomination Committee include (i) study the standards and processes of the selection of director, general manager and other senior executives, and provide suggestions to the Board; (ii) look for qualified candidates of director, general manager and other senior executives in a wide scope; (iii) conduct examination and provide suggestions on the candidates of director, general manager and other senior executives; and (iv) review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Nomination Committee consists of three members, namely Mr. Chau Kam Wing, Donald (Chairman of the Nomination Committee) and Mr. Zhao Chun Zhi (both are independent non-executive Directors) and Ms. Zhang Lan Jun (executive Director).

AUDIT COMMITTEE

The Company established the Audit Committee on 26 April 2006 and has stipulated written terms of reference for the Audit Committee. The main duties of the Audit Committee are to provide proposals to the Board in respect of the appointment and removal of external auditors, approve the remuneration and appointment terms of external auditors, review financial information and supervise financial reporting system and internal control procedures.

The Audit Committee has three members, namely Mr. Chau Kam Wing, Donald (Chairman of the Audit Committee) and Mr. Zhang Hong Zhi (both are independent non-executive Directors) and Mr. Zhang Shi Zhong (non-executive Director).

The accounting information contained in this interim report has been reviewed by the Audit Committee.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code. The Company had 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.

CORPORATE GOVERNANCE CODE

For the period under review, the Company had been in compliance with the majority of the code provisions set out in the Corporate Governance Code with the exception of code provisions A.2.1 and A.1.8.

Under code provision A.2.1, 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 Company's founder, and is responsible for overseeing the overall strategic planning and development, 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.

Under code provision A.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Board has not arranged a liability insurance for the Directors and senior executives taking into the consideration that the industry, business and financial situation of the Company is 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.

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

Since the commencement of listing of the H Shares of the Company on GEM of the Hong Kong Stock Exchange on 16 May 2006 and the transfer listing from GEM of the Hong Kong Stock Exchange to the Main Board of the Hong Kong Stock Exchange on 9 March 2011, and the listing of the A Shares of the Company on Shenzhen Stock Exchange on 2 November 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities 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

Based on information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this report, the Company was in compliance with the Listing Rules of Hong Kong Stock Exchange which requires 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 and General Manager

Hangzhou, Zhejiang, the PRC

23 August 2013

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 and Mr. Lou Run Zheng as non-executive Directors, and Mr. Zhao Chun Zhi, Mr. Chau Kam Wing, Donald, Mr. Zhang Hong Zhi and Mr. Li Zi Biao as independent non-executive Directors.

GLOSSARY

“A Share(s)”	Ordinary share(s) with a nominal value of RMB1.00 each in the capital of the Company issued in China and listed on Shenzhen Stock Exchange, and are subscribed for and traded in RMB
“Anhui Changshan”	Anhui Changshan Auto Parts Manufacturing Co., Ltd., a subsidiary controlled by Shibao Holding
“Articles of Association”	Articles of association of the Company
“Audit Committee”	Audit committee of the Company
“Beijing Autonics”	Beijing Autonics Technology Co., Ltd., a subsidiary controlled by the Company
“Board”	Board of Directors of the Company
“Changchun Shili”	Changchun Shili Automotive Brake Parts Co., Ltd., became a subsidiary controlled by the Company on 10 July 2013
“Chery Auto”	Chery Automobile Co., Ltd.
“Company”	Zhejiang Shibao Company Limited
“Corporate Governance Code” or “CG Code”	Corporate Governance Code and Corporate Governance Code Report, Appendix 14 to the Listing Rules of Hong Kong Stock Exchange
“CSRC”	China Securities Regulatory Commission
“Director(s)”	Director(s) of the Company

“Erdos Sterling”	Erdos Sterling Steering System Co., Ltd., a wholly-owned subsidiary of Wuhu Sterling
“Group”	The Company and its subsidiaries
“H Share(s)”	Ordinary share(s) with a nominal value of RMB1.00 each in the capital of the Company issued overseas and listed on Hong Kong Stock Exchange, and are subscribed for and traded in Hong Kong dollars
“Hangzhou New Shibao”	Hangzhou New Shibao Electric Power Steering Co., Ltd., a subsidiary controlled by the Company
“Hangzhou Shibao”	Hangzhou Shibao Auto Steering Gear Co., Ltd., a wholly-owned subsidiary of the Company
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Jilin Shibao”	Jilin Shibao Machinery Manufacturing Co., Ltd., a wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange
“Mr. Zhang”	Mr. Zhang Shi Quan
“Nomination Committee”	Nomination committee of the Company
“PRC or China or Mainland China”	People’s Republic of China

“Remuneration Committee”	Remuneration committee of the Company
“RMB”	Renminbi
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Siping Steering”	Siping Steering Gear Co., Ltd., a subsidiary controlled by the Company
“Supervisor(s)”	Supervisor(s) of the Company
“Wuhu Sterling”	Wuhu Sterling Steering System Co., Ltd., became a subsidiary controlled by the Company on 22 April 2013
“Shibao Holding” or “Ultimate Holding Company”	Zhejiang Shibao Holding Group Co., Ltd.