

# Shinelong Automotive Lightweight Application Limited 勳龍汽車輕量化應用有限公司

(Incorporated in Cayman Islands with limited liability)

Stock Code : 1930

## *Annual Report* **2021**



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lin Wan-Yi (*Chairman*)  
Mr. Yung Chia-Pu  
Mr. Cheng Ching-Long  
Mr. Lu Jen-Chieh

### Non-executive Director

Ms. Hsieh Pei-Chen

### Independent Non-executive Directors

Mr. So George Siu Ming  
Mr. Lin Lien-Hsing  
Mr. Fan Chi Chiu

## BOARD COMMITTEES

### Audit Committee

Mr. So George Siu Ming (*Committee chairman*)  
Mr. Lin Lien-Hsing  
Mr. Fan Chi Chiu

### Remuneration Committee

Mr. Lin Lien-Hsing (*Committee chairman*)  
Mr. Lin Wan-Yi  
Mr. Fan Chi Chiu

### Nomination Committee

Mr. Lin Wan-Yi (*Committee chairman*)  
Mr. So George Siu Ming  
Mr. Lin Lien-Hsing

### Environmental, Social and Governance Committee

Mr. Cheng Ching-Long (*Committee chairman*)  
Mr. Fan Chi Chiu  
Mr. Lu Jen-Chieh

## JOINT COMPANY SECRETARIES

Ms. Shen Xuejuan  
Ms. Lam Nim Chi

## AUTHORISED REPRESENTATIVES

Mr. Lin Wan-Yi  
Ms. Lam Nim Chi

## AUDITOR

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
PO Box 2681, Grand Cayman  
KY1-1111 Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

2 Middle Yangguang Road  
Zhangpu Town, Kunshan City  
Jiangsu Province  
the PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## INVESTOR RELATIONS

Ms. Shen Xuejuan  
Email: [sophia@shinlone.com.cn](mailto:sophia@shinlone.com.cn)  
Telephone: (+86) 512-3683 2657

## WEBSITE

<http://www.shinlone.com.cn>

## STOCK CODE

1930

# Corporate Information

## LISTING INFORMATION

### Equity Securities

The ordinary shares of Shinelong Automotive Lightweight Application Limited (the “**Company**”) (the “**Shares**”) (stock code: 1930) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

### Financial Calendar

2021 annual results announcement	:	Wednesday, 23 March 2022
2021 annual general meeting (the “ <b>2021 AGM</b> ”)	:	Wednesday, 22 June 2022

### Closure of Register of Members and other Key Dates

The Company’s register of members will be closed during the following periods:

- To determine the shareholders of the Company (the “**Shareholders**”) who are entitled to attend and vote at the 2021 AGM

Latest time for lodging transfer documents of shares	:	4:30 p.m. on Thursday, 16 June 2022
Period of closure of register of members	:	Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive)

- To determine the Shareholders’ entitlement to the final dividend (the “**Final Dividend**”)

Latest time for lodging transfer documents of shares	:	4:30 p.m. on Monday, 27 June 2022
Period of closure of register of members	:	Tuesday, 28 June 2022 to Wednesday, 29 June 2022 (both days inclusive)
Record date	:	Wednesday, 29 June 2022

To qualify for attending and voting at the 2021 AGM and entitlement to the Final Dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than the above latest time for lodging transfer documents of shares.

Subject to the approval by the Shareholders in the 2021 AGM, the proposed Final Dividend will be paid on Friday, 22 July 2022 to Shareholders whose names appear on the register of members of the Company on Wednesday, 29 June 2022.

# Corporate Information

## **ANNUAL GENERAL MEETING**

The 2021 AGM will be held on Wednesday, 22 June 2022. Notice of the 2021 AGM will be set out in the Company's circular dated Thursday, 21 April 2022 and will be despatched together with this annual report to the Shareholders. Notice of the 2021 AGM and the proxy form will also be published on the Company's website (<http://www.shinlone.com.cn>) and the Hong Kong Stock Exchange's website (<http://www.hkex.com.hk>).

## **DESPATCH OF CORPORATE COMMUNICATIONS**

This annual report (both Chinese and English versions) will be delivered to Shareholders. This annual report is also published on the Company's website (<http://www.shinlone.com.cn>) and the Hong Kong Stock Exchange's website (<http://www.hkex.com.hk>).

For environmental protection reasons, the Company encourages the Shareholders to view this annual report posted on the aforesaid websites where possible.

# Financial Summary

## SUMMARY OF THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2021	2020	Change
Revenue (RMB'000)	<b>222,209</b>	203,445	9.2%
Gross profit (RMB'000)	<b>48,613</b>	71,225	-31.7%
Gross profit margin	<b>21.9%</b>	35.0%	-13.1 percentage points
Net profit attributable to owners of the Company (RMB'000)	<b>21,195</b>	28,347	-25.2%
Net profit margin	<b>9.5%</b>	13.9%	-4.4 percentage points
Basic earnings per share (RMB cents)	<b>3.2</b>	4.3	-25.6%
Diluted earnings per share (RMB cents)	<b>3.2</b>	4.3	-25.6%

## SUMMARY OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2021	2020	Change
Total assets (RMB'000)	<b>491,607</b>	475,687	3.3%
Cash and cash equivalents (RMB'000)	<b>98,071</b>	95,918	2.2%
Total liabilities (RMB'000)	<b>189,548</b>	191,229	-0.9%
Total equity (RMB'000)	<b>302,059</b>	284,458	6.2%
Return on equity	<b>7.0%</b>	10.0%	-3.0 percentage points
Return on total assets	<b>4.3%</b>	6.0%	-1.7 percentage points

# Chairman's Statement

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of the Company, I am pleased to present to the Shareholders the annual results of the Company together with its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**FY2021**”).

The Group is a developer and major supplier of customised moulds in the People's Republic of China (the “**PRC**”), with a focus on moulds for the production of automotive parts which cater for the growing trend of automotive lightweight application, as well as electrical appliance parts and other parts. The Group seeks to offer comprehensive moulding services and solutions to the customers, covering product analysis, mould design and development; mould fabrication, assembling, testing and adjustment; trial production and aftersales services.

## BUSINESS REVIEW

In 2021, the novel coronavirus disease 2019 (“**Covid-19**”) pandemic situation was relatively under control in the PRC, the macroeconomic situation in the PRC was generally stable, and the demand for automobiles in the PRC continued to recover. Automobile production and sales in the PRC in 2021 increased by 3.4% and 3.8% year-on-year, respectively, which ended the decline of three consecutive years, and the proportion of new energy vehicles in automobile production and sales continues to increase. However, the automobile industry also faces problems such as the recurrence of epidemic in some areas, tight power supply, high prices of raw materials, insufficient chip supply, and fierce competition in upstream and downstream. In 2021, orders from one of the Group's major customers for automotive moulds decreased. During the year, the Group continued to explore the automotive mould market, deepen the cooperation with existing customers and actively develop new customers to expand the customer base.

In 2021, the sales volume of major electrical appliance categories in the PRC fell. However, as the prices of raw materials rose, the sales amount increased year-on-year. The electrical appliance industry is rather mature, with a high retention rate of traditional electrical appliance and limited market growth. In 2021, the electrical appliance industry is also affected by the shortage of chip supply and the development of certain new products has been delayed.

In the first half of 2020, due to the outbreak of Covid-19, the demand for health protective appliance moulds increased significantly. In 2021, the Covid-19 situation was relatively under control in the PRC, the demand of health protective appliance moulds fell. The Group did not record any sales of health protective appliance moulds in 2021.

The revenue of the Group for FY2021 amounted to approximately RMB222.2 million, representing an increase of approximately RMB18.8 million or 9.2% as compared with that of RMB203.4 million for the year ended 31 December 2020 (the “**FY2020**”). Such increase was mainly due to the net effect of the increase in revenue generated from the sales of automotive moulds and the decrease in revenue generated from the sales of health protective appliance moulds. Profit attributable to owners of the Company for FY2021 amounted to approximately RMB21.2 million, representing a decrease of 25.2% as compared with that of approximately RMB28.3 million for FY2020. Such decrease was mainly due to the combined effects of (i) the absence of revenue generated from the sales of health protective appliance moulds ; (ii) decrease in gross profit margin as a result of sales discounts offered to some of the Group's major customers and fierce competition; (iii) increase in other income arising from the disposal of plant and land; and (iv) decrease in general and administrative expenses.

# Chairman's Statement

## OUTLOOK

In 2022, the complex and fast changing situation at domestic and abroad will still bring uncertainties. In particular, the risk of chip supply shortage caused by the rebound of overseas epidemic situation still exists, and the recurrence of epidemic in some areas of the PRC will also affect supply and demand to a certain extent. These problems will also affect industries of automobile and automotive mould, electrical appliances and electrical appliance mould.

On the other hand, in 2022, the implementation of measures to reduce subsidies for new energy vehicles and abolish restrictions on foreign equity in passenger car manufacturing industry, as well as the acceleration of the replacement of old vehicles and the promotion of localised manufacturing of automotive parts will make the automobile and automotive mould industry face challenges, but also bring new opportunities.

The electrical appliance industry has entered into the cycle of replacing the old for the new, and the upgrading of product functions and structure driven by consumption upgrading and this brings sales opportunities for high-end and high-quality products. The popularity and growth of some emerging categories also play a greater role in promoting the market. These are expected to bring new development opportunities for electrical appliance moulds, but at the same time, competition is also becoming fierce.

In 2022, the Group will formulate business strategies based on changes in the market and operating environment, continue to improve production efficiency, improve mould quality, strengthen R&D and design capabilities and plan to install new automotive hot-pressing moulds debugging line(s) to strengthen service capabilities and consolidate competitive advantages. The Group will seize business opportunities, actively explore potential markets to increase market share and expand customer base. The Group will construct new plant with the acquired land and continue to implement the strategies and expansion plans as set out in the Company's prospectus dated 17 June 2019 (the "Prospectus") and strive to prevent and control operational risks.

## DIVIDEND

Taking into account the Group's business development needs and the Shareholder's investment returns, the Board proposed a Final Dividend of HK0.286 cents (equivalent to RMB0.233 cents) per share for FY2021.

## APPRECIATION

On behalf of the Board, I would like to extend our gratitude to all of our employees and management team for their effort and contribution, and also thank our Shareholders and business partners for their trust and support. Going forward, the Group will strive to achieve a stable growth and create higher value for our Shareholders.

### Lin Wan-Yi

*Chairman and executive Director*

Hong Kong, 23 March 2022

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The revenue of the Group amounted to approximately RMB222.2 million for FY2021, representing an increase of approximately RMB18.8 million or 9.2% as compared with that of approximately RMB203.4 million for FY2020.

The following table sets forth a breakdown of the revenue of the Group by business segment:

	For the year ended 31 December		
	2021 RMB'000	2020 RMB'000	Change %
<b>Sales of moulds</b>			
Automotive moulds	133,884	78,361	70.9
Electrical appliance moulds	65,802	65,278	0.8
Health protective appliance moulds	–	40,823	-100.0
Other moulds	3,007	3,573	-15.8
Sub-total	202,693	188,035	7.8
<b>Parts processing services</b>	17,625	14,319	23.1
<b>Other sundry income</b>	1,891	1,091	73.3
Total	222,209	203,445	9.2

#### (i) Sales of moulds

The Group principally engages in the design, development, manufacture and sales of customised hot-pressing moulds, hydroforming moulds and injection moulds which are used in auto manufacturing. Apart from automotive moulds, the Group also engages in the design, development, manufacture and sales of customised plastic moulds for the production of electrical appliance and other parts. Sales of moulds accounted for 91% of the Group's revenue for FY2021.

The revenue generated from sales of automotive moulds for FY2021 amounted to approximately RMB133.9 million, representing an increase of approximately RMB55.5 million or 70.9% as compared with that of approximately RMB78.4 million for FY2020. Such increase was primarily due to the net effect of (i) the increase in revenue generated from three of the Group's major customers whose orders had increased in 2019 or 2020, which resulted in an increase in the amount of acceptance reports received by the Group during the reporting period; (ii) the increase in revenue generated from two of the Group's new customers during the reporting period; and (iii) the decrease in revenue generated from one of the Group's major customers.

# Management Discussion and Analysis

The revenue generated from sales of electrical appliance moulds for FY2021 amounted to approximately RMB65.8 million, representing an increase of approximately RMB0.5 million or 0.8% as compared with that of approximately RMB65.3 million for FY2020. There was little change in revenue compared with the corresponding period.

Due to the stable control of the Covid-19 pandemic situation in the PRC, the Group has not received orders for health protective appliance moulds since the second half of 2020.

## (ii) Parts processing services

Parts processing services principally include services provided to the customers for (i) modification of moulds the Group manufactured and sold; and (ii) processing machine parts that are used in automotive moulds and electrical appliance moulds. The revenue generated from parts processing services for FY2021 amounted to approximately RMB17.6 million, representing an increase of approximately RMB3.3 million or 23.1% as compared with that of approximately RMB14.3 million for FY2020. Such increase was primarily due to the increase in revenue generated from parts processing services for automotive moulds provided by the Group.

## Cost of sales

The Group's cost of sales primarily consists of direct materials, direct labour, manufacturing overhead and subcontracting expenses. The major raw materials used by the Group in the production of moulds include, among others, mould steel, mould parts, hot runner and mould base.

The cost of sales of the Group for FY2021 amounted to approximately RMB173.6 million, representing an increase of approximately RMB41.4 million or 31.3% as compared with that of approximately RMB132.2 million for FY2020. The increase in cost of sales of approximately 31.3% was much higher than the increase in revenue of approximately 9.2% in FY2021. This was mainly due to absence of revenue from sales of health protective appliance moulds, which had much higher gross profit margin (as further explained in the paragraph headed "Gross profit and gross profit margin" below), in FY2021.

