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**Zhejiang Shibao Company Limited\***

**浙江世寶股份有限公司**

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

(Stock Code: 1057)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**Key accounting information and financial indicators**

	Jan-Jun 2016	Jan-Jun 2015	Change
	RMB	RMB	
	(unaudited)	(unaudited)	
Revenue	531,577,028.72	442,723,463.64	20.07%
Net profit attributable to shareholders of the listed company	38,867,423.38	36,109,760.10	7.64%
Net profit after non-recurring gains and losses attributable to shareholders of the listed company	33,412,277.24	28,493,235.40	17.26%
Net cash flow from operating activities	2,150,169.85	26,207,604.08	-91.80%
Basic earnings per share (RMB/Share)	0.1231	0.1143	7.70%
Diluted earnings per share (RMB/Share)	0.1231	0.1143	7.70%
Weighted average return on net assets (%)	2.66%	2.51%	0.15%
	30 June 2016	31 December 2015	Change
	RMB	RMB	
	(unaudited)	(audited)	
Total assets	1,965,932,414.68	1,885,802,663.68	4.25%
Net assets attributable to shareholders of the listed company	1,449,864,761.95	1,442,583,124.07	0.50%

\* For identification purpose only

## UNAUDITED INTERIM RESULTS

The board of directors (“**Board**”) of Zhejiang Shibao Company Limited (“**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (“**Group**”) for the six months ended 30 June 2016 prepared pursuant to China Accounting Standard for Business Enterprises, together with the comparative figures for the corresponding period in 2015. The consolidated interim results have not been audited, but have been reviewed by the Company’s audit committee.

### (1) FINANCIAL STATEMENTS

*(All amounts in RMB Yuan unless otherwise stated)*

#### CONSOLIDATED BALANCE SHEET

30 June 2016

Item	Note 4	30 June 2016 (unaudited)	31 December 2015 (audited)
Current assets :			
Cash on hand and at bank		191,832,858.81	503,377,298.34
Notes receivable		155,035,076.48	92,274,842.99
Accounts receivable	1	378,633,551.42	326,067,978.19
Prepayments		5,143,052.15	6,530,189.97
Other receivables		3,170,078.63	3,230,857.02
Inventories		233,697,696.31	252,400,451.28
Other current assets		266,544,467.23	8,711,198.50
Total current assets		1,234,056,781.03	1,192,592,816.29
Non-current assets :			
Fixed assets		452,068,309.45	451,819,102.65
Construction in progress		61,064,799.19	43,970,877.69
Intangible assets		111,306,189.23	115,053,639.13
Goodwill		4,694,482.34	4,694,482.34
Deferred income tax assets		5,401,711.40	5,999,463.17
Other non-current assets		97,340,142.04	71,672,282.41
Total non-current assets		731,875,633.65	693,209,847.39
Total assets		1,965,932,414.68	1,885,802,663.68

Item	Note 4	30 June 2016	31 December 2015
		(unaudited)	(audited)
<b>Current liabilities :</b>			
Short-term loans	2	12,000,000.00	25,000,000.00
Notes payable		47,376,642.08	74,239,657.73
Accounts payable	3	301,786,726.81	233,827,116.38
Receipts in advance		5,837,766.54	6,044,129.53
Staff cost payable		11,981,883.73	14,757,240.75
Tax payable		8,310,973.48	7,039,167.52
Interest payable		967,308.34	991,364.84
Dividend payable		31,585,785.50	-
Other payables		4,439,554.16	4,854,383.45
Non-current liabilities due within one year	4	8,800,000.00	8,800,000.00
Other current liabilities		18,675,481.72	15,528,531.26
<b>Total current liabilities</b>		<b>451,762,122.36</b>	<b>391,081,591.46</b>
<b>Non-current liabilities :</b>			
Long-term borrowings	5	1,380,000.00	1,380,000.00
Deferred income		36,951,416.25	25,761,023.76
Deferred income tax liabilities		4,681,110.63	5,118,323.51
<b>Total non-current liabilities</b>		<b>43,012,526.88</b>	<b>32,259,347.27</b>
<b>Total liabilities</b>		<b>494,774,649.24</b>	<b>423,340,938.73</b>
<b>Shareholders' equity :</b>			
Share capital		315,857,855.00	315,857,855.00
Capital reserve		660,012,081.76	660,012,081.76
Surplus reserve		125,531,891.62	125,531,891.62
Retained earnings		348,462,933.57	341,181,295.69
Equity attributable to shareholders of the listed company		1,449,864,761.95	1,442,583,124.07
Minority interests		21,293,003.49	19,878,600.88
<b>Total shareholders' equity</b>		<b>1,471,157,765.44</b>	<b>1,462,461,724.95</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,965,932,414.68</b>	<b>1,885,802,663.68</b>

