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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 2017**

Key accounting information and financial indicators

| | January-June 2017 | January-June 2016 | Change |
|--|----------------------|----------------------|----------|
| | RMB | RMB | |
| | (unaudited) | (unaudited) | |
| Revenue | 546,225,847.81 | 531,577,028.72 | 2.76% |
| Net profit attributable to shareholders of the listed company | 39,715,087.12 | 38,867,423.38 | 2.18% |
| Net profit after non-recurring gains and losses attributable to shareholders of the listed company | 27,339,974.12 | 33,412,277.24 | -18.17% |
| Net cash flow from operating activities | -15,285,387.86 | 2,150,169.85 | -810.89% |
| Basic earnings per share (RMB/Share) | 0.1257 | 0.1231 | 2.11% |
| Diluted earnings per share (RMB/Share) | 0.1257 | 0.1231 | 2.11% |
| Weighted average return on net assets (%) | 2.66% | 2.66% | 0.00% |
| | 30 June 2017 | 31 December 2016 | Change |
| | RMB | RMB | |
| | (unaudited) | (audited) | |
| Total assets | 2,035,908,181.20 | 2,074,741,559.47 | -1.87% |
| Net assets attributable to shareholders of the listed company | 1,481,639,062.02 | 1,473,509,760.40 | 0.55% |

* 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 2017 prepared pursuant to China Accounting Standard for Business Enterprises, together with the comparative figures for the corresponding period in 2016. 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 2017

| Item | Note 4 | 30 June 2017 (unaudited) | 31 December 2016 (audited) |
|----------------------------|--------|-----------------------------|-------------------------------|
| Current assets : | | | |
| Cash on hand and at bank | | 179,235,249.59 | 145,160,290.11 |
| Notes receivable | | 136,542,768.42 | 162,714,933.93 |
| Accounts receivable | 1 | 410,536,051.19 | 398,849,055.72 |
| Prepayments | | 4,836,856.15 | 4,851,250.24 |
| Other receivables | | 7,091,599.04 | 6,244,280.21 |
| Inventories | | 260,376,818.07 | 244,998,559.78 |
| Other current assets | | 226,386,903.01 | 316,808,874.28 |
| Total current assets | | 1,225,006,245.47 | 1,279,627,244.27 |
| Non-current assets : | | | |
| Fixed assets | | 579,182,816.76 | 599,101,741.36 |
| Construction in progress | | 81,293,266.90 | 56,498,367.41 |
| Intangible assets | | 100,979,545.39 | 105,682,338.89 |
| Goodwill | | 4,694,482.34 | 4,694,482.34 |
| Deferred income tax assets | | 2,988,658.46 | 4,238,146.41 |
| Other non-current assets | | 41,763,165.88 | 24,899,238.79 |
| Total non-current assets | | 810,901,935.73 | 795,114,315.20 |
| Total assets | | 2,035,908,181.20 | 2,074,741,559.47 |

| Item | Note 4 | 30 June 2017 | 31 December 2016 |
|---|--------|------------------|------------------|
| | | (unaudited) | (audited) |
| Current liabilities : | | | |
| Notes payable | | 91,639,132.34 | 118,716,837.78 |
| Accounts payable | 2 | 306,847,407.70 | 340,234,033.23 |
| Receipts in advance | | 5,166,439.88 | 5,358,989.68 |
| Staff cost payable | | 10,758,119.29 | 18,917,105.69 |
| Tax payable | | 6,642,286.02 | 11,124,131.47 |
| Interest payable | | 920,471.55 | 917,833.33 |
| Dividend payable | | 31,585,785.50 | - |
| Other payables | | 4,537,496.45 | 5,329,991.89 |
| Other current liabilities | | 22,181,925.19 | 26,010,383.35 |
| Total current liabilities | | 480,279,063.92 | 526,609,306.42 |
| Non-current liabilities : | | | |
| Long-term borrowings | 3 | 11,630,000.00 | 9,630,000.00 |
| Deferred income | | 37,621,925.70 | 40,390,847.99 |
| Deferred income tax liabilities | | 3,806,684.88 | 4,243,897.76 |
| Total non-current liabilities | | 53,058,610.58 | 54,264,745.75 |
| Total liabilities | | 533,337,674.50 | 580,874,052.17 |
| Shareholders' equity : | | | |
| Share capital | | 315,857,855.00 | 315,857,855.00 |
| Capital reserve | | 659,036,954.21 | 659,036,954.21 |
| Surplus reserve | | 130,760,053.19 | 130,760,053.19 |
| Retained earnings | | 375,984,199.62 | 367,854,898.00 |
| Equity attributable to equity holders of the parent | | 1,481,639,062.02 | 1,473,509,760.40 |
| Minority interests | | 20,931,444.68 | 20,357,746.90 |
| Total equity | | 1,502,570,506.70 | 1,493,867,507.30 |
| Total liabilities and equity | | 2,035,908,181.20 | 2,074,741,559.47 |

