



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

STEERING THE FUTURE

* For identification purposes only

Interim Report 2023

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CORPORATE INFORMATION

(English translation for reference only)

Legal Name	Zhejiang Shibao Company Limited* 浙江世寶股份有限公司
Board of Directors	Executive Directors Mr. Zhang Bao Yi (張寶義) (<i>Vice Chairman and General Manager</i>) Mr. Tang Hao Han (湯浩瀚) (<i>Vice Chairman and Deputy General Manager</i>) Ms. Zhang Lan Jun (張蘭君) (<i>Finance Director</i>) Ms. Liu Xiao Ping (劉曉平) (<i>Deputy General Manager and Board Secretary</i>) Non-executive Directors Mr. Zhang Shi Quan (張世權) (<i>Chairman</i>) Mr. Zhang Shi Zhong (張世忠) Independent Non-executive Directors Mr. Gong Jun Jie (龔俊傑) Mr. Lin Yi (林逸) Mr. Tsui Chun Shing (徐晉誠)
Supervisors	Mr. Du Min (杜敏) Mr. Yang Di Shan (楊迪山) Mr. Wu Lang Ping (吳琅平) Mr. Shen Song Sheng (沈松生) (Passed away on 31 January 2023) Ms. Feng Yan (馮燕) Mr. Zhang Zhi Long (張治龍) (Appointed on 31 March 2023)
Senior Management	Mr. Yu Zhong Chao (虞忠潮)
Audit Committee	Mr. Tsui Chun Shing (徐晉誠) (<i>Chairman</i>) Mr. Zhang Shi Zhong (張世忠) Mr. Lin Yi (林逸)
Remuneration Committee	Mr. Tsui Chun Shing (徐晉誠) (<i>Chairman</i>) Mr. Zhang Shi Zhong (張世忠) Mr. Lin Yi (林逸)
Nomination Committee	Mr. Lin Yi (林逸) (<i>Chairman</i>) Mr. Tsui Chun Shing (徐晉誠) Ms. Zhang Lan Jun (張蘭君)
Investment and Strategy Committee	Mr. Zhang Shi Quan (張世權) (<i>Chairman</i>) Mr. Zhang Bao Yi (張寶義) Mr. Tang Hao Han (湯浩瀚)
Environmental, Social and Governance Committee	Mr. Zhang Bao Yi (張寶義) (<i>Chairman</i>) Mr. Zhang Shi Quan (張世權) Mr. Tang Hao Han (湯浩瀚)

* For identification purposes only



CORPORATE INFORMATION

(English translation for reference only)

Secretary of The Board

Ms. Liu Xiao Ping (劉曉平)

Company Secretary

Ms. Huen Lai Chun (禡麗珍)

Authorised Representatives

Ms. Zhang Lan Jun (張蘭君)

Ms. Huen Lai Chun (禡麗珍)

Registered Office

No. 1, Shuanglin Road,
Fotang Town,
Yiwu,
Zhejiang Province,
China (Post code: 322002)

Principal Place of Business in Hong Kong

Unit C, 5/F., Jonsim Place
228 Queen's Road East, Wanchai
Hong Kong

Legal Advisers

as to PRC law
King & Wood Mallesons Shanghai Office
17th Floor, One ICC,
999 Huaihai Middle Road,
Xuhui District, Shanghai,
China

Auditors

Pan-China Certified Public Accountants
29/F., Tower B,
China Resources Building,
1366 Qianjiang Road, Hangzhou,
Zhejiang Province,
China

CORPORATE INFORMATION

(English translation for reference only)

Principal Bankers

Agricultural Bank of China, Yiwu Branch

– Fotang Sub-branch

85 Jianshe Road, Fotang, Yiwu, Zhejiang Province, China

Bank of China Limited

– Banking Department of Siping Sub-branch

No. 488 Yingxiong Avenue, Siping, Jilin Province, China

Bank of Communications of China, Wuhu Branch

– Economic and Technology Development Zone Sub-branch

No. 33 Yin Hu Road North,

Wuhu Economic and Technology Development Zone, Wuhu, China

China CITIC Bank

– Hangzhou Economic and Technology Development Zone Sub-branch

Building 2, Singapore Hangzhou Technology Zone,

6th Avenue, Hangzhou Economic and Technology Development Zone,

Hangzhou, Zhejiang Province, China

China Zheshang Bank Co., Ltd.

– Hangzhou Xiasha Sub-branch

No. 226 Shangsha Road,

Hangzhou Economic and Technological Development Zone,

Hangzhou, Zhejiang Province, China

Erdos Rural Commercial Bank

– Dong Huan Road Sub-branch

Ground Floor, Complex Building of Inter-city Bus Station, Dong Huan Road,

Dong Sheng District, Erdos, China

Huishang Bank Corporation Limited
– Wuhu Zhongshan South Road Sub-branch
Building 20, Haishang Chuanqi Garden, Zhongshan South Road,
Yijiang District, Wuhu, China

Industrial and Commercial Bank of China Limited
– Hangzhou Economic and Technological Development Zone Sub-branch
No. 5, 6th Avenue,
Hangzhou Economic and Technological Development Zone,
Hangzhou, Zhejiang Province, China

Industrial and Commercial Bank of China, Beijing Branch
– Zi Zhu Yuan Road Sub-branch
No. 10, Zhong Guan Cun South Road Jia, Hai Dian District, Beijing, China

Industrial and Commercial Bank of China, Siping Branch
– Zhongyang Dong Lu Sub-branch
No. 141 Nanyijing Jie, Siping, Jilin Province, China

Industrial and Commercial Bank of China, Yiwu Branch
– Yiwu Sub-branch
No. 128 Huangyuan Road, Yiwu, Zhejiang Province, China

Hua Xia Bank Co., Limited, Hangzhou branch
– Yiwu, Sub-branch
No. 366 Bin Wang Lu, Yiwu, Zhejiang Province, China

Bank of NingBo Co., Ltd.
– Hangzhou Xiaoshan Branch
No. 348 Jinhui Road, Xiaoshan, Hangzhou, Zhejiang Province, China

Bank of China Limited
– Siping DiZhi Street Branch
No. 311 Dizhi Street, Tiexi District, Siping City, Jilin Province, China

Bank of NingBo Co., Ltd.
– Jinhua Yiwu Fotang Small and Micro Integrated Branch
No. 1045-1049, Block 11, Baolong Plaza, Fotang Town,
Yiwu, Zhejiang Province, China

CORPORATE INFORMATION

(English translation for reference only)

Hong Kong H Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

Contact Information

Corporate communication/Investor relations

Ms. Liu Xiao Ping (劉曉平) *Secretary of the Board*
No. 6, 17th Avenue,
Hangzhou Economic and Technology Development Zone,
Hangzhou,
Zhejiang Province, China
(Post code: 310018)
Tel.: +86 571 2802 5692
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Company secretary services

Ms. Huen Lai Chun (禰麗珍) *Company Secretary*
Unit C, 5/F., Jonsim Place
228 Queen's Road East, Wanchai
Hong Kong
Tel.: +852 3104 8118
Fax: +852 3104 8119
Email: ir@shibaogroup.com

Place of Listing

A Shares: Shenzhen Stock Exchange
Stock Name: Zhejiang Shibao Stock Code: 002703
H Shares: The Stock Exchange of Hong Kong Limited
Stock Name: Zhejiang Shibao Stock Code: 1057

Website

www.zjshibao.com

KEY ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

(English translation for reference only)

	January – June 2023	January – June 2022	Change
Operating revenue	727,947,938.24	554,052,591.58	31.39%
Net profit attributable to shareholders of listed company	19,837,169.51	855,638.15	2,218.41%
Net profit after non-recurring gains and losses attributable to shareholders of listed company	8,507,594.78	-14,076,298.95	160.44%
Net cash flows from operating activities	-61,917,321.13	50,216,520.98	-223.30%
Basic earnings per share (RMB/Share)	0.0251	0.0011	2,181.82%
Diluted earnings per share (RMB/Share)	0.0251	0.0011	2,181.82%
Return on weighted average net assets	1.41%	0.06%	1.35%

	30 June 2023	31 December 2022	Change
Total assets	2,413,186,096.90	2,389,483,168.38	0.99%
Net assets attributable to shareholders of listed company	1,412,498,046.20	1,392,660,876.69	1.42%

UNAUDITED INTERIM FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

CONSOLIDATED BALANCE SHEET

30 June 2023

Item	30 June 2023	31 December 2022
Current Assets:		
Cash on hand and at bank	226,210,560.31	232,225,660.78
Financial assets held for trading	48,148,271.97	120,393,605.57
Accounts receivable	555,386,057.81	450,378,856.64
Financing receivables	117,239,390.07	141,228,798.62
Prepayments	8,737,152.08	13,612,688.61
Other receivables	5,781,036.21	4,271,142.19
Inventories	462,473,133.05	418,926,209.83
Other current assets	7,786,045.75	19,121,139.69
Total current assets	1,431,761,647.25	1,400,158,101.93
Non-current Assets:		
Investment property	186,175,936.81	191,588,844.28
Fixed assets	649,693,723.02	637,752,505.44
Construction in progress	51,273,480.08	73,883,359.35
Intangible assets	57,156,655.94	56,434,022.38
Deferred income tax assets	15,052,990.43	14,620,602.72
Other non-current assets	22,071,663.37	15,045,732.28
Total non-current assets	981,424,449.65	989,325,066.45
Total Assets	2,413,186,096.90	2,389,483,168.38
Current Liabilities:		
Short-term borrowings	173,154,538.78	153,164,291.67
Notes payable	224,605,727.00	200,181,609.95
Accounts payable	449,598,831.60	492,851,770.30
Receipts in advance	8,998,346.50	10,369,809.24
Contract liabilities	15,328,921.61	6,685,985.59
Staff costs payable	19,178,168.53	24,981,564.62
Tax payable	8,377,730.33	10,511,638.31
Other payables	2,657,924.11	3,336,507.84
Non-current liabilities due within 1 year	5,003,500.00	
Other current liabilities	38,837,516.15	36,783,309.21
Total current liabilities	945,741,204.61	938,866,486.73
Non-current Liabilities:		
Long-term borrowings	43,813,094.98	43,816,783.33
Deferred income	24,041,081.60	28,083,266.73
Deferred income tax liabilities	5,267,048.38	5,618,659.73
Total non-current liabilities	73,121,224.96	77,518,709.79
Total liabilities	1,018,862,429.57	1,016,385,196.52

CONSOLIDATED BALANCE SHEET

30 June 2023 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	30 June 2023	31 December 2022
Shareholders' Equity:		
Share capital	789,644,637.00	789,644,637.00
Capital reserve	182,334,093.78	182,334,093.78
Surplus reserve	137,936,874.81	137,936,874.81
Retained earnings	302,582,440.61	282,745,271.10
Total equity attributable to equity holders of the parent	1,412,498,046.20	1,392,660,876.69
Minority interests	-18,174,378.87	-19,562,904.83
Total equity	1,394,323,667.33	1,373,097,971.86
Total Liabilities and Equity	2,413,186,096.90	2,389,483,168.38

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

BALANCE SHEET OF THE PARENT COMPANY

30 June 2023 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	30 June 2023	31 December 2022
Current Assets:		
Cash on hand and at bank	28,160,917.20	34,030,764.20
Accounts receivable	162,959,791.99	127,392,441.86
Financing receivables	20,237,966.61	35,965,298.72
Prepayments	1,053,517.52	1,358,837.64
Other receivables	411,383,789.06	426,438,596.81
Inventories	62,550,244.83	58,928,752.39
Other current assets	1,238,982.56	664,563.08
Total current assets	687,585,209.77	684,779,254.70
Non-current Assets:		
Long-term receivables	248,000,000.00	248,000,000.00
Long-term equity investments	235,159,214.87	185,159,214.87
Investment property	172,189,954.18	177,407,122.51
Fixed assets	82,618,955.56	82,785,984.37
Construction in progress	1,584,158.40	1,552,120.00
Intangible assets	7,756,026.08	7,269,007.86
Deferred income tax assets	87,291.53	88,086.69
Other non-current assets	154,255.58	
Total non-current assets	747,549,856.20	702,261,536.30
Total Assets	1,435,135,065.97	1,387,040,791.00
Current Liabilities:		
Short-term borrowings	123,110,703.16	103,115,402.78
Notes payable	51,735,184.00	41,060,607.69
Accounts payable	72,459,323.54	68,854,540.75
Receipts in advance	8,998,346.50	10,298,380.67
Staff costs payable	2,464,033.26	2,287,480.97
Tax payable	5,330,754.01	4,619,355.02
Other payables	1,644,736.62	1,663,425.10
Non-current liabilities due within 1 year	5,003,500.00	
Other current liabilities	622,264.20	924,528.34
Total current liabilities	271,368,845.29	232,823,721.32
Non-current Liabilities:		
Long-term borrowings	35,013,094.98	35,016,783.33
Deferred income	6,441,440.70	7,111,125.90
Total non-current liabilities	41,454,535.68	42,127,909.23
Total liabilities	312,823,380.97	274,951,630.55
Shareholders' Equity:		
Share capital	789,644,637.00	789,644,637.00
Capital reserve	187,767,058.72	187,767,058.72
Surplus reserve	76,933,897.77	76,933,897.77
Retained earnings	67,966,091.51	57,743,566.96
Total equity	1,122,311,685.00	1,112,089,160.45
Total Liabilities and Equity	1,435,135,065.97	1,387,040,791.00

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

CONSOLIDATED INCOME STATEMENT

30 June 2023 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

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

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

INCOME STATEMENT OF THE PARENT COMPANY

30 June 2023 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	January – June 2023	January – June 2022
1. Operating revenue	144,651,069.31	90,885,768.71
Less: Operating costs	121,354,912.94	76,220,331.77
Business taxes and surcharges	1,424,096.98	153,670.26
Selling expenses	510,058.19	7,620.67
General and administrative expenses	8,712,397.23	7,403,571.32
Research and development expenses	4,896,092.58	3,737,665.11
Financial expenses	2,860,432.80	2,241,178.71
Including: Interest expenses	2,855,865.32	2,239,314.61
Interest income	27,788.58	22,765.34
Add: Other gains	2,187,737.92	1,300,325.19
Investment gains (“-” as loss)	3,193,640.38	2,685,010.49
Credit impairment losses (“-” as loss)	5,301.08	-3,663.09
Assets impairment losses (“-” as loss)		-50,558.03
Gains from disposal of assets (“-” as loss)	-55,288.26	74,223.55
2. Operating profit (“-” as loss)	10,224,469.71	5,127,068.98
Add: Non-operating income		3,000.00
Less: Non-operating expenses	1,150.00	850.10
3. Total profit (“-” as total loss)	10,223,319.71	5,129,218.88
Less: Income tax expenses	795.16	-8,133.16
4. Net profit (“-” as net loss)	10,222,524.55	5,137,352.04
(1) Net profit from continuing operations (“-” as net loss)	10,222,524.55	5,137,352.04
5. Other comprehensive income, net of tax		
6. Total comprehensive income	10,222,524.55	5,137,352.04
7. Earnings per share		

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2023 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	January – June 2023	January – June 2022
1. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	362,274,070.07	343,799,049.70
Return of taxes and levies	6,232,423.80	13,258,238.21
Cash received relating to other operating activities	92,101,211.09	46,463,389.93
Sub-total of cash inflow	460,607,704.96	403,520,677.84
Cash paid for purchase of goods and acceptance of services	266,802,625.07	200,213,752.45
Cash paid to and on behalf of employees	115,027,153.47	96,786,114.76
Payment of taxes and levies	25,797,580.03	14,946,352.25
Cash paid relating to other operating activities	114,897,667.52	41,357,937.40
Sub-total of cash outflow	522,525,026.09	353,304,156.86
Net cash flows from operating activities	-61,917,321.13	50,216,520.98
2. Cash flows from investing activities:		
Cash received from return of investments	163,160,000.00	119,000,000.00
Cash received from investment gains	2,830,191.36	646,530.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,070,765.13	9,635,539.87
Sub-total of cash inflow	167,060,956.49	129,282,069.96
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	45,070,054.15	19,262,444.71
Cash paid for investments	93,000,000.00	140,000,000.00
Sub-total of cash outflow	138,070,054.15	159,262,444.71
Net cash flows from investing activities	28,990,902.34	-29,980,374.75
3. Cash flows from financing activities:		
Cash received from borrowings	88,000,000.00	70,000,000.00
Sub-total of cash inflow	88,000,000.00	70,000,000.00
Cash paid for debt repayments	63,002,996.84	129,980,000.00
Cash paid for distribution of dividend and profit or payment of interest expenses	3,903,330.87	2,508,982.71
Cash paid relating to other financing activities	673,396.60	
Sub-total of cash outflow	67,579,724.31	132,488,982.71
Net cash flows from financing activities	20,420,275.69	-62,488,982.71
4. Effect of changes in foreign exchange rate on cash and cash equivalents	313,480.53	-527,434.79
5. Net increase in cash and cash equivalents	-12,192,662.57	-42,780,271.27
Add: Opening balance of cash and cash equivalents	155,644,045.68	142,613,257.83
6. Closing balance of cash and cash equivalents	143,451,383.11	99,832,986.56

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

30 June 2023 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	January – June 2023	January – June 2022
1. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	63,943,314.32	29,772,252.73
Return of taxes and levies		2,610,994.24
Cash received relating to other operating activities	27,119,344.63	7,724,758.27
Sub-total of cash inflow	91,062,658.95	40,108,005.24
Cash paid for purchase of goods and acceptance of services	45,873,800.22	22,739,999.71
Cash paid to and on behalf of employees	10,596,725.08	8,866,475.01
Payment of taxes and levies	5,912,874.68	1,211,198.49
Cash paid relating to other operating activities	56,557,503.02	6,511,471.85
Sub-total of cash outflow	118,940,903.00	39,329,145.06
Net cash flows from operating activities	-27,878,244.05	778,860.18
2. Cash flows from investing activities:		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	207,500.00	1,416,144.06
Sub-total of cash inflow	207,500.00	1,416,144.06
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	3,459,924.64	2,451,701.39
Sub-total of cash outflow	3,459,924.64	2,451,701.39
Net cash flows from investing activities	-3,252,424.64	-1,035,557.33
3. Cash flows from financing activities:		
Cash received from borrowings	88,000,000.00	70,000,000.00
Sub-total of cash inflow	88,000,000.00	70,000,000.00
Cash paid for debt repayments	63,002,996.84	129,980,000.00
Cash paid for distribution of dividend and profit or payment of interest expenses	2,857,756.45	2,270,542.58
Cash paid relating to other financing activities	673,396.60	
Sub-total of cash outflow	66,534,149.89	132,250,542.58
Net cash flows from financing activities	21,465,850.11	-62,250,542.58
4. Effect of changes in foreign exchange rate on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-9,664,818.58	-62,507,239.73
Add: Opening balance of cash and cash equivalents	16,317,774.62	66,286,803.13
6. Closing balance of cash and cash equivalents	6,652,956.04	3,779,563.40

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2023 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	January - June 2023							
	Attributable to equity holders of the parent						Minority interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Sub-total			
1. Balance at the end of last year	789,644,637.00	182,334,093.78	137,936,874.81	282,745,271.10	1,392,660,876.69	-19,562,904.83	1,373,097,971.86	
2. Balance at the beginning of year	789,644,637.00	182,334,093.78	137,936,874.81	282,745,271.10	1,392,660,876.69	-19,562,904.83	1,373,097,971.86	
3. Increase/decrease during the period ("-" as decrease)				19,837,169.51	19,837,169.51	1,388,525.96	21,225,695.47	
(1) Total comprehensive income				19,837,169.51	19,837,169.51	1,388,525.96	21,225,695.47	
4. Balance at the end of the period	789,644,637.00	182,334,093.78	137,936,874.81	302,582,440.61	1,412,498,046.20	-18,174,378.87	1,394,323,667.33	

Item	January - June 2022							
	Attributable to equity holders of the parent						Minority interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Sub-total			
1. Balance at the end of last year	789,644,637.00	182,334,093.78	136,516,449.60	268,342,103.84	1,376,837,284.22	-22,003,111.66	1,354,834,172.56	
2. Balance at the beginning of year	789,644,637.00	182,334,093.78	136,516,449.60	268,342,103.84	1,376,837,284.22	-22,003,111.66	1,354,834,172.56	
3. Increase/decrease during the period ("-" as decrease)				855,638.15	855,638.15	393,761.12	1,249,399.27	
(1) Total comprehensive income				855,638.15	855,638.15	393,761.12	1,249,399.27	
4. Balance at the end of the period	789,644,637.00	182,334,093.78	136,516,449.60	269,197,741.99	1,377,692,922.37	-21,609,350.54	1,356,083,571.83	

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

30 June 2023 | (RMB Yuan, unless otherwise stated) | (English translation for reference only)

Item	January – June 2023				
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total equity
1. Balance at the end of last year	789,644,637.00	187,767,058.72	76,933,897.77	57,743,566.96	1,112,089,160.45
2. Balance at the beginning of year	789,644,637.00	187,767,058.72	76,933,897.77	57,743,566.96	1,112,089,160.45
3. Increase/decrease during the period ("–" as decrease)				10,222,524.55	10,222,524.55
(1) Total comprehensive income				10,222,524.55	10,222,524.55
4. Balance at the end of the period	789,644,637.00	187,767,058.72	76,933,897.77	67,966,091.51	1,122,311,685.00

Item	January – June 2022				
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total equity
1. Balance at the end of last year	789,644,637.00	187,767,058.72	75,513,472.56	44,959,740.08	1,097,884,908.36
2. Balance at the beginning of year	789,644,637.00	187,767,058.72	75,513,472.56	44,959,740.08	1,097,884,908.36
3. Increase/decrease during the period ("–" as decrease)				5,137,352.04	5,137,352.04
(1) Total comprehensive income				5,137,352.04	5,137,352.04
4. Balance at the end of the period	789,644,637.00	187,767,058.72	75,513,472.56	50,097,092.12	1,103,022,260.40

Legal representative
Zhang Shi Quan

Chief Financial Officer
Zhang Lan Jun

Head of Finance Section
Li Gen Mei



NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

1. GENERAL

Zhejiang Shibao Company Limited (hereafter referred to as the “Company”) is a joint stock limited company approved by the document (ZHE SHANG SHI [2004] 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. The Company was established by ways of promotion jointly by Zhejiang Shibao Holding Group Co., Ltd., 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) on the basis of Zhejiang Shibao Steering Gear Co., Ltd.. The Company was registered and incorporated with Zhejiang Administration for Industry & Commerce on 30 April 2004. Currently, it holds the business licence with a creditability code (913300001476445210) issued by the Zhejiang Administration Bureau of Industry and Commerce. The current share capital of the Company is RMB789,644,637.00 divided into a total of 789,644,637 shares (RMB1 for each share). Of which, shares with selling restrictions include 19,799,310 A Shares; shares without selling restrictions include 553,060,327 A Shares and 216,785,000 H Shares. The Company’s Shares were listed on the GEM of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange on 16 May 2006 and 2 November 2012, respectively. On 9 March 2011, the Company’s Shares were approved to be listed and traded on the Main Board of the Hong Kong Stock Exchange. It has consolidated to the main board of Shenzhen Stock Exchange since 6 April 2021.

The Company operates in the automotive components manufacturing industry. The main business activities are the research and development, production and sales of automotive steering system and components. The business scope of the Company is: manufacture and sales of automotive components, sales of metal materials, electromechanical products and electronic products, sales of automobiles.

The financial statements have been approved for publication at the 16th meeting of the seventh session of the Board of the Company on 18 August 2023.

The Company has included six subsidiaries to the consolidated financial report, i.e. Hangzhou Shibao Auto Steering Gear Co., Ltd., Hangzhou New Shibao Electric Power Steering Co., Ltd., Jilin Shibao Machinery Manufacturing Co., Ltd., Beijing Autonics Technology Co., Ltd., Wuhu Sterling Steering System Co., Ltd. and Erdos Sterling Steering System Co., Ltd.. Details refer to the Note 6 to the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(1) Basis of Preparation

The financial statements of the Company are presented on the 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.

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Important Note: The Company has made specific accounting policies and accounting estimates regarding impairment on financial assets, depreciation of fixed assets, amortisation of intangible asset and income recognition according to actual production and operation features.

(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 ASBE, and 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(3) Operating Cycle

The operating business cycle of the Company is relatively shorter. A period of 12 months is taken to identify the current nature of assets and liabilities.

(4) Functional Currency

Renminbi ("RMB") is adopted as functional currency.

(5) Accounting Treatment for Business Combinations Involving and Not Involving Entities Under Common Control

1. Accounting treatment for business combinations involving entities under common control

Assets and liabilities obtained by the Company in the business combination are recognised at their carrying amounts at the combination date as recorded by the party being combined. The Company adjusts its capital reserves by the difference between the carrying amount of the ownership rights in the acquiree accounted for in the consolidated financial statement of the ultimate controlling party and the carrying amount of the consideration paid for the business combination (or aggregate carrying amount of the shares issued). If the balance of the capital reserve is insufficient for the written-off, then the retained profits will be adjusted accordingly.

2. Accounting treatment for business combinations not involving entities under common control

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 combination date, was recognised as goodwill. In case the fair value of the consideration paid is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities of the acquiree and the consideration paid for the combination is conducted. If the review indicates that the fair value of the consideration paid is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognised in current profit or loss.