**CONSOLIDATED INCOME STATEMENT**  
**For the six months ended 30 June 2016**

Item	Note 4	Jan-June 2016	Jan-June 2015
		(unaudited)	(unaudited)
Total revenue	6	531,577,028.72	442,723,463.64
Including: Revenue	6	531,577,028.72	442,723,463.64
Total operating costs		488,975,092.04	410,607,537.37
Including: Operating costs	6	408,626,363.05	326,123,440.42
Business taxes and surcharges		1,841,506.05	2,706,588.83
Selling expenses		27,285,116.63	24,904,879.91
General and administrative expenses		51,478,217.09	51,520,842.49
Financial expenses	7	-1,159,919.59	4,933,494.25
Assets impairment losses		903,808.81	418,291.47
Add : Investment gains		2,656,495.90	6,600,246.57
Operating profit		45,258,432.58	38,716,172.84
Add : Non-operating income		4,116,405.78	3,983,556.80
Including : Gain on disposal of non-current assets		357,307.67	116,510.35
Less : Non-operating expenses		889,283.31	1,562,720.72
Including : Loss on disposal of non-current assets		307,057.20	1,208,726.88
Total profit		48,485,555.05	41,137,008.92
Less : Income tax expenses	8	8,203,729.06	6,863,903.42
Net profit		40,281,825.99	34,273,105.50
Net profit attributable to shareholders of the listed company		38,867,423.38	36,109,760.10
Minority interests		1,414,402.61	-1,836,654.60
Total comprehensive income		40,281,825.99	34,273,105.50
Total comprehensive income attributable to shareholders of the listed company		38,867,423.38	36,109,760.10
Total comprehensive income attributable to minority shareholders		1,414,402.61	-1,836,654.60
Earnings per share :	9		
Basic earnings per share		0.1231	0.1143
Diluted earnings per share		0.1231	0.1143

## **(2) NOTES TO THE FINANCIAL STATEMENTS**

### **1) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

#### **1. Basis of Preparation**

The interim financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises No.32 – Interim Financial Reporting issued by the Ministry of Finance of the PRC.

The financial statements are presented on a going concern basis.

#### **2. Evaluation on ability of continuing operation**

The Company does not have any event or circumstance that arises material concerns about assumptions on continuing operation within twelve months from the end of the reporting period.

### **2) MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

#### **1. Statement of compliance with the Accounting Standards for Business Enterprises**

The financial statements of the Company have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, which have truly and fully reflected the information of the Company, including the financial position, results of operations and cash flows.

#### **2. Accounting year**

The accounting year is from 1 January to 31 December.

#### **3. Functional currency**

Renminbi (“RMB”) is adopted as functional currency.

### **3) TAXATION**

#### **1. Major taxes and tax rates**

Type of tax	Basis	Tax rate
Value added tax	Sales of goods or rendering of taxable services	17% [Note]
Business tax	Amount of payable business tax	5%
Property tax	On the property value less 30%, or on rents	1.2% 、 12%
Urban maintenance and construction tax	Amount of payable turnover tax	7% 、 5%
Education surcharge	Amount of payable turnover tax	3%
Local education surcharge	Amount of payable turnover tax	2%
Corporate income tax	Amount of taxable profit	15% 、 25%

[Note]: Hangzhou Shibao Auto Steering Gear Co., Ltd., a controlling subsidiary of the Company, enjoys the policy of “exempt, credit, refund” with an export tax refund rate of 17%.