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2017

| Item | Note 4 | January-June 2017 | January-June 2016 |
|---|--------|-------------------|-------------------|
| | | (unaudited) | (unaudited) |
| Total revenue | 4 | 546,225,847.81 | 531,577,028.72 |
| Including: Revenue | 4 | 546,225,847.81 | 531,577,028.72 |
| Total operating costs | | 512,077,547.08 | 488,975,092.04 |
| Including: Operating costs | 4 | 430,712,361.43 | 408,626,363.05 |
| Business taxes and surcharges | | 4,104,919.05 | 1,841,506.05 |
| Selling expenses | | 28,443,663.40 | 27,285,116.63 |
| General and administrative expenses | | 50,639,675.06 | 51,478,217.09 |
| Financial expenses | 5 | 100,769.12 | -1,159,919.59 |
| Assets impairment losses | | -1,923,840.98 | 903,808.81 |
| Add : Investment gains | | 4,726,634.21 | 2,656,495.90 |
| Other gains | | 7,606,532.29 | - |
| Operating profit | | 46,481,467.23 | 45,258,432.58 |
| Add : Non-operating income | | 108,632.29 | 4,116,405.78 |
| Including : Gain on disposal of non-current assets | | 82,559.70 | 357,307.67 |
| Less : Non-operating expenses | | 784,026.27 | 889,283.31 |
| Including : Loss on disposal of non-current assets | | 661,976.23 | 307,057.20 |
| Total profit | | 45,806,073.25 | 48,485,555.05 |
| Less : Income tax expenses | 6 | 5,517,288.35 | 8,203,729.06 |
| Net profit | | 40,288,784.90 | 40,281,825.99 |
| Net profit attributable to equity holders of the parent | | 39,715,087.12 | 38,867,423.38 |
| Minority interests | | 573,697.78 | 1,414,402.61 |
| Total comprehensive income | | 40,288,784.90 | 40,281,825.99 |
| Total comprehensive income attributable to equity holders of the parent | | 39,715,087.12 | 38,867,423.38 |
| Total comprehensive income attributable to minority shareholders | | 573,697.78 | 1,414,402.61 |
| Earnings per share : | | | |
| Basic earnings per share | 7 | 0.1257 | 0.1231 |
| Diluted earnings per share | 7 | 0.1257 | 0.1231 |

(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) 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.

The Company has applied the newly revised Accounting Standards for Business Enterprises No. 16 – Government Grants from 12 June 2017 onwards and the newly revised Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operation from 28 May 2017 onwards. The application of these two practical accounting standards did not affect the comparative figures in the 2017 half-year financial statements of the Company.

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 1), 11%, 6% |
| Business tax | Amount of payable business tax | 5% (Note 2) |
| 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 1): Hangzhou Shibao Auto Steering Gear Co., Ltd., a subsidiary of the Company, enjoys the policy of “exempt, credit, refund” with an export tax refund rate of 17%.

(Note 2): According to the requirement of the document “Cai Shui No. [2016] 36” of the Ministry of Finance and the State Administration of Taxation, effective from 1 May 2016, value added tax is levied in lieu of business tax on a portion of the business of the Company.