(6) Preparation Basis of Consolidated Financial Statements

The parent includes all subsidiaries under its control in the consolidation scope for consolidated financial statements, which are prepared by the parent pursuant to ASBE 33 — Consolidated financial statements based on the financial statements of the parent and its subsidiaries and other relevant information.

(7) Recognition Standards for Cash and Cash Equivalents

Cash shown in the Statement of Cash Flows comprises cash on hand and deposits readily available for payments. Cash equivalents represent short-term highly liquid investments which are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

(8) Foreign Currency Translation

Upon initial recognition, foreign currency transactions are translated into Renminbi amounts using the spot exchange rate at the dates of the transactions. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. The translation differences arising from different exchange rates, except those relating to the principle of and interests on the foreign currency borrowings for the acquisition, construction or production of assets eligible for capitalization, are recognised in current profit or loss. Also at the balance sheet date, foreign currency non-monetary items measured at historical cost continue to be translated using the spot exchange rate at the dates of the transactions and it does not change its carrying amount in Renminbi. Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate at the fair value recognition dates. The differences arising from the above translations are recognised in current profit or loss or capital reserves.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(9) Financial Instruments

1. Classification of financial assets and financial liabilities

The Company classifies its financial assets into the following three categories at initial recognition: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss (FVTPL).

The Company classifies its financial liabilities into the following four categories at initial recognition: (1) financial liabilities at FVTPL; (2) financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or continuing involvement in the transferred financial assets; (3) financial guarantee contracts not classified as those specified in the above item (1) or (2), and loan commitment for loans to be granted at an interest rate below the market rate which is not classified as those specified in the above item (1); and (4) financial liabilities at amortised cost.

2. Recognition, measurement and derecognition of financial assets and financial liabilities

(1) Basis of recognition and initial measurement method of financial assets and financial liabilities

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument. Financial assets or financial liabilities are initially recognised at fair value. For financial assets or financial liabilities at FVTPL, the relevant transaction costs are directly recognised in current profit or loss; for other financial assets or financial liabilities, the relevant transaction costs are recognised in their initial recognition amount. However, accounts receivable initially recognised by the Company which do not contain a significant financing component, or financing components in a contract valid for less than one year which are not considered by the Company, are initially measured at transaction price as defined in ASBE 14 — Revenue.

(2) Subsequent measurement of financial assets

1) Financial assets at amortised cost

They are subsequently measured at amortised cost, using the effective interest method. Any gains or losses on financial assets at amortised cost which are not part of the hedging relationship is recorded in the current profit or loss at derecognition, reclassification, amortisation using the effective interest method, or recognition of impairment.

2) Debt instrument investments at fair value through other comprehensive income

They are subsequently measured at fair value. Interest, impairment losses or gains and exchange gains or losses calculated using the effective interest method are recorded in the current profit or loss, while other gains or losses are recorded in other comprehensive income. At derecognition, cumulative gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income and recorded in the current profit or loss.

3) Equity instrument investment at fair value through other comprehensive income

They are subsequently measured at fair value. Dividends obtained (excluding those obtained as investment costs recovered) are recorded in the current profit or loss, while other gains or losses are recorded in other comprehensive income. At derecognition, cumulative gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income and recorded in retained profits.

4) Financial assets at FVTPL

They are subsequently measured at fair value, and any gain or loss therefrom (including interest and dividend incomes) is recorded in the current profit or loss, unless such financial assets are part of the hedging relationship.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(9) Financial Instruments *(continued)*

2. Recognition, measurement and derecognition of financial assets and financial liabilities *(continued)*

(3) *Subsequent measurement of financial liabilities*

1) Financial liabilities at FVTPL

Such financial liabilities include trading liabilities (including derivative instruments classified as financial liabilities) and financial liabilities designated as at FVTPL. Such financial liabilities are subsequently measured at fair value. Changes in fair value of financial liabilities designated as at FVTPL as a result of changes in the Company's own credit risk are recorded in other comprehensive income, unless this approach creates or enlarges an accounting mismatch in the profit or loss. Other gains or losses on such financial liabilities (including interest expenses and changes in fair value other than as a result of changes in the Company's own credit risk) is recorded in the current profit or loss, unless such financial assets are part of the hedging relationship. At derecognition, cumulative gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income and recorded in retained profits.

2) Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or continuing involvement in the transferred financial assets

Measured in accordance with ASBE 23 — Transfer of Financial Assets.

3) Financial guarantee contracts not classified as those specified in 1) or 2) above, and loan commitment for loans to be granted at an interest rate below the market rate which is not classified as those specified in the above 1)

Subsequently measured at the higher of the following two amounts upon initial recognition: ① the amount of loss provision determined in accordance with the impairment provisions of financial instruments, and ② initial amount recognized net of accumulated amortization determined in accordance with relevant requirements of "PRC GAAP 14 — Revenue".

4) Financial liabilities at amortised cost

They are measured at amortised cost, using the effective interest method. Any gains or losses on financial liabilities at amortised cost which are not part of the hedging relationship is recorded in the current profit or loss at derecognition, or amortisation using the effective interest method.

(4) *Derecognition of financial assets and liabilities*

1) Financial assets are derecognised when:

① contractual rights to the cash flows from the financial assets expire;

② the financial assets have been transferred, and such transfer meets the requirements in ASBE 23 — Transfer of Financial Assets on derecognition of financial assets.

2) financial liabilities (or part thereof) are derecognised if present obligations for the financial liabilities (or part thereof) are released.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(9) Financial Instruments *(continued)*

3. Recognition and measurement of transfer of financial assets

If the Company transfers substantially all the risks and rewards of ownership of the financial asset, the Company shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer; if the Company retains substantially all the risks and rewards of ownership of the financial asset, the Company shall continue to recognise the financial asset. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and (1) if the Company has not retained control of the financial asset, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer; (2) if the Company has retained control of the financial asset, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset, and relevant liabilities accordingly.

If a transfer of financial assets in their entirety qualifies for derecognition, the difference between the following two items is recorded in the current profit or loss: (1) the carrying amount of the transferred financial assets at the date of derecognition; (2) the sum of the consideration received for the transfer of financial assets and the portion of accumulated fair value adjustments previously recorded in other comprehensive income which is derecognised (with the transferred assets being debt instrument investments at fair value through other comprehensive income). If a part of a financial asset is transferred, and such transferred portion qualifies for derecognition in its entirety, the carrying amount of the financial asset prior to the transfer is allocated between the portion derecognised and the portion retained, based on their respective relative fair values at the date of transfer, and the difference between the following two items is recorded in the current profit or loss: (1) the carrying amount of the portion derecognised; (2) the sum of the consideration of the portion derecognised, and the portion of accumulated fair value adjustments previously recorded in other comprehensive income which is derecognised (with the transferred assets being debt instrument investments at fair value through other comprehensive income).

4. Determination of fair value of financial assets and financial liabilities

The Company recognizes the fair values of relevant financial assets and financial liabilities by adopting valuation techniques which are currently applicable and have sufficient data available and other information support. The Company categorizes inputs of the valuation techniques into the following levels:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (2) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the relevant asset or liability, either directly or indirectly; including similar quoted prices of assets and liabilities in active markets, the same or similar quoted prices of assets and liabilities in non-active markets, other significant inputs other than quoted prices such as observable interest rate curves and return curves in the normal quoting intervals, and the inputs verified by the markets etc.;
- (3) Level 3 inputs are unobservable inputs for the relevant asset or liability. including interest rate, volatility in equity prices, future cash flows in respect of the abandoned obligations committed in the business combination, financial predictions using own data etc. which cannot be directly observed or verified by observable market data.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(9) Financial Instruments *(continued)*

5. Impairment on financial assets

(1) *Measurement of and accounting for impairment of financial instruments*

Based on expected credit losses, the Company accounts for the impairment of, and recognises provisions for losses on, financial assets at amortised cost, debt instrument investments at fair value through other comprehensive income, contract assets, lease receivables, loan commitment not classified as financial liabilities at FVTPL, and financial guarantee contracts not classified as financial liabilities at FVTPL or financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or continuing involvement in the transferred financial assets.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original effective interest rate, that is, the present value of all cash shortages. Among them, purchased or originated credit-impaired financial assets shall be discounted at the adjusted effective interest rate of the financial assets.

For purchased or originated credit-impaired assets, the Company recognises as loss reserves on the balance sheet date, only the cumulative changes in lifetime expected credit losses from initial recognition.

For receivables and contract assets arising from a transaction under ASBE 14 — the Company adopts a simplified measurement approach, and calculates the loss reserves based on the lifetime expected credit loss.

In addition to financial assets in respect of which the aforesaid measurement approaches are adopted, the Company assesses whether there has been a significant increase in its credit risk, at each balance sheet date. If there has been a significant increase in the credit risk since initial recognition, the loss reserves are measured at lifetime expected credit loss; if there has not been a significant increase in the credit risk since initial recognition, the loss reserves are measured at 12-month expected credit loss.

Whether there has been a significant increase in the credit risk on a financial instrument since initial recognition is determined, using available, reasonable and supportable information including forward-looking information, and through comparing the risk of default on the financial instrument at the balance sheet date to that at the date of initial recognition.

The Company assumes that there has not been a significant increase in the credit risk, if a financial instrument is determined to have a low credit risk at the balance sheet date.

The Company assesses the expected credit risk and measures the expected credit losses on the basis of an individual financial instrument or a group of financial instruments. When conducting an assessment and measurement based on a group of financial instruments, the Company categorizes financial instruments into various groups based on common characteristics of credit risks.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(9) Financial Instruments *(continued)*

5. Impairment on financial assets *(continued)*

(1) *Measurement of and accounting for impairment of financial instruments (continued)*

Expected credit losses are remeasured at each balance sheet date, and any increase or reversal of loss reserves arising therefrom is recorded in the current profit or loss as impairment losses or gains. For a financial asset at amortised cost, the loss reserve reduces the carrying amount of the financial asset as shown in the balance sheet; for a debt instrument investment at fair value through other comprehensive income, the loss reverse is recognised in other comprehensive income without reducing the carrying amount of the financial asset.

(2) *Financial instruments with expected credit risk assessed on a group basis and expected credit loss measured under three-stage model*

Item	Grouping basis	Expected credit loss calculation approach
Other receivables — group of receivables from government	Nature	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and expectation of future economic conditions, and based on the default risk exposure and 12-month or lifetime expected credit loss rate
Other receivables — group of security deposits receivable		
Other receivables — group of imprest receivable and etc.		
Other receivables — group of other receivables		
Other receivables — group of related dealings within the scope of combination	Related parties within the scope of combination (Note)	

(Note): It represents the related parties within the scope of combination.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(9) Financial Instruments *(continued)*

5. Impairment on financial assets *(continued)*

(3) *Receivables with expected credit losses measured under simplified measurement approach and on a group basis*

Item	Grouping basis	Expected credit loss calculation approach
Notes receivable — bank acceptance bills	Issuer of promissory notes	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and expectation of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate
Notes receivable — commercial acceptance bills		
Accounts receivable — grouping by age	Grouping by age	A table of the age of accounts receivable and the lifetime expected credit losses is prepared, and the expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and expectation of future economic conditions, and based on the default risk exposure and 12-month or lifetime expected credit loss rate
Accounts receivable — group of related dealings within the scope of combination	Related parties within the scope of combination (Note)	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and expectation of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate

(Note): It represents the related parties within the scope of combination.

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately from each other in the balance sheet and are not offset. However, financial assets and financial liabilities are offset and the net amount are presented in the balance sheet when both of the following conditions are satisfied: (1) the Company has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (2) the Company intends either to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

When the transfer of financial assets does not satisfy the derecognition conditions, the Company shall not set off such transferred financial assets with the relevant liabilities.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(10) Inventories

1. Classifications of inventories

Inventories are finished goods or merchandise held for sale in the ordinary course of business, or work in progress in the process of production for such sale, or materials or supplies to be consumed in the production process or in the rendering of services.

2. Cost of inventories transferred out

Cost of inventories transferred out is determined using the weighted average method at the end of every month.

3. Basis for determining the net realisable value of inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Any excess of the cost over the net realisable value of each item/class of inventories is recognised as a provision for diminution in the value of inventories. For inventories directly for sale, net realisable value is measured based on the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. For inventories that need processing, net realisable value is measured based on the estimated selling price of finished goods in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. At the balance sheet date, for an item of inventories where a portion is subject to contractual price while the remainder is not, their net realisable values are determined and compared with their corresponding costs respectively to recognise the amount of provision, or reversal of provision, for diminution in the value of inventories.

4. Inventory system

The Company maintains a perpetual inventory system.

5. Amortisation methods for consumables including low-value consumables and packaging materials

(1) Low-value consumables

Low-value consumables are amortised in full when received for use.

(2) Packaging materials

Packaging materials are amortised in full when received for use.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(11) Contract Cost

Assets related to contract costs include costs of obtaining a contract and costs to fulfil a contract.

Incremental costs incurred by the Company to obtain a contract which are expected to be recovered are treated as costs of obtaining a contract and recognised as assets. Costs of obtaining a contract which are amortised over a period of less than one year are directly recorded in the current profit or loss as incurred.

Costs incurred by the Company to perform a contract which are excluded from the scope of standards on inventories, fixed assets, intangible assets or otherwise but meet the following conditions are treated as costs of obtaining a contract and recognised as assets:

1. Such costs are directly related to a contract currently or expected to be acquired, including direct labor costs, direct material costs, manufacturing costs (or similar costs), costs to be borne by customers as agreed, and other costs solely as a result of such contract;
2. Such costs help increase resources for the Company to perform obligations in the future;
3. Such costs are expected to be recovered.

Assets related to contract costs are amortised on a basis similar to that for recognising revenues from goods or services related to such assets, and are recorded in the current profit or loss.

If the fair value of assets related to contract costs exceeds the remaining consideration expected to be obtained due to the transfer of goods or services related to the assets less estimated costs to be incurred, a provision for impairment is made for the excess, which is recognised as impairment losses on assets. If the remaining consideration expected to be obtained due to the transfer of goods or services related to the assets less estimated costs to be incurred exceeds the fair value of assets, due to subsequent changes in impairment conditions existing in prior periods, the provision previously made for impairment of the assets is reversed and recorded in the current profit or loss, provided that the carrying amount of the assets after the reversal is not more than the carrying amount of the assets which would have been recorded at the date of reversal if the provision for impairment had not been made.

(12) Non-current Assets or Disposal Groups Classified as Held for Sale

1. Classification of non-current assets or disposal groups held for sale

Non-current assets or disposal groups that meet the following conditions are classified as held for sale: (1) based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions; (2) the sale is very likely to happen, that is, the company has already made a resolution on a sales plan and obtained a certain purchase commitment, and it is expected that the sale will be completed within one year.

The non-current assets or disposal groups that the Company has acquired specially for resale are classified as held for sale on the acquisition date when they meet the condition that "it is expected that the sale will be completed within one year" on the acquisition date, and are likely to satisfy other conditions of being classified as held for sale in a short-term (usually being 3 months).

If the Company undertakes to sell the non-current assets or disposal groups even though the non-related party transaction fails to be finished within one year as a result of the following reasons beyond the control of the Company, such non-current assets or disposal groups will continue to be classified as held for sale: (1) the buyer or other party unexpectedly sets conditions leading to delay of the sale, and the Company has taken measures for such conditions in a timely manner and is expected to deal with such delay factors successfully within one year since such conditions leading to the delay of the sale are set; (2) the sale of non-current assets or disposal groups held for sale fail to complete within one year due to rare circumstances, and in the first year, the Company has taken necessary measures for these new situations and re-satisfies the conditions of being classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(12) Non-current Assets or Disposal Groups Classified as Held for Sale *(continued)*

2. Measurement of the non-current assets or disposal groups held for sale

(1) Initial measurement and subsequent measurement

For the initial measurement and remeasurement of the non-current assets or the disposal groups held for sale on the balance sheet date, if their book value is higher than the net amount after the fair value less the selling expenses, the book value shall be reduced to the net amount after their fair value less the selling expenses, and the reduced amount is recognized as the impairment loss of assets and recorded in the current profit or loss with provision made for impairment of assets held for sale.

For the non-current assets or disposal groups classified as held for sale at the acquisition date, they are measured at the lower of their initial measurement amount and the net amount after their fair value less the selling expenses based on the assumption that such non-current assets or disposal groups are not classified as held for sale at the time of initial measurement. Except for the non-current assets or disposal groups acquired in a business combination, the difference arising from considering the net amount of such non-current assets or disposal groups after their fair value less the selling expenses as the initial measurement amount is recorded in the current profit or loss.

For the impairment loss amount of assets recognized in the disposal groups held for sale, it shall first write down the book value of the goodwill in the disposal groups, then write down the book value in proportion of the book value of each non-current asset in the disposal groups.

The non-current assets in the non-current assets or disposal groups held for sale is not depreciated or amortized, and the debt interests and other fees in the disposal groups held for sale continue to be recognized.

(2) Accounting treatment of the reverse of asset impairment loss

In respect of the non-current assets held for sale, if the net amount after their fair value less the selling expenses increased as at the subsequent balance date, the reduced amount before will be recovered and reversed in the asset impairment loss amount recognized after being classified as held for sale, and the reversed amount will be recorded in the current profits or loss. The impairment loss on assets recognized before being classified as held for sale will not be reversed.

In respect of the disposal groups held for sale, if the net amount after their fair value less the selling expenses increased as at the subsequent balance date, the reduced amount before will be recovered and reversed in the asset impairment loss amount recognized in non-current assets after being classified as held for sale, and the reversed amount will be recorded in the current profits or loss. The reduced book value of the goodwill as well as the impairment loss on assets recognized before the non-current assets are classified as held for sale will not be reversed.

The subsequent reversed amount in respect of the impairment loss on assets recognized in the disposal groups held for sale will increase the book value in proportion of the book value of each non-current assets (other than goodwill) in the disposal groups.

(3) Accounting treatment of the non-current assets or disposal group that no longer being classified as held for sale and being derecognized

If the non-current assets or disposal groups are no longer classified as held for sale since they no longer meet the condition of being classified as held for sale or the non-current assets are removed from the disposal groups held for sale, they will be measured at the lower of the following: 1) the amount after their book value before they are classified as held for sale is adjusted based on the depreciation, amortization or impairment that should have been recognized given they are not classified as held for sale; 2) the recoverable amount.

The unrecognized profit or loss will be recorded in the current profit or loss when derecognizing the non-current assets or disposal group held for sale.

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(13) Long-Term Equity Investments

1. Judgement on joint control and significant effects

Joint control is recognized as control held for a certain arrangement under the relevant agreement, the relevant activity of which should be unanimously agreed by the parties sharing the control. The influence is deemed as significant if there involves the power of participating in decision making on the financial and operational policies of the investee, but the power cannot control or jointly control with other parties the formulation of the policies.

2. Determination of investment cost

- (1) If formed through corporate merge under joint control, and the consideration for such combination is settled by cash payment, transfer of non-cash assets, debt obligation and issuance of equity securities by the merging party, the initial investment cost shall be the Company's share of the carrying amount of shareholders' equity of the party being combined showed in the consolidated financial statement of the equities under common control at the combination date. The difference between the initial investment cost of the long term equity investment and the carrying amount of paid combined consideration or the total par value of the shares issued shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.

The Company realizes long-term equity investment formed through business combination under joint control by trading step by step and judges whether the trade belongs to "package deal". For the trade which belongs to "package deal", the trades are handled as one trade which has obtained the right to control. For the trades which do not belong to "package deal", the initial investment cost shall be the share of the carrying amount shown on the consolidated financial statement of the equities under common control based on the net assets of the party being combined after combination at the combination date. The difference between the initial investment cost of long-term equity investment at the combination date and the carrying amount of the long-term equity investment before combination plus the carrying amount of new share consideration further obtained at the combination date shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.

- (2) For a long-term equity investment obtained through a business combination not involving entities under common control, the initial investment cost is the fair value of the consideration given for combination at the acquisition date.

As for business combinations which involve enterprises not under common control and are carried out in stages, the accounting treatment of separate financial report and consolidated financial report shall be different:

- 1) In the separate financial report, the initial investment cost which is accounted for using the newly adopted cost method is the sum of carrying value of equity investment originally held and the addition of investment cost.
- 2) To judge whether the transaction is a "package deal" for the purpose of the consolidated financial statement. For the transaction which is categorized as a "package deal", the accounting treatment will be applied on it as if they were of a transaction obtaining the right to control the acquiree. For those which is not categorized as a "package deal", the equity interest of the acquiree held before the date of acquisition is re-measured according to its fair value at the date of acquisition. The difference between the fair value and its carrying amount is recognized as investment income of the applicable period. If the equity interests of the acquiree held before the date of acquisition involves other comprehensive income accounted for using equity accounting method, they are transferred to income for the period covering the date of acquisition together with the relevant other comprehensive income, excluding other comprehensive income resulting from changes in net liabilities or net assets arising from the designated benefit plan through the re-measurement on the investee.

NOTES TO THE FINANCIAL STATEMENTS

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(13) Long-Term Equity Investments *(continued)*

2. Determination of investment cost *(continued)*

- (3) A long-term equity investment acquired otherwise than through a business combination is initially recognised at the actual consideration paid if the investment is acquired by cash, or at the fair value of the equity securities issued if the investment is acquired by issuing equity securities. For those obtained through debt restructuring, the initial investment cost is recognized pursuant to ASBE 12 – Debt Restructuring. For those obtained through exchange of non-monetary assets, the initial investment cost is recognized pursuant to ASBE 7 – Exchange of Non-monetary Assets.

3. Subsequent measurement and recognition

When the Company controls the investee, a long-term equity investment is accounted for using the cost method. The cost method is used for long-term equity investment of associates and joint ventures.

4. Accounting treatment on disposal of investment in a subsidiary to loss of its right to control in stages through various transactions

(1) Separate financial statements

For equity interests disposed of, the difference between the carrying amount and the actual consideration obtained is recognized as profit or loss. For the remaining equity interests, those which are still entitled to a significant influence on the investee or perform joint control with other parties are accounted for using equity method. Those which do not control, jointly control or have a significant influence on the investee are accounted for pursuant to the relevant regulations of ASBE 22 – Recognition and Measurement of Financial Instruments.

(2) Consolidated financial statements

- 1) For the disposal of investment in a subsidiary to loss of its right to control in stages through various transactions that are not categorized as “package deal”

Prior to the loss of right to control, the capital reserve (capital premium) is adjusted with the difference between the consideration of the disposal and the entitled share of the net assets of the subsidiary that would have been entitled to by the disposed long-term equity investment and continuously accounted for from the acquisition date or combination date. If the balance of the capital premium is insufficient for the written-off, then the retained profits will be written off accordingly.

When the right to control the former subsidiary is lost, the remaining equities are re-measured at fair value at the date when the right to control is lost. The sum of the consideration obtained from disposal and the fair value of the remaining equity interests less the share of the net assets of the subsidiary that would have been entitled to and continuously accounted for according to the original shareholding percentage from the acquisition date or combination date is recognized as investment income for the period covering the date of loss of control, offsetting the goodwill at the same time. Other comprehensive income related to the equity investment in the former subsidiary shall be transferred to the investment income for the period covering the date of loss of control.

NOTES TO THE FINANCIAL STATEMENTS

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(13) Long-Term Equity Investments *(continued)*

4. Accounting treatment on disposal of investment in a subsidiary to loss of its right to control in stages through various transactions *(continued)*

(2) *Consolidated financial statements (continued)*

- 2) For the disposal of investment in a subsidiary to loss of its right to control in stages through various transactions that are categorized as “package deal”

The transactions are treated as one single transaction of disposal of a subsidiary and loss of right to control. However, prior to the loss of right to control, the difference between each of the consideration of disposal and the share of net assets of that subsidiary that would have been entitled to by the disposed investment is recognized as other comprehensive income in the consolidated financial statements and transferred to profit or loss for the period covering when the right of control is lost.

(14) Investment Property

1. Investment properties include the right to use the leased land, the land held for appreciation and transfer and the leased buildings.
2. Investment properties are measured at cost initially and under the cost model subsequently, and are depreciated or amortised, using a method similar to that for fixed assets and intangible assets.

(15) Fixed Assets

1. Recognition of fixed assets

Fixed assets represent the tangible assets held for production or supply of goods or services, rental or for administrative purposes with useful lives over one accounting year, and is measured at the actual cost incurred till it is ready for intended use.

2. Depreciation of fixed assets

Class	Depreciation method	Useful life (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Life average	10-70	5	9.50-1.36
Machinery and equipment	Life average	5-15	5	19.00-6.33
Motor vehicles	Life average	4-8	5	23.75-11.88
Office equipment and others	Life average	3-10	5	31.67-9.50

(16) Construction in Progress

1. Construction-in-progress is recognised when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured at the actual cost incurred till it is ready for intended use.
2. Construction-in-progress is transferred into fixed assets when it is ready for its intended use based on the actual cost. For a completed project ready for intended use but with final account unsettled, the asset is transferred into fixed assets based on estimated value. After final account of the project has been settled, the Company shall base on actual cost to make adjustment on the previous estimated value, but need not to adjust the depreciation retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(17) Borrowing Costs

1. Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalization are capitalized as part of the cost of those assets. Other borrowing costs are expensed and charged to current profit or loss when incurred.