Details of corporate income tax rates of different entities:

Name of entity	Income tax rate
Hangzhou Shibao Auto Steering Gear Co., Ltd.	15%
Hangzhou New Shibao Electric Power Steering Co., Ltd.	15%
Beijing Autonics Technology Co., Ltd.	15%
Wuhu Sterling Steering System Co., Ltd.	15%
Others	25%

## 2. Tax concession and approval documents

1. According to the “Letter regarding 2014 1st batch filing of High-tech Enterprises of Zhejiang Province” issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. (2015) 29), the controlling subsidiary, Hangzhou Shibao Auto Steering Gear Co., Ltd. was recognized as a high-tech enterprise during 2014 and obtained the High-tech Enterprise Certificate (No. GR201433000685) with a valid period from 2014 to 2016. It is subject to a corporate income tax rate of 15% during the period.
2. According to the “Letter regarding 2014 1st batch filing of High-tech Enterprises of Zhejiang Province” issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. (2015) 29), the controlling subsidiary, Hangzhou New Shibao Electric Power Steering Co., Ltd. was recognized as a high-tech enterprise during 2014 and obtained the High-tech Enterprise Certificate (No. GR201433000159) with a valid period from 2014 to 2016. It is subject to a corporate income tax rate of 15% during the period.
3. According to and approved by the document “Jing Ke Fa No.: (2014) 551” jointly issued by the Beijing Municipality Science and Technology Committee, Beijing Municipality Finance Bureau, State Tax Bureau Beijing Municipality Office and Beijing Municipality Local Tax Bureau, the controlling subsidiary, Beijing Autonics Technology Co., Ltd. was recognized as a high-tech enterprise during the period and obtained the High-tech Enterprise Certificate (No. GR201411000968) with a valid period from 2015 to 2017. It is subject to a corporate income tax rate of 15% during the period.
4. According to the “Notification regarding Public Announcement of 2014 1st batch filing of High-tech Enterprises of Anhui Province” issued by the Leading Group Office of Anhui Province High-tech Enterprises Recognition and Management (Wan Gao Qi Ren No. (2014) 19), the controlling subsidiary, Wuhu Sterling Steering System Co., Ltd. was recognized as a high-tech enterprise during 2014 and obtained the High-tech Enterprise Certificate (No. GR201434000449) with a valid period from 2014 to 2016. It is subject to a corporate income tax rate of 15% during the period.

#### 4) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

##### 1. Accounts receivable

The aging analysis of accounts receivable is as follows:

Age	30 June 2016 (unaudited)			31 December 2015 (audited)		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	(%)		Amount	(%)	
Within 1 year	371,414,221.77	97.00	-	317,909,089.92	96.24	-
1–2 years	3,801,702.16	0.99	343,406.37	6,830,773.39	2.07	731,314.19
2–3 years	4,268,745.19	1.12	799,846.22	2,517,980.00	0.76	908,466.57
Over 3 years	3,415,283.16	0.89	3,123,148.27	3,076,535.74	0.93	2,626,620.10
Sub-total	382,899,952.28	100.00	4,266,400.86	330,334,379.05	100.00	4,266,400.86

The aging analysis of accounts receivable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement with respect to turnover.

The Company's and its subsidiaries' trading terms with their customers generally offer a certain credit period. However, new customers are often required to make payment in advance. The credit period is generally 90 days, extending up to 180 days for major customers. Overdue balances are reviewed regularly by senior management.

##### 2. Short-term loans

Item	30 June 2016 (unaudited)	31 December 2015 (audited)
Guaranteed loans	12,000,000.00	25,000,000.00
Total	12,000,000.00	25,000,000.00

All of the above short-term loans are bank loans with annual interest rate of 4.35%.