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 Company’s subsidiaries, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. obtained the High-tech Enterprise Certificates (No. GR201433000685 and GR201433000159 respectively) during 2014, with a valid period from 2014 to 2016. During the period under review, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. have applied for re-recognition as a high-tech enterprise. As at this reporting date, the review is in progress. Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. are adopting a tax rate of 15% for income tax pre-declaration during the period under review.
2. According to and approved by the document “Jing Ke Fa No.: [2014] 551” jointly issued by the Beijing Munciple Science and Technology Committee, Beijing Munciple Finance Bureau, State Tax Bureau Beijing Munciple Office and Beijing Munciple Local Tax Bureau, the Company’s subsidiary, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201411000968) during 2015, with a valid period from 2015 to 2017. It is subject to a corporate income tax rate of 15% during the period.
3. 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 Company’s subsidiary, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR201434000449) during 2014, with a valid period from 2014 to 2016. During the period under review, Wuhu Sterling Steering System Co., Ltd. has applied for re-recognition as a high-tech enterprise. As at this reporting date, the review is in progress. Wuhu Sterling Steering System Co., Ltd. is adopting a tax rate of 15% for income tax pre-declaration during the period under review.

4) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounts receivable

The aging analysis of accounts receivable is as follows:

| Age | 30 June 2017 (unaudited) | | | 31 December 2016 (audited) | | |
|---------------|--------------------------|--------|-------------------------|----------------------------|--------|-------------------------|
| | Carrying amount | | Provision for bad debts | Carrying amount | | Provision for bad debts |
| | Amount | (%) | | Amount | (%) | |
| Within 1 year | 406,626,864.68 | 97.94 | - | 396,577,811.46 | 97.65 | - |
| 1–2 years | 3,662,852.84 | 0.88 | 478,072.74 | 4,578,768.38 | 1.13 | 2,900,412.69 |
| 2–3 years | 645,975.45 | 0.16 | 617,233.52 | 1,101,389.87 | 0.27 | 810,327.93 |
| Over 3 years | 4,253,908.62 | 1.02 | 3,558,244.14 | 3,860,070.77 | 0.95 | 3,558,244.14 |
| Sub-total | 415,189,601.59 | 100.00 | 4,653,550.40 | 406,118,040.48 | 100.00 | 7,268,984.76 |

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. Accounts payable

The aging analysis of accounts payable is as follows:

| Age | 30 June 2017 (unaudited) | 31 December 2016 (audited) |
|---------------|--------------------------|----------------------------|
| Within 1 year | 291,514,009.17 | 324,139,724.56 |
| 1-2 years | 5,918,709.87 | 9,851,904.70 |
| 2-3 years | 3,411,060.04 | 2,747,397.62 |
| Over 3 years | 6,003,628.62 | 3,495,006.35 |
| Total | 306,847,407.70 | 340,234,033.23 |

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.

3. Long-term borrowings

(1) Breakdown

| Item | 30 June 2017 (unaudited) | 31 December 2016 (audited) |
|--|-----------------------------|-------------------------------|
| Guaranteed loans (Note 1) | 2,000,000.00 | - |
| Special funds for treasury bonds (Note 2) | 830,000.00 | 830,000.00 |
| Long-term loans (Note 3) | 8,800,000.00 | 8,800,000.00 |
| Total | 11,630,000.00 | 9,630,000.00 |

(Note 1): These loans represented loans granted by the “Small Technology Giants Incubation Fund” to the Company’s subsidiary, Wuhu Sterling Steering System Co., Ltd.

(Note 2): These loans represented special funds for treasury bonds on the State’s key technological improvement projects provided by the Ministry of Finance in Siping to the Company’s subsidiary, Siping Steering Gear Co., Ltd.