2. Timing of borrowing costs capitalization

- (1) Borrowing costs shall be capitalized when: 1) capital expenditures and 2) borrowing costs have been incurred, and 3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.
- (2) Capitalization of borrowing costs should be suspended during periods in which abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets qualified for capitalization. The borrowing cost incurred during interruption is recognised as current expenses until the acquisition, construction or production activities resume.
- (3) The capitalization of borrowing costs ceases when the assets acquired, constructed or produced and qualified for capitalization are ready for their intended use or sale.

3. Capitalization rate and amount of borrowing costs

For specific borrowings used to acquire, construct or produce assets qualified for capitalization, the amount of interest costs (including amortization of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalized after deducting any interest earned from depositing the unused borrowings in the bank or any investment income arising from the temporary investment of those borrowings during the capitalization period. For general borrowings used to acquire, construct or produce assets qualified for capitalization, the capitalized amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).

(18) Intangible Assets

1. Intangible assets, including land use rights, patent rights and non-patented technologies, are initially measured at cost.
2. Intangible assets with definite useful lives are reasonably amortized over their useful lives based on the pattern of the economic benefits relating to the intangible assets are expected to be realised. Intangible assets whose economic benefits realization pattern cannot be reliably anticipated are amortised on a straight-line basis over the following useful life:

Item	Estimated useful life (year)
Land use rights	50
Patented technology	10
Non-patented technology	5-10
Management software	5

NOTES TO THE FINANCIAL STATEMENTS

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(18) Intangible Assets *(continued)*

3. Expenditures for internal research and development activities are expensed in the period as incurred. The expenses of internal research and development projects during the development stage are recognised as intangible assets when all of the following conditions are satisfied: (1) The completion of such intangible assets for use or sale is technically feasible; (2) The Company has the intention to use or sell the intangible assets upon completion; (3) The way in which the intangible assets bring economic benefits shows that there exists consumption market for the products with use of these intangible assets or the intangible assets themselves, or that they are useful in case of internal utilisation; (4) The Company has sufficient technological, financial and other resources to complete the development of the intangible assets and the ability to make them available for use or sale; (5) The expenses attributable to such intangible assets can be measured reliably at the development stage.

(19) Partial Long-Term Asset Impairment

For long-term assets such as long-term equity investment, investment property measured under cost method, fixed assets, construction in progress and intangible assets with definite useful lives, when there is evidence at the balance sheet date that the assets are impaired, the recoverable amounts are estimated. For goodwill arising from business combination, whether there is evidence of impairment or not, impairment test is conducted annually. Impairment test is performed on goodwill together with its relevant asset group or asset group combination.

If the recoverable amount of the abovementioned long-term assets is lower than its carrying amount, the difference is recognised as provision for asset impairment and recorded in the current profit or loss.

(20) Long-term deferred expenses

Long-term deferred expenses are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded at their actual costs, and evenly amortized within its beneficiary period or stipulated period. If items of long-term deferred expenses fail to be beneficial to the following accounting periods, the residual values of such items are all included in profit or loss.

(21) Staff Costs

1. Staff costs include short-term benefits, post-employment benefits, dismissal benefits and other long-term employee benefits.

2. Accounting treatment for short-term remuneration

During the accounting period when the staff is providing services for the Company, the actual short-term remuneration is recognized as liabilities and charged over profit or loss or relevant cost of asset for the current period.

3. Accounting treatment of post-employment benefits

Post-employment benefits are divided into the established withdrawal and deposit plan and the established benefit plan.

- (1) The Company will recognize the amounts shall be deposited as the debts according to the established withdrawal and deposit plan and recognize them in the current profit or loss or relevant assets cost during the period when the employee provides services to the Company.

NOTES TO THE FINANCIAL STATEMENTS

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(21) Staff Costs *(continued)*

3. Accounting treatment of post-employment benefits *(continued)*

- (2) The accounting treatment on the established benefit plan generally include the following procedures:
- 1) According to the projected unit credit method, the Company adopted unbiased and mutually agreed actuarial assumptions to estimate the relevant demographic variables and financial variables, calculate the obligations arising from the defined benefit plan and determine the period of relevant obligations belonging to. Meanwhile, the obligation arising from the defined benefit plan is discounted to determine the present value of such obligation under the defined benefit plan and the service cost for the current period;
 - 2) Where there are assets in the defined benefit plan, the deficit or surplus from the present value of the defined benefit plan less the fair value of the defined benefit plan are recognised as a net debt or asset of a defined benefit plan. Where there are surplus in the defined benefit plan, the lower of the surplus of the defined benefit plan and the upper limit of the assets will be used to calculate the net assets of the defined benefit plan;
 - 3) At the end of the period, the cost of staff costs from the defined benefit plan will be recognised as the service cost, the net interest on the net assets or net debts from the defined benefit plan and the changes arising from the remeasurement of the net assets or net debts from the defined benefit plan. Of which, the service cost and the net interest on the net assets or net debts from the defined benefit plan will be recognised in the current profit or loss or relevant assets cost. The changes arising from the remeasurement of the net assets or net debts from the defined benefit plan will be recognised in other comprehensive income and shall not be reversed to the profit or less in subsequent accounting periods, but the amounts recognised in other comprehensive income can be transferred within the scope of interests.

4. Accounting treatment of dismissal benefits

When provide dismissal benefits to the employee, the staff costs debts arising from the recognition of dismissal will be recognised in the current profit or loss at the earlier of: (1) when the Company cannot unilaterally withdraw the dismissal benefits for the release of the labour relationship or the dismissal proposal; (2) when the Company recognised relevant costs or expenses associated with the reorganization of the payment of the dismissal benefits.

5. Accounting treatment of other long-term benefits

Other long-term benefits provided by the Company to the employee, when meeting the determined conditions for withdrawal and deposit plan will conduct accounting treatment according to the determined withdrawal and deposit plan. Other long-term benefits other than this will conduct accounting treatment according to the determined benefit plan. In order to simplify the relevant accounting treatment, the generated staff costs is recognized as service cost and the total net amount of the components such as net interest amount of net liabilities or net assets in terms of other long-term employees' benefits and changes arising from re-measuring the net liabilities or net assets in terms of other long-term employees' benefits is recognized as profit or loss or relevant cost of asset for the current period.

NOTES TO THE FINANCIAL STATEMENTS

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(22) Provision for liability

1. Provisions for liability are recognized when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, product quality warranty, and loss-making contract, and it is very likely that an outflow of economic benefits will be resulted from settlement of the obligation, and a reliable estimate of the amount of the obligation can be made.
2. Provisions are initially stated at the best estimate of the expenditure expected to be required for settling the present obligation. Carrying values of all provisions for liability are reviewed at balance sheet date.

(23) Revenue

1. Revenue recognition

At contract inception, the Company assesses the contract to identify each individual obligation thereunder and to determine whether an obligation is satisfied over time or at a point in time.

A performance obligation is satisfied over time if one of the following criteria is met, otherwise it is satisfied at a point in time: (1) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; (2) the Company's performance creates goods that the customer controls as the goods are created; (3) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date during the term of the contract.

In the case of an obligation satisfied over time, the Company shall recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation. If the Company is unable to reasonably measure its progress towards complete satisfaction of a performance obligation and expects to recover the costs incurred, the revenue is recognised in line with cost incurred, until the progress towards complete satisfaction of a performance obligation can be reasonably determined. In the case of a performance obligation that is satisfied at a point in time, the revenue is recognised at the point in time at which a customer obtains control of relevant goods or services. To determine the point in time at which a customer obtains control of goods, the Company considers the following indicators: (1) the Company has a present right to payment for the goods, or the customer has the present obligation to pay for the goods; (2) the Company has transferred the legal title to the goods to the customer, or the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods to the customer, or the customer has physical possession of the goods; (4) the Company has transferred the significant risks and rewards of ownership of the goods to the customer, or the customer has the significant risks and rewards of ownership of the asset; (5) the customer has accepted the goods; (6) other indicators that the customer obtains control of the goods.

2. Revenue measurement

- (1) The Company recognises as revenue the amount of the transaction price that is allocated to that performance obligation. Transaction price is the amount of consideration in a contract to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties or expected to be refunded to a customer.
- (2) If a contract has variable consideration, the Company determines the appropriate estimate based on the expected value or the most likely amount, provided that a transaction price including variable consideration shall not exceed the amount of cumulative revenue recognised which is highly unlikely to be subject to significant reversal when the uncertainty associated with the variable consideration is subsequently resolved.



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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(23) Revenue *(continued)*

2. Revenue measurement *(continued)*

- (3) If a contract contains a significant financing component, the Company determines the transaction price based on the amount that a customer would have paid when it obtains control of goods or services. The difference between the transaction price and the contract consideration is amortised, using the effective interest method, during the term of the contract. The Company does not take into consideration, significant financing components contained in a contract, if the Company expects, at contract inception, that the period between when the Company transfers goods or services to a customer and when the customer pays for the goods or services will be one year or less.
- (4) If there are two or more performance obligations under a contract, the Company shall, at contract inception, allocate the transaction price to each performance obligation in proportion to the stand-alone selling prices of goods underlying each performance obligation.

3. Methods of revenue recognition

The Company sells automotive steering gears and other components and parts, for which it shall perform obligations at a point in time. Revenue of products for domestic sales are recognised when the following conditions are satisfied: the Company has delivered the goods to customers according to contracts and customers have accepted the same; the payment for goods have been collected, or payment receipts have been received, and relevant future economic benefits will probably flow to the Company. Revenue of products for export sales are recognised when the following conditions are satisfied: the Company has declared the goods to customs in accordance with contracts and obtained a bill of lading; the payment for goods have been collected, or payment receipts have been received, and relevant future economic benefits will probably flow to the Company.

(24) Government Grants

1. The government grants are recognised when (1) the Company is able to comply with the conditions attaching to the government grants; (2) the Company is able to receive the government grants. Government grants which are monetary assets are measured at the amount received or receivable. Government grants which are non-monetary assets are measured at fair value, or at nominal amount if the fair value cannot be reliably measured.
2. Judgment basis and accounting methods on the government grants relating to assets

Government grants which shall be used for constructing or otherwise forming long-term assets as specified in government documents are classified as government grants related to assets. In the absence of specific requirements in government documents, the determination is made according to basic conditions for obtaining the grants; if constructing or otherwise forming long-term assets is treated as a basic condition, the grants are classified as government grants related to assets. Government grants relating to assets are offset against the carrying amount of such assets or recognised as deferred income. Government grants relating to assets recognised as deferred income are included in profit or loss on a reasonable and systematic basis over the useful lives of the relevant assets. Government grants measured at notional amount are directly recorded in profit or loss. For assets sold, transferred, disposed or damaged prior to the end of their useful lives, balance of unallocated deferred income is transferred to profit or loss for the period in which the disposal occurred.

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(24) Government Grants *(continued)*

3. Judgment basis and accounting methods on the government grants relating to revenue

Other than government grants pertinent to assets, other government grants are government grants pertinent to income. The Company classifies government grants that contain both assets-related and income-related portion or those that are difficult to distinguish as the ones related to income on an entire basis. Government grants relating to income and applied towards reimbursement of related costs or losses in subsequent periods are recognised as deferred income and taken to current profit or loss or offset the related costs for the period in which the related costs or losses are recognised. Government grants, applied towards reimbursement of related costs or losses already incurred, are directly recognised in current profit or loss or offset the related costs.

4. Government grants related to the Company's daily operations are included in other income or offset against relevant expenses according to the economic nature of business. Government grants that are not related to the Company's daily operations are included in the non-operating income or expenses.

(25) Contract assets, Contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company presents contract assets and contract liabilities under the same contract as net amount after they offset each other.

The Company presents the right of the Company to charge consideration from the customer unconditionally (i.e. only depends on the passage of time) as a receivable, while the consideration that the Company has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is presented as a contract assets.

The Company presents the portion of the obligation to transfer goods to customers for consideration received or receivable from customers as a contract liability.

(26) Deferred Tax Assets and Deferred Tax Liabilities

1. Deferred tax assets or deferred tax liabilities are recognised based on the difference between the carrying amounts of the assets or liabilities and their tax bases (or, for an item not recognised as assets or liabilities but whose tax base can be determined under tax laws, the difference between the tax base and the carrying amount), and are calculated at the tax rates expected to apply to the period in which the assets are recovered or the liabilities are settled.
2. Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At the balance sheet date, deferred tax assets unrecognised in prior periods are recognised to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilised.
3. The carrying amount of deferred tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be utilised. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.
4. The Company's current and deferred income taxes are recognised in current profit or loss as tax expense or profit, excluding income tax arising from business combination, as well as transactions or items directly recognised in equity.



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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(27) Leases

1. Company as a lessee

As at the commencement date of the lease term, the Company identifies the leases with a lease term of 12 months or less and without purchase options as short-term leases, and the leases of individual leased assets with relatively low original value as low-value asset leases. Where the leased assets are sublet or expected to be sublet, the original leases are not identified as low-value asset leases.

For short-term leases and low-value asset leases, the amount of lease payment is included in the relevant asset costs or profit or loss on a straight-line basis over the lease term.

Except for the elective practical expedients adopted for the short-term leases and low-value asset leases, the Company recognizes right-of-use assets and lease liabilities for the leases as at the commencement date of the lease term.

(1) Right-of-use assets

Right-of-use assets are initially measured at cost. Such cost includes: 1) the amount of the initial measurement of the lease liability; 2) any lease payments made on or before the commencement date of the lease less any lease incentives received (if any); 3) initial direct expenses incurred by the lessee; 4) costs expected to be incurred by the lessee in dismantling and removing a leased asset, restoring the site on which it is located or restoring the leased assets to the condition required by the terms and conditions of the lease.

Provision for depreciation is made on right-of-use assets by the Company on a straight-line basis. Right-of-use assets in which the Company is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated over the remaining useful life of the leased assets. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and its remaining useful life.

(2) Lease liabilities

As at the commencement date of the leases, the Company recognizes lease liability at the present value of the outstanding lease payments. In calculating the present value of the lease payments, the Company uses the interest rate implicit in the leases or, if that rate cannot be readily determined, the incremental borrowing rate of the Company as the discount rate. The differences between the amount of lease payments and its present value are recognized as unrealized finance costs, for which interest expenses are calculated at the discount rate used to determine the present value of the lease payments over the lease term and are recorded in profit or loss. The variable lease payments not included in the measurement of the lease liability are charged to profit or loss in the period in which they are actually incurred.

After the commencement date of the lease term, when there is change in either the in-substance fixed payments, the amount expected to be payable under a residual value guarantee, the index or rate used to determine the amount of lease payments, the assessment results on the purchase options, extension options or termination options or the actual exercise of such options, the lease liability is remeasured to the present value of the revised lease payments, and a corresponding adjustment is made to the carrying amount of the right-of-use assets. Where the carrying amount of the right-of-use asset has been reduced to zero while further reduction is required to be made to the carrying amount of the lease liability, the remaining amount is recorded in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(27) Leases *(continued)*

2. Company as a lessor

On the commencement date of the lease, leases that transfer substantially all the risks and rewards of ownership of the leased asset are classified as finance leases, while others are classified as operating leases.

(1) Operating leases

The Company recognizes the lease receivables as rental income on a straight-line basis over the lease term, and the initial direct costs are capitalized and allocated on the same basis as that for the recognition of rental income and are charged in profit or loss in instalment. The variable lease payments received by the Company that are associated with the operating lease and are not included in the lease receivables are credited in the profit or loss when incurred.

(2) Finance leases

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases as at the commencement date of the lease (the aggregate sum of the unguaranteed residual values and the present value of the outstanding finance lease receivables as at the commencement date of the lease discounted using the interest rate implicit in the lease) and the relevant finance lease asset is derecognized. The Company calculates and recognizes the interest income at the interest rate implicit in the lease over the lease term.

The variable lease payments received by the Company that are not included in the measurement of net investment in the leases are included in the profit or loss when incurred.

(28) Segment Reporting

The Company determines the operating segments on the basis of the internal organisational structure, management requirements and internal reporting system. The operating segments of the Company refer to the component that meets all of the following conditions:

1. The component is able to generate income and incur expenses in daily activities;
2. The management is able to regularly evaluate the operating results of the segment to determine the allocation of resources and assess its performance;
3. The financial position, operating results, cash flow and other relevant accounting information of the segment can be obtained through analysis.

(29) Other Significant Accounting Policies and Accounting Estimates

Recognition criteria for discontinued operation and its accounting treatment

Discontinued operation is a component that meets one of the following conditions, has been disposed of or classified as held for sale and is separately identifiable:

1. The component represents an independent main business or a separate main operating area;
2. The component is a part of a related plan that intends to dispose an independent main business or a separate main operating area;
3. The component is a subsidiary acquired exclusively for resale.

NOTES TO THE FINANCIAL STATEMENTS

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3. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(30) Significant Accounting Judgments and Estimates

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Key assumptions of the estimates and judgments of uncertain factors are reviewed on an ongoing basis by the Company. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Key sources of estimation uncertainty are as follows:

1. Recognition of deferred tax assets

As stated in Note 3 (26) to the financial statements, deferred tax assets are recognised by the Company at the deductible temporary difference between the carrying amount of assets and liabilities and their tax bases (or, for an item not recognised as assets or liabilities but whose tax base can be determined under tax laws, the difference between the tax base and the carrying amount) based on the tax rate applicable to the period when the asset is recovered or the liability is settled. Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

2. Financial instruments and impairment of contract assets

As stated in Note 3 (9) to the financial statements, based on expected credit losses, the Company accounts for the impairment of, and recognizes provisions for financial assets at amortised cost (notes receivables, accounts receivables, other receivables), debt instrument investments at fair value through other comprehensive income (financing receivables).

3. Provision for inventory obsolescence

As stated in Note 3 (10) to the financial statements, as at the balance sheet date, the Company's inventories are stated at the lower of cost and net realizable value, provision for inventory obsolescence will be made based on the surplus of cost over net realizable value of inventories on an individual basis; For inventories for direct sales, net realizable value is recognized at the estimated selling price of such inventories in the ordinary course of business, less estimated costs necessary to make the sale and relevant taxes; For inventories which require processing before sale, net realizable value is recognized at the estimated selling price of the finished goods produced in the ordinary course of business, less estimated costs to be incurred upon completion, costs necessary to make the sale and relevant taxes; As at the balance sheet date, for an item of inventories where a portion is subject to contractual price while the remainder is not, their net realizable values are determined and compared with their corresponding costs respectively to recognize the amount of provision, or reversal of provision, for inventory obsolescence.

4. Long-term asset impairment

As mentioned in Note 3 (19) to the financial statements, for long-term assets such as long-term equity investment, investment property measured under cost method, fixed assets, construction in progress, and intangible assets with definite useful lives, when there is evidence that the assets are impaired as at the balance sheet date, the recoverable amount is estimated. For goodwill arising from business combination, whether there is evidence of impairment or not, impairment test is conducted annually. Impairment test is performed on goodwill together with its relevant asset group or asset group combination. The result of the measurement of the recoverable amounts shows that, if the recoverable amount of the long-term asset is lower than its carrying amount, the carrying amount of the asset is written down to the recoverable amount. The amount written down is recognized as impairment loss through profit or loss and is provided for the corresponding asset impairment.

NOTES TO THE FINANCIAL STATEMENTS

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4. TAXATION

(1) Major taxes and tax rates

Type of tax	Basis	Tax rate
Value added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after deducting the deductible input VAT of the period, is VAT payable	13%, 9%, 6%, 5% (Note 1)
Property tax	Price based tax: residual value after deducting 30% from the original value of the property; rental income based tax: rental income	1.2%, 12%
Urban maintenance and construction tax	Actual amount of payable turnover tax	7%, 5%
Education surcharge	Actual amount of payable turnover tax	3%
Local education surcharge	Actual amount of payable turnover tax	2%
Corporate income tax	Amount of taxable profit	15%, 25% (Note 2)

(Note 1): The sale of the steering systems, parts and other commodities by the Company and the respective subsidiaries have been subject to the VAT at the rate of 13%. The “exemption, offset and rebate” tax policy has applied to export goods of Hangzhou Shibao Auto Steering Gear Co., Ltd. and Jilin Shibao Machinery Manufacturing Co., Ltd., both are subsidiaries of the Company, and the export rebate was 13%. The transfer of patented technologies and provision of services and otherwise by the Company and the respective subsidiaries have been subject to the VAT at the rate of 6%. The leasing of real estate acquired before 30 April 2016 by the Company, Hangzhou New Shibao Electric Power Steering Co., Ltd. and Wuhu Sterling Steering System Co. Ltd., subsidiaries of the Company, is subject to the VAT at the simplified rate of 5%, while the leasing of real estate acquired after 30 April 2016 is subject to the VAT at the rate of 9%.

(Note 2): Details of corporate income tax rates of different entities.

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

NOTES TO THE FINANCIAL STATEMENTS

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4. TAXATION (continued)

(2) Tax concession

1. According to the “Letter Regarding 2020 First Batch Filing of High-tech Enterprises of Zhejiang Province” issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. [2020] 251) (《關於浙江省2020年第一批高新技術企業備案的覆函》(國科火字〔2020〕251號)), the Company, the Company’s subsidiaries, namely, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. obtained the High-tech Enterprise Certificates (No. GR202033006037, GR202033002842 and GR202033003507 respectively), with a valid period from 2020 to 2022. During the reporting period, the Company and the Company’s subsidiaries, namely, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. have been applying for the recognition of high-tech enterprises. As at the date of this report, the approval is not yet received. The Company and the Company’s subsidiaries, namely, Hangzhou Shibao Auto Steering Gear Co., Ltd. and Hangzhou New Shibao Electric Power Steering Co., Ltd. use a corporate income tax rate of 15% in the current period.
2. According to the “Letter Regarding 2020 Fourth Batch Filing of High-tech Enterprises of Beijing” issued by the Leading Group Office of National High-tech Enterprises Recognition and Management (CTP No. [2021] 38) (《關於北京市2020年第四批高新技術企業備案的覆函》(國科火字〔2021〕38號)), the Company’s subsidiary, Beijing Autonics Technology Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR202011007797), with a valid period from 2020 to 2022. During the reporting period, Beijing Autonics Technology Co., Ltd. has been applying for the recognition of high-tech enterprises. As at the date of this report, the approval is not yet received. Beijing Autonics Technology Co., Ltd. uses a corporate income tax rate of 15% in the current period.
3. According to the “Notification Regarding the Announcement of the List of the First Batch of High-tech Enterprises of Anhui Province Recognized in 2020” (Ke Gao No. [2020] 35) (《關於公佈2020年安徽省第一批高新技術企業認定名單的通知》(皖科高〔2020〕35號)) issued by the Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance, State Taxation Bureau of Anhui Province and Anhui Local Taxation Bureau, the Company’s subsidiary, Wuhu Sterling Steering System Co., Ltd. obtained the High-tech Enterprise Certificate (No. GR202034000075), with a valid period from 2020 to 2022. During the reporting period, Wuhu Sterling Steering System Co., Ltd. has been applying for the recognition of high-tech enterprises. As at the date of this report, the approval is not yet received. Wuhu Sterling Steering System Co., Ltd. uses a corporate income tax rate of 15% in the current period.
4. According to the Notice on Value-added Tax Policy for Software Products (Cai Shui [2011] No. 100) (《關於軟體產品增值稅政策的通知》(財稅[2011] 100號)) issued by Ministry of Finance and State Administration of Taxation, Beijing Autonics Technology Co., Ltd., a subsidiary of the Company, is a general taxpayer which sells self-developed and produced software products, and its value-added tax will be refundable if the actual value-added tax burden exceeds 3% as soon as it is imposed.
5. According to the provisions of “Implementation Opinions of Yiwu Municipal People’s Government on Carrying out Comprehensive Evaluation of the Benefits of Industrial Enterprises in Per Mu and Comprehensive Promotion on the ‘Per-Mu Hero’ Reform (Yi Zheng Fa [2023] No. 27) (《義烏市人民政府關於開展工業企業畝產效益綜合評價全面推進「畝均論英雄」改革的實施意見》(義政發[2023] 27號)), enterprises identified as A class under the comprehensive evaluation will be given 100% reduction on urban land use tax. The land use tax payable by the Company shall be reduced by 100% in the current period.

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Notes to the Consolidated Balance Sheet

1. Cash on hand and at bank

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Cash	153,903.13	57,616.75
Bank deposits	143,312,656.62	155,602,605.57
Other monetary funds	82,744,000.56	76,565,438.46
Total	226,210,560.31	232,225,660.78
Including: total funds placed overseas the total of funds restricted in use due to charge, pledge or freeze		

(2) Notes on funds restricted in use due to charge, pledge, or freeze

Among the closing balance of bank deposits, the amount of RMB15,000.00 was restricted by ETC, and the amount of RMB176.64 was deposit in dormant account.

Other monetary funds at the end of the period represents the guarantee deposits of RMB82,744,000.56 for the issuance of bank acceptance bill.