##### 3. Accounts payable

The aging analysis of accounts payable is as follows:

Age	30 June 2016 (unaudited)	31 December 2015 (audited)
Within 1 year	289,082,560.82	222,179,512.69
1-2 years	7,741,863.66	7,403,569.58
2-3 years	2,543,617.76	2,433,777.15
Over 3 years	2,418,684.57	1,810,256.96
Total	301,786,726.81	233,827,116.38

The aging analysis of accounts payable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement with respect to turnover.

#### 4. Non-current liabilities due within one year

Item	30 June 2016 (unaudited)	31 December 2015 (audited)
Long-term loans due within one year	8,800,000.00	8,800,000.00
Total	8,800,000.00	8,800,000.00

[Note]: These loans represented the interest free capital loans from the Management Committee of the Tiedong Economic Development Zone in Siping for a controlling subsidiary, Jilin Shibao Machinery Manufacturing Co., Ltd., to expand production. The original borrowing period was 28 November 2011 to 28 November 2014. The Management Committee of the Tiedong Economic Development Zone in Siping has extended the repayment date to the end of 2016.

#### 5. Long-term borrowings

##### (1) Breakdown

Item	30 June 2016 (unaudited)	31 December 2015 (audited)
Special funds for treasury bonds	1,380,000.00	1,380,000.00
Total	1,380,000.00	1,380,000.00

##### (2) Analysis of long-term borrowings by maturity date

Item	30 June 2016 (unaudited)	31 December 2015 (audited)
Current or within 1 year	300,000.00	300,000.00
Over 1 year but within 2 years	-	-
Over 2 years but within 5 years	1,080,000.00	1,080,000.00
Over 5 years	-	-
Total	1,380,000.00	1,380,000.00



## 6. Revenue/cost of sales

Item	Jan - June 2016 (unaudited)		Jan - June 2015 (unaudited)	
	Revenue	Cost	Revenue	Cost
Revenue from main business	527,243,673.19	407,439,879.99	440,326,133.52	325,950,419.81
Revenue from other business	4,333,355.53	1,186,483.06	2,397,330.12	173,020.61
Total	531,577,028.72	408,626,363.05	442,723,463.64	326,123,440.42

## 7. Financial expenses

Item	Jan - June 2016 (unaudited)	Jan - June 2015 (unaudited)
Interest expenses	438,776.81	5,602,736.22
Interest income	-1,812,810.40	-1,685,209.47
Other	214,114.00	1,015,967.50
Total	-1,159,919.59	4,933,494.25

## 8. Income tax expenses

Item	Jan - June 2016 (unaudited)	Jan - June 2015 (unaudited)
Current income tax	8,043,190.17	7,367,317.45
Adjustment of deferred income tax	160,538.89	-503,414.03
Total	8,203,729.06	6,863,903.42

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries had no assessable profits arising in Hong Kong during the reporting period under review (corresponding period of 2015: Nil).

## 9. Earnings per share

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

During the period, the Company had no potential dilutive ordinary shares.

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

Item	Jan - June 2016 (unaudited)	Jan - June 2015 (unaudited)
Earnings		
Net profits attributable to the ordinary shareholders of the Company	38,867,423.38	36,109,760.10
Shares		
Weighted average of ordinary shares issued by the company	315,857,855.00	315,857,855.00
Basic earnings per share (RMB/Share)	0.1231	0.1143
Diluted earnings per share (RMB/Share)	0.1231	0.1143

## 10. Other matters

### (1) Segmental reporting – Operating segment

As the operations and assets of both the Company and its subsidiaries are related to automotive steering system and components, and are mainly located in Mainland China, no further detailed segmental information needs to be disclosed.