(Note 3): These loans were provided by Jilin Tiedong Economic Development Zone Administration Committee as non-interesting bearing funding facilities for the Company’s subsidiary Jilin Shibao Machinery Manufacturing Co., Ltd. to expand its production. The commission time of production expansion programme of Jilin Shibao Machinery Manufacturing Co., Ltd. had been extended to the end of 2018. The related borrowings were not due yet.

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

| Item | 30 June 2017 (unaudited) | 31 December 2016 (audited) |
|---------------------------------|-----------------------------|-------------------------------|
| Current or within 1 year | - | - |
| Over 1 year but within 2 years | 8,800,000.00 | - |
| Over 2 years but within 5 years | 2,830,000.00 | 9,630,000.00 |
| Over 5 years | - | - |
| Total | 11,630,000.00 | 9,630,000.00 |

4. Revenue/cost of sales

| Item | January - June 2017 (unaudited) | | January - June 2016 (unaudited) | |
|-----------------------------|------------------------------------|----------------|------------------------------------|----------------|
| | Revenue | Cost | Revenue | Cost |
| Revenue from main business | 540,744,812.35 | 430,199,325.76 | 527,243,673.19 | 407,439,879.99 |
| Revenue from other business | 5,481,035.46 | 513,035.67 | 4,333,355.53 | 1,186,483.06 |
| Total | 546,225,847.81 | 430,712,361.43 | 531,577,028.72 | 408,626,363.05 |

5. Financial expenses

| Item | January - June 2017 (unaudited) | January - June 2016 (unaudited) |
|-------------------|------------------------------------|------------------------------------|
| Interest expenses | 396,027.55 | 438,776.81 |
| Interest income | -449,060.71 | -1,812,810.40 |
| Other | 153,802.28 | 214,114.00 |
| Total | 100,769.12 | -1,159,919.59 |

6. Income tax expenses

| Item | January - June 2017 (unaudited) | January - June 2016 (unaudited) |
|-----------------------------------|------------------------------------|------------------------------------|
| Current income tax | 4,705,013.28 | 8,043,190.17 |
| Adjustment of deferred income tax | 812,275.07 | 160,538.89 |
| Total | 5,517,288.35 | 8,203,729.06 |

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 2016: Nil).

7. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to the ordinary shareholders of the Company in the current period and weighted average number of 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 | January - June 2017 (unaudited) | January - June 2016 (unaudited) |
|---|------------------------------------|------------------------------------|
| Earnings Net profit attributable to the ordinary shareholders of the Company | 39,715,087.12 | 38,867,423.38 |
| Shares Weighted average number of ordinary shares issued by the Company | 315,857,855.00 | 315,857,855.00 |
| Basic earnings per share (RMB/Share) | 0.1257 | 0.1231 |
| Diluted earnings per share (RMB/Share) | 0.1257 | 0.1231 |

8. 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 | January - June 2017 (unaudited) | January - June 2016 (unaudited) |
|--|------------------------------------|------------------------------------|
| Depreciation of fixed assets, oil and gas assets and production related biological materials | 31,843,576.06 | 28,874,536.43 |
| Amortization of intangible assets | 4,834,803.82 | 4,760,783.24 |
| Total | 36,678,379.88 | 33,635,319.67 |

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

| Item | 30 June 2017 (unaudited) | 31 December 2016 (audited) |
|---------------------------------------|-----------------------------|-------------------------------|
| Net current assets | 744,727,181.55 | 753,017,937.85 |
| Total assets less current liabilities | 1,555,629,117.28 | 1,548,132,253.05 |

(4) Material Commitments

| Item | 30 June 2017 (unaudited) | 31 December 2016 (audited) |
|---|-----------------------------|-------------------------------|
| Material contracts in relation to acquisition of assets contracted but not recognized | 61,744,583.10 | 47,345,192.19 |

(5) Events after reporting period

Pursuant to the profit distribution proposal for 2016 passed at the 21st meeting of the fifth session of the Board of the Company held on 24 March 2017 and the 2016 annual general meeting of the Company held on 30 June 2017, based on the total share capital of 315,857,855 shares, a cash dividend of RMB1.00 (before tax) per 10 shares held will be distributed to all shareholders. In addition, 15 shares will be transferred to all shareholders for every 10 shares held out of the capital reserve fund. The implementation of the aforementioned profit distribution proposal was completed on 31 July 2017. According to the implementation results, the total share capital of the Company increased to 789,644,637 shares (of which 572,859,637 A Shares and 216,785,000 H Shares).