2. Financial assets held for trading

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Financial assets at fair value through profit or loss	48,148,271.97	120,393,605.57
Including: Equity instrument investment	2,738,227.02	3,264,691.96
Bank short-term wealth management products	45,410,044.95	117,128,913.61
Total	48,148,271.97	120,393,605.57

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

2. Financial assets held for trading (continued)

(2) Other statements

1) Statement on investment in equity instruments

As of 30 June 2023, its subsidiary, Hangzhou Shibao Auto Steering Gear Co., Ltd., holds 636,086 shares of Lifan Technology (Group) Co., Ltd. (Stock short name: ST Lifan, stock code: 601777). The fair value of the shares at the end of the period is RMB3.57 per share, and the investment value of the equity instrument held at the end of the period is RMB2,270,827.02. Hangzhou Shibao Auto Steering Gear Co., Ltd., and Wuhu Sterling Steering System Co., Ltd. (both subsidiaries) holds 190,000 shares of Zotye Automobile Co., Ltd. (眾泰汽車股份有限公司) (Stock short name: ST Zotye, stock code: 000980). The fair value of the shares at the end of the period is RMB2.46 per share, and the investment value of the equity instrument held at the end of the period is RMB467,400.00.

2) Statement on bank wealth management products

As at 30 June 2023, its subsidiary, Hangzhou Shibao Auto Steering Gear Co., Ltd., has wealth management products of RMB30,000,000.00 acquired from China CITIC Bank with fair value at the end of the period of RMB30,000,000.00. It has wealth management product of RMB15,000,000.00 acquired from Hangzhou Bank Co., Ltd. with fair value at the end of the period of RMB15,410,044.95. Such wealth management products are short-term bank wealth management products.

3. Accounts receivable

(1) Breakdown

1) Breakdown by types

Type	Balance at the end of the period				
	Carrying amount		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision (%)	
Bad debt provision on individual basis	27,088,094.33	4.61	27,088,094.33	100.00	
Bad debt provision by groups	560,477,917.04	95.39	5,091,859.23	0.91	555,386,057.81
Total	587,566,011.37	100.00	32,179,953.56	5.48	555,386,057.81

Type	Balance at the end of last year				
	Carrying amount		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision (%)	
Bad debt provision on individual basis	29,913,229.65	6.16	29,913,229.65	100.00	
Bad debt provision by groups	455,823,533.82	93.84	5,444,677.18	1.19	450,378,856.64
Total	485,736,763.47	100.00	35,357,906.83	7.28	450,378,856.64

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

3. Accounts receivable (continued)

(1) Breakdown (continued)

2) Accounts receivable with bad debt provision on individual basis at the end of the period

Description	Carrying amount	Provision for bad debts	Provision (%)	Reason for provision
Hubei Meiyang Auto Industrial Co., Ltd. (湖北美洋汽車工業有限公司)	13,191,478.86	13,191,478.86	100.00	The amount was not expected to be recovered in whole
Jiangsu Jintan Auto Industry Co., Ltd. (江蘇金壇汽車工業有限公司)	6,646,258.01	6,646,258.01	100.00	The amount was not expected to be recovered in whole
Total of other entities	7,250,357.46	7,250,357.46	100.00	The amount was not expected to be recovered in whole
Total	27,088,094.33	27,088,094.33	100.00	

3) Accounts receivable with bad debt provision according to grouping by age

Age	Balance at the end of the period		
	Carrying amount	Provision for bad debts	Provision (%)
Within 1 year	545,102,808.64	490,592.54	0.09
1-2 years	9,872,336.59	544,952.99	5.52
2-3 years	1,882,183.63	435,725.52	23.15
Over 3 years	3,620,588.18	3,620,588.18	100.00
Total	560,477,917.04	5,091,859.23	0.91

(2) Aging analysis

Age	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision for bad debts	Provision (%)	Carrying amount	Provision for bad debts	Provision (%)
Within 1 year	545,102,808.64	490,592.54	0.09	438,653,295.14	397,623.40	0.09
1-2 years	9,872,336.59	544,952.99	5.52	10,486,098.56	647,597.01	6.18
2-3 years	2,476,664.39	1,030,206.28	41.60	4,101,101.30	1,816,417.95	44.29
Over 3 years	30,114,201.75	30,114,201.75	100.00	32,496,268.47	32,496,268.47	100.00
Sub-total	587,566,011.37	32,179,953.56	5.48	485,736,763.47	35,357,906.83	7.28

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

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

3. Accounts receivable (continued)

(3) Change in provision for bad debts

1) Breakdown

Item	Balance at the beginning of the period	Increase during the period			Decrease during the period			Balance at the end of the period
		Provision	Recovery	Others	Reversal	Write-off	Others	
Bad debt provision on individual basis	29,913,229.65				2,825,135.32			27,088,094.33
Bad debt provision by groups	5,444,677.18	-352,817.95						5,091,859.23
Sub-total	35,357,906.83	-352,817.95			2,825,135.32			32,179,953.56

2) Significant amounts of provision for bad debts recovered or reversed during the period

Company Name	Amounts recovered or reversed	The way of receiving funds
Hubei Meiyang Auto Industrial Co., Ltd.	1,982,403.66	Receiving funds by bank transfer
Lingtu Auto Co., Ltd	842,688.40	Receiving funds by bank transfer
Sub-total	2,825,092.06	

(4) During the period, there was no written off accounts receivable

(5) The five largest accounts receivable

Name	Carrying amount	Percentage of total accounts receivable (%)	Provision for bad debts
Changxing Geely Automobile Components Company Limited	64,535,794.11	10.98	58,082.21
Chery Automobile Henan Co., Ltd (奇瑞汽車河南有限公司)	42,049,707.34	7.16	37,844.74
Chery Automobile Co., Ltd.	32,308,188.55	5.50	220,876.09
Chery Commercial Vehicle (Anhui) Co., Ltd.	31,985,659.48	5.44	31,898.37
NIO Automobile (Anhui) Co., Ltd.	30,689,516.62	5.22	27,620.56
Sub-total	201,568,866.10	34.30	376,321.97

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

4. Financing receivables

(1) Breakdown

Item	Balance at the end of the period		Balance at the end of last year	
	Carrying amount	Cumulative credit loss provision recognised	Carrying amount	Cumulative credit loss provision recognised
Bank acceptance bills	117,239,390.07		141,228,798.62	
Total	117,239,390.07		141,228,798.62	

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

Item	Pledged amount at the end of the period
Bank acceptance bills	74,507,939.23
Sub-total	74,507,939.23

(3) At the end of the period, the notes receivable that were not matured as at the balance sheet date but had been endorsed or discounted by the Company

Item	Amounts not yet derecognized at the end of the period
Bank acceptance bills	364,013,502.85
Sub-total	364,013,502.85

As the acceptor of the bank acceptance bill is a commercial banker which has high creditability, it is less likely that the banker fails to settle the bank acceptance bills when they become due. Therefore, the Company has derecognized the endorsed and discounted bank acceptance bills. However, if such acceptance bills are unsettled when they become due, the Company will bear the joint liability to the note holders in accordance with the Law of Negotiable Instruments.

5. Prepayments

(1) Aging analysis

1) Breakdown

Aging	Balance at the end of the period		Balance at the end of last year	
	Amount	%	Amount	%
Within 1 year	7,340,237.83	84.02	12,784,030.81	93.91
1-2 years	950,972.52	10.88	492,093.74	3.62
2-3 years	194,065.75	2.22	137,572.38	1.01
Over 3 years	251,875.98	2.88	198,991.68	1.46
Total	8,737,152.08		13,612,688.61	

2) As at the end of the period, there were no material prepayments aged over 1 year.

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

5. Prepayments (continued)

(2) The five largest prepayments

Name	Carrying amount	Percentage of the prepayments (%)
Zhuji Gaohua Machinery Parts Co., Ltd. (諸暨市高華機械零部件有限公司)	718,640.12	8.23
National Grid Jilin Province Electric Power Supply Co., Ltd. (國網吉林省電力有限公司)	642,633.28	7.36
Beijing King & Wood Mallesons Shanghai Office (北京市金杜律師事務所上海分所)	474,916.35	5.44
Sinopec Marketing Co., Ltd., Zhejiang and Hangzhou Petroleum Branch (中國石化銷售股份有限公司浙江杭州石油分公司)	353,992.22	4.05
Wuxi Jinyida Steel Pipe Co., Ltd. (無錫金億達鋼管有限公司)	293,253.63	3.36
Total	<u>2,483,435.60</u>	<u>28.44</u>

6. Other receivables

(1) Breakdown

1) Breakdown by types

Types	Balance at the end of the period				Book value
	Carrying amount		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision (%)	
Bad debt provision on individual basis	<u>358,779.64</u>	<u>5.84</u>	<u>358,779.64</u>	<u>100.00</u>	
Provision for bad debts by groups	<u>5,781,036.21</u>	<u>94.16</u>			<u>5,781,036.21</u>
Total	<u>6,139,815.85</u>	<u>100.00</u>	<u>358,779.64</u>	<u>5.84</u>	<u>5,781,036.21</u>

Types	Balance at the end of last year				Book value
	Carrying amount		Provision for bad debts		
	Amount	(%)	Amount	Provision (%)	
Bad debt provision on individual basis	358,779.64	7.75	358,779.64	100.00	
Provision for bad debts by groups	<u>4,271,142.19</u>	<u>92.25</u>			<u>4,271,142.19</u>
Total	<u>4,629,921.83</u>	<u>100.00</u>	<u>358,779.64</u>	<u>7.75</u>	<u>4,271,142.19</u>

2) Other receivables with bad debt provision on individual basis at the end of the period

Name	Carrying amount	Provision for bad debts	Provision (%)	Reason for provision
Shenzhen Haoyuan Technology Company Limited, etc.	<u>358,779.64</u>	<u>358,779.64</u>	<u>100.00</u>	The amount was not expected to be recovered in whole
Sub-total	<u>358,779.64</u>	<u>358,779.64</u>	<u>100.00</u>	

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

6. Other receivables (continued)

(1) Breakdown (continued)

3) Other receivables with bad debt provision by groups

Group	Balance at the end of the period		
	Carrying amount	Provision for bad debts	Provision (%)
Deposits receivable	1,925,526.00		
Imprest receivable and etc.	3,855,510.21		
Sub-total	5,781,036.21		

(2) Aging analysis

Age	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision for bad debts	Provision (%)	Carrying amount	Provision for bad debts	Provision (%)
Within 1 year	4,783,406.76			2,782,662.75		
1-2 years	162,547.14			186,884.95		
2-3 years	138,363.33			64,846.25		
Over 3 years	1,055,498.62	358,779.64	33.99	1,595,527.88	358,779.64	22.49
Sub-total	6,139,815.85	358,779.64	5.84	4,629,921.83	358,779.64	7.75

(3) Change in provision for bad debts

1) Breakdown

Item	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit loss	lifetime expected credit losses (not credit impaired)	lifetime expected credit losses (credit impaired)	
Balance at the beginning of the period			358,779.64	358,779.64
Balance at the beginning of the current period				
Transfer to stage 2				
Transfer to stage 3				
Transfer back to stage 2				
Transfer back to stage 1				
Provision made during the period				
Recovered during the period				
Reversed during the period				
Written off during the period				
Other changes				
Balance at the end of the period			358,779.64	358,779.64

2) There was no recovery or reversal of provisions for bad debts during the current period.

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

6. Other receivables (continued)

(4) There are no other receivables from products actually sold during the period.

(5) Classification by nature of other receivables

Nature of the receivables	Balance at the end of the period	Balance at the end of last year
Security deposits	1,925,526.00	1,856,296.00
Imprest	2,704,109.15	854,303.01
Others	1,510,180.70	1,919,322.82
Total	6,139,815.85	4,629,921.83

(6) The five largest other receivables

Name	Nature of the receivables	Carrying amount	Aging	Percentage of other receivables (%)	Provision for bad debts
Shanghai Intron Electronics Company Limited	Deposit	1,600,000.00	within 1 year	26.06	
Zhao Yangbo	Imprest	500,000.00	within 1 year	8.14	
Panfar Construction Group Co., Ltd. (八方建設集團有限公司)	Other	458,360.19	over 3 years	7.47	
Zhejiang Chuanguo Technology Co., Ltd. (浙江創酷科技有限公司)	Other	254,704.00	within 1 year	4.15	
Shenzhen Haoyuan Technology Company Limited (深圳市好域安科技有限公司)	Other	234,542.00	over 3 years	3.82	234,542.00
Sub-total		3,047,606.19		49.64	234,542.00

7. Inventories

(1) Breakdown

Item	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision for impairment of inventories or provision for impairment of contract performance costs	Book value	Carrying amount	Provision for impairment of inventories or provision for impairment of contract performance costs	Book value
Raw materials	229,683,040.57	19,143,343.03	210,539,697.54	231,346,436.21	21,481,561.93	209,864,874.28
Work-in-progress	15,334,251.95		15,334,251.95	12,835,066.69		12,835,066.69
Finished goods	246,052,486.56	19,248,367.17	226,804,119.39	208,809,968.10	22,086,629.32	186,723,338.78
Low-value consumables	9,795,064.17		9,795,064.17	9,502,930.08		9,502,930.08
Total	500,864,843.25	38,391,710.20	462,473,133.05	462,494,401.08	43,568,191.25	418,926,209.83

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

7. Inventories (continued)

(2) Provision

1) Breakdown

Item	Balance at the beginning of the period	Increase during the period		Decrease during the period		Balance at the end of the period
		Provision	Others	Reversal or write-off	Others	
Raw materials	21,481,561.93	1,367,595.42		3,705,814.32		19,143,343.03
Finished goods	22,086,629.32	6,005,082.73		8,843,344.88		19,248,367.17
Sub-total	43,568,191.25	7,372,678.15		12,549,159.20		38,391,710.20

2) Determination of specific basis for net realizable value and reasons for reversal or transfer of provision for inventory obsolescence during the period

Item	Specific basis for determination of the net realizable value	Reason for reversal of provision for inventory obsolescence during the current period	Reason for write-off of provision for inventory obsolescence during the current period
Relevant raw materials, finished goods and low-value consumables such as automotive steering gears, etc.	The net realizable value is determined, based on the estimated selling price of relevant products less estimated costs to be incurred for completion, estimated sales expenses and relevant taxes (Note)	Increase in the net realizable value of inventories with provision for inventory obsolescence for prior periods	During the current period, inventories with provision for inventory obsolescence at the beginning of the period were consumed or sold

Note: The Company took stock of the inventories kept for the customers to whom we have suspended goods supply due to their financial difficulty (customers for whom bad debt provision for accounts receivable has been made on individual basis as set out in Note 5(1)3 to the financial statements), and made provision for inventory obsolescence for inventories that were not expected to bring benefits through sale or use. The rest of the inventories were measured at the lower of their costs or net realizable value, and provision for inventory obsolescence were made when the net realizable value was lower than the costs.

8. Other current assets

Item	Balance at the end of the period	Balance at the end of last year
VAT input tax recoverable	5,404,570.52	17,202,931.80
Prepaid corporate income tax	250,984.84	558,185.39
Prepaid expenses	735,023.56	577,399.21
Prepaid issuance fees	1,238,982.56	609,340.68
Prepaid medical insurance	156,484.27	173,282.61
Total	7,786,045.75	19,121,139.69

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

9. Investment property

(1) Breakdown

Item	Buildings	Land use right	Total
Original carrying amount			
Balance at the beginning of the period	183,689,313.98	29,196,075.43	212,885,389.41
Decrease during the period	2,543,157.96	383,600.40	2,926,758.36
1) Transfer to fixed assets	2,543,157.96		2,543,157.96
2) Transfer to intangible assets		383,600.40	383,600.40
Balance at the end of the period	<u>181,146,156.02</u>	<u>28,812,475.03</u>	<u>209,958,631.05</u>
Accumulated depreciation and accumulated amortization			
Balance at the beginning of the period	15,777,664.51	5,518,880.62	21,296,545.13
Increase during the period	2,775,502.42	290,682.08	3,066,184.50
1) Provision or amortisation	2,775,502.42	290,682.08	3,066,184.50
Decrease during the period	509,694.07	70,341.32	580,035.39
1) Transfer to fixed assets	509,694.07		509,694.07
2) Transfer to intangible assets		70,341.32	70,341.32
Balance at the end of the period	<u>18,043,472.86</u>	<u>5,739,221.38</u>	<u>23,782,694.24</u>
Carrying amount			
Carrying amount at the end of the period	163,102,683.16	23,073,253.65	186,175,936.81
Carrying amount at the beginning of the period	<u>167,911,649.47</u>	<u>23,677,194.81</u>	<u>191,588,844.28</u>

(2) Information about fixed assets without certificate of title

Item	Carrying amount	Reason for not obtaining certificate of title
The New Shibao (Phase 2) plant (let out)	<u>13,074,309.91</u>	Still under process
Sub-total	<u><u>13,074,309.91</u></u>	

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

10. Fixed assets

(1) Breakdown

Item	Buildings and structures	Equipment	Transportation vehicles	Other office equipment and others	Total
Cost					
Balance at the beginning of the period	365,474,637.07	928,570,498.71	18,466,670.34	29,950,130.49	1,342,461,936.61
Increase during the period	4,372,114.40	45,624,087.36	2,573,878.36	1,331,039.58	53,901,119.70
1) Purchase	38,000.00	2,529,882.45	704,862.84	857,827.18	4,130,572.47
2) Transfer from construction in progress	1,790,956.44	43,094,204.91	1,869,015.52	473,212.40	47,227,389.27
3) Transfer from investment property	2,543,157.96				2,543,157.96
Decrease during the period		4,902,342.16	730,975.46	17,685.04	5,651,002.66
1) Disposal or write-off		4,902,342.16	730,975.46	17,685.04	5,651,002.66
Balance at the end of the period	<u>369,846,751.47</u>	<u>969,292,243.91</u>	<u>20,309,573.24</u>	<u>31,263,485.03</u>	<u>1,390,712,053.65</u>
Accumulated depreciation					
Balance at the beginning of the period	100,548,185.08	571,296,483.39	11,235,104.21	20,558,416.49	703,638,189.17
Increase during the period	5,890,576.45	31,347,028.40	1,066,600.97	1,648,925.08	39,953,130.90
1) Provision	5,380,882.38	31,347,028.40	1,066,600.97	1,648,925.08	39,443,436.83
2) Transfer from investment property	509,694.07				509,694.07
Decrease during the period		3,307,105.24	320,325.41	16,800.79	3,644,231.44
1) Disposal or write-off		3,307,105.24	320,325.41	16,800.79	3,644,231.44
Balance at the end of the period	<u>106,438,761.53</u>	<u>599,336,406.55</u>	<u>11,981,379.77</u>	<u>22,190,540.78</u>	<u>739,947,088.63</u>
Provision					
Balance at the beginning of the period	<u>825,717.39</u>	<u>245,524.61</u>			<u>1,071,242.00</u>
Balance at the end of the period	<u>825,717.39</u>	<u>245,524.61</u>			<u>1,071,242.00</u>
Book value					
Balance at the end of the period	<u>262,582,272.55</u>	<u>369,710,312.75</u>	<u>8,328,193.47</u>	<u>9,072,944.25</u>	<u>649,693,723.02</u>
Balance at the beginning of the period	<u>264,100,734.60</u>	<u>357,028,490.71</u>	<u>7,231,566.13</u>	<u>9,391,714.00</u>	<u>637,752,505.44</u>

(2) Information about fixed assets without certificate of title

Project	Carrying amount	Reason for not obtaining certificate of title
The Siping research and development building and complex plant	18,722,127.62	Still under process
The New Shibao (Phase 2) plant (self use)	<u>4,482,294.30</u>	Still under process
Sub-total	<u>23,204,421.92</u>	

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

11. Construction in progress

(1) Breakdown

Project name	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
The annual output of electric power steering for new energy vehicles will increase by 200,000 units Technical transformation project	3,501,769.92		3,501,769.92	22,658,761.05		22,658,761.05
EPS products upgrading and expansion project	1,148,026.56		1,148,026.56	14,405,830.16		14,405,830.16
Other sundry projects	46,623,683.60		46,623,683.60	36,818,768.14		36,818,768.14
Total	51,273,480.08		51,273,480.08	73,883,359.35		73,883,359.35

(2) Movement of material construction in progress projects during the period

Project name	Budget (RMB'0,000)	Balance at the beginning of the period	Increase during the period	Transfer to fixed assets	Balance at the end of the period
The annual output of electric power steering for new energy vehicles will increase by 200,000 units Technical transformation project	5,000.00	22,658,761.05	4,143,539.83	23,300,530.96	3,501,769.92
EPS products upgrading and expansion project	4,000.00	14,405,830.16	4,106,879.53	17,364,683.13	1,148,026.56
Other sundry projects		36,818,768.14	16,367,090.64	6,562,175.18	46,623,683.60
Total	9,000.00	73,883,359.35	24,617,510.00	47,227,389.27	51,273,480.08

Project name	Percentage of accumulative invested amount to budget (%)	Construction progress (%)	Accumulated amount of capitalized interests	Amount of capitalized interests during the period	Interest rate of capitalized interests during the period (%)	Source of fund
The annual output of electric power steering for new energy vehicles will increase by 200,000 units Technical transformation project	78.07	85				Internal fund
EPS products upgrading and expansion project	69.24	75				Internal fund
Other sundry projects						Internal fund
Total						

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

12. Intangible assets

(1) Breakdown

Item	Land use right	Patented technology	Non-patented technology	Management software	Total
Cost					
Balance at the beginning of the period	68,816,519.14	1,281,666.67	48,696,372.12	16,213,505.34	135,008,063.27
Increase during the period	383,600.40			2,166,271.71	2,549,872.11
1) Purchase				2,166,271.71	2,166,271.71
2) Transfer from investment property	383,600.40				383,600.40
Balance at the end of the period	<u>69,200,119.54</u>	<u>1,281,666.67</u>	<u>48,696,372.12</u>	<u>18,379,777.05</u>	<u>137,557,935.38</u>
Accumulated amortization					
Balance at the beginning of the period	19,848,612.30	1,281,666.67	48,696,372.12	8,747,389.80	78,574,040.89
Increase during the period	772,979.48			1,054,259.07	1,827,238.55
1) Provision	702,638.16			1,054,259.07	1,756,897.23
2) Transfer from investment property	70,341.32				70,341.32
Balance at the end of the period	<u>20,621,591.78</u>	<u>1,281,666.67</u>	<u>48,696,372.12</u>	<u>9,801,648.87</u>	<u>80,401,279.44</u>
Book value					
Book value at the end of the period	<u>48,578,527.76</u>			<u>8,578,128.18</u>	<u>57,156,655.94</u>
Book value at the beginning of the period	<u>48,967,906.84</u>			<u>7,466,115.54</u>	<u>56,434,022.38</u>

(2) Analysis of carrying amount of the land use rights

Item	Balance at the end of the period (Note)	Balance at the end of last year (Note)
Outside Hong Kong	71,651,781.41	72,645,101.65
Including: interim lease	71,651,781.41	72,645,101.65
Sub-total	<u>71,651,781.41</u>	<u>72,645,101.65</u>

(Note): Including the book value of land use rights in investment property.

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

13. Goodwill

(1) Breakdown

Name of the investee or item becomes goodwill	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Wuhu Sterling Steering System Co., Ltd.	4,694,482.34	4,694,482.34		4,694,482.34	4,694,482.34	
Total	4,694,482.34	4,694,482.34		4,694,482.34	4,694,482.34	

(2) Original carrying amount of goodwill

Name of the investee or item becomes goodwill	Balance at the beginning of the period	Arising from business combination during the period	Decrease during the period		Balance at the end of the period
			Disposal	Others	
Wuhu Sterling Steering System Co., Ltd.	4,694,482.34				4,694,482.34
Total	4,694,482.34				4,694,482.34

(3) Impairment provision for goodwill

Name of the investee or item becomes goodwill	Balance at the beginning of the period	Increase during the period		Decrease during the period		Amounts at the end of the period
		Provision	Others	Disposal	Others	
Wuhu Sterling Steering System Co., Ltd.	4,694,482.34					4,694,482.34
Total	4,694,482.34					4,694,482.34

14. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets which are not offset

Item	Balance at the end of the period		Balance at the end of last year	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	38,960,640.43	7,238,361.03	42,632,860.47	8,059,692.97
Profits not realized from intra-group transactions	10,574,041.34	1,659,317.48	5,691,642.03	853,746.30
Accrued warranty expenses, etc.	27,214,711.11	5,167,669.13	28,963,502.58	4,804,755.09
Deferred income from government grant	5,399,961.09	809,994.16	6,016,055.70	902,408.36
Changes in fair value of financial assets held for trading	1,184,324.18	177,648.63		
Total	83,333,678.15	15,052,990.43	83,304,060.78	14,620,602.72

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

14. Deferred income tax assets and deferred income tax liabilities (continued)

(2) Deferred income tax liabilities which are not offset

Item	Balance at the end of the period		Balance at the end of last year	
	Deductible temporary differences	Deferred income tax liabilities	Deductible temporary differences	Deferred income tax liabilities
Asset valuation surplus arising from business combination not under the common control	8,172,411.16	2,043,102.78	8,488,419.46	2,122,104.86
Changes in fair value of financial assets held for trading			829,009.43	124,351.41
Depreciation of fixed assets	21,492,970.67	3,223,945.60	22,481,356.41	3,372,203.46
Total	29,665,381.83	5,267,048.38	31,798,785.30	5,618,659.73

Deductible temporary differences include:

- 1) There are taxable temporary differences arising from fair value adjustment on various identifiable assets and liabilities in acquiring Wuhu Sterling through business combination not under the common control in stages during 2013. The balance as at the beginning of 2023 was RMB8,488,419.46. During the period, taxable temporary differences of the reversal of fair value amortization was RMB316,008.30. As at 30 June 2023, the taxable temporary differences arising from such fair value adjustment amounted to RMB8,172,411.16.
- 2) At the end of the period, the Shibao Auto Steering Gear Co., Ltd, a subsidiary of the Company, was entitled to enjoy the Tax concession of High-tech Enterprise, which allows a one-time deduction of full amount of equipment and apparatus newly purchased during the period from 1 October 2022 to 31 December 2022 in the calculation of taxable income for the current year. The taxable temporary differences arising from such policy amounted to RMB21,492,970.67.