### (2) Depreciation and amortization expenses

Item	Jan - June 2016 (unaudited)	Jan - June 2015 (unaudited)
Depreciation of fixed assets, oil and gas assets and production related biological materials	28,874,536.43	26,840,570.27
Amortization of intangible assets	4,760,783.24	4,825,948.65
Total	33,635,319.67	59,131,058.97

### (3) Net current assets, and total assets less current liabilities

Item	30 June 2016 (unaudited)	31 December 2015 (audited)
Net current assets	782,294,658.67	801,511,224.83
Total assets less current liabilities	1,514,170,292.32	1,494,721,072.22

### (4) Material Commitments

Item	30 June 2016 (unaudited)	31 December 2015 (audited)
Material contracts in relation to acquisition of assets contracted but not recognized	74,500,035.14	46,521,922.08

(5) Assets with restrictions in ownership or use rights

Item	30 June 2016 (unaudited)	Reason for restriction
Cash on hand and at bank	12,307,033.04	Security deposits [note 1]
Notes receivable	35,846,793.48	Pledge [note 2]
Fixed assets	5,091,229.30	Charge
Intangible assets	3,323,297.73	Charge
Total	56,568,353.55	

[Note 1]: Guarantee deposits of RMB12,307,033.04 for the issuance of the bank acceptance bills.

[Note 2]: Security for the issuance of the bank acceptance bills.

(6) Important events after reporting period

Upon the consideration and approval by the Board meeting of the Company convened on 24 March 2016 and upon the consideration and approval by the 2015 annual general meeting convened on 21 June 2016, dividends of RMB1.00 (tax inclusive) in cash for every 10 Shares shall be distributed on the basis of the total Shares amounting to 315,857,855 Shares (nominal value of RMB1.00 for each share) as at the end of 2015, representing a distribution of dividends of RMB31,585,785.50 in aggregate. As at this reporting date, such dividends have been distributed.

Other than the above, there is no other important events after the reporting period.

**(3) INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

**(4) MANAGEMENT DISCUSSION AND ANALYSIS**

**REVIEW OF CHINA AUTOMOBILE INDUSTRY**

From January to June 2016, production and sales volume of China automobile industry was 12,892,000 units and 12,830,000 units respectively, representing an increase of 6.50% and 8.10% respectively as compared with 2015. Production and sales of passenger cars were 11,099,000 units and 11,042,000 units respectively, representing an increase of 7.30% and 9.20% respectively as compared with 2015. Production and sales of commercial vehicles were 1,793,000 units and 1,787,000 units respectively, representing an increase of 1.50% and 1.90% respectively as compared with 2015.

From January to June 2016, sales volume of China-brand passenger cars was 4,735,000 units, representing an increase of 12.80% as compared with 2015. Their sales represented 42.90% of the total sales of passenger cars, representing an increase of 1.40% as compared with 2015. Among commercial vehicles, production and sales volume of buses decreased by 9.40% and 9.50% respectively as compared with 2015; production and sales volume of trucks increased by 3.60% and 4.00% respectively as compared with 2015. Production and sales volume of new energy cars was 177,000 units and 170,000 units respectively, representing an increase of 125.00% and 126.90% respectively as compared with 2015.

From January to June 2016, the top ten automaker groups sold 11,407,000 units of automobiles, representing an increase of 7.20% as compared with 2015. Their sales represented 88.90% of the total sales of automobiles, representing a decrease of 0.80% as compared with 2015.

## REVIEW OF OPERATING RESULTS AND FINANCIAL POSITION

### ANALYSIS OF OPERATING RESULTS

Change in major financial information of the Company during the reporting period:

	Jan-Jun 2016	Jan-Jun 2015	Change
Revenue	531,577,028.72	442,723,463.64	20.07%
Operating costs	408,626,363.05	326,123,440.42	25.30%
Selling expenses	27,285,116.63	24,904,879.91	9.56%
General and administrative expenses	51,478,217.09	51,520,842.49	-0.08%
Financial expenses	-1,159,919.59	4,933,494.25	-123.51%
Income tax expenses	8,203,729.06	6,863,903.42	19.52%
Research and development expenses	17,930,229.53	16,481,132.68	8.79%
Net cash flow from operating activities	2,150,169.85	26,207,604.08	-91.80%
Net cash flow from investing activities	-295,217,886.13	-227,666,779.76	29.67%
Net cash flow from financing activities	-13,462,833.31	-75,077,107.57	-82.07%
Net increase of cash and cash equivalents	-306,522,847.54	-276,886,913.13	10.70%

During the reporting period, benefitted from the significant increase in sales of the Company's electric power steering products and the continuous expansion in sales of hydraulic power rack-and-pinion steering gears, the Company recorded a revenue of RMB531,577,028.72, representing an increase of 20.07% as compared with the corresponding period last year.