(3) INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

(4) DISCUSSION AND ANALYSIS OF OPERATIONS

1) REVIEW OF CHINA AUTOMOBILE INDUSTRY

From January to June 2017, production and sales volume of China automobile industry were 13,526,000 units and 13,354,000 units respectively, representing an increase of 4.60% and 3.80% respectively as compared with last year. Production and sales of passenger cars were 11,483,000 units and 11,253,000 units respectively, representing an increase of 3.20% and 1.60% respectively as compared with last year. Among these, sales volume of China-brand passenger cars was 4,940,000 units, representing an increase of 4.30% as compared with last year. Production and sales volume of new energy cars were 212,000 units and 195,000 units respectively, representing an increase of 19.70% and 14.40% respectively as compared with last year. Production and sales of commercial vehicles were 2,043,000 units and 2,101,000 units respectively, representing an increase of 13.80% and 17.40% respectively as compared with last year. Among commercial vehicles, production and sales volume of buses decreased by 15.30% and 14.00% respectively as compared with last year; production and sales volume of trucks increased by 18.70% and 22.60% respectively as compared with last year. The top ten automaker groups in China sold 11,811,000 units of automobiles, representing an increase of 4.00% as compared with last year, and their sales represented 88.50% of the total sales of the automobile, representing an increase of 0.20% as compared with last year.

2) ANALYSIS OF MAIN BUSINESS

1. Changes in major financial information

| | January-June 2017 | January-June 2016 | Change |
|---|-------------------|-------------------|----------|
| Revenue | 546,225,847.81 | 531,577,028.72 | 2.76% |
| Operating costs | 430,712,361.43 | 408,626,363.05 | 5.40% |
| Selling expenses | 28,443,663.40 | 27,285,116.63 | 4.25% |
| General and administrative expenses | 50,639,675.06 | 51,478,217.09 | -1.63% |
| Financial expenses | 100,769.12 | -1,159,919.59 | -108.69% |
| Income tax expenses | 5,517,288.35 | 8,203,729.06 | -32.75% |
| Research and development expenses | 18,593,702.78 | 17,930,229.53 | 3.70% |
| Net cash flow from operating activities | -15,285,387.86 | 2,150,169.85 | -810.89% |
| Net cash flow from investing activities | 54,724,603.49 | -295,217,886.13 | -118.54% |
| Net cash flow from financing activities | 959,961.15 | -13,462,833.31 | -107.13% |
| Net increase of cash and cash equivalents | 40,401,214.74 | -306,522,847.54 | -113.18% |

During the reporting period, under the combined effects of a slowdown in growth of the PRC automobile industry and export sales performance of the Company falling short of expectation, the Company recorded a revenue of RMB546,225,847.81, representing a growth of 2.76% as compared with last year.

During the reporting period, the gross profit margin of the Company's main business was 20.44% (corresponding period of 2016: 22.72%). The decrease in the gross profit margin was mainly attributable to combined effects of a drop in the export sales business, which normally enjoys a higher gross profit margin, and the reduction in selling price of certain traditional products. The Company's intelligent steering project was in the phase of development and testing, thus a relatively substantial capital input was incurred during the reporting period.

During the reporting period, the Company's selling expenses was RMB28,443,663.40, representing an increase of 4.25% as compared with last year. Increase in selling expenses was mainly due to the rise in transportation fees. General and administrative expenses were RMB50,639,675.06, representing a decrease of 1.63% as compared with last year, among which research and development expenses recorded an increase of 3.70% as compared with last year. Financial expenses were RMB100,769.12, representing an increase of 108.69% as compared with last year. Such increase was mainly due to a decrease in interest income.