(3) Analysis of unrecognized deferred income tax assets

Item	Balance at the end of the period	Balance at the end of last year
Deductible temporary differences	41,680,212.17	45,448,425.37
Deductible losses	364,788,793.66	392,141,782.25
Total	406,469,005.83	437,590,207.62

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

14. Deferred income tax assets and deferred income tax liabilities (continued)

(4) Deductible losses from unrecognized deferred income tax assets will be matured in the following years

Year	Balance at the end of the period	Balance at the end of last year	Note
2023	5,922,535.15	5,922,535.15	
2024	35,788,562.44	45,059,784.08	
2025	11,308,503.24	11,308,503.24	
2026	27,556,910.89	27,556,910.89	
2027	71,756,345.61	95,673,443.17	
2028	41,157,243.31	15,613,295.92	
2029	51,444,859.74	69,355,112.52	
2030	37,943,917.32	37,870,257.32	
2031	24,408,922.80	24,408,922.80	
2032	50,392,167.38	59,373,017.16	
2033	7,108,825.78		
Total	364,788,793.66	392,141,782.25	

15. Other non-current assets

Item	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Prepaid for purchase of long-term assets	22,071,663.37		22,071,663.37	15,045,732.28		15,045,732.28
Total	22,071,663.37		22,071,663.37	15,045,732.28		15,045,732.28

16. Short-term borrowings

Type	Balance at the end of the period	Balance at the end of last year
Guaranteed loans (Note)	108,101,199.99	83,094,013.88
Credit loans	15,009,503.17	20,021,388.90
Mortgage	50,043,835.62	50,048,888.89
Total	173,154,538.78	153,164,291.67

(Note): Among the closing balance, the guaranteed loan with a principal of RMB40 million was guaranteed by Zhejiang Shibao Holding Group Co., Ltd., Zhang Shi Quan, Zhang Shi Zhong, Zhang Lan Jun, Zhang Bao Yi, Tang Hao Han, Yiwu City He Feng Automobile Spare Parts Co., Ltd. (義烏市和豐汽車配件有限公司), and Wang Zheng Xiao; while the guaranteed loans with a principal of RMB68 million was guaranteed by Zhang Shi Quan.

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

17. Notes payable

(1) Breakdown

Type	Balance at the end of the period	Balance at the end of last year
Bank acceptance bills	224,605,727.00	200,181,609.95
Total	224,605,727.00	200,181,609.95

(2) There are no mature but unpaid notes payable at the end of the period.

18. Accounts payable

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Operating purchase payable	432,115,171.19	463,418,690.40
Long-term assets purchase payable	17,483,660.41	29,433,079.90
Total	449,598,831.60	492,851,770.30

(2) Aging analysis

Age	Balance at the end of the period	Balance at the end of last year
Within 1 year	424,216,713.67	469,522,225.31
1-2 years	9,930,718.05	10,721,731.66
2-3 years	5,228,007.23	5,420,313.64
Over 3 years	10,223,392.65	7,187,499.69
Total	449,598,831.60	492,851,770.30

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

(3) As at the end of the period, no material accounts payable aged over 1 year.

19. Receipts in advance

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Receipts in advance from land and house rent	8,998,346.50	10,369,809.24
Total	8,998,346.50	10,369,809.24

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

19. Receipts in advance (continued)

(2) As at the end of the period, no material receipts in advance aged over 1 year.

20. Contract liabilities

Item	Balance at the end of the period	Balance at the end of last year
Receipts in advance from sale of commodities	15,328,921.61	6,685,985.59
Total	15,328,921.61	6,685,985.59

21. Staff costs payable

(1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Short-term remuneration	23,789,114.84	101,669,817.90	107,054,422.02	18,404,510.72
Post-employment benefits – established withdrawal and deposit plan	1,192,449.78	7,553,939.48	7,972,731.45	773,657.81
Total	24,981,564.62	109,223,757.38	115,027,153.47	19,178,168.53

(2) Breakdown of short-term remuneration

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Salaries, bonus, allowances and subsidies	23,260,884.01	87,924,640.93	93,819,679.89	17,365,845.05
Staff welfare (Note)		5,852,836.22	5,852,836.22	
Social insurance	325,984.21	4,542,343.29	4,386,304.77	482,022.73
Including: Medical insurance	287,353.73	4,348,723.79	4,179,023.66	457,053.86
Work injury insurance	38,630.48	193,619.50	207,281.11	24,968.87
Housing funds	63,618.00	1,904,122.00	1,909,254.00	58,486.00
Labour union funds and employee education funds	138,628.62	1,445,875.46	1,086,347.14	498,156.94
Total	23,789,114.84	101,669,817.90	107,054,422.02	18,404,510.72

(Note): Including non-monetary benefits of RMB585,547.23 which are all corresponding provision of depreciation made on buildings and other assets provided to employee to use free of charge amounting to RMB585,547.23.

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

21. Staff costs payable (continued)

(3) Breakdown of established withdrawal and deposit plan

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Basic pension insurance	1,144,841.28	7,278,910.87	7,680,043.73	743,708.42
Unemployment insurance	47,608.50	275,028.61	292,687.72	29,949.39
Total	1,192,449.78	7,553,939.48	7,972,731.45	773,657.81

According to the “Labor Law of the People’s Republic of China” and the relevant laws and regulations, the Company and its subsidiaries shall contribute to basic pension insurance for their employees. Pension will be paid by authorities of social insurances to employees in accordance with the law when such employees reach the retirement age stipulated by the nation or leave the labour force for some reasons. The Company and its subsidiaries will then be no longer responsible for providing further retirement benefits to the employees.

The Group had no forfeited contributions (i.e. contributions that can be handled by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions). As at 30 June 2023, the Group had no forfeited contributions available to reduce the existing level of contributions.

22. Taxes payable

Item	Balance at the end of the period	Balance at the end of last year
Value added tax	4,291,435.52	7,242,178.25
Individual income tax	299,743.32	392,856.37
Urban maintenance and construction tax	119,779.84	589,982.28
Real estate tax	2,025,113.69	217,898.23
Land use tax	1,201,483.52	1,228,705.90
Others	440,174.44	840,017.28
Total	8,377,730.33	10,511,638.31

23. Other payables

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Security deposits	2,086,900.00	2,118,755.00
Others	571,024.11	1,217,752.84
Total	2,657,924.11	3,336,507.84

(2) As at the end of the period, no material other payables aged over 1 year.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

24. Non-current liabilities due within 1 year

Item	Balance at the end of the period	Balance at the end of last year
Long-term borrowings due within 1 year	5,003,500.00	
Total	5,003,500.00	

25. Other current liabilities

Item	Balance at the end of the period	Balance at the end of last year
Accrued expenses	37,906,164.15	36,255,355.03
Accruals to be transferred to output tax	931,352.00	527,954.18
Total	38,837,516.15	36,783,309.21

26. Long-term borrowings

(1) Breakdown

Item	Balance at the end of the period	Balance at the end of last year
Credit loan	35,013,094.98	35,016,783.33
Long-term loans (Note)	8,800,000.00	8,800,000.00
Total	43,813,094.98	43,816,783.33

(Note): These loans were provided by Jilin Tiedong Economic Development Zone Administration Committee as non-interesting bearing funding facilities for the Company's subsidiary Jilin Shibao to expand its production. The related borrowings were not due yet.

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

Item	Balance at the end of the period	Balance at the end of last year
Current or within 1 year		
1-2 years		
2-5 years	43,813,094.98	43,816,783.33
Over 5 years		
Sub-total	43,813,094.98	43,816,783.33
Including: Long-term loans due within 1 year		
Long-term loans due over 1 year	43,813,094.98	43,816,783.33

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

27. Deferred income

(1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Reason
Government grants	28,083,266.73	304,300.00	4,346,485.13	24,041,081.60	
Total	<u>28,083,266.73</u>	<u>304,300.00</u>	<u>4,346,485.13</u>	<u>24,041,081.60</u>	

(2) For details of government grants which were credited to the profit or loss during the period, please see Note 5(4)3 to the financial statements.

28. Share capital

Item	Balance at the beginning of the period	Increase/decrease during the period (“-” as decrease)					Balance at the end of the period
		Issuance of new shares	Bonus shares	Transfer from reserves	Others	Sub-total	
Shares with selling restrictions							
A Shares	19,799,310.00						19,799,310.00
H Shares							
Shares without selling restrictions							
A Shares	553,060,327.00						553,060,327.00
H Shares	216,785,000.00						216,785,000.00
Total	<u>789,644,637.00</u>						<u>789,644,637.00</u>

29. Capital reserve

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Share premium	175,889,704.74			175,889,704.74
Other capital reserve	6,444,389.04			6,444,389.04
Total	<u>182,334,093.78</u>			<u>182,334,093.78</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Notes to the Consolidated Balance Sheet (continued)

30. Surplus reserve

(1) Breakdown

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Statutory reserve funds	137,936,874.81			137,936,874.81
Total	137,936,874.81			137,936,874.81

31. Retained earnings

Item	Balance for the current period	Balance for the corresponding period last year
Retained earnings at the beginning of the year	282,745,271.10	268,342,103.84
Add: Net profit attributable to equity holders of the parent	19,837,169.51	855,638.15
Retained earnings at the end of the period	302,582,440.61	269,197,741.99

(2) Notes to the Consolidated Income Statement

1. Operating revenue/cost of sales

(1) Breakdown

Item	Balance for the current period		Balance for the corresponding period last year	
	Revenue	Cost	Revenue	Cost
Main business	690,871,908.27	570,941,460.28	529,210,830.87	445,453,927.54
Other business	37,076,029.97	8,136,084.91	24,841,760.71	8,567,071.98
Total	727,947,938.24	579,077,545.19	554,052,591.58	454,020,999.52

(2) Performance obligation

The Company sells automotive steering gears other components and parts in the capacity of main responsible person, for which it shall perform obligations upon the delivery of products. There was a credit period of 90–180 days for the contract price, and there were no significant financing components or variable considerations.

- (3) The revenue of RMB3,597,611.49 recognized for the period was included in the book value of contract liabilities at the beginning of the period.

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement (continued)

2. Business taxes and surcharges

Item	Balance for the current period	Balance for the corresponding period last year
Urban maintenance and construction tax	581,220.44	680,354.03
Education surcharge	258,794.47	301,538.19
Local education surcharge	175,140.68	201,025.48
Stamp duty	570,470.66	407,388.53
Real estate tax	2,952,654.48	1,417,802.24
Land use tax	843,948.38	935,060.99
Vehicles and vessels tax	9,358.13	13,260.65
Environmental tax	1,335.87	1,553.55
Total	5,392,923.11	3,957,983.66

3. Selling expenses

Item	Balance for the current period	Balance for the corresponding period last year
Transportation and storage cost	2,261,453.01	2,075,934.87
Warranty fee	10,066,083.39	10,035,084.62
Wages, welfare and bonuses	4,994,698.92	5,068,666.44
Agency service fee	2,742,895.84	1,567,206.81
Travelling expenses	696,087.79	566,746.25
Entertainment charge	3,375,905.18	1,765,595.30
Depreciation of fixed assets	27,516.17	43,728.90
Others	3,868,443.52	1,062,344.32
Total	28,033,083.82	22,185,307.51

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement (continued)

4. General and administration expenses

Item	Balance for the current period	Balance for the corresponding period last year
Wages, welfare and bonuses	24,230,260.40	22,417,925.90
Office cost	5,678,075.89	4,575,772.28
Professional service fee	3,204,000.50	2,231,353.54
Depreciation of fixed assets	3,203,922.19	2,636,853.21
Amortization of intangible assets	1,175,156.79	1,052,835.20
Other taxation		79,977.13
Travelling expenses	2,320,562.17	1,078,769.64
Entertainment charge	5,575,234.22	2,951,776.44
Others	416,557.96	145,785.13
Total	45,803,770.12	37,171,048.47

5. Research and development expenses

Item	Balance for the current period	Balance for the corresponding period last year
Wages, welfare and bonuses	26,653,305.53	20,158,178.83
Direct investment	11,725,408.11	10,073,246.07
Energy costs	1,331,834.78	1,032,337.00
Depreciation of fixed assets	5,102,396.84	5,585,116.63
Amortization of intangible assets	512,095.92	238,078.96
Others	4,966,982.19	3,696,333.48
Total	50,292,023.37	40,783,290.97

6. Financial expenses

Item	Balance for the current period	Balance for the corresponding period last year
Interest expenses	3,896,386.47	2,477,754.74
Interest income	-946,080.27	-384,860.73
Exchange gains and losses	-313,480.53	527,434.79
Others	154,798.76	105,550.65
Total	2,791,624.43	2,725,879.45

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement (continued)

7. Other gains

Item	Balance for the current period	Balance for the corresponding period last year
Government grants related to assets (Note)	4,346,485.13	4,474,631.17
Government grants related to income (Note)	4,454,983.95	6,064,791.12
Tax handling fee refund	63,098.80	62,016.07
Tax relief	45,000.00	
Total	8,909,567.88	10,601,438.36

(Note): Description of government grants included in other income during the period is set out in Note 5(4)3 to the financial statements.

8. Investment gains

Item	Balance for the current period	Balance for the corresponding period last year
Loss on discount of financing receivables	-265,184.15	-248,326.18
Investment gains from disposal of financial assets held for trading	1,110,690.68	646,530.09
Total	845,506.53	398,203.91

9. Change of fair value gains

Item	Balance for the current period	Balance for the corresponding period last year
Financial assets held for trading	-370,859.03	-1,026,926.27
Including: Financial assets at fair value through profit or loss	-370,859.03	-1,026,926.27
Total	-370,859.03	-1,026,926.27

10. Credit impairment losses

Item	Balance for the current period	Balance for the corresponding period last year
Bad debt losses	3,177,953.27	788,299.86
Total	3,177,953.27	788,299.86

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement (continued)

11. Assets impairment losses

Item	Balance for the current period	Balance for the corresponding period last year
Provision for inventory losses	-7,372,678.15	-8,534,135.82
Total	-7,372,678.15	-8,534,135.82

12. Gains from disposal of assets

Item	Balance for the current period	Balance for the corresponding period last year
Gains from disposal of fixed assets	-984,172.43	5,187,046.31
Total	-984,172.43	5,187,046.31

13. Non-operating income

Item	Balance for the current period	Balance for the corresponding period last year	Amount recognized as non-recurring gain and loss during the period
Others	8,045.45	25,571.15	8,045.45
Total	8,045.45	25,571.15	8,045.45

14. Non-operating expenses

Item	Balance for the current period	Balance for the corresponding period last year	Amount recognized as non-recurring gain and loss during the period
Local water conservancy construction funds	171,734.19	83,733.54	
Late payment penalty for tax	30.00	207.99	30.00
Others	156,871.12	30,850.10	156,871.12
Total	328,635.31	114,791.63	156,901.12

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(2) Notes to the Consolidated Income Statement (continued)

15. Income tax expenses

(1) Breakdown

Item	Balance for the current period	Balance for the corresponding period last year
Deferred income tax	-783,999.06	-716,611.40
Total	<u>-783,999.06</u>	<u>-716,611.40</u>

(2) Adjusting process for accounting profits and income tax expenses

Item	Balance for the current period	Balance for the corresponding period last year
Total profit	<u>20,441,696.41</u>	<u>532,787.87</u>
Income tax expenses based on tax rate of the parent company	3,066,254.47	79,918.18
Effects of different applicable tax rates on subsidiaries	-2,256,360.84	-2,330,237.95
Effects of non-taxable income	-629,257.24	-734,164.57
Effects of including and excluding research and development expenses	-6,428,827.24	-5,201,837.25
Effects of non-deductible costs, expenses and losses	641,400.17	456,764.94
The effect of utilization of deductible loss arising from deferred income tax assets not previously recognized	-2,629,519.10	-905,637.85
The effect of deductible temporary difference arising from unrecognized deferred income tax assets or deductible loss during the period	<u>7,452,310.72</u>	<u>7,918,583.10</u>
Income tax expenses	<u>-783,999.06</u>	<u>-716,611.40</u>

(3) No provision for Hong Kong profits tax has been made for the period from January to June 2022 and January to June 2023 as the Company and its other subsidiaries had no profits generated in or arising from Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Notes to the Consolidated Statement of Cash Flows

1. Cash received in relation to other operating activities

Item	Balance for the current period	Balance for the corresponding period last year
Recovery of deposits including banker's acceptances, etc.	76,488,272.23	32,117,550.09
Receipt of government grants	4,609,121.98	7,126,807.19
House rent received	9,866,212.00	6,622,160.00
Interest income received	946,080.27	384,860.73
Others	191,524.61	212,011.92
Total	92,101,211.09	46,463,389.93

2. Cash paid in relation to other operating activities

Item	Balance for the current period	Balance for the corresponding period last year
Cash paid as selling expenses	5,792,303.92	11,445,874.69
Cash paid as general and administrative expenses	17,184,252.21	10,951,137.14
Cash paid as research and development expenses	6,489,915.28	4,768,267.76
Payment of deposits including banker's acceptances, etc.	82,665,834.33	13,531,958.37
Others	2,765,361.78	660,699.44
Total	114,897,667.52	41,357,937.40

3. Cash paid in relation to other financing related activities

Item	Balance for the current period	Balance for the corresponding period last year
Payment of relevant expenditure for issuing shares to particular participants	673,396.60	
Total	673,396.60	

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Notes to the Consolidated Statement of Cash Flows (continued)

4. Supplemental information on the statement of cash flows

(1) Supplemental information on the statement of cash flows

Supplemental information	Balance for the current period	Balance for the corresponding period last year
1) Net profit adjusted to cash flows in relation to operating activities:		
Net profit	21,225,695.47	1,249,399.27
Add: Provision for impairment to assets	4,194,724.88	7,745,835.96
Depreciation of fixed assets, oil and gas assets and production	42,218,939.25	39,020,364.96
Depreciation of right-of-use assets		
Amortization of intangible assets	2,047,579.31	1,828,325.71
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" as gains)	984,172.43	-5,187,046.31
Losses on write-off of fixed assets ("-" as gains)		
Losses on changes of fair value ("-" as gains)	370,859.03	1,026,926.27
Financial expenses ("-" as gains)	3,582,905.94	3,005,189.53
Investment losses ("-" as gains)	-1,110,690.68	-646,530.09
Decrease in deferred income tax assets ("-" as increase)	-432,387.71	-529,186.30
Increase in deferred income tax liabilities ("-" as decrease)	-351,611.35	-187,425.10
Decrease in inventories ("-" as increase)	-50,919,601.37	-50,997,131.05
Decrease in operational receivables ("-" as increase)	-72,777,681.53	-3,378,335.03
Increase in operational payables ("-" as decrease)	-10,950,224.80	57,266,133.16
Other		
Net cash flows from operating activities	-61,917,321.13	50,216,520.98
2) Significant investment and financing activities not related to cash receipts and payments:		
Debt transfer to capital		
Convertible company bonds due within one year		
Fixed assets under financing lease		
3) Net change in cash and cash equivalents:		
Cash at the end of the period	143,451,383.11	99,832,986.56
Less: Cash at the beginning of the period	155,644,045.68	142,613,257.83
Add: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-12,192,662.57	-42,780,271.27

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Notes to the Consolidated Statement of Cash Flows (continued)

4. Supplemental information on the statement of cash flows (continued)

(2) Cash and cash equivalents

Item	Balance at the end of the period	Balance at the end of last year
1) Cash	143,451,383.11	155,644,045.68
Including: Cash on hand	153,903.13	57,616.75
Bank deposit readily available	143,297,479.98	155,586,428.93
Other monetary fund readily available		
2) Cash equivalents		
Including: Bond investment due in three months		
3) Closing balance of cash and cash equivalents	143,451,383.11	155,644,045.68
Including: Restricted cash and cash equivalents of parent or group subsidiaries		

Closing balance of cash and cash equivalents in the statement of cash flows for the period of January to June 2023 was RMB143,451,383.11 and closing balance of cash on hand and at bank in the balance sheet as at 30 June 2023 was RMB226,210,560.31. The difference of RMB82,759,177.20 was bank deposit and other monetary funds unqualified as cash and cash equivalents and having been deducted from the closing cash balance of the statement of cash flows.

Closing balance of cash and cash equivalents in the statement of cash flows for the period of January to June 2022 was RMB99,832,986.56 and closing balance of cash on hand and at bank in the balance sheet as at 30 June 2022 was RMB134,484,018.11. The difference of RMB34,651,031.55 was bank deposit and other monetary funds unqualified as cash and cash equivalents and having been deducted from the closing cash balance of the statement of cash flows.

(3) The transferred endorsed commercial bill which do not involve in cash receipt and payment

Item	Balance for the current period	Balance for the corresponding period last year
Transferred endorsed commercial bill	416,258,634.71	278,147,189.19
Including: Payment for goods	407,714,461.43	271,016,215.69
Payment for the purchase of long-term assets such as fixed assets	8,544,173.28	7,130,973.50

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Others

1. Assets with restrictions in ownership or use rights

Item	Carrying amount at the end of the period	Reason for restriction
Monetary funds	82,744,000.56	Margin for the notes pool
Monetary funds	15,000.00	Frozen funds
Monetary funds	176.64	Suspended account deposits
Accounts receivable financing	74,507,939.23	Pledge for the notes pool
Fixed assets	46,287,939.70	Borrowing and pledge for comprehensive credit
Intangible assets	21,914,364.26	Borrowing and pledge for comprehensive credit
Investment property	911,672.72	Borrowing and pledge for comprehensive credit
Total	226,381,093.11	

2. Monetary items in foreign currencies

Item	Foreign currency balance at the end of the period	Exchange rate	Balance translated into RMB at the end of the period
Monetary funds			3,000,401.36
Including: US Dollar	147,898.46	7.2258	1,068,684.69
Euro	245,231.96	7.8771	1,931,716.67
Accounts receivable			942,431.59
Including: US Dollar	45,116.47	7.2258	326,002.59
Euro	78,255.83	7.8771	616,429.00
Contract liabilities			54,015.40
Including: Euro	6,857.27	7.8771	54,015.40

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Others (continued)

3. Government grants

(1) Breakdown

1) Government grants relating to assets

Total-value method

Item	Government grants at the beginning of the period	Addition of grants during the period	Amortization during the period	Deferred income at the end of the period	Statement item of amortization during the period
Special funds for adjustment and improvement project for traditional industry bases including the Northeast Area	386,666.87		99,999.90	286,666.97	Other gains
Subsidy funds for the precious casting and processing of automotive components project	3,815,274.92		51,480.18	3,763,794.74	Other gains
Technological improvement project for quality enhancement of rack-and-pinion steering gears	1,363,184.60		371,777.70	991,406.90	Other gains
Construction project for development service platform of automotive steering system parts and components	4,020,623.71		1,723,124.58	2,297,499.13	Other gains
The annual production of 100,000 electric power steering system project	564,444.45		70,555.56	493,888.89	Other gains
The annual production of 100,000 medium and heavy duty commercial vehicles intelligent steering industrialization development project	4,175,757.42		642,424.26	3,533,333.16	Other gains
Technical improvement project of production capacity increasing of 500,000 units/sets of steering gear	3,307,684.20		461,537.22	2,846,146.98	Other gains
Key technological research project for high-safety smart automobile steer-by-wire system	540,000.00		45,000.00	495,000.00	Other gains
Comprehensive rewards for technical innovation	302,948.15		34,955.56	267,992.59	Other gains
Subsidies for purchase of research and development equipment	93,100.00		7,350.00	85,750.00	Other gains
Subsidies for the construction of national innovation demonstration zone in Wuhu city	93,100.00		7,350.00	85,750.00	Other gains
Comprehensive rewards of the technical innovation and investment of industrial enterprises in Wuhu city	469,300.00		37,050.00	432,250.00	Other gains
Internet-of-Things construction project for intelligent production of high-end recirculation ball steering system	113,166.72		11,316.66	101,850.06	Other gains
Technical transformation subsidies for industrial enterprises in 2020	5,919,149.96		455,319.24	5,463,830.72	Other gains
Digital workshop subsidy	578,478.75		130,541.10	447,937.65	Other gains
Subsidy funds for the public relations project of digital transformation of manufacturing industry in Hangzhou	494,869.61		37,115.28	457,754.33	Other gains
Intelligent production line project of middle and high-end rack-and-pinion steering gears	232,020.18		21,417.18	210,603.00	Other gains
Additional subsidy for the technology reformation project of the electric-powered steering wear with an annual capacity of 200,000 new energy vehicles	1,000,000.00	304,300.00	54,345.85	1,249,954.15	Other gains
Subsidy for PLM informatization project	613,497.19		83,824.86	529,672.33	Other gains
Sub-total	<u>28,083,266.73</u>	<u>304,300.00</u>	<u>4,346,485.13</u>	<u>24,041,081.60</u>	