## Gross profit and gross profit margin

The gross profit of the Group for FY2021 amounted to approximately RMB48.6 million, representing a decrease of approximately RMB22.6 million or 31.7% as compared with that of approximately RMB71.2 million for FY2020. The gross profit margin decreased from 35.0% for FY2020 to 21.9% for FY2021, which was mainly attributable to (a) the absence of revenue generated from sales of health protective appliance moulds for FY2021. The Group was able to charge a higher mark-up in this business segment for FY2020 mainly due to (i) the high demand of masks as a result of the outbreak of Covid-19; (ii) the request of urgent delivery of moulds from the new customers; and (iii) the relatively short production cycle; (b) decrease in revenue generated from one of the Group's major customers as orders received from such customer decreased for FY2020, which resulted in a decrease in the amount of acceptance reports received by the Group during the reporting period. The gross profit margin from the sales to such customer is relatively higher than other customers; and (c) decrease in gross profit margin from sales of electrical appliance moulds as a result of sales discounts offered to some of the Group's major customers and fierce competition.

# Management Discussion and Analysis

## Other income and gains

Other income and gains of the Group mainly consisted of government grants, interest income, gain on disposal of assets and foreign exchange differences. The amount increased from approximately RMB3.6 million for FY2020 to approximately RMB11.5 million for FY2021 which was mainly due to the increase of approximately RMB6.5 million in gains arising from the disposal of assets and increase in government grants of approximately RMB0.8 million for the year. The gains from the disposal of assets for FY2021 was mainly attributable to the disposal of the plant and land, located in 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, owned by Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited (勳龍智造精密應用材料(蘇州)股份有限公司) (“**Shinelong (Suzhou)**”), a wholly-owned subsidiary of the Company. For more detailed information, please refer to the announcement made by the Company on 27 August 2021.

## Selling and distribution expenses

Selling and distribution expenses of the Group mainly consisted of staff costs for sales staff, provision for warranty and logistics expenses for delivery of moulds to customers. The amount decreased from approximately RMB6.5 million for FY2020 to approximately RMB6.0 million for FY2021, representing a decrease of approximately RMB0.5 million or 7.6%. Such decrease was mainly due to the decrease in staff costs for FY2021 compared with that of FY2020.

## General and administrative expenses

General and administrative expenses of the Group for FY2021 amounted to approximately RMB27.7 million, representing a decrease of approximately RMB5.7 million or 17.0% as compared with that of approximately RMB33.4 million for FY2020. Such decrease was primarily due to the net effects of (i) the decrease in impairment losses for trade and notes receivables of approximately RMB7.8 million; (ii) increase in welfare funds, labour-union expenditure and taxes; and (iii) decrease in consulting fee. The significant amount of impairment losses for trade and notes receivables for FY2020 was mainly attributable to the failure of a customer of the Group to settle trade receivables as agreed. As at the date of this report, these trade receivables have been written off as the debtor has no remaining assets based on the investigation results of the court.

## Finance costs

Finance costs of the Group mainly consisted of interest expenses on lease liabilities. The amount remained relatively stable at approximately RMB0.8 million for FY2020 and approximately RMB0.7 million for FY2021.

## Income tax expenses and effective tax rate

Income tax expenses of the Group decreased from approximately RMB5.8 million for FY2020 to approximately RMB4.6 million for FY2021. The effective tax rate, representing income tax expense divided by profit before taxation, were 16.9% and 17.8% for FY2020 and FY2021, respectively.

## Net profit and net profit margin

The Group recorded net profit attributable to owners of the Company of approximately RMB28.3 million and approximately RMB21.2 million for FY2020 and FY2021, with a net profit margin of 13.9% and 9.5%, respectively, which decrease was mainly due to the decrease in gross profit margin of the Group as mentioned above.

# Management Discussion and Analysis

## Capital expenditure and commitments

The Group's capital expenditure in FY2021 primarily comprised expenditure on machinery and furniture, fixtures and equipment and amounted to a total of approximately RMB8.7 million (31 December 2020: approximately RMB20.7 million).

As at 31 December 2021, the Group had capital commitments of approximately RMB13.9 million (31 December 2020: approximately RMB3.8 million).

## Liquidity and financial resources

The Group's operations were primarily financed through its operating activities for FY2021. The Group derived its cash inflow from operating activities primarily through the receipt of payments from the customers in relation to the sales of moulds and parts processing services. The Group's cash outflows from operating activities primarily comprised payments for purchases of raw materials, direct labour costs, subcontracting fees to third-party contractors and operating expenses such as staff costs.

As at 31 December 2021, the Group's total current assets and current liabilities were approximately RMB386.3 million (31 December 2020: approximately RMB378.0 million) and approximately RMB175.7 million (31 December 2020: approximately RMB176.7 million), respectively, while the current ratio was approximately 2.2 times (31 December 2020: approximately 2.1 times). The increase in total current assets as at 31 December 2021 was mainly attributable to the increase in trade and notes receivables. The decrease in total current liabilities as at 31 December 2021 was mainly attributable to the net effects of the decrease in contract liabilities and the increase in trade payables. As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB98.1 million (31 December 2020: approximately RMB95.9 million).

As at 31 December 2021, the Group's gearing ratio was 4.6% (31 December 2020: 6.2%), which was calculated based on interest-bearing liabilities divided by total equity.

Going forward, the Group expects to fund its future operations and expansion plans primarily with listing proceeds, cash generated from operations and borrowings.

## Reserves and capital structure

As at 31 December 2021, the Group's total equity was approximately RMB302.1 million (31 December 2020: approximately RMB284.5 million), which represented share capital of approximately RMB5.8 million (31 December 2020: approximately RMB5.8 million), reserves of approximately RMB296.7 million (31 December 2020: approximately RMB278.4 million), treasury shares of approximately RMB0.7 million (31 December 2020: Nil) and non-controlling interests of approximately RMB0.3 million (31 December 2020: approximately RMB0.3 million). The increase in total equity was primarily due to the net profit recorded for FY2021.

## Property, plant and equipment

The Group's property, plant and equipment mainly comprised of buildings, machinery, furniture, fixtures and equipment, leasehold improvements and motor vehicles. As at 31 December 2021, the Group's property, plant and equipment amounted to approximately RMB70.9 million (31 December 2020: approximately RMB74.0 million).

# Management Discussion and Analysis

## Inventories

The Group's inventories comprised (i) raw materials and low-value consumables used in production, (ii) work-in-progress for products being manufactured in the production plants, and (iii) finished goods which comprised moulds that had only passed the customers' initial inspection for which the Group had not received their final acceptance reports. As at 31 December 2021, the Group's inventories amounted to approximately RMB182.2 million (31 December 2020: approximately RMB185.6 million).

## Trade and notes receivables

The Group's trade and notes receivables represented amounts receivable from the customers in relation to the sales of moulds and provision of parts processing services. The Group's notes receivables were issued by the customers with which the Group could receive the amount at a fixed future date, or could readily be discounted into cash at an expense of finance charge. As at 31 December 2021, the Group's trade and notes receivables amounted to approximately RMB95.7 million (31 December 2020: approximately RMB84.5 million). Such increase was mainly due to (i) increase in amounts of final acceptance reports of automotive moulds and electrical appliance moulds received by the Group, which were concentrated in the fourth quarter, resulting in an increase in trade receivables which was partially offset by the decrease in notes receivables; and (ii) the decrease in impairment losses for trade and notes receivables from approximately RMB9.0 million for FY2020 to approximately RMB1.2 million for FY2021 as mentioned in "General and administrative expenses" section above.

## Trade payables

The Group's trade payables primarily consisted of payable to the suppliers in relation to the purchase of the raw materials for the manufacture of moulds, and subcontracting fees payable to third-party contractors. As at 31 December 2021, the Group's trade payables amounted to approximately RMB59.8 million (31 December 2020: approximately RMB43.8 million). Such increase was mainly due to the increase in purchase volume of raw materials in the fourth quarter of 2021 resulting from the increase in orders received in the fourth quarter of 2021 compared with the corresponding period.

## Contract liabilities

The Group's contract liabilities consisted of the short-term advances received to deliver moulds. Pursuant to the contract, the Group generally requires the customers to pay around 30% of the total fee when they place a purchase order and around 40% to 50% of the total fee when the moulds have been fabricated and are ready for delivery to the customers. Such payments from the customers were recorded as contract liabilities and the moulds related to these contract liabilities were recorded as work-in-progress for products being manufactured in production plants and finished goods in the Group's inventories.

After the moulds have passed the customers' final inspection and examination, the customers would issue final acceptance reports to the Group, at which time, the Group would recognise the sales and reverse the related contract liabilities and record the remaining balance of around 20% to 30% of the total fee as trade receivables.

As at 31 December 2021, the Group's contract liabilities amounted to approximately RMB92.5 million (31 December 2020: approximately RMB108.3 million), most of which represented payments from the customers for moulds that had passed their initial inspection but for which the Group had not received their final acceptance reports.

# Management Discussion and Analysis

## EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 353 employees (31 December 2020: 345 employees), all of whom were in the PRC. To promote employees' knowledge and technical expertise, the Group offers training programmes to employees from time to time according to their job duties. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. In addition to basic remuneration, the Group also makes contributions to mandatory social security funds for the benefit of the PRC employees that provide for retirement insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing funds. The Company also maintains a share option scheme and a share award scheme, which aim to providing incentives to employees to contribute to the Group's development.

The total staff cost including remuneration, other employee benefits, equity-settled share reward expense and contributions to retirement schemes for the Directors and other staff of the Group for FY2021 amounted to approximately RMB48.9 million (FY2020: approximately RMB35.0 million). The increase in staff cost was mainly due to the increase in direct labor cost and equity-settled share reward expense.

## MATERIAL ACQUISITIONS AND DISPOSALS

During FY2021, the Group had no material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

In August 2021, Shinelong (Suzhou), a wholly-owned subsidiary of the Company, entered into an agreement with Zhangpu Construction Bureau of Kunshan Municipality\* (昆山市張浦鎮建設局) (the "**Purchaser**") and sold to the Purchaser the real estate and certain machinery and equipment (the "**Disposal Assets**"), which were located at 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, at the consideration of approximately RMB15.1 million. The parties have completed the registration or filing of the change in property right. Pursuant to the agreement, the Purchaser agreed that Shinelong (Suzhou) can continue to use the Disposal Assets free of charge until Shinelong (Suzhou) completes the construction of new plant and relocation to the new plant.

In November 2021, Shinelong (Suzhou), a wholly-owned subsidiary of the Company, successfully bid the land use rights of a piece of land with an area of approximately 27,519 square meters (the "**Land**") at the consideration of approximately RMB6.9 million through an open online listing-for trading activity. After that, Shinelong (Suzhou) entered into investment and development supervision agreement and the transfer agreement in relation to the Land respectively.

For further details, please refer to the announcements of the Company dated 27 August 2021 and 12 November 2021, respectively.

## CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities (as at 31 December 2020: Nil).

## PLEDGES OVER GROUP'S ASSETS

As at 31 December 2021, none of the assets of the Group were pledged.

# Management Discussion and Analysis

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

In relation to the acquisition of land use rights of the Land as disclosed in the section of headed “Material Acquisitions and Disposals”, the Group plans to appoint construction contractors for certain construction services related the development of the Land, and the Company will make further announcement(s) in relation to this matter when required in compliance with the requirements under the Listing Rules.

## SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 December 2021.

## FOREIGN CURRENCY EXPOSURE

Since the Group generated most of the revenue and incurred most of the costs in Renminbi for FY2021, there was no significant exposure to foreign exchange rate and the Group did not maintain any hedging policy against foreign exchange risk. The management will consider hedging significant currency exposure should the need arise.

## USE OF PROCEEDS

The net proceeds from the Listing (the “**Net Proceeds**”), after deducting the underwriting fees and other related expenses in connection with the Listing, was approximately HK\$95.6 million. The Company intends to apply the Net Proceeds in accordance with the proposed application as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The following table sets out the utilisation of the Net Proceeds as at 31 December 2021:

	Percentage of Net Proceeds	Net Proceeds from the global offering HK\$' million	Utilised up to 31 December 2021 HK\$' million	Unutilised as at 31 December 2021 HK\$' million	Expected timeline for full utilisation
Lease the premises for new factory	4.0%	3.8	3.4	0.4	By the end of 2022
General set up costs of the factory	3.2%	3.1	2.4	0.7	By the end of 2022
Purchase new production equipment	76.3%	72.9	33.2	39.7	By the end of 2023
Purchase softwares	6.5%	6.2	3.3	2.9	By the end of 2023
Supplement working capital	10.0%	9.6	9.6	–	–
		95.6	51.9	43.7	

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the Net Proceeds were applied based on the actual development of the Group’s business and the industry. The Directors regularly evaluate the Group’s business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. The Directors currently expected that the unutilised Net Proceeds would be used in accordance with the Company’s plan as disclosed in the Prospectus and there was no material change in the use of proceeds.

# Management Discussion and Analysis

The expected timeline of application of the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of the Group's business and the market conditions.

As at 31 December 2021, the unutilised Net Proceeds of approximately HK\$43.7 million have been placed as interest bearing deposits with licensed banks in the PRC and Hong Kong.

## COMPARISON OF EXPANSION PLANS WITH ACTUAL PROGRESS

An analysis comparing the expansion plans of the Group as set out in the Prospectus with the Group's actual business progress as at 31 December 2021 is set out below:

Expansion plans	Implementation plans	Actual business progress
Setting up a new factory	— Lease and set up a new factory	— The Group has leased a factory with a gross floor area of approximately 1,800 sq.m. in Kunshan in September 2019.  — The Group has leased a factory and office premises with a gross floor area of approximately 1,407 sq.m. in Kunshan in August and October 2020.
	— General set up costs of the factory	— The Group has utilised an aggregate of HK\$2.4 million on the construction of the foundation for the automatic thermoforming press line and the electrical distribution works.
Expanding the production facilities and capabilities	— Purchase new production equipment	— The Group has utilised an aggregate of HK\$33.2 million to acquire one set of three-coordinates measuring machine, ten sets of computerised numerical control machines and one set of automatic thermoforming press lines for mould production and debugging.
	— Purchase softwares	— The Group has utilised an aggregate of HK\$3.3 million to acquire computer softwares for product analysis and mould design.