During the reporting period, the gross profit of the Company's main business increased by RMB5,428,079.50 as compared with the corresponding period last year. The gross profit margin of the Company's main business was 22.72% (corresponding period of 2015: 25.98%). The decrease in the gross profit margin of the Company was mainly due to the decline in the selling price of certain old products entering into their mature stage and the significant increase in the investment on new product development, including the research and development, tests and trial assembly of smart steering system applicable to self-driving vehicles.

During the reporting period, the Company's selling expenses was RMB27,285,116.63, representing an increase of 9.56% as compared with the corresponding period last year. Increase in selling expenses was mainly due to the increase in the provision made for warranty expenses as a result of the expansion of business scale. The Company's general and administrative expenses were RMB51,478,217.09, which is basically the same as that of the corresponding period last year. Among which, research and development expenses still maintained an upward trend while professional service fee saw a significant decrease. The Company's financial expenses were RMB-1,159,919.59, representing a decrease of 123.51% as compared with the corresponding period last year. Decrease in financial expenses was mainly due to a decrease in bank borrowings resulted in decrease of interest expenses.

During the reporting period, the Company's research and development expenses was RMB17,930,229.53, representing an increase of 8.79% as compared with the corresponding period last year. The Company's research and development expenses was used in the research and development and testing of automotive steering system related new technologies and new manufacturing processes. Strong research and development capacity is one of the core competencies of the Company, which continuously helps the Company to acquire new businesses and positions the Company to a leading edge of the industry.

In view of the above, the Company recorded a net profit attributable to shareholders of the listed company of RMB38,867,423.38, representing an increase of 7.64% as compared with the corresponding period last year.

During the reporting period, the Company's net cash flow from operating activities was RMB2,150,169.85, decreased by 91.80% as compared with the corresponding period last year, which was mainly due to the decrease in the amount received from bank acceptance bills held-to-maturity for sales of goods; net cash outflow from investing activities was RMB295,217,886.13, increased by 29.67% as compared with the corresponding period last year, which was mainly due to the combined effects of the increase in the portion of idle proceeds used for purchasing wealth management product from banks and the increase in cash paid for purchase of equipment during the current period; net cash outflow from financing activities was RMB13,462,833.31, decreased by 82.07% as compared with the corresponding period last year, which was mainly due to the increase in bank borrowings received during the current period as compared with the corresponding period last year and the decrease in repayment of bank borrowings as compared with the corresponding period last year.

In view of the above, the Company recorded a net decrease of cash and cash equivalents of RMB306,522,847.54, increased by 10.70% as compared with the corresponding period last year.

Breakdown of main business during the reporting period:

	Revenue	Operating costs	Gross margin	Change of revenue	Change of operating costs	Change of gross margin
By sectors						
Automotive components and spare parts manufacturing	527,243,673.19	407,439,879.99	22.72%	19.74%	25.00%	-3.26%
By products						
Steering system and parts	501,792,849.63	387,747,515.60	22.73%	21.44%	26.88%	-3.31%

## **FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2016, the amount of total loans and borrowings was RMB22,180,000.00 (31 December 2015: RMB35,180,000.00). Total loans and borrowings decreased by RMB13,000,000.00 when compared with the beginning of the year, mainly due to a decrease of short-term bank borrowings. Among which, loans and borrowings of short-term and due within one year amounted to RMB20,800,000.00 (31 December 2015: RMB33,800,000.00), representing a share of 93.78% (31 December 2015: 96.08%) in total loans and borrowings. Loans and borrowings at fixed interest rates amounted to RMB13,380,000.00 (31 December 2015: RMB26,380,000.00).