NOTES TO THE FINANCIAL STATEMENTS

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Others (continued)

3. Government grants (continued)

(1) Breakdown (continued)

1) Government grants relating to assets (continued)

Total-value method (continued)

Item	Description
Special funds for adjustment and improvement project for traditional industry bases including the Northeast Area	"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覆函》) (Fa Gai Ban Chan Ye (2010) No. 2684) (發改辦產產業[2010]2684號)
Subsidy funds for the precious casting and processing of automotive components project	"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》)
Technological improvement project for quality enhancement of rack-and-pinion steering gears	"Supporting Fund for Special Technological Upgrade and Internet-of-Things Projects in Manufacturing Sector on Provincial and Municipal Development Industrialization and Information Technology in 2015" (《2015年省市工業和信息化發展財政專項技術改造和工廠物聯網項目資助資金》) (Hang Jing Kai Jing (2015) No. 353) (杭經開經[2015]353號) issued by Bureau of Economic Development, Bureau of Finance of Hangzhou Economic and Technology Zone (杭州經濟技術開發區經濟發展局、財政局)
Construction project for development service platform of automotive steering system parts and components	"Notice of Budget being Approved for Central Government Infrastructure Investment (2nd Batch of Urban and Old Industrial Zone Relocation and Upgrade) for 2015" (《關於下達2015年中央基建投資(城區老工業區搬遷改造第二批)預算的通知》) (Ji Cai Jian (2015) No. 1038) (吉財建指[2015]1038號) issued by Department of Finance of Jilin Province (吉林省財政廳)
The annual production of 100,000 electric power steering system project	Wuhu City confirmed subsidies for technology transformation project to strengthen industrial development base
The annual production of 100,000 medium and heavy duty commercial vehicles intelligent steering industrialization development project	Jilin Province Development and Reform Commission document of "Notice of Distributing and Granting Special Supporting Fund for Investment Project of Front-stage Work of Important Revitalization Project of All Northeastern Provinces within National Budget in 2017 by Jilin Province Development and Reform Commission" (《吉林省發展和改革委員會關於分解下達2017年全省東北振興重大項目前期工作專項資助資金中央預算內投資計劃的通知》) (Ji Gai Fa Tou Zi (2017) No. 428) (吉發改投資[2017]428號)
Technical improvement project of production capacity increasing of 500,000 units/sets of steering gear	"Notice of Granting of Supporting Fund to Industrial Investment (Technology Transformation) Project of the Zone in 2016" (《關於下達2016年開發區工業投資(技術改造)項目資助資金的通告》) (Hang Jing Kai Guan Fa (2017) No. 179) (杭經開管發[2017]179號) issued by the Management Committee of Hangzhou Economic and Technology Zone (杭州經濟技術開發區管理委員會) Notice on Payment of Various Policy Subsidies (Rewards) in the Qiantang New Area (Second Batch) (Qian Tang Jing Ke (2020) No.116) (《關於兌現錢塘新區各類政策資助(獎勵)的通知(第二批)》) (錢塘經科[2020]116號) issued by the Science and Technology Bureau of Economic Development of Hangzhou Qiantang New Area (杭州錢塘新區經發科技局) and Financial Bureau of Hangzhou Qiantang New Area (杭州錢塘新區財政金融局)
Key technological research project for high-safety smart automobile steer-by-wire system	Letter of Acceptance on Tender Topic of "Key Technological Research Project for High-safety Smart Automobile Steer-by-wire System (Tender No: SX2017-18)" issued by Beijing Municipal Science and Technology Committee (北京市科學技術委員會招標課題「高安全性智能汽車線轉向系統關鍵技術研究項目(招標編號: SX2017-18)」中標通知書)
Comprehensive rewards for technical innovation	According to the Notice Regarding the Transmit of the Interim Measures on the Comprehensive Rewards and Subsidies of the Technical Innovation and Investment of Industrial Enterprises in Wuhu City issued by the Commission of Economy and Information Technology and Bureau of Finance by the Office of the People's Government of Wuhu City (Wu Zheng Ban [2017] No. 9) (蕪湖市人民政府辦公室關於轉發市經信委市財政局蕪湖市工業企業技術改造投資綜合獎補暫行辦法的通知蕪政辦[2017]9號).

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Others (continued)

3. Government grants (continued)

(1) Breakdown (continued)

1) Government grants relating to assets (continued)

Total-value method (continued)

Item	Description
Subsidies for purchase of research and development equipment	Notice on Payment of Funding for Policies on Purchase of Research and Development Equipment in 2018 (Ke Ji [2018] No.97) (《關於下達2018年購置研發儀器設備等政策兌現資金計劃的通知》(科計[2018]97號)) issued by the Finance Bureau of Wuhu Economic and Technological Development Zone (蕪湖經濟技術開發區財政局)
Subsidies for the construction of national innovation demonstration zone in Wuhu city	Notice on Several Policies of Wuhu for Accelerating the Construction of National Innovation Demonstration Zone in Wuhu (《關於加快推進蕪湖市國家自主創新示範區建設的若干政策規定》) issued by the Finance Bureau of Wuhu Economic and Technological Development Zone (蕪湖經濟技術開發區財政局)
Comprehensive rewards of the technical innovation and investment of industrial enterprises in Wuhu city	Notice Regarding the Transmit of the Interim Measures on the Comprehensive Rewards and Subsidies of the Technical Innovation and Investment of Industrial Enterprises in Wuhu City issued by the Commission of Economy and Information Technology and Bureau of Finance (Wu Zheng Ban [2017] No. 9) (《蕪湖市人民政府辦公室關於轉發市經信委市財政局蕪湖市工業企業技術改造投資綜合獎補暫行辦法的通知》(蕪政辦[2017]9號)) issued by the People's Government of Wuhu City (蕪湖市人民政府)
Internet-of-Things construction project for intelligent production of high-end recirculation ball steering system	Notice on Provision of the First Tranche of Special Financial Funds for Industrialization and Information Technology Development of Hangzhou City in 2018 (Hang Jing Kai Jing [2018] No.217) (《關於下達2018年第一批杭州市工業與信息化發展財政專項資金的通知》(杭經開經[2018]217號)) issued by Bureau of Economic Development and Bureau of Finance of Hangzhou Economic and Technology Zone (杭州經濟技術開發區經濟發展局及杭州經濟技術開發區財政局)
Technical transformation subsidies for industrial enterprises in 2020	Certain Opinions on Promoting High-quality Development of the Real Economy (Tentative) (Yi Zheng Fa (2018) No.54) (《關於推動實體經濟高質量發展的若干意見(試行)》(義政發[2018]54號)) issued by the People's Government of Yiwu City
Digital workshop subsidy	Notice on the Application for the Supporting Demonstration Projects regarding the "Digital Workshop" and "Internet-of-Things Factory" of Jinhua in 2019 (Jin Jing Xin Shu Jing (2019) No.111) (《關於組織申報2019年金華市「數字化車間」和「物聯網工廠」示範項目的通知》(金經信數經[2019]111號)) issued by Jinhua Economic and Information Technology Commission (金華市經濟和信息化局)
Subsidy funds for the public relations project of digital transformation of manufacturing industry in Hangzhou	Several Policies on Further Accelerating the Development of New Manufacturing (Qian Tang Guan Fa (2019) No.30) (《關於進一步加快新製造業發展的若干政策》(錢塘管發[2019]30號)) issued by Hangzhou Qiantang New Area Management Committee (杭州錢塘新區管理委員會)
Intelligent production line project of middle and high-end rack-and-pinion steering gears	Notice on Payment of Various Policy Subsidies (Rewards) in the Qiantang New Area (First Batch) (Qian Tang Jing Ke (2020) No.72) (《關於兌現錢塘新區各類政策資助(獎勵)的通知(第一批)》(錢塘經科[2020]72號)) issued by the Science and Technology Bureau of Economic Development of Hangzhou Qiantang New Area (杭州錢塘新區經發科技局) and Financial Bureau of Hangzhou Qiantang New Area (杭州錢塘新區財政金融局), Notice on Approving the Financial Subsidy Project of Hangzhou Factory Internet-of-Things in 2019 (Hang Jing Xin Chan Shu (2019) No.119) (《關於核准2019年杭州市工廠物聯網財政補助項目的通知》(杭經信產數[2019]119號)) issued by Hangzhou City Bureau of Economy and Information Technology (杭州市經濟和信息化局)
Additional subsidy for the technology reformation project of the electric-powered steering wear with an annual capacity of 200,000 new energy vehicles	Notice on Allocating the First Batch of Funds for the 2022 Transformation Demonstration Project of Production and Manufacturing in Zhejiang Province (Qian Tang Jing Ke (2022) No. 13) (《關於撥付2022年浙江省生產製造方式轉型示範項目第一批資金的通知》(錢塘經科[2022]13號)); Notice of Allocating the Second Batch of Funds for the 2022 Transformation Demonstration Project of Production and Manufacturing in Zhejiang Province (Qian Tang Jing Ke (2022) No. 23) (《關於撥付2022年浙江省生產製造方式轉型示範項目第二批資金的通知》(錢塘經科[2022]23號)) issued by Qiantang District Bureau of Economic Information and Science and Technology of Hangzhou (杭州市錢塘區經濟信息化和科學技術局); Notice on the Third Granting of Funds for Production and Manufacturing Model Transformation Demonstration Project in Zhejiang for 2022 (Qian Tang Jing Ke [2022] No. 37) (《關於撥付2022年浙江省生產製造方式轉型示範項目第三批資金的通知》(錢塘經科[2022]37號)) issued by the Qiantang District Bureau of Economic Information and Science and Technology of Hangzhou (杭州市錢塘區經濟信息化和科學技術局)
Subsidy for PLM informatization project	Certain Opinions on Encouraging Industrial Enterprises to Multiply and Promote High-Quality Development of the Manufacturing Industry (Yi Zheng Fa (2021) No. 2) (《關於鼓勵工業企業實現倍增推動製造業高質量發展的若干意見》(義政發[2021]2號)) issued by the People's Government of Yiwu City

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Others (continued)

3. Government grants (continued)

(1) Breakdown (continued)

- 2) Government grants related to income and used for compensating the relevant cost expense or loss incurred by the Company

Item	Amount	Presented items	Description
Special subsidy for technology development	1,400,000.00	Other gains	Notice of Zhejiang Province Department of Finance on Early Distribution of Provincial Special Funds for Technology Development for 2023 (Zhe Cai Ke Jiao [2022] No. 52) (《浙江省財政廳關於提前下達2023年省科技發展專項資金的通知》)(浙財科教[2022]52號) issued by Zhejiang Province Department of Finance (浙江省財政廳)
Awards for revenue growth in the first quarter of 2023	1,000,000.00	Other gains	Information on Awards (《獎勵情況說明》) issued by Jinhua Economic and Information Technology Bureau (金華市經濟和信息化局)
Provincial award for research and development centers of high-tech enterprises	500,000.00	Other gains	Opinions on Strengthening Technological Innovation to Promote Innovative City (Yi Zheng Fa [2023] No. 5) (《關於加強科技創新高質量推進創新型城市建設的若干意見》)(義政發[2023]5號) issued by the People's Government of Yiwu City (義烏市人民政府)
Tax contribution award and subsidy	350,000.00	Other gains	Notice on Printing and Distributing Several Measures for Mentougou District to Further Build a high-end, precise and advanced Industrial Structure to Promote High-Quality Green Development (Men Zheng Fa [2020] No. 20) (《關於印發門頭溝區進一步構建高精尖產業結構促進高質量綠色發展若干措施的通知》)(門政發[2020]20號) issued by the People's Government of Mentougou District of Beijing (北京市門頭溝區人民政府)
Manufacturing industry subsidy	350,000.00	Other gains	The Implementation Plan for the 24 Measures for Strengthening the Economic Stability and Quality Improvement in Qiantang District (《錢塘區經濟穩准提質攻堅行動政策補強24條實施方案》) and the "New Ten Measures" for the Employment Stability and Promotion of Production in Qiantang District (「新十條」)
Subsidies for technology innovation center	300,000.00	Other gains	Notice on Approval of Establishment of Technology Innovation Centers for 2022 in Jilin Province (Ji Ke Fa Zi [2022] No. 165) (《關於批准2022年度吉林省科技創新中心設立的通知》)(吉科發資[2022]165號) issued by Jilin Province Department of Science and Technology (吉林省科學技術廳)
VAT refund upon collection	258,260.77	Other gains	Notice on Value-added Tax Policies for Software Products (Cai Shui [2011] No. 100) (《關於軟件產品增值稅政策的通知》)(財稅[2011]100號) issued by the Ministry of Finance (財政部) and the State Taxation Administration (國家稅務總局)
Subsidies for payment of social issuance for newly-recruited college graduates	85,719.20	Other gains	Notice on Issuing the Measures on Subsidy for Employment and Entrepreneurship and Social Security (Hang Ren She Fa [2016] No. 25) (《關於印發〈市區促進就業創業補助和社保補貼辦法〉的通知》)(《杭人社發[2016]25號》) issued by Hangzhou Human Resources and Social Security Bureau (杭州市人力資源和社會保障局)

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5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Others (continued)

3. Government grants (continued)

(1) Breakdown (continued)

- 2) Government grants related to income and used for compensating the relevant cost expense or loss incurred by the Company (continued)

Item	Amount	Presented items	Description
Subsidies for key population	69,550.00	Other gains	Notice on Detailed Measures for Implementation of Tax Policies for Supporting and Promoting the Entrepreneurship and Employment of Key Groups (Zhe Ren She Fa [2019] No. 22) (《關於實施支持和促進重點群體創業就業有關稅收政策享受具體操作辦法的通知》)(浙人社發[2019]22號) issued by Zhejiang Provincial Department of Human Resources and Social Security (浙江省人力資源和社會保障廳), Zhejiang Provincial Department of Education (浙江省教育廳), State Taxation Administration (國家稅務總局) and Zhejiang Provincial Taxation Bureau (浙江省稅務局)
Manufacturing industry incentives (subsidies)	46,900.00	Other gains	Notice on Granting Subsidies (Incentives) for Technological Innovation and Entrepreneurship Policies in Qiantang District for 2021 (Qian Tang Jing Ke [2023] No. 4) (《關於下達錢塘區2021年度科技創新創業政策資助(獎勵)經費的通知》)(錢塘經科4號) issued by Qiantang District Bureau of Economic Information and Science and Technology of Hangzhou (杭州市錢塘區經濟信息化和科學技術局)
Others	94,553.98	Other gains	
Sub-total	<u>4,454,983.95</u>		

- (2) Government grants credited to the current profit or loss for the period amounted to RMB8,801,469.08.

4. Interest expenses

Item	Balance for the current period	Balance for the corresponding period last year
Interest expenses	3,896,386.47	2,477,754.74
Including: Bank loans, interests of other loans fully repayable within 5 years	3,896,386.47	2,477,754.74
Interests of other loans not fully repayable within 5 years		
Less: Capitalized interests		
Financial expenses — interest expenses	3,896,386.47	2,477,754.74

During the period from January to June 2023 and from January to June 2022, there was no interest capitalization.

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6. OWNER'S EQUITY IN OTHER ENTITIES

(1) Owner's equity in significant subsidiaries

1. Particulars of significant subsidiaries

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Kind of legal entity	Registered capital	Percentage of shareholding (%)		Method of ownership
						Direct	Indirect	
Hangzhou Shibao Auto Steering Gear Co., Ltd.	Zhejiang Hangzhou/PRC	Zhejiang Hangzhou/PRC	Manufacturing	Domestic enterprises	RMB69 million	100.00		Establishment
Hangzhou New Shibao Electric Power Steering Co., Ltd.	Zhejiang Hangzhou/PRC	Zhejiang Hangzhou/PRC	Manufacturing	Domestic enterprises	RMB60 million	90.00		Establishment
Jilin Shibao Machinery Manufacturing Co., Ltd.	Jilin Siping/PRC	Jilin Siping/PRC	Manufacturing	Domestic enterprises	RMB41 million	100.00		Establishment
Beijing Autonics Technology Co., Ltd.	Beijing/PRC	Beijing/PRC	Manufacturing	Domestic enterprises	RMB60 million	100.00		Business combination not under common control
Wuhu Sterling Steering System Co., Ltd.	Anhui Wuhu/PRC	Anhui Wuhu/PRC	Manufacturing	Domestic enterprises	RMB22.80 million	57.89		Business combination not under common control
Erdos Sterling Steering System Co., Ltd.	Inner Mongolia/PRC	Inner Mongolia/PRC	Manufacturing	Domestic enterprises	RMB10 million		57.89	Business combination not under common control

2. Significant non-wholly owned subsidiaries

Name of subsidiary	Percentage of shareholding of minority shareholders (%)	Profit or loss contributed to minority shareholders of the current period	Declared dividends distribution to minority shareholders of the current period	Balance of minority shareholders' equity at the end of the period
Hangzhou New Shibao Electric Power Steering Co., Ltd.	10.00	1,604,179.20		962,082.43
Wuhu Sterling Steering System Co., Ltd.	42.11	-215,653.24		-19,136,461.30

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6. OWNER'S EQUITY IN OTHER ENTITIES (continued)

(1) Owner's equity in significant subsidiaries (continued)

3. Major financial information of significant non-wholly owned subsidiaries

(1) Assets and liabilities

Name of subsidiary			As at the end of the period			
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou New Shibao Electric Power Steering Co., Ltd.	264,703,209.48	95,109,373.59	359,812,583.07	349,733,872.39	457,754.33	350,191,626.72
Wuhu Sterling Steering System Co., Ltd.	181,381,367.58	45,373,310.99	226,754,678.57	268,789,927.47	3,408,734.26	272,198,661.73

Name of subsidiary			Balance at the end of last year			
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou New Shibao Electric Power Steering Co., Ltd.	343,895,004.20	91,620,807.43	435,515,811.63	441,441,909.76	494,869.61	441,936,779.37
Wuhu Sterling Steering System Co., Ltd.	120,618,716.40	44,338,281.12	164,956,997.52	206,243,864.36	3,644,997.46	209,888,861.82

(2) Profit/loss and cash flows

Name of subsidiary	Balance for the current period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Hangzhou New Shibao Electric Power Steering Co., Ltd.	191,122,584.92	16,041,924.09	16,041,924.09	-30,293,886.94
Wuhu Sterling Steering System Co., Ltd.	157,348,764.64	-512,118.86	-512,118.86	-4,104,388.54

Name of subsidiary	Balance for the corresponding period last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Hangzhou New Shibao Electric Power Steering Co., Ltd.	181,523,336.19	9,321,257.07	9,321,257.07	8,612,096.22
Wuhu Sterling Steering System Co., Ltd.	75,893,243.39	-1,278,472.05	-1,278,472.05	-1,450,781.86

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(1) Details of financial instruments

Item	Balance at the end of the period	Balance at the end of last year
Financial assets	952,765,316.37	948,498,063.80
Including: Cash on hand and at bank	226,210,560.31	232,225,660.78
Financial assets held for trading	48,148,271.97	120,393,605.57
Accounts receivable	555,386,057.81	450,378,856.64
Financing receivables	117,239,390.07	141,228,798.62
Other receivables	5,781,036.21	4,271,142.19
Financial liabilities	898,833,616.47	893,350,963.09
Including: Bank and other borrowings	221,971,133.76	196,981,075.00
Notes payable	224,605,727.00	200,181,609.95
Accounts payable	449,598,831.60	492,851,770.30
Other payables	2,657,924.11	3,336,507.84

With an objective of achieving a balance between risk and revenue through risk management, the Company minimizes the negative impact of risk to its operating results in order to maximize the interest of its Shareholders and other equity investors. According to the objective set for risk management, the basic strategies of the Company's risk management includes an identification and analysis of the Company's exposures to risk, establishment of an appropriate tolerance thresholds and operation of risk management. In addition, the Company supervises various risks on a timely and reliable manner in order to manage and monitor the exposures to ensure they are confined in a controlled scope.

During the daily operation, the main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. Management reviews and agrees policies for managing each of these risks and they are summarized below.

(2) Credit risk

Credit risk is the risk of financial losses arising from default of the counterparty.

1. Credit risk management practices

(1) *Assessment method on credit risk*

The Company assesses whether there has been a significant increase in the credit risk on the relevant financial instruments since initial recognition at each balance sheet date. In determining whether there has been a significant increase in the credit risk since initial recognition, the Company has considered the reasonable and supportable information obtained without unnecessary additional costs or efforts, including qualitative and quantitative analysis, external credit risk ratings and forward-looking information that are based on historical data. Based on an individual financial instrument or a group of financial instruments with similar credit risk characteristics, and through comparing the risk of default on the financial instrument at the balance sheet date to that at the date of initial recognition, the Company determines the changes in the risk of default on the financial instrument during the expected life of the instrument.

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

1. Credit risk management practices *(continued)*

(1) *Assessment method on credit risk *(continued)**

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- 1) Quantitative criteria mainly refers to the increase in remaining lifetime probability of default at the balance sheet date is considered significant comparing with the one at initial recognition;
- 2) Qualitative criteria mainly refers to the significant adverse change in debtor's operation or financial status, existing or expected changes in the technological, market, economic or legal environment that will have a significant adverse effect on the debtors' abilities to repay to the Company, etc.

(2) *Definition of default and credit-impaired asset*

The Company defines a financial asset as in default, which is fully aligned with the definition of credit-impaired, when the financial instrument meets one or more of the following conditions:

- 1) Significant financial difficulty of the debtor;
- 2) The debtor is in breach of the provisions of the contract which are binding on the debtors;
- 3) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- 4) The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor concessions that it would not otherwise consider under other circumstances.

2. ECL measurement

The key parameters of ECL measurement include probabilities of default (PD), losses given default (LGD) and exposures at default (EAD). The Company takes into account the quantitative analysis of historical statistics (such as ratings of the counterparty, manners of guarantees and types of collateral, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

3. The reconciliation of the balance of provision for losses on financial instruments at the beginning and the end of the period is detailed in Note 5(1)3, 5(1)4, 5(1)6 to the financial statements.

4. Credit risk exposure and credit risk concentration

Credit risks of the Company arise primarily from cash on hand and at bank and accounts receivable. In order to control the relevant risks above, the Company has taken the following measures respectively.

(1) *Cash on hand and at bank*

The Company places bank deposits and other monetary funds in financial institutions with higher credit ratings, therefore its credit risks are low.

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(2) Credit risk (continued)

4. Credit risk exposure and credit risk concentration (continued)

(2) Accounts receivable

The Company continuously conducts credit assessment on customers who trade on credit terms. Based on the assessment results, the Company chooses to trade with recognized and creditworthy customers, and carries out control on their accounts receivable balances to ensure that the Company's exposure to bad debts is not significant.

As the Company trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. As at 30 June 2023, the Company had certain concentration of credit risk as 34.30% (31 December 2022: 31.43%) of the Company's accounts receivable were due from the five largest customers. The Company does not hold any collateral or other credit enhancements over the balance of accounts receivable.

The maximum credit risk exposure of the Company was the carrying amount of each financial asset in the balance sheet.

(3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations that are settled by delivering cash or another financial assets. Liquidity risk may arise when the Company is not able to sell financial assets at fair value in a timely manner; or the counterparties encounter difficulty in repaying contractual liabilities; or the Company could be required to pay its liabilities earlier than expected; or the Company could not obtain sufficient cash flow as expected.

For the purpose of controlling the risk, the Company sets its objective as maintaining a balance between continuity of funding and flexibility through the use of several financing methods such as notes settlement and bank borrowings, as well as optimizing financing structure through the combination of long and short-term financing. The Company has obtained banking facilities from several commercial banks to fund the working capital requirements and capital expenditure.

Management of the Company monitors the liquidity position of the Company on an ongoing basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Company's financial resources.