# Biographies of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Lin Wan-Yi (林萬益)**, aged 61, is an executive Director, Chairman and chief executive officer of the Company, who founded the Group in January 2002. He is the chairman of the Nomination Committee and a member of the Remuneration Committee of the Board. Mr. Lin was appointed as a Director of the Company on 2 October 2018, and was re-designated as an executive Director, Chairman and chief executive officer of the Company since then. Mr. Lin is also a director of certain subsidiaries of the Company. He is primarily responsible for supervising the operations and planning the business and marketing strategies of the Group. Mr. Lin is the controlling Shareholder of the Company (within the meaning of Part XV of the Securities and Future Ordinance (the “SFO”).

Mr. Lin has more than 31 years of experience in moulding industry. From November 1991 to December 2015, he served as a director of Shin Lone Industrial Company Limited (勳龍工業股份有限公司) (“Shin Lone Taiwan”). Shin Lone Taiwan was a mould manufacturer in Taiwan until it ceased to operate and was dissolved on 31 December 2015. Shin Lone Taiwan was solvent at the time it was dissolved on 31 December 2015.

Mr. Lin obtained a master degree in business administration from Fudan University in the PRC in January 2016.

**Mr. Yung Chia-Pu (雍嘉樸)**, aged 60, is an executive Director of the Company, who joined the Group in January 2002. Mr. Yung was appointed as a Director of the Company on 15 February 2019, and was re-designated as an executive Director of the Company. Mr. Yung is also a director of a subsidiary of the Company. He is primarily responsible for overseeing the overall operation and development of the Group.

Mr. Yung has more than 26 years of experience in the moulding industry. From July 1981 to June 1988, Mr. Yung worked as a technician of the Arsenal of the Taiwan Combined Logistics Command (臺灣聯勤兵工廠). From October 1988 to October 1990, Mr. Yung worked as a technician of Jet-Shine Machinery Company Limited (振興機械股份有限公司). From October 1990 to October 1991, Mr. Yung worked as a technician of Shang Ming Machinery Industry Company Limited (上銘機械工業股份有限公司). From November 1991 to December 2015, Mr. Yung worked as a director of Shin Lone Taiwan.

Mr. Yung obtained an associate degree in mechanical engineering from Lee-Ming Institute of Technology (黎明技術學院) in Taiwan in June 1989.

**Mr. Cheng Ching-Long (鄭景隆)**, aged 46, is an executive Director and vice president of operation of the Company, who joined the Group in February 2008. He is the chairman of the Environmental, Social and Governance Committee of the Board. Mr. Cheng was appointed as a Director of the Company on 15 February 2019, and was re-designated as an executive Director of the Company. Mr. Cheng is also a director of certain subsidiaries of the Company. He is primarily responsible for overseeing the daily operations of the Group and planning the overall operation and development of the Group.

Mr. Cheng has more than 15 years of experience in moulding industry. From March 1997 to September 2002, Mr. Cheng worked as a fitter in Titan Mold Corporation (冠譽股份有限公司). From October 2002 to June 2007, Mr. Cheng worked as a factory director of Kunshan Jiateng Photoelectric Plastic Company Limited (昆山佳騰光電塑膠有限公司).

Mr. Cheng obtained a diploma in human resources management from Beijing Institute of Technology (北京理工大學) in the PRC in January 2018.

# Biographies of Directors and Senior Management

**Mr. Lu Jen-Chieh (盧仁傑)**, aged 50, is an executive Director of the Company, who joined the Group in June 2015. He is a member of the Environmental, Social and Governance Committee of the Board. Mr. Lu was appointed as a Director of the Company on 15 February 2019, and was re-designated as an executive Director of the Company. Mr. Lu is also a director of a subsidiary of the Company. He is primarily responsible for overseeing the daily operations of the Group and the operation of CNC machines in the production processes.

Mr. Lu has more than 26 years of experience in moulding industry. From 1993 to 1996, Mr. Lu worked as a technician of Shin Lone Taiwan. From 1996 to 2001, Mr. Lu worked as an engineer of Yang Iron Works Company Limited (楊鐵工廠股份有限公司). From 2002 to 2015, Mr. Lu returned to Shin Lone Taiwan and worked as a technician. He was also responsible for management during that period.

Mr. Lu obtained a diploma in industrial engineering and management from China University of Science and Technology Affiliated Junior College of Continuing Education (中華技術學院附設專科進修學校) in Taiwan in June 2002.

## NON-EXECUTIVE DIRECTOR

**Ms. Hsieh Pei-Chen (謝佩真)**, aged 48, was appointed as a Director of the Company on 26 April 2019 and was re-designated as a non-executive Director of the Company. She is primarily responsible for advising on finance, accounting and corporate governance matters of the Group. Ms. Hsieh is a shareholder of Shine Art International Limited (“**Shine Art**”) and is regarded as a controlling Shareholder of the Company.

Ms. Hsieh has more than 20 years of accounting experience with mould manufacturers. From October 1999 to November 2015, Ms. Hsieh worked as an accounting officer of Shin Lone Taiwan. Since December 2015, Ms. Hsieh has worked as an accounting officer of Hung Shuen Company (鴻順工業股份有限公司).

Ms. Hsieh obtained a diploma in industrial engineering and management (工業工程與管理) from Oriental Institute of Technology (亞東工業專科學校) in Taiwan in June 1994.

# Biographies of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. So George Siu Ming (蘇少明)**, aged 63, was appointed as an independent non-executive Director of the Company on 6 June 2019. He is the chairman of the Audit Committee and a member of the Nomination Committee of the Board. He is primarily responsible for providing independent views on the management of the Group and does not participate in the day-to-day management of the business operations.

Mr. So has more than 35 years of experience in auditing, accounting and finance areas. Mr. So worked in FDG Electric Vehicles Limited (五龍電動車(集團)有限公司) (formerly known as Carico Holdings Limited (中汽資源投資有限公司)), Jia Sheng Holdings Limited (嘉盛控股有限公司) and Thunder Sky Battery Limited (中聚雷天電池有限公司) (stock code: 729), a company listed on the Main Board of the Hong Kong Stock Exchange, as an executive director from May 2007 to June 2010 and held various positions including chief operating officer, chief financial officer and company secretary between May 2007 to August 2010. From December 2011 to July 2013, Mr. So was an independent non-executive director of South China Land Limited (南華置地有限公司), currently known as South China Assets Holdings Limited (南華資產控股有限公司) (stock code: 8155), a company listed on the GEM of the Hong Kong Stock Exchange, during which he held positions including the chairman of the remuneration and nomination committee and a member of the audit committee. From March 2007 to May 2011, Mr. So was employed at Asset Managers (Asia) Company Limited (亞盛(亞洲)有限公司), where he served as chief financial officer from March 2007 to May 2011 and chief operating officer from December 2008 to May 2011.

Mr. So obtained a bachelor degree in arts from the University of Toronto in Canada in June 1983 and a master degree in science from the Chinese University of Hong Kong in December 2005. Mr. So was admitted as a certified public accountant and a fellow of Hong Kong Institute of Certified Public Accountants in July 1993 and December 2005, respectively. Mr. So was also granted the designation of Chartered Professional Accountant by, and admitted as a member of, the Institute of Chartered Accountants of Ontario in November 2012 and April 2014, respectively.

**Mr. Lin Lien-Hsing (林連興)**, aged 52, was appointed as an independent non-executive Director of the Company on 6 June 2019. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Board. He is primarily responsible for providing independent views on the management of the Group and does not participate in the day-to-day management of the business operations.

From August 1996 to September 1999, Mr. Lin was a member of the financial department at Yang Ming Marine Transport Corporation (陽明海運股份有限公司). From September 1999 to February 2008, Mr. Lin was a finance manager of Data Systems Consulting Company Limited (鼎新電腦股份有限公司). From April 2010 to March 2015, Mr. Lin was employed at Digiwin Software Company Limited (鼎捷軟件股份有限公司) (stock code: 300378), a company listed on the Shenzhen Stock Exchange, during which he served the respective roles of secretary of the board of directors, finance manager and director. Mr. Lin was a partner of Strait Capital Investment Group (海峽資本管理顧問股份有限公司) from April 2015 to July 2019 and served as consultant from August 2019 to June 2021. Mr. Lin is currently an independent director of Aethertek Technology Co., Ltd. (倚強科技股份有限公司) (stock code: 3219), a company listed on The Taiwan Stock Exchange Corporation (the "Taiwan Stock Exchange"). Mr. Lin has been appointed as an independent director of L&K Engineering (Suzhou) Co., Ltd. (亞翔系統集成科技(蘇州)股份有限公司) (stock code: 603929), a company listed on the Shanghai Stock Exchange, on 16 March 2021.

Mr. Lin obtained a bachelor degree in management from the National Taiwan University in Taiwan in 1992. Mr. Lin obtained a secretary to board of directors qualification from the Shenzhen Stock Exchange in 2018.

# Biographies of Directors and Senior Management

**Mr. Fan Chi Chiu (范智超)**, aged 36, was appointed as an independent non-executive Director of the Company on 6 June 2019. He is a member of the Audit Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Board. He is primarily responsible for providing independent views on the management of the Group and does not participate in the day-to-day management of the business operations.

Mr. Fan has more than 14 years of working experience in the auditing and financial management industry. From October 2007 to June 2011, he worked at PricewaterhouseCoopers, with his last position as a senior associate. From July 2011 to February 2014, he worked at Barclays Investment Bank, with his last position as analyst. From April 2014 to March 2015, Mr. Fan worked as a finance director at Vantasia Holdings (H.K.) Limited. Mr. Fan was the chief financial officer of the ELL Environmental Holdings Limited (stock code: 1395), a company listed on the Main Board of the Hong Kong Stock Exchange from April 2015 to September 2021. Mr. Fan was an executive director of Grace Wine Holdings Limited (stock code: 8146), a company listed on the GEM of the Hong Kong Stock Exchange, from July 2017 to September 2021. He has been an independent non-executive director of Hevol Service Group Co. Limited (stock code: 6093), a company listed on the Main Board of the Hong Kong Stock Exchange, since June 2019 and an independent non-executive director of Weihai City Commercial Bank Co., Ltd. (stock code: 9677), a company listed on the Main Board of the Hong Kong Stock Exchange, since June 2020. Mr. Fan has also been the chief investment officer of AB Builders Group Limited (stock code: 1615), a company listed on the Main Board of the Hong Kong Stock Exchange, since November 2021.

Mr. Fan obtained a bachelor degree in professional accountancy from the Chinese University of Hong Kong in Hong Kong in December 2007. Mr. Fan is a member of the Hong Kong Institute of Certified Public Accountants.

## SENIOR MANAGEMENT

**Mr. Lin Wan-Yi (林萬益)** is the chief executive officer of the Company. For the biographies of Mr. Lin, please see the sub-section “Biographies of Directors and Senior Management — Executive Directors” above.

**Mr. Cheng Ching-Long (鄭景隆)** is the vice president of operation of the Company. For the biographies of Mr. Cheng, please see the sub-section “Biographies of Directors and Senior Management — Executive Directors” above.

**Mr. Lu Jen-Chieh (盧仁傑)** is the equipment and technical vice president of the CNC department of the production management centre of the Company. For the biographies of Mr. Lu, please see the sub-section “Biographies of Directors and Senior Management — Executive Directors” above.

**Mr. Chen Ming-Chih (陳明志)**, aged 39, is the chief technology officer of the Company, who joined the Group in March 2017. He is primarily responsible for supervising the daily operations, research and development. Mr. Chen has more than 11 years of experience in the moulding industry. Prior to joining the Group, from January to June 2007, Mr. Chen was the mould engineer of Lee Chi Enterprises Co. Ltd. (利奇機械工業股份有限公司) (stock code: 1517), a company listed on the Taiwan Stock Exchange. From September 2010 to March 2016, Mr. Chen was the engineer, assistant manager and manager of the department of technology of Shanghai Kunyi Precise Metal Molding Products Company Limited (上海坤億精密金屬成型製品有限公司). From June 2016 to March 2017, Mr. Chen was the automobile parts technology manager of Aritex Products Company Limited (緯航企業有限公司).

Mr. Chen obtained a master degree in mechanical engineering from National Taiwan University (國立臺灣大學) in Taiwan in June 2010.

# Biographies of Directors and Senior Management

**Ms. Wang Jinxin (王進新)**, aged 37, joined the Group in April 2005 and is the finance manager of Shinelong (Suzhou), a principal subsidiary of the Company. Ms. Wang was appointed as the Chief Financial Officer of the Company since June 2020. Ms. Wang has more than 16 years of experience in accounting and financial management.

Ms. Wang obtained an undergraduate diploma in accounting from Nanjing University of Finance & Economics (南京財經大學) in July 2015. Ms. Wang obtained the qualification for primary level accounting approved and issued by Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) in May 2007. Ms. Wang obtained the qualification for medium level accounting approved and issued by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) and the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in September 2019. Ms. Wang obtained the qualification of Intermediate Management Accountant issued by China Association of Chief Financial Officers (中國總會計師協會) in March 2020.

## JOINT COMPANY SECRETARIES

**Ms. Shen Xuejuan (沈雪娟)**, aged 43, is one of the joint company secretaries of the Company, who joined the Group in March 2014. Ms. Shen was appointed as the joint company secretary of the Company in February 2019. Ms. Shen has more than 18 years of experience in operation and secretarial matters. Prior to joining the Group, from the period of June 2001 to April 2003, Ms. Shen was responsible for procurement at the PRC office of PAK 2000. From April 2004 to June 2006, Ms. Shen was a sales assistant of Kunshan New China Biotech Company Limited (昆山新華聯合生物科技有限公司). From December 2006 to May 2013, Ms. Shen was an operation officer of Solid-State (Kunshan) Precision Industries Company Limited (碩利特(昆山)精密工業有限公司). From June 2013 to January 2014, Ms. Shen was a clerk at Kunshan Henry Metal Technology Company Limited (昆山亨利金屬科技有限公司).