The Company has issued 38.2 million RMB ordinary shares (A Shares) by way of private placement at issue price of RMB18.46 per Share, which raised a gross proceeds of RMB705,172,000 and a net proceeds of RMB658,162,900. On 11 December 2014, the proceeds were credited into the fund regulatory account of the Company. The proceeds will be used on projects. As at 31 December 2015, the accumulated amount of the proceeds actually utilized by the Company RMB100,609,400. From January to June 2016, the amount of the proceeds actually utilized by the Company was RMB45,473,500, and RMB200,000,000 was used for temporary supplement of working capital. As at 30 June 2016, the accumulated amount of the proceeds actually utilized by the Company RMB146,082,900.

The capital structure of the Company consists of short-term bank borrowings, bank deposits and equity attributable to shareholders of the Company. The management determines the capital structure by considering the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through the payment of dividends, new share issues as well as repayment of existing borrowings.

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as shareholders' equity plus net debt. At the end of the reporting period, the Company's gearing ratio was 11.98% (2015: 44.57%).

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

## **FOREIGN CURRENCY EXPOSURE**

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

## **MATERIAL ACQUISITION AND DISPOSAL**

During the reporting period, the Group did not have any material acquisition and disposal concerning subsidiaries and associates.

## OUTLOOK

During the reporting period, the increase in the Company's production capacity of hydraulic power rack-and-pinion steering gears for passenger cars has facilitated continuous expansion in sales scale. Meanwhile, as the Company insisted on adhering to high technological and quality requirements, the Company's electric power steering products have established a sound reputation in the industry, which has led to a significant increase in sales.

Zhejiang Shibao lives up to its role of enhancing safety and comfortability for driving. The Company is committed to providing world leading automaker groups with safe, energy-saving, light-weight and new-energy automotive steering system. During the reporting period, the Company has accelerated its investment in new technology and established cooperation with various automobile manufacturers and internet enterprises in the PRC with a view to develop a smart steering system applicable to self-driving vehicles.

### Forecast on the operating results between January and September 2016

Change in net profit attributable to shareholders of the listed issuer between January and September 2016	0%	To	20%
Range of change in net profit attributable to shareholders of the listed issuer between January and September 2016 (RMB ten thousands)	4,841.68	To	5,810.02
Net profit attributable to shareholders of the listed issuer between January and September 2015 (RMB ten thousands)	4,841.68		
Illustrations on reasons attributable to the movements in results	Increase in forecast profit of the Company will be mainly due to an increase of business scale, a decrease of financial expenses and an increase of gain on wealth management products.		

## (5) CORPORATE GOVERNANCE

During the reporting period, the Company had been in compliance with the majority of the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange with the exception of code provisions A.2.1, A.1.8 and A.6.7.

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 reporting period. Mr. Zhang Shi Quan is the Company's founder, and is responsible for overseeing the overall strategic planning, new business development, 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 making response over 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 cover for the Directors and senior executives taking into the consideration that the industry, business and financial situation of the Company are stable at present, and the Company has established sufficient internal control system. The Board will review the need for the insurance cover from time to time.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Zhang Shi Zhong (non-executive Director), Mr. Zhang Hong Zhi (independent non-executive Director) and Mr. Guo Kong Hui (independent non-executive Director) were unable to attend the Company's annual general meeting held on 21 June 2016 due to their other important business engagements.

## **(6) PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the reporting period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

By order of the Board  
**Zhejiang Shibao Company Limited**  
**Zhang Shi Quan**  
*Chairman and General Manager*

Hangzhou, Zhejiang, the PRC  
26 August 2016

*As at the date of this announcement, the Board comprises Mr. Zhang Shi Quan, Mr. Zhang Bao Yi, Mr. Tang Hao Han and Ms. Zhang Lan Jun as executive Directors; Mr. Zhang Shi Zhong and Mr. Zhu Jie Rong as non-executive Directors; and Mr. Zhang Hong Zhi, Mr. Guo Kong Hui and Mr. Shum Shing Kei as independent non-executive Directors.*