1. Classification of financial assets based on the remaining maturity

Item	Carrying value	Balance at the end of the period			
		Contractual undiscounted amount	Within 1 year	1-3 years	Over 3 years
Cash on hand and at bank	226,210,560.31	226,210,560.31	226,210,560.31		
Financial assets held for trading	48,148,271.97	48,148,271.97	48,148,271.97		
Accounts receivable	555,386,057.81	555,386,057.81	555,386,057.81		
Financing receivables	117,239,390.07	117,239,390.07	117,239,390.07		
Other receivables	5,781,036.21	5,781,036.21	5,781,036.21		
Total	952,765,316.37	952,765,316.37	952,765,316.37		

NOTES TO THE FINANCIAL STATEMENTS

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

1. Classification of financial assets based on the remaining maturity (continued)

Item	Carrying value	Balance at the end of last year			
		Contractual undiscounted amount	Within 1 year	1-3 years	Over 3 years
Cash on hand and at bank	232,225,660.78	232,225,660.78	232,225,660.78		
Financial assets held for trading	120,393,605.57	120,393,605.57	120,393,605.57		
Accounts receivable	450,378,856.64	450,378,856.64	450,378,856.64		
Financing receivables	141,228,798.62	141,228,798.62	141,228,798.62		
Other receivables	4,271,142.19	4,271,142.19	4,271,142.19		
Total	948,498,063.80	948,498,063.80	948,498,063.80		

2. Classification of financial liabilities based on the remaining maturity

Item	Carrying value	Balance at the end of the period			
		Contractual undiscounted amount	Within 1 year	1-3 years	Over 3 years
Bank and other borrowings	221,971,133.76	227,417,188.80	180,606,783.33	46,810,405.47	
Notes payable	224,605,727.00	224,605,727.00	224,605,727.00		
Accounts payable	449,598,831.60	449,598,831.60	449,598,831.60		
Other payables	2,657,924.11	2,657,924.11	2,657,924.11		
Total	898,833,616.47	904,279,671.51	857,469,266.04	46,810,405.47	

Item	Carrying value	Balance at the end of last year			
		Contractual undiscounted amount	Within 1 year	1-3 years	Over 3 years
Bank and other borrowings	196,981,075.00	203,227,413.62	156,994,620.69	46,232,792.93	
Notes payable	200,181,609.95	200,181,609.95	200,181,609.95		
Accounts payable	492,851,770.30	492,851,770.30	492,851,770.30		
Other payables	3,336,507.84	3,336,507.84	3,336,507.84		
Total	893,350,963.09	899,597,301.71	853,364,508.78	46,232,792.93	

NOTES TO THE FINANCIAL STATEMENTS

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(4) Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest-bearing financial instruments with fixed interest rate expose the Company to fair value interest risk, whereas interest-bearing financial instruments with variable interest rate expose the Company to cash flow interest rate. The Company determines the proportion of fixed rate and variable rate financial instruments based on market conditions, and maintains an appropriate portfolio of financial instruments through regular review and monitoring. The cash flow interest risk that the Company is exposed to mainly relates to the Company's bank borrowings at variable interest rates.

As at 30 June 2023, the bank borrowings of the Company with floating interest rates were RMB93,780,000 (31 December 2022: RMB84,980,000), and a reasonable and possible 50% base point change in interest rates, with all other variables held constant, will not have any significant impact on total profit and shareholders' equity of the Company.

2. Foreign exchange risk

Foreign exchange risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in exchange rates. The Company operates in Mainland China, and transactions of its main operation are presented in RMB. Therefore, the Company's exposure to foreign exchange risk is not significant.

For the Company's monetary assets and liabilities in foreign currencies at the end of the period, please see Note 5(4)2 to the financial statements.

(5) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern, provide returns to shareholders and benefits to other stakeholders, while maintaining the optimal capital structure to reduce the cost of capital.

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. In view of this, the Company will balance its overall capital structure through the payment of dividends, new share issues as well as repayment of existing borrowings.

NOTES TO THE FINANCIAL STATEMENTS

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(5) Capital risk management (continued)

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. As at 30 June 2023, the Company's gearing ratio was 5.33% (31 December 2022: 2.92%). The calculation is described as follow:

Item	Balance at the end of the period	Balance at the end of last year
Total borrowings	221,971,133.76	196,981,075.00
Less: Cash and cash equivalents	143,451,383.11	155,644,045.68
Net debt	78,519,750.65	41,337,029.32
Equity	1,394,323,667.33	1,373,097,971.86
Total capital	1,472,843,417.98	1,414,435,001.18
Gearing ratio	5.33%	2.92%

8. FAIR VALUE DISCLOSURE

(1) Breakdown of fair values of assets and liabilities measured at fair value, at the end of the period

Item	Fair value at the end of the period			Total
	Fair value measured at level 1	Fair value measured at level 2	Fair value measured at level 3	
Recurring fair value measurement				
1. Financial assets held for trading and other non-current financial assets	2,738,227.02		45,410,044.95	48,148,271.97
(1) Financial assets at fair value through profit or loss	2,738,227.02		45,410,044.95	48,148,271.97
Equity instrument investment	2,738,227.02			2,738,227.02
Bank short-term wealth management products			45,410,044.95	45,410,044.95
2. Financing receivables			117,239,390.07	117,239,390.07
Total assets measured at fair value on a recurring basis	2,738,227.02		162,649,435.02	165,387,662.04

(2) Basis for determining level 1 fair value at recurring and non-recurring fair measurement

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

(3) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 3

The company determines a fair value, using a certain valuation technique. For short-term wealth management projects of banks, the key parameters the Company adopted include, among others, expected rate of return based on historical experience and future trends; and receivables financing comprises mainly bank acceptance bill and the key parameters the Company adopted include, among others, expected credit loss rate estimated based on the credit risk of the acceptance bank and historical experience and future trends.

NOTES TO THE FINANCIAL STATEMENTS

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9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Related parties

1. Parent company of the Company

(1) Parent company of the Company

Name of parent company	Relationship	Corporate type	Place of registration	Corporate representative	Nature of business
Zhejiang Shibao Holding Group Co., Ltd.	The largest shareholder	Limited liability	Zhejiang Yiwu	Zhang Shi Zhong	Industrial investment

Name of parent company	Place of registration	Nature of business	Registered capital (RMB0,000)	Shareholding % in the Company	Voting % in the Company
Zhejiang Shibao Holding Group Co., Ltd.	Zhejiang Yiwu	Industrial investment	5,000.00	39.40	39.40

(2) The ultimate shareholder of the Company is Mr. Zhang Shi Quan and his family members, namely, Mr. Zhang Bao Yi, Mr. Tang Hao Han, Ms. Zhang Lan Jun and Mr. Zhang Shi Zhong.

2. Details of the Company's subsidiaries are set out in Note 6 to the financial statements.

(2) Related parties transactions

1. Guarantee with related parties

The Company and its subsidiaries as the secured parties

Guarantor	Guaranteed amount (RMB0'000)	Commencement date of the guarantee	Expiry date of the guarantee	Guarantee fully fulfilled	Note
Zhejiang Shibao Holding Group Co., Ltd., Zhang Shi Quan, Zhang Shi Zhong, Zhang Lan Jun, Zhang Bao Yi, Tang Hao Han, Yiwu City He Feng Automobile Spare Parts Co., Ltd. (義烏市和豐汽車配件有限公司), and Wang Zheng Xiao	4,000.00	2022.07.28	2023.07.27	No	Short-term borrowings
Zhang Shi Quan	6,800.00	2023.03.15	2024.03.29	No	Short-term borrowings
Zhejiang Shibao Holding Group Co., Ltd.	6,000.00	2023.03.07	2023.12.30	No	Bankers acceptance

NOTES TO THE FINANCIAL STATEMENTS

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9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(2) Related parties transactions (continued)

2. Remuneration of key management

Item	Balance for the current period	Balance for the corresponding period last year
Directors and Supervisors	2,473,844.27	2,391,605.32
Other key management	390,025.04	390,293.76
Total	2,863,869.31	2,781,899.08

(3) Receivable and payable with related parties

1. Payables to related parties

Item	Related party	Balance at the end of the period	Balance at the end of last year
Notes payable	Zhejiang Shibao Company Limited (Note)	12,921,595.56	13,799,742.55
	Beijing Autonics Technology Co., Ltd. (Note)	2,931,040.00	1,130,000.00
	Hangzhou New Shibao Electric Power Steering Co., Ltd. (Note)	49,500,000.00	21,960,000.00
	Jilin Shibao Machinery Manufacturing Co., Ltd. (Note)	7,101,084.53	6,150,000.00
	Wuhu Sterling Steering System Co., Ltd (Note)		2,908,775.61
Total		72,453,720.09	45,948,518.16

(Note): Notes payable are banker's acceptances issued by the Company's subsidiaries Hangzhou Shibao Auto Steering Gear Co., Ltd., and Hangzhou New Shibao Electric Power Steering Co., Ltd., and the related parties have endorsed the transfer after receiving the bank acceptance bill.

10. COMMITMENTS AND CONTINGENCIES

(1) Commitments

Major commitments

Item	Balance at the end of the period	Balance at the end of last year
Material contracts in relation to acquisition of assets contracted but not recognized	72,669,326.96	82,239,716.15

(2) Contingencies

As of the balance sheet date, the Company does not have important contingencies that need to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

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11. EVENTS AFTER THE BALANCE SHEET DATE

As at the date of the approval of this financial report, there were no events after the balance sheet date.

12. OTHER IMPORTANT MATTERS

(1) Segment Information

1. Operating segment

As the operations and assets of both the Company and its subsidiaries are related to automotive steering system and components and are mainly located in Mainland China where 93.15% of the operating revenue was generated from domestic sales, no detailed segment information is required to be disclosed.

2. Information about major customers

(1) Information on customers from whom the revenue individually accounted for 10% or more of the total revenue of the Company during the period from January to June 2023 is as follows:

Name of customer	Operating revenue	Proportion to total operating revenue of the Company (%)
Chery Automobile Henan Co., Ltd.	<u>83,411,624.00</u>	<u>11.46</u>

(2) Information on customers from whom the revenue individually accounted for 10% or more of the total revenue of the Company during the period from January to June 2022 is as follows:

Name of customer	Operating revenue	Proportion to total operating revenue of the Company (%)
Chery New Energy Automobile Co., Ltd. (奇瑞新能源汽車股份有限公司)	<u>55,595,998.57</u>	<u>10.03</u>

(2) Leases

1. Company as a lessee

(1) For details of the Company's accounting policies for short-term leases and low-value asset leases, see Note 3(27) to these financial statements. The amount of short-term lease expenses and low-value asset lease expenses through profit or loss for the period are as follows:

Item	Amounts for the period	Amounts for the same period of last year
Short-term lease expenses	<u>389,014.00</u>	504,898.00
Low-value assets lease expenses (other than short-term leases)		
Total	<u>389,014.00</u>	<u>504,898.00</u>

(2) Profit or loss and cash flows related to the lease for the period

Item	Amounts for the period	Amounts for the same period of last year
Total cash outflow related to the lease	<u>398,348.00</u>	<u>708,970.00</u>

NOTES TO THE FINANCIAL STATEMENTS

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12. OTHER IMPORTANT MATTERS (continued)

(2) Leases (continued)

2. Company as a lessor

Operating leases

(1) Lease income

Item	Amounts for the period	Amounts for the same period of last year
Lease income	10,485,605.94	11,436,173.49
Including: Income relating to variable lease payments not included in the measurement of the lease liability		

(2) Assets under operating leases

Item	Balance at the end of the period	Balance at the end of last year
Investment property	186,175,936.81	191,588,844.28
Sub-total	186,175,936.81	191,588,844.28

(3) Information on the Company's investment properties is as follows:

Asset name	Address	Title no.	Usage	Planned time for holding	Whether permanent title or not
Plant, staff dormitory and land use rights	No. 2290 Hehua South Street, Choujiang Street, Yiwu, Zhejiang	Zhe (2020) Yiwu Real Estate Property No.0035803	Factory, dormitory	Long-term	No
New plant	No. 229 (South) Street Baiyang Street No. 19, Economic and Technology Development Zone, Hangzhou, Zhejiang	The title certificate is pending	Factory	Long-term	No
Land use rights	No. 18 Longshan Road, Wuhu District, Pilot Free Trade Zone, Anhui	Wu Kai Guo Yong (2005) No.061	Premise for product deposit	Long-term	No

NOTES TO THE FINANCIAL STATEMENTS

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12. OTHER IMPORTANT MATTERS (continued)

(2) Leases (continued)

2. Company as a lessor (continued)

Operating leases (continued)

- (4) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

Remaining service life	Balance at the end of the period	Balance at the end of last year
Within one year	22,106,642.00	25,276,100.00
1-2 years	21,406,852.00	24,444,100.00
2-3 years	18,607,692.00	22,609,100.00
3-4 years	20,499,605.43	21,805,305.00
4-5 years	20,349,605.43	21,730,305.00
Over 5 years	20,349,605.43	21,655,305.00
Total	123,320,002.29	137,520,215.00

(3) Other financial information

Item	Balance at the end of the period		Balance at the end of last year	
	Consolidated	The Parent	Consolidated	The Parent
Net current assets	486,020,442.64	416,216,364.48	461,291,615.20	451,955,533.38
Total assets less current liabilities	1,467,444,892.29	1,163,766,220.68	1,450,616,681.65	1,154,217,069.68

(4) Other major transactions and events that have an impact on investors' decisions

1. Proposed issuance of A shares to specific targets

To satisfy the capital need for business development of the Company, expand business scale of the Company and further enhance its core competitiveness, the Company, after considering its own condition, proposed to issue shares to specific targets for total proceeds of no more than RMB1,180 million. The issuance of shares to specific targets has been accepted by Shenzhen Stock Exchange on 2 March 2023. The approval for registration of the offering was obtained from China Securities Regulatory Commission on 4 July 2023.

NOTES TO THE FINANCIAL STATEMENTS

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13. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(1) Notes to the balance sheet of the parent company

1. Accounts receivable

(1) Breakdown

1) Breakdown by types

Type	Balance at the end of the period				
	Carrying amount		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision (%)	
Bad debt provision on individual basis	292,979.00	0.18	292,979.00	100.00	
Bad debt provision by groups	162,960,921.90	99.82	1,129.91		162,959,791.99
Total	163,253,900.90	100.00	294,108.91	0.18	162,959,791.99

Type	Balance at the end of last year				
	Carrying amount		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision (%)	
Bad debt provision on individual basis	292,979.00	0.23	292,979.00	100.00	
Bad debt provision by groups	127,398,872.85	99.77	6,430.99	0.01	127,392,441.86
Total	127,691,851.85	100.00	299,409.99	0.23	127,392,441.86

2) Accounts receivable with bad debt provision on individual basis

Name	Balance at the end of the period			Reason for provision
	Carrying amount	Provision for bad debts	Provision (%)	
Receivables from Ganzhou Jiang Huan Automobile Manufacturing Co., Ltd. (贛州江環汽車製造有限公司) and etc.	292,979.00	292,979.00	100.00	The amount was not expected to be recovered
Total	292,979.00	292,979.00	100.00	

3) Accounts receivable with bad debt provision by groups

Item	Balance at the end of the period		
	Carrying amount	Provision for bad debts	Provision (%)
Aging group	1,255,452.80	1,129.91	0.09
Group of related dealings within the scope of combination	161,705,469.10		
Sub-total	162,960,921.90	1,129.91	

NOTES TO THE FINANCIAL STATEMENTS

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13. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(1) Notes to the balance sheet of the parent company (continued)

1. Accounts receivable (continued)

(1) Breakdown (continued)

4) Accounts receivable with bad debt provision according to grouping by age

Age	Balance at the end of the period		
	Carrying amount	Provision for bad debts	Provision (%)
Within 1 year	152,895,013.20	1,129.91	
1-2 years	10,065,908.70		
Sub-total	162,960,921.90	1,129.91	

(2) Aging analysis

Age	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision for bad debts	Provision (%)	Carrying amount	Provision for bad debts	Provision (%)
Within 1 year	152,895,013.20	1,129.91		127,394,623.65	6,196.43	
1-2 years	10,065,908.70			4,249.20	234.56	5.52
2-3 years						
Over 3 years	292,979.00	292,979.00	100.00	292,979.00	292,979.00	100.00
Sub-total	163,253,900.90	294,108.91	0.18	127,691,851.85	299,409.99	0.23

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.

(3) Change in provision for bad debts

Type	Balance at the beginning of the period	Increase during the period			Decrease during the period			Balance at the end of the period
		Provision	Recovery	Others	Reversal	Write-off	Others	
Bad debt provision on individual basis	292,979.00							292,979.00
Bad debt provision by groups	6,430.99	-5,301.08						1,129.91
Sub-total	299,409.99	-5,301.08						294,108.91

(4) There was no actual write-off of accounts receivables during the Period.

NOTES TO THE FINANCIAL STATEMENTS

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13. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(1) Notes to the balance sheet of the parent company (continued)

1. Accounts receivable (continued)

(5) The five largest accounts receivable

Name	Carrying amount	Percentage of total accounts receivable (%)	Provision for bad debts
Wuhu Sterling Steering System Co., Ltd.	104,274,391.38	63.87	
Hangzhou New Shibao Electric Power Steering Co., Ltd.	33,477,014.01	20.51	
Hangzhou Shibao Auto Steering Gear Co., Ltd.	23,954,063.71	14.67	
Zhejiang Keli Vehicle Control System Co., Ltd. (浙江科力車輛控制系統有限公司)	490,107.95	0.30	441.10
Zhejiang Zhengchuang Technology Co., Ltd. (浙江正創科技有限公司)	339,940.45	0.21	305.95
Sub-total	162,535,517.50	99.56	747.05

2. Other receivables

(1) Breakdown

1) Breakdown by types

Type	Balance at the end of the period				
	Carrying amount		Provision for bad debts		Book value
	Amount	Proportion %	Amount	Provision %	
Bad debt provision by groups	411,383,789.06	100.00			411,383,789.06
Total	411,383,789.06	100.00			411,383,789.06

Type	Balance at the end of last year				
	Carrying amount		Provision for bad debts		Book value
	Amount	Proportion %	Amount	Provision %	
Bad debt provision by groups	426,438,596.81	100.00			426,438,596.81
Total	426,438,596.81	100.00			426,438,596.81

NOTES TO THE FINANCIAL STATEMENTS

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13. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(1) Notes to the balance sheet of the parent company (continued)

2. Other receivables (continued)

(1) Breakdown (continued)

2) Other receivables with provision for bad debt by groups

Group	Balance at the end of the period		
	Carrying amount	Provision for bad debts	Provision (%)
Related party dealings within the scope of combination	410,471,599.18		
Security deposits	350.00		
Imprest and etc.	911,839.88		
Sub-total	411,383,789.06		

(2) Aging analysis

Age	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision for bad debts	Provision (%)	Carrying amount	Provision for bad debts	Provision (%)
Within 1 year	106,817,387.95			76,515,165.87		
1-2 years	63,028,377.92			46,511,259.84		
2-3 years	15,605,533.69			20,724,860.07		
Over 3 years	225,932,489.50			282,687,311.03		
Sub-total	411,383,789.06			426,438,596.81		

(3) There was no actual write-off of other receivable during the Period.

(4) Classification by nature of other receivables

Nature of the receivables	Balance at the end of the period	Balance at the end of last year
Current accounts	410,471,599.18	425,508,500.74
Security deposits	350.00	350.00
Imprest	97,536.73	117,881.88
Others	814,303.15	811,864.19
Total	411,383,789.06	426,438,596.81

NOTES TO THE FINANCIAL STATEMENTS

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13. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(1) Notes to the balance sheet of the parent company (continued)

2. Other receivables (continued)

(5) The five largest other receivables

Name	Nature of receivables	Carrying amount	Age	Percentage to the balance of other receivables (%)	Provision for bad debts
Jilin Shibao Machinery Manufacturing Co., Ltd.	Current accounts	188,860,575.15	Within 1 year, 1-2 years, 2-3 years, Over 3 years	45.91	
Hangzhou New Shibao Electric Power Steering Co., Ltd.	Current accounts	114,273,687.41	Within 1 year, 1-2 years, Over 3 years	27.78	
Beijing Autonics Technology Co., Ltd.	Current accounts	69,837,336.62	Within 1 year, 1-2 years, 2-3 years	16.98	
Wuhu Sterling Steering System Co., Ltd	Current accounts	37,500,000.00	Within 1 year, 1-2 years, Over 3 years	9.12	
Panfar Construction Group Co., Ltd. (八方建設集團有限公司)	Others	458,360.19	Over 3 years	0.11	
Sub-total		<u>410,929,959.37</u>		<u>99.90</u>	

3. Long-term equity investments

(1) Breakdown

Item	Balance at the end of the period			Balance at the end of last year		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investments in subsidiaries	<u>235,159,214.87</u>		<u>235,159,214.87</u>	<u>185,159,214.87</u>		<u>185,159,214.87</u>
Total	<u>235,159,214.87</u>		<u>235,159,214.87</u>	<u>185,159,214.87</u>		<u>185,159,214.87</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

13. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(1) Notes to the balance sheet of the parent company (continued)

3. Long-term equity investments (continued)

(2) Investment in subsidiaries

Investees	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Provision for impairment during the period	Provision for impairment at the end of the period
Hangzhou Shibao Auto Steering Gear Co., Ltd.	70,461,807.49			70,461,807.49		
Hangzhou New Shibao Electric Power Steering Co., Ltd.	42,000,000.00			42,000,000.00		
Jilin Shibao Machinery Manufacturing Co., Ltd.	43,250,000.00			43,250,000.00		
Beijing Autonics Technology Co., Ltd.	10,000,000.00	50,000,000.00		60,000,000.00		
Wuhu Sterling Steering System Co., Ltd.	19,447,407.38			19,447,407.38		
Total	185,159,214.87	50,000,000.00		235,159,214.87		

(3) Investment in non-public listed companies and public listed companies

Item	Balance at the end of the period	Balance at the end of last year
Investment in non-public listed companies	235,159,214.87	185,159,214.87
Total	235,159,214.87	185,159,214.87

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

13. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(2) Notes to the income statement of the parent company

1. Operating revenue/cost of sales

Item	Balance for the current period		Balance for the corresponding period last year	
	Revenue	Cost	Revenue	Cost
Main business	133,408,214.63	116,670,225.70	80,514,146.95	72,619,973.21
Other business	11,242,854.68	4,684,687.24	10,371,621.76	3,600,358.56
Total	144,651,069.31	121,354,912.94	90,885,768.71	76,220,331.77

2. Research and development expenses

Item	Balance for the current period	Balance for the corresponding period last year
Staff costs	1,392,725.69	1,000,552.86
Direct investment	2,504,066.53	2,178,926.76
Energy costs	504,774.31	315,820.19
Depreciation of fixed assets	492,301.05	238,175.30
Others	2,225.00	4,190.00
Total	4,896,092.58	3,737,665.11

3. Investment gains

Item	Balance for the current period	Balance for the corresponding period last year
Interest income from loans	3,378,721.21	2,718,066.05
Discounted loss on financing receivables	-185,080.83	-33,055.56
Total	3,193,640.38	2,685,010.49

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

14. OTHER SUPPLEMENTAL INFORMATION

(1) Non-recurring gain and loss

Item	Amount	Description
Gain or loss on disposal of non-current assets, inclusive of provision for assets impairment write-off	-984,172.43	
Unauthorised approvals or items without duly approved documents, or occasional tax rebate or tax credits	45,000.00	
Government grants (except for continuous government grants which are closely related to the Company's ordinary business and conforms with the national policies as well as in standard amount and quantities) recognized in gains or losses during the current period	8,543,208.31	
Fees for usage of funds received from non-financial enterprises recognized in profits and losses during the current period		
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		
Profit and loss from exchange of non-monetary assets		
Gains or losses from discretionary investment or asset management		
Impairment provisions for assets due to force majeure factors such as natural disasters		
Gains or losses from debt restructuring		
Corporate restructuring fees such as staff resettlement expenses, consolidation charges, etc.		
Gains or losses arising from transactions at unfair trading prices over their fair value		
Net gains or losses from the subsidiary formed by merging jointly controlled enterprises from the beginning of the reporting period to the date of merger attributable to the current period		
Gains or losses from contingency items unrelated to the normal business operations of the Company		
Change in gains or losses generated from changes in fair value from financial assets held for trading, derivative financial assets, trading financial liabilities, derivative financial liabilities, investment gains from disposal of financial assets held for trading, derivative financial assets, trading financial liabilities, derivative financial liabilities and other bond investment, other than effective hedging activities associated with normal business operations of the Company	739,831.65	
Independent impairment test of accounts receivable, reverse of contract asset impairment provision	2,825,135.32	
Gains or losses from external entrusted loans		
Gains or losses from changes in fair value of investment properties adopting fair value method for follow-up measurements		
Effect on gains and losses for the current period from one-off adjustment to gains and losses for the period according to the requirements of the tax and accounting laws and regulations		
Discretionary fee income received from discretionary operations		
Other non-operating income and expenses apart from those stated above	-148,855.67	
Other gains and losses items conforming with the definition of non-recurring gains or losses	63,098.80	
Sub-total	<u>11,083,245.98</u>	
Less: Effect on enterprise income tax increase/(decrease)	138,059.19	
Effect on interest of minority shareholders (after tax)	<u>-384,387.94</u>	
Items of non-recurring gains or losses attributable to equity holders of the parent	<u>11,329,574.73</u>	

NOTES TO THE FINANCIAL STATEMENTS

30 June 2023 | (RMB Yuan) | (English translation for reference only)

14. OTHER SUPPLEMENTAL INFORMATION (continued)

(2) Return on net assets and earnings per share

Profit for the Reporting Period	Return on weighted average net assets (%)	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profits attributable to the ordinary shareholders of the Company	1.41	0.0251	0.0251
Net profits after deducting non-recurring profit or loss attributable to the ordinary shareholders of the Company	0.61	0.0108	0.0108

(3) Differences in preparation of financial statements between domestic and overseas accounting standards

The financial statements of the Company were prepared in accordance with Accounting Standards of Business Enterprises. In 2011, according to “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” issued by the Hong Kong Stock Exchange in December 2010, the Company decided to prepare the financial statements in accordance with Accounting Standards of Business Enterprises for information disclosure on the Hong Kong Stock Exchange.