Ms. Shen obtained a diploma in public relation and secretary from Huainan United University (淮南聯合大學) in the PRC in July 2001.

**Ms. Lam Nim Chi (林念慈)**, aged 31, was appointed as one of the joint company secretaries of the Company on 28 August 2019. She is mainly responsible for compliance matters in relation to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”) as well as other Hong Kong regulatory requirements. Ms. Lam has 9 years of experience in the corporate secretarial field. Ms. Lam has been employed by Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services, since 4 July 2012, and her current position is a manager in corporate services.

Ms. Lam obtained a bachelor's degree in business administration from City University of Hong Kong (香港城市大學) on 16 July 2012. Ms. Lam has been registered as a Chartered secretary, a Chartered Governance Professional and an Associate member of both The Hong Kong Chartered Governance Institute (formerly known as “The Hong Kong Institute of Chartered Secretaries”) and The Chartered Governance Institute (formerly known as “The Institute of Chartered Secretaries and Administrators”) in the United Kingdom since 30 November 2015.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders of the Company, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Listing Rules as the basis of the Company’s corporate governance practices.

The Board is of the view that throughout the year ended 31 December 2021 and up to the date of this report, the Company has complied with all the code provisions as set out in the CG Code, except for code provision C.2.1 as set out below.

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and chief executive officer and Mr. Lin Wan-Yi currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Given that (i) all material decisions are approved by the Board, which currently comprised of 4 executive Directors (including Mr. Lin Wan-Yi), 1 non-executive Director and 3 independent non-executive Directors; and (ii) the Directors proactively participate in all the board meetings and the relevant board committee meetings, and the chairman cum chief executive officer ensures all the Directors are duly informed of all the matters to be approved at the meetings, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

The Company has also put in place certain recommended best practices as set out in the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code for the year ended 31 December 2021 and up to the date of this report.

The Company has also adopted the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Model Code by the employees was noted by the Company for the year ended 31 December 2021 and up to the date of this report.

# Corporate Governance Report

## BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

### Board Composition

The Board currently comprises the following Directors:

#### Executive Directors

Mr. Lin Wan-Yi (*chairman and chief executive officer*)

Mr. Yung Chia-Pu

Mr. Cheng Ching-Long

Mr. Lu Jen-Chieh

#### Non-executive Director

Ms. Hsieh Pei-Chen

#### Independent Non-executive Directors

Mr. So George Siu Ming

Mr. Lin Lien-Hsing

Mr. Fan Chi Chiu

The biographical details of each Director are set out in the section headed "Biographies of Directors and Senior Management" on pages 16 to 20 of this annual report. The Directors have no financial, business, family or other material/relevant relationship with each other.

### Board Meetings and Directors' Attendance Records

Pursuant to code provision C.5.1 of the CG Code, regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. Six Board meetings were held for the year ended 31 December 2021.

Directors may participate in meetings either in person or through electronic means of communication. All Directors are given not less than fourteen days' notice for regular Board meetings. For other Board and Board committee meetings, reasonable notice will be given.

# Corporate Governance Report

The joint company secretaries of the Company (the “**Joint Company Secretaries**”) assist the chairman in preparing the agenda of regular Board meetings and circulate the draft Board meeting agenda to all Directors for their perusal and comment. Directors are invited to include any matters in the agenda which they think appropriate. The Board meeting agenda will be issued by the Joint Company Secretaries after incorporating all the comments of Directors (if any). Relevant meeting materials are provided to the Directors at least three days before the meetings to ensure that they are given sufficient review time and are adequately prepared for the meetings.

The minutes of the Board meetings and Board committees meetings are drafted and kept by the Joint Company Secretaries. All meeting minutes will set out in detail the matters discussed and considered at the meetings, including, among others, any queries made or views expressed by the Directors. The Joint Company Secretaries will distribute the draft meeting minutes to all Directors for their comment and final version of the meeting minutes to all Directors for their record within reasonable time after holding of the meetings.

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors for the year ended 31 December 2021.

One general meeting of the Company was held in the year ended 31 December 2021. Independent non-executive Directors have attended the general meeting to gain and develop a balanced understanding of the view of Shareholders.

A summary of the attendance records of the Directors at the Board meetings and general meeting held is set out below:

Name of Directors	Attendance at Board meetings	Attendance at general meeting
<b>Executive Directors</b>		
Mr. Lin Wan-Yi	6/6	1/1
Mr. Yung Chia-Pu	6/6	1/1
Mr. Cheng Ching-Long	6/6	1/1
Mr. Lu Jen-Chieh	6/6	1/1
<b>Non-executive Director</b>		
Ms. Hsieh Pei-Chen	4/6	0/1
<b>Independent Non-executive Directors</b>		
Mr. So George Siu Ming	6/6	1/1
Mr. Lin Lien-Hsing	6/6	1/1
Mr. Fan Chi Chiu	6/6	1/1

# Corporate Governance Report

## Chairman and Chief Executive Officer

The chairman and chief executive officer of the Company are held by Mr. Lin Wan-Yi who is the founder of the Company and has extensive experience in the industry.

The chairman provides leadership for the Board and ensures the effectiveness of the Board in fulfilling its roles and responsibilities and the establishment of sound corporate governance practices and procedures for the Company. The chairman is also responsible for formulating the overall strategies and policies of the Company and monitoring their implementation. Meanwhile, the chairman, acting as chief executive officer, shall be delegated the authority by the Board to lead the senior management of the Company for the daily operation and business management of the Group in accordance with the objectives, directions, and risk management and internal control policies laid down by the Board.

The Board believes that Mr. Lin Wan-Yi can provide the Company with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies and vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management.

## Independent Non-executive Directors

Independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decisions. They are experienced professionals in areas such as financial accounting and financial management. Their extensive experiences significantly contribute to enhancing the decision-making of the Board and achieving a sustainable and balanced development of the Group. In particular, they bring impartial views and opinions on issues of the Company's strategy, performance and control, and take the lead in solution where potential conflicts of interests arise. The Board believes that its culture of openness and debate facilitates the effective contribution of executive Directors, non-executive Director and independent non-executive Directors in particular, to the Board and ensures constructive relationship among executive Directors, non-executive Director and independent non-executive Directors.

During the year ended 31 December 2021, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

# Corporate Governance Report

## Appointment and Re-election of Directors

Each of the executive Directors has entered into service agreements with the Company for a fixed term of three years commencing from the Listing and the Company may extend the contract upon expiry at its discretion. It is subject to termination in certain circumstances as stipulated in the relevant service agreements or by not less than three months' notice in writing sent by either party to the other.

Each of the non-executive Director and independent non-executive Directors has accepted her or his appointment with the Company with an initial term of three years commencing from the Listing and thereafter shall continue on a monthly basis until terminated by not less than one month's notice in writing thereof by either party to the other or terminated in certain circumstances as stipulated in the relevant service contract.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association and the nomination policy of the Company. The Nomination Committee is responsible for reviewing the Board composition, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

All Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

## Responsibilities, Accountabilities and Contributions of the Board and Management

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them.

# Corporate Governance Report

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

## Continuous Professional Development of Directors

All Directors have kept abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors have participated in appropriate continuous professional development to develop and refresh their knowledge and skills. During the year ended 31 December 2021, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2021 are summarised as follows:

Directors	Type of Training <sup>Note</sup>
<b>Executive Directors</b>	
Mr. Lin Wan-Yi	A and B
Mr. Yung Chia-Pu	B
Mr. Cheng Ching-Long	A and B
Mr. Lu Jen-Chieh	A and B
<b>Non-executive Director</b>	
Ms. Hsieh Pei-Chen	B
<b>Independent Non-executive Directors</b>	
Mr. So George Siu Ming	A
Mr. Lin Lien-Hsing	B
Mr. Fan Chi Chiu	B

Notes:

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

# Corporate Governance Report

## BOARD COMMITTEES

The Board has established four committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Environmental, Social and Governance Committee (collectively, the “**Board Committees**”). All Board Committees are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company’s website and the Hong Kong Stock Exchange’s website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under “Corporate Information” on page 2.

### Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. So George Siu Ming, Mr. Lin Lien-Hsing and Mr. Fan Chi Chiu. Mr. So George Siu Ming is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Audit Committee are to (i) make recommendations to the Board on the appointment, re-appointment and dismissal of the external auditor; (ii) review the financial information of the Company; (iii) oversee the Company’s financial reporting system, risk management and internal control system; and (iv) establish a whistleblowing policy and system for employees and those who deal with the Company or its subsidiaries to raise concerns.

For the year ended 31 December 2021, the Audit Committee held two meetings. A summary of work of the Audit Committee during the year is set out below:

- reviewed the annual financial results and report, interim financial results and reports and significant issues on the financial reporting;
- reviewed the operational and compliance controls, and the effectiveness of the risk management and internal control systems;
- monitored the external auditor’s independence and objectivity, and effectiveness of the audit process in accordance with applicable standard, and discussed with the external auditor before the audit commenced, the nature and scope of the audit and the reporting obligation contained in them;
- provided recommendations to the Board for the proposal for re-appointment of the external auditor and approval of the remuneration and terms of engagement of the external auditor; and
- established procedures for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditor twice without the presence of the executive Directors during the year ended 31 December 2021 to discuss matters relating to its audit fees, any issue arising from the audit and any other matters the auditor may wish to raise. The Board has not taken any different view from that of the Audit Committee regarding the re-appointment of the external auditor.

# Corporate Governance Report

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. So George Siu Ming ( <i>Committee chairman</i> )	2/2
Mr. Lin Lien-Hsing	2/2
Mr. Fan Chi Chiu	2/2

## Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Lin Lien-Hsing, Mr. Lin Wan-Yi and Mr. Fan Chi Chiu. Mr. Lin Lien-Hsing is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Remuneration Committee are to (i) make recommendations to the Board on the overall remuneration policy and the structure for all Directors and senior management of the Group; (ii) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Group; (iii) review performance-based remuneration; and (iv) ensure that no Directors or any of their associates are involved in deciding their own remuneration.

The Company has adopted a share option scheme and a share award scheme as incentives to eligible persons, details of which are set out in the paragraphs "Share Option Scheme" and "Share Award Scheme" under the section "Report of the Directors" in this annual report.

In the year ended 31 December 2021, the Remuneration Committee held two meetings to consider the relevant matters regarding/to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management, and to consider the adoption of the Share Award Scheme, grant of share awards under the Share Award Scheme and grant of share options under the Share Option Scheme.

The Group's remuneration policy is structured to attract and retain high quality staff and to enable smooth operation. The Group offered competitive remuneration packages which considered factors such as corporate result, individual capability and performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions. The remuneration packages are subject to review on a regular basis. Details of the remuneration of the senior management by band are set out in Note 8 to the Financial Statements for the year ended 31 December 2021.

# Corporate Governance Report

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Lin Lien-Hsing ( <i>Committee chairman</i> )	2/2
Mr. Lin Wan-Yi	2/2
Mr. Fan Chi Chiu	2/2

## Nomination Committee

The Nomination Committee consists of three members, namely Mr. Lin Wan-Yi, Mr. So George Siu Ming and Mr. Lin Lien-Hsing. Mr. Lin Wan-Yi is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Nomination Committee are to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; (ii) identify individuals suitably qualified as potential Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular that of the chairman and the chief executive officer.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy as stated below. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy as stated below that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

In the year ended 31 December 2021, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

# Corporate Governance Report

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Mr. Lin Wan-Yi ( <i>Committee chairman</i> )	1/1
Mr. So George Siu Ming	1/1
Mr. Lin Lien-Hsing	1/1

## Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee of the Board is committed to diversity at all levels and will consider a number of aspects, including but not limited to knowledge, skills, professional experience, gender, age, cultural and educational background, ethnicity, length of service and any other factors that the Board may consider appropriate from time to time taking into account the Company's business model and specific needs.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

At present, the Nomination Committee considered that the Board is sufficiently diverse. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

## Director Nomination Policy

The ultimate responsibility for selection and appointment of Directors rests with the Board.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

# Corporate Governance Report

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- whether the individual's educational background and qualification, skills and experience are relevant to the Company's business model and specific needs;
- the individual's character and reputation for integrity;
- whether the individual would be able to devote sufficient time to the Board;
- (in respect of appointment and re-appointment of independent non-executive Directors) independence of the individual with reference to the independence criteria set out in Rule 3.13 of the Listing Rules;
- how the individual would be able to contribute to the diversity of the Board with reference to the factors set out in the Board Diversity Policy of the Company from time to time in force; and
- Board succession planning considerations.

The Nomination Committee of the Board will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

## Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee consists of three members, namely Mr. Cheng Ching-Long, Mr. Fan Chi Chiu and Mr. Lu Jen-Chieh. Mr. Cheng Ching-Long is the chairman of the Environmental, Social and Governance Committee.

The main duties of the Environmental, Social and Governance Committee are to (i) formulate the vision, goals and strategies of environmental, social and governance matters of the Group and make recommendations to the Board; (ii) monitor and review the process of implementation of environmental, social and governance related policies; (iii) identify environmental, social and governance risks and opportunities, and assess the efficiency and sufficiency of the framework of environmental, social and governance structure of the Group; and (iv) review the Environmental, Social and Governance Report of the Company pursuant to the requirements of the Listing Rules.

In the year ended 31 December 2021, the Environmental, Social and Governance Committee held one meeting to consider and approve the Environmental, Social and Governance Report for the year ended 31 December 2020.