During the reporting period, the Company's research and development expenses was RMB18,593,702.78, representing an increase of 3.70% as compared with last year. The Company's research and development expenses are mainly used on the technical research of automotive steering system's safety, intelligent, energy saving, light weight, etc., including relevant technical research on automotive pilot assisting and autopilot technology, in order to maintain competitiveness of the Company to support its continuous growth.

During the reporting period, income tax expense of the Company amounted to RMB5,517,288.35, representing a decrease of 32.75% as compared with last year, mainly due to the combined effects of a decrease in total profit, and profits realized from certain loss-making subsidiaries that cover the losses in previous years.

During the reporting period, other income of the Company amounted to RMB7,606,532.29, mainly due to government grants.

In view of the above, the Company recorded a net profit attributable to shareholders of the listed company of RMB39,715,087.12 during the reporting period, representing an increase of 2.18% as compared with last year.

During the reporting period, net cash flow from operating activities decreased by 810.89% as compared with last year, mainly due to the combined effects of an increase in cash outflow paid for materials purchase and paid to staff members, and a decrease in recollection of guarantee deposits for bank acceptance bills, etc.. Net cash flow from investing activities increased by 118.54% as compared with last year, mainly due to the redemption of bank short-term wealth management products. Net cash flow from financing activities increased by 107.13% as compared with last year, mainly due to a decrease in repayment of bank borrowings. In view of above, during the reporting period, net increase in cash and cash equivalents increased by 113.18% as compared with last year.

2. Composition of revenue

| | January-June 2017 | | January-June 2016 | | Change |
|--|-------------------|-----------------------|-------------------|-----------------------|---------|
| | Amount | Proportion to revenue | Amount | Proportion to revenue | |
| Total Revenue | 546,225,847.81 | 100% | 531,577,028.72 | 100% | 2.76% |
| By industry | | | | | |
| Manufacture of automotive components and parts | 540,744,812.35 | 99.00% | 527,243,673.19 | 99.18% | 2.56% |
| Others | 5,481,035.46 | 1.00% | 4,333,355.53 | 0.82% | 26.48% |
| By products | | | | | |
| Steering system and parts | 519,031,720.19 | 95.02% | 501,792,849.63 | 94.39% | 3.44% |
| Parts and others | 21,713,092.16 | 3.98% | 25,450,823.56 | 4.79% | -14.69% |
| Others | 5,481,035.46 | 1.00% | 4,333,355.53 | 0.82% | 26.48% |

3. Details of industry and product accounted for over 10% of the Company's revenue or operating profit

| | Revenue | Operating costs | Gross margin | Change of revenue | Change of operating costs | Change of gross margin |
|--|----------------|-----------------|--------------|-------------------|---------------------------|------------------------|
| By industry | | | | | | |
| Manufacture of automotive components and parts | 540,744,812.35 | 430,199,325.76 | 20.44% | 2.56% | 5.59% | -2.28% |
| By products | | | | | | |
| Steering system and parts | 519,031,720.19 | 413,762,623.55 | 20.28% | 3.44% | 6.71% | -2.45% |

3) ANALYSIS OF ASSETS AND LIABILITIES

1. Significant changes in composition of assets

No significant changes in composition of assets at the end of reporting period. Details of changes in assets accounted for over 5% of the total assets are set out below.

| | 30 June 2017 | | 31 December 2016 | | Change |
|--------------------------|----------------|----------------------------|------------------|----------------------------|--------|
| | Amount | Percentage of total assets | Amount | Percentage of total assets | |
| Cash on hand and at bank | 179,235,249.59 | 8.80% | 145,160,290.11 | 7.00% | 1.80% |
| Notes receivable | 136,542,768.42 | 6.71% | 162,714,933.93 | 7.84% | -1.13% |
| Accounts receivable | 410,536,051.19 | 20.16% | 398,849,055.72 | 19.22% | 0.94% |
| Inventories | 260,376,818.07 | 12.79% | 244,998,559.78 | 11.81% | 0.98% |
| Other current assets | 226,386,903.01 | 11.12% | 316,808,874.28 | 15.27% | -4.15% |
| Fixed assets | 579,182,816.76 | 28.45% | 599,101,741.36 | 28.88% | -0.43% |
| Accounts payable | 306,847,407.7 | 15.07% | 340,234,033.23 | 16.40% | -1.33% |