Zhejiang Shibao Company Limited
21 August 2023

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

REVIEW OF CHINA AUTOMOBILE INDUSTRY

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

ANALYSIS OF MAIN BUSINESS

1. Changes in major financial information

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

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

During the reporting period, the Company's selling expenses amounted to RMB28,033,083.82, representing an increase of 26.36% as compared with last year, which was mainly due to an increase in expenses such as business entertainment expenses due to business expansion, and the increase in agency expenses for export business. The selling expenses accounted for 3.85% of revenue, representing a decrease of 0.15 percentage point as compared with the corresponding period of last year.

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

During the reporting period, the research and development expenses amounted to RMB50,292,023.37, representing an increase of 23.32% as compared with last year. The research and development expenses accounted for 6.91% of revenue, representing a decrease of 0.45 percentage point as compared with the corresponding period of last year. The Company's research and development expenses are mainly used on the technical research of automotive steering system's safety, intelligent, automatic, energy saving and light weight, so as to maintain the Company's competitive edge in respect of sustainable development. During the reporting period, the Company's research and development expenses were mainly invested in the core technical fields of steering's motorised, intelligent and automation.

During the reporting period, the financial expenses amounted to RMB2,791,624.43, representing an increase of 2.41% as compared with last year, which was mainly due to an increase in interest expenses.

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

During the reporting period, the other gains was RMB8,909,567.88, of which government grants amounting to RMB8,801,469.08. The investment gains amounted to RMB845,506.53, representing an increase of 112.33% as compared with last year, which was mainly due to an increase in gains resulting from the increase in redemption amount of bank short-term wealth management products. The gains on fair value change was RMB-370,859.03 (corresponding period of last year: RMB-1,026,926.27), which was mainly due to the change in the fair value of the shares acquired by the Company as a creditor as a result of debt restructuring. The credit impairment losses was RMB3,177,953.27, representing an increase of 303.14% as compared with last year, which was mainly due to an increase in the recovered amount of accounts receivable from previous years in the current period. The gains on disposal of assets was RMB-984,172.43 (corresponding period of last year: RMB5,187,046.31), which was mainly due to no large amount of gains from the disposal of fixed assets in the current period.

During the reporting period, the Company's income tax expenses amounted to RMB-783,999.06 (corresponding period of last year: RMB-716,611.40), which was mainly due to the combined effect of no current income tax expense for the current period; the increase in deductible temporary differences in the current period causing the corresponding increase in the accrual of the deferred income tax assets; and the decrease in deductible temporary differences in the current period causing the corresponding decrease in the accrual of the deferred income tax liabilities.

In view of the above, the Company recorded a net profit attributable to shareholders of listed company of RMB19,837,169.51 during the reporting period, representing an increase of 2,218.41% as compared with last year.

During the reporting period, the net cash flows from operating activities was RMB-61,917,321.13, representing a decrease of 223.30% as compared with last year, mainly due to an increase in cash payments for purchase of raw materials and increase in cash payments for the margin for acceptance bills; net cash flows from investing activities was RMB28,990,902.34, representing an increase of 196.70% as compared with last year, mainly due to an increase in cash receipts for redemption bank short-term wealth management products and a decrease in cash payments for purchase of bank short-term wealth management products; net cash flows from financing activities was RMB20,420,275.69, representing an increase of 132.68% as compared with last year, mainly due to an increase in cash obtained through bank borrowings and a decrease in cash repayment of bank borrowings. In view of the above, during the reporting period, net increase in cash and cash equivalents was RMB-12,192,662.57, representing an increase of 71.50% as compared with last year.

2. Composition of revenue

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

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

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

	Revenue	Operating costs	Gross margin	Change of revenue	Change of operating costs	Change of gross margin
By industry						
Manufacture of automotive components and parts	690,871,908.27	570,941,460.28	17.36%	30.55%	28.17%	1.53%
By products						
Steering system and parts	660,865,069.26	547,587,499.41	17.14%	37.03%	32.72%	2.69%
Parts and others	30,006,839.01	23,353,960.87	22.17%	-36.06%	-28.95%	-7.79%
By geography						
Mainland China	678,107,444.44	553,921,391.52	18.31%	38.41%	35.53%	1.73%
Outside Mainland China	49,840,493.8	25,156,153.67	49.53%	-22.29%	-44.50%	20.20%

ANALYSIS OF ASSETS AND LIABILITIES

1. Significant changes in composition of assets

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

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

2. Assets and liabilities measured at fair value

Item	Amount at the beginning of the period	Gain/loss on changes in fair value for the current period	Cumulative changes in fair value recorded in equity	Impairment loss for the current period	Amount purchased during the current period	Amount sold during the current period	Other changes	Amount at the end of the period
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets)	3,264,691.96	-526,464.94						2,738,227.02
2. Bank short-term wealth management products	117,128,913.61	155,605.91			93,000,000.00	164,874,474.57		45,410,044.95
3. Financing receivables	141,228,798.62				443,254,051.78	467,243,460.33		117,239,390.07
Sub-total of financial assets	261,622,404.19	-370,859.03			536,254,051.78	632,117,934.90		165,387,662.04
Financial liabilities	0.00							0.00

3. Assets with restrictions in ownership or use rights at end of the Reporting Period

Assets with restrictions in ownership or use rights

Item	Carrying amount at the end of the period	Reason for restriction
Cash on hand and at bank	82,744,000.56	Margin for the notes pool
Cash on hand and at bank	15,000.00	Frozen funds
Cash on hand and at bank	176.64	Suspended account deposits
Accounts receivable financing	74,507,939.23	Pledge for the notes pool
Fixed assets	46,287,939.70	Borrowing and pledge for comprehensive credit
Intangible assets	21,914,364.26	Borrowing and pledge for comprehensive credit
Investment property	911,672.72	Borrowing and pledge for comprehensive credit
Total	<u>226,381,093.11</u>	

4. Financial resources and capital structure

At the end of the Reporting Period, the amount of total loans and borrowings of the Company was RMB221,777,003.16 (31 December 2022: RMB196,780,000.00). Total loans and borrowings increased by RMB24,997,003.16 when compared with the beginning of the year, mainly due to an increase in guaranteed loans. RMB43,780,000.00 of the total loans and borrowings of the Company shall be repaid over 2 years but within 5 years. Loans and borrowings at fixed interest rates amounted to RMB127,997,003.16 (31 December 2022: RMB103,000,000.00).

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

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. At the end of the Reporting Period, the Company's gearing ratio was 5.33% (31 December 2022: 2.92%).

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

MATERIAL ACQUISITION AND DISPOSAL

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

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.

CONTINGENT LIABILITIES

As at the end of the Reporting Period, the Group had no material contingent liabilities.

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

OUTLOOK

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

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

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

Investors are reminded that the operation plan does not constitute a results guarantee of the Company to the investors. Investors should be fully aware of such risk and the difference between an operation plan and results guarantee.

POTENTIAL RISKS OF THE COMPANY

The Board would like to invite the investors to pay special attention to the following risk factors.

1. Risks relating to industry fluctuations

The success of automotive components and parts manufacturing industry that the Company is engaged in is subject to the development of downstream automobile industry which is exposed to greater influence by the macro-economic cycle and the national policies. Fluctuations in the automotive industry will have a greater impact on the Company's production and operations. If there are cyclical fluctuations in the macro economy or changes in national policies, there will be also corresponding fluctuations to the automotive components and parts manufacturing industry and will in turn subject the Company to the operation risk.

2. Risks relating to product quality

The Company's product is the key component for automobile that determines the operability, stability and safety of the vehicle. As a result, the quality of steering gear is directly pertinent to the overall vehicular performance. Therefore, downstream customers will require the Company to provide products that in line with standards according to the related component technical agreements, quality guarantee agreements and other prevailing international and national standards as well as industrial practices. Should there arise any problems in relation to product quality, the Company will be liable to repair and replace products with defects and the Company shall bear the related cost incurred therefor. Should there exist any defects in terms of environmental protection or safety that result in recall of vehicles, other than the expenses incurred for such recall, the Company will be also subject to adverse effects on its brand, reputation, market expansion and operating results.

3. Risk relating to technical innovation

As the automobile industry is developing at a fast pace, automakers' requirements of automotive products in terms of safety, intelligent and energy saving are becoming higher, resulting in the requirements of corresponding technological advance and production innovation for the automotive component production industry which is a part of the automobile industry. Should the Company cannot sustain innovation of new technology and new products to cater to the upgrade requirements of automakers, the Company's market expansion and profitability would be subject to the adverse effect. In addition, the advantage of research and development is one of the key factors for the Company to maintain its competitive edges and development. Should there is any dispute arising in terms of technology, leaking of secrets in relation to technologies or loss of key technicians, this would exert adverse effect on the Company's operation.

4. Risk relating to downward prices

Regarding the characteristic of the industry, the overall selling prices of automotive components are subject to the price trend of downstream vehicles. Therefore, automotive component manufacturers has weaker bargaining power against the downstream automakers. In addition, the adjustment to internal product portfolio of the Company will also lead to decline in product price of per unit to some extent. The major customers of the Company are renowned automakers. Should the prices of vehicles fall, such customers may pass on the pressure of decreasing prices of vehicles to the Company, which would influence the Company's profitability. Besides, should there be any change in product portfolio due to factors like market demand, the product price per unit may fall and in turn influence the Company's profitability.

5. Risk relating to price fluctuation of raw materials

The main raw materials of the Company are machined components, standard components, electronic components, blank pieces (iron castings, aluminium castings), seals, etc. The Company's cost of raw materials takes up the bigger portion in the cost of production. Price fluctuations of raw materials exert certain influence on production cost and gross profit margin, and customers' expectation on the purchase prices. Should there be any significant changes of the prices of raw materials which is out of expectation over a period, it would expose the Company to certain operating risk.

6. Risks relating to overseas market expansion

The Company's product sales are mainly concentrated in the domestic market. In recent years, the expansion of overseas markets has begun to deliver results. The Company achieved the volume export of automotive steering system and key components. With the Company's further expansion of overseas market, in the event of material adverse changes in the international political situation as well as the politics, economic environment, automobile consumption policies and international trade policies of countries and regions where the Company's products are sold, there will be a corresponding impact on the expansion of the Company's overseas markets and potentially the Company's operation results and financial conditions.

7. Risk relating to operation management risk arising from expansion in scale

Subsequent to the commencement of the Company's fund-raising investment projects, the Company's assets and business scale will further expand, leading to a higher requirement of the Company's operation management, market expansion and product sales and in turn heightening the complexity of its management and operation. Should the Company cannot adjust its adaptability of its existing management method in a systematic way, this may affect the Company's development pace, operation efficiency and business results.

8. Risk of accounts receivable recovery

At the end of the Reporting Period, the carrying amounts of accounts receivable were at relatively high level both in terms of the absolute amounts or as a percentage of operating income. With the fund-raising investment projects of the Company coming into operation, the scale of the Company's businesses will further expand. Therefore, the amount of accounts receivable is likely to further rise. Should there is any failure in collection of monies or financial crisis of our customers, the Company will be exposed to the risk of accounts receivable recovery.

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

9. Higher risk of inventory size

At the end of the Reporting Period, the book value of inventories was at relatively high level both in terms of the absolute amounts or as a percentage of total current assets. In the future, if the changes in the market environment or increased competition will result in inventory buildup and impairment, the Company's operating results will be adversely affected. Meanwhile, a large inventory balance may affect capital chain tension and cash flow from operating activities of the Company, reducing the efficiency of capital operations and using a certain amount of capital. If the Company fails to strengthen inventory management and accelerate inventory turnover, there will be operational risks arising from the decline in inventory turnover.

10. Risk relating to the stock market

Other than operation and financial position, the price of the Shares of the Company is also subject to factors such as international and national macro-economic development, capital market trend, market sentiment and all kinds of material accidents. Investors are reminded to exercise prudent judgements with regard to the expected investment risks brought by the foregoing factors when considering investment in the Shares of the Company.

ANALYSIS OF MAJOR CONTROLLED COMPANIES

Company name	Company type/kind of legal entity	Principal business	Registered capital
Hangzhou Shibao	Subsidiary/domestic enterprise	Manufacture of automotive components and parts	69,000,000
Hangzhou New Shibao	Subsidiary/domestic enterprise	Manufacture of automotive components and parts	60,000,000
Jilin Shibao	Subsidiary/domestic enterprise	Manufacture of automotive components and parts	41,000,000
Beijing Autonics	Subsidiary/domestic enterprise	Manufacture of automotive components and parts	60,000,000
Wuhu Sterling	Subsidiary/domestic enterprise	Manufacture of automotive components and parts	22,800,000

Company name	Total assets	Net assets	Revenue	Operating profit	Net profit
Hangzhou Shibao	856,127,226.71	404,699,691.60	399,938,694.62	13,442,371.25	13,488,042.74
Hangzhou New Shibao	359,959,261.33	9,620,824.22	191,122,584.92	16,038,805.27	16,041,791.96
Jilin Shibao	578,728,086.25	91,951,962.29	136,411,147.10	-22,266,252.00	-22,501,587.26
Beijing Autonics	136,480,213.84	55,336,611.51	36,038,215.36	8,545,013.38	8,548,033.39
Wuhu Sterling	226,754,678.57	-45,443,983.16	157,348,764.64	-355,559.11	-512,118.86

ANALYSIS ON CORE COMPETITIVENESS

(1) Customer advantages

The automotive steering system is a security component of the vehicle, which is directly related to the safety of the vehicle and is one of the core components of the vehicle. As a result, there is a high barrier to entry into the automotive steering system industry and automakers tend to cooperate with suppliers for long-term and stability. Generally, steering system manufacturers have to go through multiple levels of standards review by automakers and third parties before becoming a supplier to automakers, and then pass small-batch trial production before they are officially entered into their qualified supplier list for batch supply, thus the new customer introduction cycle is longer. With leading technology research and development capabilities, advanced manufacturing processes, a stable and dedicated team and a high level of corporate governance, the Company has accumulated rich experience in system support and international customer resources in the automotive industry, and has become an important independent brand manufacturer of automotive steering systems.

(2) R&D and technical advantages

The Company has always paid attention to technical research and development investment, and has strong technical balance strength and design and development capabilities. After years of technical accumulation and production practice, the Company has a strong electric power steering system, recirculation ball steering (including hydraulic, electric and electro-hydraulic and other assistance methods) and intelligent wire-controlled steering design and manufacturing capabilities, and has made technical reserves in the area of wire-controlled chassis, which formed seven core technical capabilities, including steering system design and matching technology, rotary hydraulic control valve technology, electric power steering ECU technology, steering cash manufacturing technology, recirculation ball electric steering technology, intelligent wire-controlled steering and intelligent wire-controlled chassis. Meanwhile, in terms of new product development, the Company has strong supporting development capabilities and can carry out supporting development for a number of projects at the same time, and has accumulated a wealth of experience in high-end models. In terms of production process, the Company also has strong process research and development capabilities, it carries out independent design and integration innovation in the core assembly and testing production line to create an intelligent production line, which has various functions such as online automatic assembly, online testing, online data storage, online data analysis and long-term data traceability, and also has the ability to conduct flexible production, and can realize rapid iteration of the production line with subsequent product upgrades.

(3) Product quality advantage

The Company always attaches great importance to its product quality, and independent quality assurance department is established in each principal subsidiaries. It also develops a series of strict quality control and management system, in order to achieve strict management and control throughout the full process of raw materials procurement, production and after-sales services, establishing a quality management and control system with interconnection of supplier quality control, production process quality control and after-sales product quality control and management. In addition, the Company applies imported processing equipment for its key processes, and for other processing equipment, it also selects those from domestic top manufacturers. These advancing equipment facilitates the improvement of processing accuracy, as well as production efficiency and ensures the stability of product quality. All of principal subsidiaries of the Company have passed the IATF 16946:2016 Quality System Certification, and are appreciated by customers for their stable product quality.

(4) Abundant product line advantage

In terms of the Company's comprehensive products, it can produce full range of manual rack and pinion steering gear for passenger vehicles hydraulic power, electric power, and electro-hydraulic recirculating ball steering gear for commercial vehicles, column-assisted electric power steering (CEPS), pinion-assisted electric power steering (PEPS), double-pinion-assisted electric power steering (DPEPS) and rack-assisted electric power steering (REPS) for passenger vehicles. Furthermore, the Company made great investment in research and development and production equipment in recent years with new products of intermediate shaft and steering column, further enriching the Company's product lines, which provide customers with diverse automobile steering solutions. The Company adopts a flexible production model that establishes a flexible product line through equipping with multiple CNC machining centres and processing machines, and adopts the Toyota Production System, which allows us to change our product varieties in a rapid and effective manner, and achieve multi-variety batch supply.

(5) Cost advantage

The Company has applied the Toyota Production System (TPS) to its procurement system, production system, and equipment research and development system since 2005. Absorbing the essence of the TPS management system, the Company has developed its own management system based on its characteristics. Through implementing refined management, as well as tracking and monitoring the full production process in real time, the Company reduced the scrap rate, and shortened the production cycle, which effectively controlled its cost of production. The Company's principal production bases are located in Zhejiang Province, Jilin Province and Anhui Province, with concentrated automobile industries in surrounding regions, which facilitates the Company to procure raw materials and spare parts in the vicinity and reduce its procurement costs. Over the years, the Company has focused on maintaining sound relationships with its suppliers, effectively controlling the product quality and procurement cost of the Company's casting, ancillary parts and other raw materials. In addition, the processing and production of the Company's core components and key processes are mainly conducted by itself, which effectively controls the cost and ensures its product quality, enhancing the profitability of the Company.

DISCUSSION AND ANALYSIS OF OPERATIONS

(English translation for reference only)

(6) Team advantage

The Company has a stable and experienced technical, management and marketing team. The core personnel of the existing team have an average of more than 15 years of experience in the industry, as well as extensive management skills and experience in business operation, research and development, technology management and marketing, and establish an accurate understanding of the industrial development and dynamics. They have served the Company for many years, building a stable and harmonious working atmosphere. In addition, the Company attaches importance to the selection, cultivation and appointment of talents in technology, management and marketing, pay attention to maintaining a reasonable age gradient of the team, in order to reserve sufficient human resources for future product research and development, production expansion and market development.

PLEDGE OF ASSETS

As at 30 June 2023, save for the assets with restricted ownership rights and rights in use as set out on pages 72 and 103 of this report, the Group did not have any other material pledge on its assets.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 1,881 employees as at 30 June 2023. The Group provided substantial remuneration benefits to its employees in accordance with market practice, and provided retirement benefits in accordance with the related laws of the PRC.

The Company and its subsidiaries make contributions to municipal government retirement scheme for their respective qualified employees in the PRC. According to applicable PRC laws, both employers and employees are required to make contributions to the scheme at the specified rates pursuant to the rules of the scheme. The only obligation of the Company and its subsidiaries with respect to the scheme is to make the required contributions. The contributions payable under the scheme were properly accrued as at 30 June 2023.

The contributions to be made by employees under the scheme are charged to the income statement at the respective rates equivalent to the contributions paid or payable by the Company and its subsidiaries under the rules of the scheme.

CAPITAL COMMITMENTS

As at 30 June 2023, apart from the commitments set out on page 87 of this report, the Group has no other major capital commitments.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

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 Listing Rules with the exception of code provision C.1.8.

Under code provision C.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Board has not arranged a liability insurance cover for the Directors and senior executives taking into the consideration that the industry, business and financial situation of the Company are stable at present, and the Company has established sufficient internal control system. The Board will review the need for the insurance cover from time to time.

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 set out in the Model Code. According to Rule A.3(a) and B.8 of the Model Code, a director must not deal in any securities of the listed issuer during the period of 60 days immediately preceding the publication date of the annual results; and during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results and a director must not deal in any securities of the listed issuer without first notifying in writing the chairman or a director other than him and receiving a dated written acknowledgement.

The Company has made specific enquiry and was not aware of any non-compliance of the standard of dealings and the code of conduct regarding the Directors' dealings in the Company's securities during the Reporting Period.

The Company has internal control for compliance with the Model Code and reminds Directors regularly to comply with the Model Code (including reminders before the commencement of each blackout period that dealing during the blackout period is prohibited).

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) propose to the Board in respect of the remuneration policy and structure of the Company's Directors and senior management; (ii) set up a formal and transparent procedure for the determination of such remuneration policy; and (iii) assess performances and set up remuneration policy based on such assessment.

The Remuneration Committee consists of three members, namely Mr. Tsui Chun Shing (Chairman of the Remuneration Committee) and Mr. Lin Yi (both are independent non-executive Directors), and Mr. Zhang Shi Zhong (non-executive Director). As at the date of this report, no meeting of the Remuneration Committee has been held.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(English translation for reference only)

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 criteria and processes for the selection of Directors, general manager and other senior executives, and provide suggestions to the Board; (ii) look for qualified candidates of Directors, general manager and other senior executives in a wide scope; (iii) review and provide suggestions on the candidates of Directors, 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 of the Board to complement the Company's corporate strategy.

The Nomination Committee consists of three members, namely Mr. Lin Yi (Chairman of the Nomination Committee) and Mr. Tsui Chun Shing (both are independent non-executive Directors), and Ms. Zhang Lan Jun (executive Director). As at the date of this report, no meeting of the Nomination Committee has been held.

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 responsibilities 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. Tsui Chun Shing (Chairman of the Audit Committee) and Mr. Lin Yi (both are independent non-executive Directors), and Mr. Zhang Shi Zhong (non-executive Director). As at the date of this report, the Audit Committee held three meetings to review and approve, among others, the 2022 auditors' report, the 2022 internal audit report, the 2022 internal control self-assessment report, the specific statements on the use of the Company's funds by the controlling shareholders and other related parties for the year 2022, the re-appointment of Pan China Certified Public Accountants as the auditors of the Company for the year 2023, the internal audit working plan for the year 2023, the provision for asset impairment and write-off of assets for the year 2022 and the unaudited financial statements for the first quarter and half year of 2023 of the Company.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Mr. Shen Song Sheng, a Supervisor of the Company, passed away on 31 January 2023 due to illness.

At the extraordinary general meeting held on 31 March 2023, the appointment of Mr. Zhang Zhi Long as an independent Supervisor was approved by the Shareholders. His term of office commenced from 31 March 2023 until the expiry date of the seventh session of the Supervisory Committee.

Save as disclosed above, there was no change in the Directors, Supervisors and senior management of the Company during the Reporting Period.

In addition, during the Reporting Period, there were no changes in the information of Directors, Supervisors and senior management of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2023, the interests and short positions of each Director, Supervisor and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be entered in the register pursuant to Section 352 of the SFO, or interests or short positions which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) Long positions in A Shares of the Company

Name of Directors	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	Beneficial owner	26,391,580	4.61%	3.34%
Mr. Zhang Shi Zhong	Beneficial owner	7,500	0.0013%	0.0009%

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

Name of Directors	Capacity	Contribution in the registered capital	Approximate percentage in the registered capital of Shibao Holding
Mr. Zhang Shi Quan	Beneficial owner	RMB5,000,000	10%
Mr. Zhang Bao Yi	Beneficial owner	RMB15,000,000	30%
Mr. Tang Hao Han	Beneficial owner	RMB12,500,000	25%
Ms. Zhang Lan Jun	Beneficial owner	RMB12,500,000	25%
Mr. Zhang Shi Zhong	Beneficial owner	RMB5,000,000	10%

Note: Shibao Holding holds 311,123,298 A Shares, representing 54.31% of A Shares in issue and 39.40% of the total issued share capital of the Company, and accordingly is an associated corporation of the Company.

Save as disclosed above, as at 30 June 2023, the 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, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Division 7 & 8 of Part XV of the SFO, or will be required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company, or will be required pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(English translation for reference only)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, so far as is known to the Directors, 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 positions 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	311,123,298 A Shares	54.31%	39.40%

Save as disclosed above, as at 30 June 2023, the 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.

SHARE OPTION SCHEME

As at 30 June 2023, the Company has not adopted any share option scheme.

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.

“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
“Audit Committee”	audit committee of the Company
“Beijing Autonics”	Beijing Autonics Technology Co., Ltd., a wholly-owned subsidiary of the Company
“Board”	board of Directors of the Company
“Accounting Standards for Business Enterprises” or “ASBE”	financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance
“Company” or “Zhejiang Shibao”	浙江世寶股份有限公司 (Zhejiang Shibao Company Limited*), a joint stock limited company incorporated in the PRC
“Corporate Governance Code”	Corporate Governance Code, Appendix 14 to the Listing Rules
“Director(s)”	director(s) of the Company
“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 Hong Kong Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules
“Nomination Committee”	nomination committee of the Company
“PRC” or “China” or “Mainland China”	the People’s Republic of China
“Remuneration Committee”	remuneration committee of the Company

* For identification purposes only

GLOSSARY

(English translation for reference only)

“Reporting Period”	1 January 2023 to 30 June 2023
“RMB”	Renminbi, the lawful currency of the PRC for the time being
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	shareholder(s) of the Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange of the PRC
“Shibao Holding” or “Controlling Shareholder” or “Ultimate Holding Company”	Zhejiang Shibao Holding Group Co., Ltd., the controlling shareholder of the Company
“Supervisor(s)”	supervisor(s) of the Company
“Wuhu Sterling”	Wuhu Sterling Steering System Co., Ltd., a subsidiary controlled by the Company