The attendance records of the members of the Environmental, Social and Governance Committee are as follows:

Name of Members of the Environmental, Social and Governance Committee	Attendance
Mr. Cheng Ching-Long ( <i>Committee chairman</i> )	1/1
Mr. Fan Chi Chiu	1/1
Mr. Lu Jen-Chieh	1/1

# Corporate Governance Report

## Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee of the Board assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

The Board will cautiously review any material risk related to significant business decisions before making or approving such decisions.

Department heads and senior management of the Group monitor daily operations and any associated operational risks of the Group. They are also responsible for identifying and assessing potential market risks related to changes in macroeconomic environment and movements in market variables and report irregularities in connection with operational and market risks to the executive Directors for formulating policies to mitigate these risks.

The financial management center will closely monitor and track the ageing of trade receivables, and regularly update the status of outstanding/unpaid payments due to the Group to ensure that timely and necessary measures are taken to recover outstanding receivables.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

# Corporate Governance Report

The Board, through the Audit Committee, has continuously monitored and annually reviewed the adequacy and effectiveness of the Group's risk management and internal control systems.

The Group has appointed Ballas Capital Limited as adviser of the Company to provide general advice on the Listing Rules and appointed a PRC legal adviser to advise us on PRC laws and regulations related to the Group's business operations.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls and considered that such systems for the year ended 31 December 2021 are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

## DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Joint Company Secretaries and investor relations officers are authorised to communicate with parties outside the Group.

# Corporate Governance Report

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on 55 to 59.

## AUDITOR'S REMUNERATION

The remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services for the year ended 31 December 2021 amounted to RMB1.4 million. An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2021 is set out below:

Service Category	Amount (RMB'000)
Audit Services	1,410
Non-audit Services (including advisory for tax and others)	–
Total	1,410

## JOINT COMPANY SECRETARIES

Ms. Shen Xuejuan ("**Ms. Shen**") and Ms. Lam Nim Chi ("**Ms. Lam**") have been appointed as the Joint Company Secretaries. Ms. Lam is a manager of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. The biographical details of the Ms. Shen and Ms. Lam are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

All Directors have access to the advice and services of the Joint Company Secretaries on corporate governance and board practices and matters. Ms. Shen has been designated as the primary contact person at the Company which would work and communicate with Ms. Lam on the Company's corporate governance and secretarial and administrative matters.

In the year ended 31 December 2021, Ms. Shen and Ms. Lam have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting.

### Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

Pursuant to Article 58 of the Company's Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal with his/her detailed contact information at the Company's principal place of business in Hong Kong.

The request will be verified with the Company's Branch Share Registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the proposal in the agenda for the general meeting.

### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, Shareholders can contact Tricor Investor Services Limited, the Branch Share Registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

# Corporate Governance Report

## Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC  
(For the attention of the Company Secretary)

Telephone: (+86) 512-3683 2657

Email: sophia@shinlone.com.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the year ended 31 December 2021, the Company has not made any changes to its Articles of Association. A copy of the Company's Articles of Association is also available on the Company's website and the Hong Kong Stock Exchange's website.

### Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

Going forward, given the uncertainty of the business environment and to allow the Group to maintain flexibility in managing its financial resources for future business development, the Board has approved a revised dividend policy on 26 March 2021. Under the revised policy, the Company will not set any pre-determined dividend pay-out ratio and the Board has the sole discretion as to the declaration and payment of dividends. When proposing a dividend, the Company will take into account, among other things, the future operations and earnings, the business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as the Directors consider appropriate. There is no requirement or assurance that the Company will declare and pay any dividends. Any declaration and payment as well as the amount of dividends will be subject to the Articles of Association of the Company and the Cayman Companies Acts. Any declaration of final dividends will also require the approval of the Shareholders in general meeting. No dividend shall be declared or paid except out of distributable profit and lawfully available for distribution under the Cayman Companies Acts.

# Report of the Directors

The Board presents their report together with the audited financial statements of the Group for the year ended 31 December 2021.

## GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Cayman Companies Acts as an exempted company with limited liability on 2 October 2018. The principal place of business of the Company in the PRC is located at 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC. The principal place of business of the Company in Hong Kong is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Company's Shares were first listed on the Main Board of the Hong Kong Stock Exchange on 28 June 2019.

## PRINCIPAL ACTIVITIES

The Group is a developer and major supplier of customised moulds in the PRC, with a focus on moulds for the production of automotive parts which cater for the growing trend of automotive lightweight application, as well as electrical appliance parts and other parts.

## GEOGRAPHICAL ANALYSIS OF OPERATIONS

An analysis of the Group's revenue from operations by geographical locations of customers for the year ended 31 December 2021 is set out in Note 4 to the Financial Statements.

## FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report.

## BUSINESS REVIEW

The business review of the Group during the year and a discussion of the Group's future business development are set out in the section headed "Chairman's Statement" on pages 6 to 7 of this annual report. An analysis of the Group's performance during 2021 based on the financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 8 to 15 of this annual report, which forms part of this Report of Directors.

## Major Risks and Uncertainties

There are certain risks and uncertainties involved in the Group's operations, some of which are beyond the Directors' control. In addition to these risks disclosed in Note 34 to the Financial Statements of this annual report, the major risks and uncertainties the Group faces during the year are set out below:

- (i) the Group derives a significant portion of the revenue from its top five customers and any decrease or termination of the sales to any one of them may have a material adverse effect on the business and financial condition of the Group;
- (ii) the Group does not enter into long-term purchase contracts with its customers, and any disruption of the business relationships with its customers or fluctuations in their demand for the Group's products may have material adverse effect on the business, results of operations, financial condition and prospects of the Group;

## Report of the Directors

- (iii) the financial performance may be affected by fluctuations in raw material prices, as the Group may not always be able to pass on the increase in raw material costs to its customers;
- (iv) the long examination period of the moulds by the Group's customers may affect the revenue recognition, cash flow position, and results of the operation, and may cause material fluctuation in the revenue in the future;
- (v) the Group is exposed to risks of obsolete and slow-moving inventory which may adversely impact the cash flow and liquidity;
- (vi) the Group is exposed to credit risk of its customers;
- (vii) any labour shortages, increased labour costs or other factors affecting labour supply for the production could adversely affect the business, financial condition, results of operations and prospects of the Group;
- (viii) if the Group is unable to adequately protect its proprietary technology and intellectual property rights, the business may be materially and adversely affected;
- (ix) if the Group fails to respond to technological changes in a timely manner, the Group may not be able to effectively compete with its competitors;
- (x) unsatisfactory performance of, or defects in, the Group's products may give rise to liability claim and additional expenses, damage to the reputation and decline in the sales of the Group;
- (xi) the Group may not be able to implement the business strategies and future plans successfully, which may have a material adverse effect on the profitability and prospects;
- (xii) there is no assurance that the Group will be able to continue to enjoy certain preferential enterprise income tax rates when the current preferential tax qualifications expire; and
- (xiii) the Group's business, operation and group structure may be affected by changes to regulatory requirements in the PRC.

# Report of the Directors

To properly manage these risks, the Group has established the following risk management structures and measures:

- the Board is responsible and has the general power to manage the direction of the Company, and is in charge of the overall risk control of the Group. Any significant business decision involving material risks, such as decisions to expand into new businesses or geographic regions or construction of facilities are reviewed, analysed and approved by the Board to ensure a thorough examination of the associated risks at the Group's highest corporate governance body; and
- the Group maintains insurance coverage which is believed to be in line with the customary practice in the PRC moulding industry.

The above is not an exhaustive list. For further details of risk management and internal control of the Group, please refer to the section headed "Risk Management and Internal Control" on pages 32 to 33 in this annual report. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

## **ENVIRONMENTAL, HEALTH AND SAFETY AND COMPLIANCE WITH LAWS AND REGULATIONS**

The Group's business is subject to certain health, work safety, social and environmental laws and regulations in the PRC. Ms. Shen, one of the Joint Company Secretaries, is responsible for monitoring compliance with legal and regulatory requirements and the internal standards in respect of such matters. The Group believes that sustainable development is crucial to the development of a corporate and actively implements the concept of sustainable development at every level of the operation so as to create a better future for the community and the corporate. The Company will issue separately an Environmental, Social and Governance Report under the Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Listing Rules.

During the year, the Group has not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection and has not encountered any fatal accidents involving the Group's employees or products.

So far as the Board and the Company's management are aware of, the Group is in compliance with the relevant laws and regulations that have a significant impact on the Group's businesses and operations in all material aspects. There was no material violation of or non-compliance with applicable laws and regulations by the Group during the year.

# Report of the Directors

## RELATIONSHIP WITH KEY STAKEHOLDERS

### Employees

The Group believes that employees are valuable assets. Training and retaining good employees are always at top priorities. Besides on-the-job trainings and funding for continuous learning, the Group provides a competitive remuneration package to attract and motivate employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group is also passionately committed to developing staff and provides employees with rewarding career paths and a friendly working environment.

### Customers

Keeping strong relationship with the customers is critical to maintain the competitiveness of the Group. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the Group's products and services so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner. In addition, the Group engages in market research and business development activities by attending product exhibitions and industry conferences from time to time to exploring market trends and discovering business opportunities with potential customers.

### Suppliers

The Group maintains a list of approved suppliers and sub-contractors which are selected based on a number of factors including their product quality, price and ability to accommodate the production schedule. Some of the customers may require the Group to purchase particular raw materials that are only supplied by particular suppliers. In procuring raw materials, the Group usually obtains quotations from three approved suppliers and makes the decision on suppliers according to their product quality, price, delivery time, reputation and the customers' specifications. To ensure quality and timely delivery, the Group reinforces business partnerships with suppliers and sub-contractors by ongoing communication in a proactive and effective manner.

## FINAL DIVIDEND

As compared with that for FY2020, the Group's revenue increased by approximately 9.2%, while its net profit attributable to owners of the Company decreased by approximately 25.2% for FY2021. Given the uncertainty of the development of Covid-19 pandemic and economic conditions, as well as considering the capital requirements for the plant construction in the near future, in order to maintain a stable financial condition, reserve working capital to tackle any unpredicted events, the Board recommends the payment of Final Dividend of HK0.286 cents (equivalent to RMB0.233 cents) per Share totalling approximately HK\$1.9 million (equivalent to approximately RMB1.5 million) for the year ended 31 December 2021. The proposed Final Dividend is subject to the approval of the Shareholders at the 2021 AGM to be held on Wednesday, 22 June 2022 and is expected to be paid by cash on Friday, 22 July 2022.

# Report of the Directors

## **CLOSURE OF REGISTER OF MEMBERS FOR THE 2021 AGM**

The 2021 AGM will be held on Wednesday, 22 June 2022 and for the purpose of determining the Shareholders' eligibility to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022, both days inclusive, during which period no transfer of the Shares will be registered. To qualify for attending and voting at the 2021 AGM, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 16 June 2022. Shareholders whose names appear on the register of members of the Company on Wednesday, 22 June 2022 will be entitled to attend and vote at the 2021 AGM.

## **CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND**

Upon obtaining approval of the Shareholders at the forthcoming 2021 AGM, for the purpose of determining the Shareholders' entitlement to the Final Dividend, the register of members of the Company will be closed from Tuesday, 28 June 2022 to Wednesday, 29 June 2022, both days inclusive, during which period no transfer of the Shares will be registered. To qualify for the proposed Final Dividend, all properly completed share transfer forms together with the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 27 June 2022. Shareholders whose names appear on the register of members of the Company on Wednesday, 29 June 2022 will be entitled to receive the Final Dividend (subject to the approval by the Shareholders at the 2021 AGM).

## **DONATION**

No charitable and other donations were made by the Group during the year (2020: RMB3,000).

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in Note 13 to the Financial Statements.

## **SHARE CAPITAL**

There was no change to the share capital of the Company for the year ended 31 December 2021. Further details of the share capital of the Company are set out in Note 25 to the Financial Statements.

# Report of the Directors

## RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and of the Company for the year ended 31 December 2021 are set out in the Consolidated Statement of Changes in Equity on pages 63 to 64 of this annual report and Note 26 and Note 36 to the Financial Statements.

As of 31 December 2021, the Company's aggregate amount of reserve available for distribution to Shareholders amounted to RMB271.2 million.

## EQUITY LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option Scheme" and "Share Award Scheme" below, no equity linked agreement was entered into or renewed by the Company during the year.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or applicable laws of the Cayman Islands where the Company is incorporated.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the most recent five years is set out in the section headed "Five-Year Financial Summary" on page 142 of this annual report.

## TAX RELIEF AND EXEMPTION OF HOLDER OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to Shareholders by reason of their holding of the Company's securities.

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

During FY2021 and up to the date of this annual report, pursuant to the rules of the Share Award Scheme and the terms of the trust deed, the trustee of the Share Award Scheme purchased a total of 5,600,000 Shares on the Hong Kong Stock Exchange at an aggregate consideration of approximately HK\$1.9 million.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during FY2021 and up to the date of this annual report.

# Report of the Directors

## SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme on 6 June 2019 (the “**Share Option Scheme**”). The following is a summary of the principal terms of the Share Option Scheme:

### (i) Purpose of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

### (ii) Who may join

- (a) any employee of the Company, any of the subsidiaries or any entity (“**Invested Entity**”) in which any member of the Group holds an equity interest;
- (b) any non-executive Directors (including independent non-executive Directors) of the Company, any of the subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

### (iii) Maximum number of the Shares

- (a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time;
- (b) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue (i.e. not exceeding 66,000,000 Shares) on the date of the Listing.

# Report of the Directors

## **(iv) Maximum entitlement of each participant**

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being.

## **(v) Grant of options to the Directors, chief executive or Substantial Shareholders of the Company or their respective associates**

Any grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the proposed grantee of the options).

Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates must be approved by the Shareholders in general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

## **(vi) Time of acceptance and exercise of option**

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

## **(vii) Performance targets**

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

## **(viii) Subscription price for the Shares and consideration for the option**

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Hong Kong Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

# Report of the Directors

## (ix) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

During FY2021, the total number of Share Options that the Company granted to the employees including the Directors amounted to 9,248,000. As at the date of this annual report, the number of Share Options that could still be granted under the Share Option Scheme was 56,752,000, representing approximately 8.60% of the 660,000,000 Shares in issue on the date of the Listing.

Further information of the Share Options is set out in Note 27 to the Financial Statements and details of the movement of the Share Options during the year are set out in the table as follows:

Category of participants	Grant date	Exercise period	Exercise price <sup>(Note 1)</sup>	Outstanding as at 1 January 2021	Number of share options				Outstanding as at 31 December 2021
					Granted during FY2021	Exercised during FY2021	Canceled during FY2021	Lapsed during FY2021	
Directors of the Company or its subsidiary									
Mr. Lin Wan-Yi	18 May 2021	18 May 2022–17 May 2026	HK\$0.405	–	832,000	–	–	–	832,000
Mr. Cheng Ching-Long	18 May 2021	18 May 2022–17 May 2026	HK\$0.405	–	704,000	–	–	–	704,000
Mr. Lu Jen-Chieh	18 May 2021	18 May 2022–17 May 2026	HK\$0.405	–	344,000	–	–	–	344,000
Mr. Chen Ming-Chih	18 May 2021	18 May 2022–17 May 2026	HK\$0.405	–	492,000	–	–	–	492,000
<b>Subtotal</b>				–	2,372,000	–	–	–	2,372,000
Other employees of the Group	18 May 2021	18 May 2022–17 May 2026	HK\$0.405	–	6,876,000	–	–	–	6,876,000
<b>Total</b>				–	9,248,000 <sup>(Note 2)</sup>	–	–	–	9,248,000

Notes:

- The closing price of the Shares immediately before the date of grant (being 18 May 2021) was HK\$0.41 per Share.
- 9,248,000 options were granted on 18 May 2021 under the Share Option Scheme, subject to the satisfaction of the vesting criteria and conditions. The share options will be vested to the grantees in the following manner:
  - 2,774,400 options shall be vested during the period commencing from 18 May 2022 and ending on 17 May 2023;
  - 2,774,400 options shall be vested during the period commencing from 18 May 2023 and ending on 17 May 2024; and
  - 3,699,200 options shall be vested during the period commencing from 18 May 2024 and ending on 17 May 2025.

# Report of the Directors

## SHARE AWARD SCHEME

The Company adopted a share award scheme on 18 May 2021 (the “Share Award Scheme”), pursuant to which the Company may grant awarded shares to the selected participants. The purposes of the Share Award Scheme are: (i) to recognise and reward the contributions of certain eligible persons (including Director(s), senior management and/or employee(s), whether full-time or part-time, of the Group from time to time), and to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The Share Award Scheme shall be valid and effective for ten (10) years from the adoption date unless early terminated by the Board in accordance with the scheme rules.

Further information of the awarded shares granted pursuant to the Share Award Scheme is set out in Note 27 to the Financial Statements and the details of the movement of the awarded shares during the year are set out in the table as follows:

Category of participants	Grant date	Number of awarded shares				Outstanding as at 31 December 2021
		Outstanding as at 1 January 2021	Granted during FY2021	Vested during FY2021	Lapsed during FY2021	
Director of the Company or its subsidiary						
Mr. Lin Wan-Yi	18 May 2021	–	832,000	249,600	–	582,400
Mr. Cheng Ching-Long	18 May 2021	–	704,000	211,200	–	492,800
Mr. Lu Jen-Chieh	18 May 2021	–	344,000	103,200	–	240,800
Mr. Chen Ming-Chih	18 May 2021	–	492,000	147,600	–	344,400
<b>Subtotal</b>		–	2,372,000	711,600	–	1,660,400
Other employees of the Group	18 May 2021	–	6,876,000	2,062,800	–	4,813,200
<b>Total</b>		–	9,248,000	2,774,400	–	6,473,600

# Report of the Directors

## DIRECTORS

The Directors during the year and up to the date of this report are:

### Executive Directors

Mr. Lin Wan-Yi (*Chairman*)

Mr. Yung Chia-Pu

Mr. Cheng Ching-Long

Mr. Lu Jen-Chieh

### Non-executive Director

Ms. Hsieh Pei-Chen

### Independent Non-executive Directors

Mr. So George Siu Ming

Mr. Lin Lien-Hsing

Mr. Fan Chi Chiu

In accordance with the Company's Articles of Association, Mr. Cheng Ching-Long, Mr. Lu Jen-Chieh and Mr. Lin Lien-Hsing will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Biographical details of Directors and senior management are set out on pages 16 to 20 of this annual report.

## INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into service agreements with the Company for a fixed term of three years commencing from the Listing and the Company may extend the contract upon expiry at its discretion. It is subject to termination in certain circumstances as stipulated in the relevant service agreements or by not less than three months' notice in writing sent by either party to the other.

Each of the non-executive Director and independent non-executive Directors has accepted her or his appointment with the Company with an initial term of three years commencing from the Listing and thereafter shall continue on a monthly basis until terminated by not less than one month's notice in writing thereof by either party to the other or terminated in certain circumstances as stipulated in the relevant service contract.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

# Report of the Directors

## **DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS**

Save for the service contracts entered into between the Company and the Directors, none of the Directors or any entity connected with any of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 31 December 2021 or at any time during the year ended 31 December 2021.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

During the year, so far as the Directors are aware, none of the Directors and controlling Shareholders, neither themselves nor their respective close associates, had held any position or had interests in any businesses or companies that were materially competing or might materially compete with the business of the Group, or gave rise to any concern regarding conflict of interest.

## **DEED OF NON-COMPETITION**

Each of the controlling Shareholders of the Company, namely Shine Art, Mr. Lin Wan-Yi, Mr. Yung Chia-Pu, Mr. Cheng Ching-Long, Mr. Liu Ying-Han, Mr. Leng Chi-Ching, Mr. Lu Jen-Chieh, Ms. Hsieh Pei-Chen and Mr. Chang Jui-Chun has declared to the Company that neither it/he/she nor its/his/her respective close associates had owned, invested in, participated in, developed, operated or engaged in any business or company which directly or indirectly competes with the business of the Group for the year ended 31 December 2021 and up to the date of this report. For details of the Deed of Non-Competition, please refer to the section headed "Relationship with Controlling Shareholders — Corporate Governance Measures" in the Prospectus.

The independent non-executive Directors have also reviewed and were satisfied that each of the controlling Shareholders had complied with the terms of the Deed of Non-Competition for the year ended 31 December 2021 and up to the date of this report.

# Report of the Directors

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2021, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO, which (i) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be recorded in the register therein; or (iii) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

### (i) Interests in the Company

Name of Director	Nature of interest	Number of ordinary shares held <sup>(Note 1)</sup>	Approximate percentage of shareholding
Mr. Lin Wan-Yi	Interest in a controlled corporation <sup>(Note 2)</sup>	324,225,000 (L)	49.125%
Mr. Lin Wan-Yi	Beneficial owner <sup>(Notes 3 and 4)</sup>	2,654,000 (L)	0.40%
Mr. Cheng Ching-Long	Beneficial owner <sup>(Notes 3 and 4)</sup>	1,408,000 (L)	0.21%
Mr. Lu Jen-Chieh	Beneficial owner <sup>(Notes 3 and 4)</sup>	688,000 (L)	0.10%

Notes:

1. The letter "L" denotes the person's long position in the shares.
2. The Company was directly owned as to 49.125% by Shine Art which was directly held as to 58.312% by Mr. Lin Wan-Yi ("Mr. Lin"). Accordingly, by virtue of the SFO, Mr. Lin is deemed to be interested in the same number of shares of the Company held by Shine Art.
3. Included the 832,000 awarded shares, 704,000 awarded shares, 344,000 awarded shares granted to each of Mr. Lin, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh respectively in May 2021, details of which are set out in the section headed "Share Award Scheme" of this annual report.
4. Included the 832,000 share options, 704,000 share options, 344,000 share options granted to each of Mr. Lin, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh respectively in May 2021, details of which are set out in the section headed "Share Option Scheme" of this annual report.

# Report of the Directors

## (ii) Interests in the associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding in the associated corporation	Approximate percentage of shareholding in the Company
Mr. Lin	Shine Art	Beneficial owner	29,156	58.312%	28.646%
Mr. Yung Chia-Pu	Shine Art	Beneficial owner	7,712	15.424%	7.577%
Mr. Cheng Ching-Long	Shine Art	Beneficial owner	7,468	14.936%	7.337%
Mr. Lu Jen-Chieh	Shine Art	Beneficial owner	467	0.934%	0.459%
Ms. Hsieh Pei-Chen	Shine Art	Beneficial owner	454	0.908%	0.446%

Save as disclosed above and so far as is known to the Directors, as at 31 December 2021, none of the Directors or chief executive of the Company had or was deemed to have any other 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) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2021, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder	Nature of interest	Number of ordinary shares held <sup>(Note 1)</sup>	Approximate number of shareholding
Shine Art	Beneficial owner	324,225,000 (L)	49.125%
Friendly Holdings (HK) Co., Limited ("Friendly Holdings")	Beneficial owner	91,080,000 (L)	13.80%
Hammurabi International Limited ("Hammurabi")	Interest in a controlled corporation <sup>(Note 2)</sup>	91,080,000 (L)	13.80%
Mr. Liu Fang Jung ("Mr. Liu")	Interest in a controlled corporation <sup>(Note 2)</sup>	91,080,000 (L)	13.80%
Ms. Su Su-Mei ("Ms. Su")	Interest of spouse <sup>(Note 3)</sup>	326,879,000 (L)	49.52%

Notes:

1. The letter "L" denotes the person's long position in the shares.
2. The Company was directly owned as to 13.80% by Friendly Holdings which was directly held as to 100% by Hammurabi, which was in turn directly held as to 100% by Mr. Liu. Accordingly, by virtue of the SFO, Hammurabi and Mr. Liu are deemed to be interested in the same number of shares of the Company held by Friendly Holdings.
3. Ms. Su is the spouse of Mr. Lin. Under the SFO, Ms. Su is deemed to be interested in the same number of shares of the Company in which Mr. Lin is interested.

Save as disclosed above, as at 31 December 2021, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

# Report of the Directors

## RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the year ended 31 December 2021 and up to the date of this report have the Directors and the chief executive of the Company and their respective close associates (as defined under the Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and in the sections “Share Option Scheme” and “Share Award Scheme” of this annual report, at no time during the year ended 31 December 2021 and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

## UPDATES ON DIRECTORS’ INFORMATION

As required under Rule 13.51B(1) of the Listing Rules, the change in Directors’ biographical details since the date of 2021 interim report and up to the date of this report are set out below:

Mr. Fan Chi Chiu, an independent non-executive Director, resigned as an executive director of Grace Wine Holdings Limited (stock code: 8146), a company listed on the GEM of the Hong Kong Stock Exchange, in September 2021. Mr. Fan also resigned as the chief financial officer of the ELL Environmental Holdings Limited (stock code: 1395), a company listed on the Main Board of the Hong Kong Stock Exchange in September 2021. Mr. Fan has been the chief investment officer of AB Builders Group Limited (stock code: 1615), a company listed on the Main Board of the Hong Kong Stock Exchange, since November 2021.

Save as those disclosed above, there is no other information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the percentage of (i) revenue attributable to the Group's major customers; and (ii) purchases from the Group's major suppliers are set out below:

	Approximate percentage of the Group's	
	Revenue	Cost of services
The largest customer	12.65%	–
Five largest customers in aggregate	52.54%	–
The largest supplier	–	7.4%
Five largest suppliers in aggregate	–	26.25%

None of the Directors or any of their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers as mentioned above.

## RETIREMENT BENEFITS PLAN

Details of retirement benefits plan of the Group for the year ended 31 December 2021 are set out in Note 2.4 to the Financial Statements.

## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the Directors' remuneration and the five highest paid individuals for the year ended 31 December 2021 are set out in Notes 8 and 9 to the Financial Statements.

## CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2021, the Group had not entered into any connected transactions or continuing connected transactions.

## DISCLOSURE UNDER RULE 14A.72 OF THE LISTING RULES

For the year ended 31 December 2021, the Group did not have any transaction with related parties, nor any transactions, which constitute connected transactions or continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Directors confirm that the Company maintained sufficient public float as required under the Listing Rules.

# Report of the Directors

## EVENTS AFTER THE REPORTING PERIOD

As at the date of this annual report, the Group did not have any significant event subsequent to 31 December 2021.

## PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association, the Directors, auditor and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

The Company has arranged appropriate insurance covering the potential legal actions against its Directors and senior management arising out of corporate activities.

## AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by Ernst & Young who retire and, being eligible, offer themselves for re-appointment at the 2021 AGM. A resolution will be proposed at the 2021 AGM to re-appoint Ernst & Young as auditor of the Company.

There has been no change of auditor of the Company since the Listing.

On behalf of the Board

**Lin Wan-Yi**

*Chairman and executive Director*

Hong Kong, 23 March 2022

# Independent Auditor's Report



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To the shareholders of  
**Shinelong Automotive Lightweight Application Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Shinelong Automotive Lightweight Application Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 60 to 141, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

# Independent Auditor's Report *(Continued)*

## Key audit matter

## How our audit addressed the key audit matter

### *Revenue recognition of sales of moulds*

For the year ended 31 December 2021, revenue from sales of moulds amounted to approximately RMB202,693,000 and accounted for 91% of the total revenue of the Group. The Group produces moulds that are highly customised for particular customers with no alternative use to others and the moulds preliminarily accepted by the customers are subject to examination and testing before final acceptance, which creates complexity in determining the timing of satisfaction of performance obligations.

This matter is identified as a key audit matter as the determination of the timing of satisfaction of performance obligations requires judgement, which may have crucial impacts on the consolidated financial statements of the Group.