2. Assets with restrictions in ownership or use rights at end of the reporting period

Assets with restrictions in ownership or use rights

| Item | Carrying amount at the end of the period | Reason for restriction |
|--------------------------|--|----------------------------|
| Cash on hand and at bank | 21,503,452.93 | Security deposits (Note 1) |
| Notes receivable | 61,131,721.62 | Pledge (Note 2) |
| Fixed assets | 4,767,890.98 | Charge |
| Intangible assets | 3,236,791.06 | Charge |
| Total | 90,639,856.59 | |

(Note 1): Represents the security deposits of RMB21,503,103.58 for the issuance of bank acceptance bills and interest income from security deposit of RMB349.35 for the issuance of credit letters.

(Note 2): Provision of pledge for the issuance of bank acceptance bills.

3. Financial resources and capital structure

As at 30 June 2017, the amount of total loans and borrowings of the Company was RMB11,630,000.00 (31 December 2016: RMB9,630,000.00). Total loans and borrowings increased by RMB2,000,000.00 when compared with the beginning of the year, mainly due to an increase of long-term bank borrowings. Among which, loans and borrowings of short-term and due within one year amounted to zero (31 December 2016: zero). Loans and borrowings at fixed interest rates amounted to RMB830,000.00 (31 December 2016: RMB830,000.00).

The Company issued 38.2 million RMB ordinary shares (A Shares) by way of non-public issue in 2014 at issue price of RMB18.46 per share, which raised a gross proceeds of RMB705,172,000.00 and a net proceeds of RMB658,162,900.00 after deducting the related costs. On 11 December 2014, the proceeds were credited into the regulatory proceeds account of the Company. The amount of the proceeds actually utilized by the Company in the first half of 2017 was RMB22,700,500.00, and RMB200,000,000.00 was used for temporary supplement of working capital. As at 30 June 2017, balance of proceeds amounted to RMB249,107,100.00, which included the accumulated amount of interests received from bank deposits and net gains from short-term bank wealth management products less bank handling fees and others.

The capital structure of the Company consists of short-term 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 bank borrowings.

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity attributable to shareholders of the Company plus net debt. At the end of the reporting period, the Company's gearing ratio was -10.77% (31 December 2016: -7.77%).

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

The Company is moving ahead in the technology research and project development of intelligent steering. Prototypes of intelligent steering products developed and produced by the Company for various passenger cars and commercial cars are widely accepted. The Company has initiated cooperative projects with a number of customers. According to customers' requirements, steering products are customized with pilot assisting functions, such as automatic steering, automatic return, remote driving, lane keeping, etc., and installed in customers' sample cars for trial operation. Some of the projects have been launched in a small scale as a tryout.

Forecast on the operating results between January and September 2017

| | | | |
|--|--|----|----------|
| Change in net profit attributable to shareholders of the listed issuer between January and September 2017 | -20% | To | 10% |
| Range of change in net profit attributable to shareholders of the listed issuer between January and September 2017 (RMB ten thousands) | 4,066.90 | To | 5,591.98 |
| Net profit attributable to shareholders of the listed issuer between January and September 2016 (RMB ten thousands) | 5,083.62 | | |
| Illustrations on reasons attributable to the movements in results | Prices of certain traditional products decrease, while intelligent steering projects go through the development and testing phase with higher investment and the export business is expected to be volatile. | | |

(5) CORPORATE GOVERNANCE

During the reporting period, the Company had been in compliance with the majority of the code provisions set out in the CG Code 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 Hong Zhi and Mr. Guo Kong Hui, independent non-executive Directors, were unable to attend the Company's extraordinary general meeting and class meetings held on 8 May 2017 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
18 August 2017

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.