The Group's disclosures about revenue recognition of sales of moulds are included in notes 2.4, 3 and 4 to the consolidated financial statements.

The following procedures were performed, among others, to address the identified key audit matter:

- We evaluated the design, implementation, and operating effectiveness of the key internal controls over the revenue recognition of sales of moulds;
- We discussed with management and, on a sample basis, obtained and reviewed major revenue contracts effective during the year ended 31 December 2021 and assessed whether the Group's accounting policy adopted to recognise revenue from sales of moulds was in accordance with IFRS 15 "*Revenue from Contracts with Customers*";
- We inspected, on a sample basis, the supporting documents (including, but not limited to, contracts, acceptance reports, shipment documents and invoices) for sales of moulds recognised during the year ended 31 December 2021 and assessed whether the related revenue had been recognised in accordance with the Group's revenue recognition accounting policy; and
- We inspected the supporting documents (including, but not limited to, contracts, acceptance reports, shipment documents and invoices) for sales of moulds recognised during a certain period of time before and after 31 December 2021 and assessed whether the related revenue had been recognised in the correct periods.

# Independent Auditor's Report *(Continued)*

## **OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## Independent Auditor's Report *(Continued)*

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Independent Auditor's Report *(Continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

23 March 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
REVENUE	4	<b>222,209</b>	203,445
Cost of sales		<b>(173,596)</b>	(132,220)
Gross profit		<b>48,613</b>	71,225
Other income and gains, net	5	<b>11,467</b>	3,621
Selling and distribution expenses		<b>(6,009)</b>	(6,501)
General and administrative expenses		<b>(27,746)</b>	(33,420)
Finance costs	6	<b>(692)</b>	(838)
PROFIT BEFORE TAX	7	<b>25,633</b>	34,087
Income tax expense	10	<b>(4,550)</b>	(5,761)
PROFIT FOR THE YEAR		<b>21,083</b>	28,326
Attributable to:			
Owners of the Company		<b>21,195</b>	28,347
Non-controlling interests		<b>(112)</b>	(21)
		<b>21,083</b>	28,326
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent years:			
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax		<b>103</b>	11
Translation differences:			
Currency translation differences		<b>(1,382)</b>	(3,150)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		<b>(1,279)</b>	(3,139)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<b>19,804</b>	25,187
Attributable to:			
Owners of the Company		<b>19,916</b>	25,208
Non-controlling interests		<b>(112)</b>	(21)
		<b>19,804</b>	25,187
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (in RMB cents per share)			
Basic			
— For profit for the year	12	<b>3.2</b>	4.3
Diluted			
— For profit for the year	12	<b>3.2</b>	4.3

# Consolidated Statement of Financial Position

31 December 2021

	Notes	As at 31 December	
		2021 RMB'000	2020 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	70,940	73,995
Right-of-use assets	15	16,969	17,495
Intangible assets	14	1,738	2,015
Prepayments, other receivables and other assets	19	10,434	526
Deferred tax assets	16	2,497	3,645
Net investments in subleases	15	598	–
Restricted bank deposits	20	2,085	–
<b>Total non-current assets</b>		<b>105,261</b>	97,676
<b>CURRENT ASSETS</b>			
Inventories	17	182,222	185,584
Trade and notes receivables	18	95,744	84,504
Prepayments, other receivables and other assets	19	9,434	1,625
Net investments in subleases	15	180	380
Time deposit	20	–	10,000
Restricted bank deposit	20	695	–
Cash and cash equivalents	20	98,071	95,918
<b>Total current assets</b>		<b>386,346</b>	378,011
<b>CURRENT LIABILITIES</b>			
Trade payables	21	59,822	43,804
Other payables and accruals	22	14,962	15,790
Government grants	24	2,107	519
Contract liabilities	23	92,542	108,324
Other borrowings		–	922
Income tax payable		1,770	2,709
Lease liabilities	15	4,508	4,631
<b>Total current liabilities</b>		<b>175,711</b>	176,699
<b>NET CURRENT ASSETS</b>		<b>210,635</b>	201,312
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>315,896</b>	298,988

# Consolidated Statement of Financial Position *(Continued)*

31 December 2021

	Notes	As at 31 December	
		2021 RMB'000	2020 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Government grants	24	<b>4,148</b>	2,235
Deferred tax liabilities	16	<b>171</b>	252
Lease liabilities	15	<b>9,518</b>	12,043
<b>Total non-current liabilities</b>		<b>13,837</b>	14,530
<b>Net assets</b>		<b>302,059</b>	284,458
<b>EQUITY</b>			
Equity attributable to the owners of the Company			
Share capital	25	<b>5,806</b>	5,806
Treasury shares	28	<b>(724)</b>	–
Reserves	26	<b>296,660</b>	278,373
		<b>301,742</b>	284,179
<b>Non-controlling interests</b>		<b>317</b>	279
<b>Total equity</b>		<b>302,059</b>	284,458

**Lin Wan-Yi**  
*Director*

**Cheng Ching-Long**  
*Director*

# Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to the owners of the Company									Total equity RMB'000
	Share capital RMB'000	Share premium* RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	
As at 31 December 2019	5,806	100,972	52,302	13,481	(314)	1,638	88,795	262,680	-	262,680
Profit/(loss) for the year	-	-	-	-	-	-	28,347	28,347	(21)	28,326
Other comprehensive income/(loss) for the year:										
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	-	-	-	-	11	-	-	11	-	11
Currency translation differences	-	-	-	-	-	(3,150)	-	(3,150)	-	(3,150)
Total comprehensive income/(loss) for the year	-	-	-	-	11	(3,150)	28,347	25,208	(21)	25,187
Final 2019 dividend (Note 11)	-	-	-	-	-	-	(3,709)	(3,709)	-	(3,709)
Incorporation of a subsidiary	-	-	-	-	-	-	-	-	300	300
Profit appropriation to statutory reserve	-	-	-	3,466	-	-	(3,466)	-	-	-
As at 31 December 2020	5,806	100,972	52,302	16,947	(303)	(1,512)	109,967	284,179	279	284,458

# Consolidated Statement of Changes in Equity *(Continued)*

Year ended 31 December 2021

	Attributable to the owners of the Company											
	Share capital	Treasury shares	Share-based compensation reserve*	Share premium*	Merger reserve*	Statutory reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020	5,806	-	-	100,972	52,302	16,947	(303)	(1,512)	109,967	284,179	279	284,458
Profit/(loss) for the year	-	-	-	-	-	-	-	-	21,195	21,195	(112)	21,083
Other comprehensive income/(loss) for the year:												
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	103	-	-	103	-	103
Currency translation differences	-	-	-	-	-	-	-	(1,382)	-	(1,382)	-	(1,382)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	103	(1,382)	21,195	19,916	(112)	19,804
Final 2020 dividend (Note 11)	-	-	-	-	-	-	-	-	(2,039)	(2,039)	-	(2,039)
Equity-settled share reward expense (Note 27)	-	-	792	-	-	-	-	-	-	792	-	792
Repurchase of shares for equity-settled share reward	-	(1,560)	-	-	-	-	-	-	-	(1,560)	-	(1,560)
Vesting of awarded shares	-	836	(453)	71	-	-	-	-	-	454	-	454
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	150	150
Profit appropriation to statutory reserve	-	-	-	-	-	2,536	-	-	(2,536)	-	-	-
As at 31 December 2021	5,806	(724)	339	101,043	52,302	19,483	(200)	(2,894)	126,587	301,742	317	302,059

\* These reserve accounts comprise the reserves of approximately RMB296,660,000 (2020: RMB278,373,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>25,633</b>	34,087
Adjustments for:			
Depreciation of property, plant and equipment	13	<b>10,167</b>	9,135
Amortisation of intangible assets	14	<b>1,125</b>	1,465
Write-down of inventories to net realisable value	7	<b>4,705</b>	4,486
Impairment losses for trade and notes receivables, net	18	<b>1,165</b>	9,019
Depreciation of right-of-use assets	15	<b>4,701</b>	3,559
Net foreign exchange differences		<b>(222)</b>	285
Covid-19-related rent concessions from a lessor	15	<b>–</b>	(67)
Equity-settled share reward expense	27	<b>792</b>	–
Gain on derecognition of right-of-use assets due to subleases classified as finance leases	15	<b>(18)</b>	–
Gain on derecognition of leasehold land due to disposal	5	<b>(1,760)</b>	–
Government grants	24	<b>(905)</b>	(464)
Interest income	5	<b>(1,256)</b>	(1,313)
Finance costs	6	<b>692</b>	838
Gain on disposal of items of property, plant and equipment	5	<b>(5,512)</b>	(784)
		<b>39,307</b>	60,246
Increase in inventories		<b>(1,343)</b>	(51,651)
(Increase)/decrease in trade and notes receivables		<b>(13,224)</b>	9,883
Increase in prepayments, other receivables and other assets		<b>(3,244)</b>	(197)
Increase/(decrease) in trade payables		<b>16,018</b>	(6,370)
(Decrease)/increase in other payables and accruals		<b>(828)</b>	1,350
(Decrease)/increase in contract liabilities		<b>(15,782)</b>	42,382
Cash generated from operations		<b>20,904</b>	55,643
Income tax paid		<b>(4,422)</b>	(8,208)
Net cash flows from operating activities		<b>16,482</b>	47,435

# Consolidated Statement of Cash Flows *(Continued)*

Year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		<b>(11,645)</b>	(20,736)
Purchases of items of intangible assets		<b>(848)</b>	(494)
Prepayment for acquisition of leasehold land	19	<b>(6,935)</b>	–
Proceeds from disposal of items of property, plant and equipment		<b>2,207</b>	1,302
Proceeds from disposal of leasehold land	15	<b>2,519</b>	–
Receipt of government grants for property, plant and equipment	24	<b>1,219</b>	827
Receipt of the principal portion of finance lease payments arising from the subleases	15	<b>772</b>	362
Interest received		<b>1,256</b>	1,313
Increase in restricted bank deposits	20	<b>(2,780)</b>	–
Receipts from early redemption of a time deposit	20	<b>10,000</b>	–
Placement of a time deposit	20	–	(10,000)
<b>Net cash flows used in investing activities</b>		<b>(4,235)</b>	(27,426)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings		<b>2,000</b>	–
Repayment of short-term borrowings		<b>(2,000)</b>	–
Interest of short-term borrowings	6	<b>(4)</b>	–
Principal portion of lease payments	15	<b>(5,547)</b>	(3,935)
Interest portion of lease payments	15	<b>(688)</b>	(836)
Dividends paid		<b>(2,039)</b>	(3,709)
Net proceeds from vesting of awarded shares		<b>454</b>	–
Payment for shares repurchase		<b>(1,560)</b>	–
Capital contribution from non-controlling shareholders		<b>450</b>	–
Proceeds from discounted notes receivable with recourse		–	922
Payment of interest expense on discounted notes receivable		–	(2)
<b>Net cash flows used in financing activities</b>		<b>(8,934)</b>	(7,560)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>3,313</b>	12,449
Cash on hand and at banks at 1 January		<b>95,918</b>	86,904
Effect of foreign exchange rate changes, net		<b>(1,160)</b>	(3,435)
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>98,071</b>	95,918

# Notes to the Financial Statements

31 December 2021

## 1. GENERAL INFORMATION

Shinelong Automotive Lightweight Application Limited (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands on 2 October 2018. The registered office address of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are involved in the provision of comprehensive moulding services and solutions, covering product analysis, mould design and development, mould fabrication, assembling, testing and adjustment, trial production and aftersales services.

The Company and its subsidiaries now comprising the Group underwent a reorganisation (the “**Reorganization**”) in preparation for an IPO through the incorporation of the Company, acquisition of Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited (“**Shinelong (Suzhou)**”) and Kunshan Longjun Management Consulting Company Limited (“**Kunshan Longjun**”) by the Company, further allotment of ordinary shares and capitalisation issue. The Company’s shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**” or “**HKEX**”) since 28 June 2019 (the “**Listing**”).

In the opinion of the directors of the Company (the “**Directors**”), the holding company of the Company is Shine Art International Limited (“**Shine Art**”), a company incorporated in the British Virgin Islands, and the ultimate controlling shareholder of the Company is Mr. Lin Wan-Yi.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 1. GENERAL INFORMATION *(Continued)*

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shinelong (Suzhou) (Note (a))	PRC/Mainland China	RMB105,000,000	99.9	0.1	Design, manufacture and sale of moulds
Qingdao Xunzhan Molding Technology Company Limited ("Xunzhan") (Note (b))	PRC/Mainland China	RMB6,000,000	–	100	Design, manufacture and sale of moulds
Kunshan Longjun (Note (b))	PRC/Mainland China	US\$50,000	100	–	Inactive
Xunhou Laser Technology (Suzhou) Company Limited ("Xunhou") (Note (c))	PRC/Mainland China	RMB10,000,000	–	70	Design, manufacture and sale of laser devices

(a) Shinelong (Suzhou) was established on 8 January 2002 under the name of Shinlong Precision Moulds (Kunshan) Company Limited as a limited liability company under the law of the PRC, which was converted to a company limited by shares on 29 March 2016 and renamed as Shinlong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("**Shinlong (Suzhou)**"). It was further renamed as Shinelong (Suzhou) on 28 December 2018. Shinelong (Suzhou) is a wholly-owned subsidiary of the Company. Pursuant to the resolution passed by the Board of Directors of Shinelong (Suzhou) on 31 March 2021, Shinelong (Suzhou) converted RMB66,000,000 of the retained profits to increase its registered share capital from RMB39,000,000 to RMB105,000,000.

(b) Registered as limited liability companies under the PRC law.

(c) Xunhou was established on 7 April 2020 with registered share capital of RMB10,000,000 as a limited liability company under the law of the PRC, which is a 70%-owned subsidiary of Shinelong (Suzhou). The business scope of Xunhou covers medical device manufacturing, automotive parts manufacturing, intelligent control system integration and technical services. As at 31 December 2021, Xunhou received capital contributions of RMB2,100,000 from Shinelong (Suzhou) and RMB450,000 from the non-controlling shareholder, Yinwei Laser Technology (Kunshan) Company Limited.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for notes receivable measured at fair value through other comprehensive income. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries now comprising the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

The nature and the impact of the revised IFRSs are described below:

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
IFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>2,4</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting policies<sup>2</sup></i>
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information<sup>2,4</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract<sup>1</sup></i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

While the adoption of some of the new and revised IFRSs may result in changes in accounting policies, none of these IFRSs is expected to have a significant impact on the Group's results of operations and financial position.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fair value measurement

The Group measures its notes receivable at fair value through other comprehensive income at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Type	Depreciation rate
Buildings	4.50%
Machinery	9.00%
Furniture, fixtures and equipment	18.00%
Leasehold improvements	Over the shorter of the lease terms and 20.00%
Motor vehicles	18.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets of the Group represent software which is amortised over an estimated useful life of 5 years.

### Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding four years, commencing from the date when the products are put into commercial production.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

#### Group as a lessee *(Continued)*

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Factories and venues	3 to 10 years
Parking lots	10 years
Leasehold land	50 years
Vehicle	3 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statement of financial position.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

#### Group as a lessee *(Continued)*

(c) Lease modifications

The Group accounts for a lease modification as a separate lease if:

- (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (ii) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(d) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

#### Group as a lessor *(Continued)*

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs) and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments and other financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies for revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments and other financial assets *(Continued)*

#### Subsequent measurement

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

#### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (“**EIR**”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment of financial assets

The Group recognises an allowance for expected credit losses (“**ECLs**”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 180 days past due.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment of financial assets *(Continued)*

#### General approach *(Continued)*

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

### Financial liabilities

#### Initial recognition and measurement

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals and lease liabilities. The Group's financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

#### Subsequent measurement

After initial recognition, trade payables, financial liabilities included in other payables and accruals and lease liabilities are subsequently measured at amortised cost using EIR method, unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal.

### **Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

The Group provides for warranty in relation to the sale of moulds to certain customers for general repairs of defects occurring during the warranty period. Provisions for the assurance-type warranty granted by the Group are recognised based on expected warranty work to be performed for goods under the warranty period and labor changes expected to be incurred. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (a) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (a) When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

#### **(a) Sale of industrial products**

Revenue from the sale of moulds is recognised at the point in time when control of the asset is transferred to the customer, generally when the customers have issued the final acceptance report.

#### **(b) Rendering of services**

The Group provides parts processing services, the control of which is transferred at the point in time when the processed parts are accepted by the customers.

#### **(c) Interest income**

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

### Employee benefits

#### Defined contribution plans

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. Under the plans, the Group has no further obligation beyond the contributions made. No forfeited contributions may be used by the employer to reduce the existing level of contributions.

#### Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of each year.

### Borrowing costs

All borrowing costs of the Group are expensed in the period in which they are incurred.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Share-based payments

The Company operates equity-settled share-based payments schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

These financial statements are presented in RMB, which is different from the Company's functional currency, the Hong Kong dollar ("HK\$"). As the major revenues and assets of the Group are derived from operations in the PRC, RMB is chosen as the presentation currency to present the financial statements. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gains or losses arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gains or losses on change in fair value of the item (i.e., translation difference on the item whose fair value gains or losses is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

As at the end of the reporting period, for entities whose functional currencies are different from the Group's presentation currency, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of these entities, the component of other comprehensive income relating to that particular entity is recognised in profit or loss.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts to be recognised in the financial statements:

#### **Revenue recognition — the timing of satisfaction of performance obligations**

##### Sales of moulds

Revenue from domestic sales of moulds is recognised at the point in time when control over the moulds is transferred to the customers. Judgement is required to assess whether control is transferred over time or at a point in time. The Group creates moulds that are highly customised for particular customers with no alternative use to others but has no enforceable right to payment for its performance up to date. Judgement is also required to assess whether control is transferred when the customers preliminarily have accepted the moulds or when the customers have issued the final acceptance report after the moulds are examined and tested. The customers will only obtain the legal title of the completed moulds after they have issued the final acceptance report, of which the Group has the present right to the payment and the collection of the consideration is probable. Therefore, the Group concluded that the control over the domestic sales of moulds is transferred at the point in time, instead of over time, when the customers issue the final acceptance report.

For overseas sales of moulds, revenue is recognised at the point in time when the control over the moulds is transferred to the customers, that is when the customers obtain the physical possession or the legal title of the completed moulds based on respective shipping terms and the Group has the present right to payment and the collection of the consideration is probable.

##### Rendering of services

Revenue from the rendering of parts processing services is recognised when control over the processing services is transferred to the customers. Judgement is required to assess whether control is transferred over time or at a point in time. The customers cannot simultaneously receive and consume the benefits provided by the Group's parts processing services as the Group performs. The Group also has no enforceable right to payment for the processing services performed to date. The Group concluded that the control over the processing services is transferred to the customers at the point in time when the processed parts are accepted by the customers.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

### Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### Net realisable value of inventories

Net realisable value of inventories is estimated based on the best available facts and circumstances, including but not limited to the inventory own physical conditions, their market selling prices and estimated costs to be incurred for their sales. The assessment is re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in note 18 to the financial statements.

### Useful lives of property, plant and equipment

The Group's property, plant and equipment are depreciated on a straight-line basis over their respective useful lives. Management estimates the useful lives of these property, plant and equipment to be between 5 and 20 years. Changes in the expected level of usage and technological developments could impact the estimated useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of these property, plant and equipment at the end of the reporting period is disclosed in note 13 to the financial statements.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### Estimation uncertainty *(Continued)*

#### Warranty provision

The Group provides warranty to certain customers. The provision for warranty is estimated based on expected warranty work to be performed for goods under the warranty period and labor charges expected to be incurred. As historical maintenance and service record may not resemble the future maintenance and service of the products sold, differences between the actual amount and the estimated amount of this provision may affect future profit or loss. The carrying amount of the Group's warranty provision at the end of the reporting period is disclosed in note 23 to the financial statements.

#### Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### Share-based payments

Estimating fair value for equity-settled transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the award. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for equity-settled transactions are disclosed in note 27 to the financial statements.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. Accordingly, the Group reassesses the likelihood that the financial performance of the Group and the performance target of each grantee will be achieved. The number of employees who will achieve their targets and remain employed through required service period are also estimated by the Group in order to determine the amount of share-based compensation expenses charged to profit or loss. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based compensation reserve.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 4. REVENUE

### 4.1 Disaggregated revenue information

An analysis of revenue is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Sales of moulds		
Automotive moulds	<b>133,884</b>	78,361
Electrical appliance moulds	<b>65,802</b>	65,278
Health protective appliance moulds	–	40,823
Other moulds	<b>3,007</b>	3,573
Parts processing services	<b>17,625</b>	14,319
Others	<b>1,891</b>	1,091
	<b>222,209</b>	203,445
Represented by:		
Goods and services transferred at a point in time	<b>222,209</b>	203,445
Represented by:		
Geographic markets		
The PRC	<b>208,859</b>	194,836
Overseas	<b>13,350</b>	8,609
	<b>222,209</b>	203,445

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 4. REVENUE *(Continued)*

### 4.1 Disaggregated revenue information *(Continued)*

Set out below are the amounts of revenue recognised in the current reporting period that were included in contract liabilities at the beginning of the reporting period:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Sales of moulds		
Automotive moulds	<b>52,532</b>	40,525
Electrical appliance moulds	<b>15,433</b>	6,604
Other moulds	<b>400</b>	1,029
Parts processing services	–	132
	<b>68,365</b>	48,290

Revenue from major customers which accounted for 10% or more of the Group's revenue during the reporting period is set out below:

	Year ended
	31 December
	2021
	RMB'000
Customer 1	<b>28,107</b>
Customer 2	<b>27,509</b>
Customer 3	<b>22,714</b>
	<b>78,330</b>

	Year ended
	31 December
	2020
	RMB'000
Customer 1	60,482
Customer 2	26,675
	87,157

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 4. REVENUE *(Continued)*

### 4.2 Performance obligations

Information about the Group's performance obligations is summarised below:

#### Sales of moulds

The performance obligation is satisfied upon the customers' issue of the final acceptance report. Generally, customers are required to pay approximately 30% of the total fee as a deposit upon the signing of the agreements and approximately 40% to 50% of the total fee when the moulds have been fabricated and are ready for delivery to the customers. The remaining balance is generally due within 20 to 180 days from the issue of the final acceptance report.

#### Parts processing services

The performance obligation is satisfied at the point in time when the processed parts are accepted by the customers and payment is generally due within 20 to 180 days from the acceptance of processed parts, except for certain customers, where payment in advance is required.

There was only one performance obligation in each of the Group's contracts and all revenues were recognised at a point in time during the reporting period. The transaction prices related to the performance obligations in the existing contracts that were unsatisfied as at the end of the reporting period are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	<b>247,744</b>	206,577
After one year	<b>96,506</b>	108,951
	<b>344,250</b>	315,528

The amounts of transaction prices related to the performance obligations which are expected to be recognised after one year mainly relate to the sales of automotive moulds due to the long inspection and examination period before the customers' final acceptance. All other amounts of transaction prices related to the performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 5. OTHER INCOME AND GAINS, NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Other income, net</b>		
Government grants (Note (i))	2,574	1,815
Interest income	1,256	1,313
Others	125	(6)
	<b>3,955</b>	3,122
<b>Gains, net</b>		
Gain on disposal of items of property, plant and equipment (Note (ii))	5,512	784
Gain on disposal of leasehold land (Note (ii))	1,760	–
Foreign exchange differences, net	222	(285)
Gain on derecognition of right-of-use assets due to subleases classified as finance leases (Note 15)	18	–
	<b>7,512</b>	499
	<b>11,467</b>	3,621

Notes:

- (i) Government grants consist of: (a) unconditional grants received from the local government from time to time at the discretion of relevant government authorities. Such grants mainly represent cash subsidies granted by the local government to encourage the development of certain enterprises that are established in local special economic regions or to support general operations of those entities, and (b) government grants received for purchases of certain items of property, plant and equipment, which are recognised initially as a liability in the consolidated statement of financial position and subsequently recognised as other income when the associated costs, for which the grants are intended to compensate, are incurred. There are no unfulfilled conditions or contingencies relating to these grants.
- (ii) On 27 August 2021, the Group entered into an asset transfer agreement (the “**Asset Transfer Agreement**”) with Zhangpu Construction Bureau of Kunshan Municipality (“**Zhangpu Construction Bureau**”), pursuant to which the Group agreed to transfer one of its existing plants, including buildings and a leasehold land (the “**Plant**”) in Kunshan, Jiangsu Province, the PRC and certain machinery and equipment (collectively the “**Disposal Assets**”) to Zhangpu Construction Bureau at a consideration of approximately RMB15,059,000 (the “**Transfer**”). The consideration was determined after arm’s length negotiation between both parties with reference to the appraised value of the Disposal Assets as of 12 March 2021 prepared by an independent valuer.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 5. OTHER INCOME AND GAINS, NET *(Continued)*

The control of the Plant was transferred to Zhangpu Construction Bureau when the registration and filing of the change in property right for the Plant was completed on 23 September 2021. A disposal gain of approximately RMB7,272,000, including approximately RMB5,512,000 for the disposal of buildings and approximately RMB1,760,000 for the disposal of leasehold land, was recognised based on the net book value of these assets as of the date of disposal.

It is also agreed that the Group can continue to use the Plant free of charge, after the Transfer, until the Group has relocated its plant and assets to a new place, which constitutes a sale and leaseback transaction in which the transfer of an asset is a sale. A right-of-use asset of factories and venues of approximately RMB3,187,000 and a government grant of approximately RMB3,187,000 were also recognized based on the average market rental of similar plants in the area where the Plant is located and amortised over the estimated period when the relocation of the Plant can be completed.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expenses on:		
Lease liabilities (Note 15)	688	836
Short-term borrowings	4	–
Discounted notes receivable	–	2
	692	838

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Raw materials consumed	<b>81,010</b>	63,588
Direct labor cost	<b>29,043</b>	16,905
Subcontracting expenses	<b>27,364</b>	29,256
Depreciation of property, plant and equipment (Note 13)	<b>10,167</b>	9,135
Depreciation of right-of-use assets (Note 15)	<b>4,701</b>	3,559
Amortisation of intangible assets (Note 14)	<b>1,125</b>	1,465
Research and development costs	<b>8,067</b>	8,060
Lease payments not included in the measurement of lease liabilities (Note 15)	<b>87</b>	54
Interest on lease liabilities (Note 15)	<b>688</b>	836
Auditor's remuneration	<b>1,410</b>	1,433
Employee benefit expenses (including directors' and chief executive's remuneration (Note 8)):		
Salaries and bonuses	<b>17,158</b>	15,841
Equity-settled share reward expense (Note 27)	<b>792</b>	–
Pension scheme contributions	<b>1,866</b>	2,267
	<b>19,816</b>	18,108
Impairment losses for trade and notes receivables, net (Note 18)	<b>1,165</b>	9,019
Provision for warranty (Note 22)	<b>502</b>	305
Write-down of inventories to net realisable value	<b>4,705</b>	4,486
Foreign exchange differences, net (Note 5)	<b>(222)</b>	285

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors' and chief executives' remuneration for the reporting period, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fees	<b>849</b>	894
Other emoluments:		
Salaries, allowances, and benefits in kind	<b>2,031</b>	2,138
Performance related bonuses	<b>407</b>	438
Equity-settled share reward expense	<b>254</b>	–
Pension scheme contributions	<b>20</b>	17
	<b>2,712</b>	2,593
	<b>3,561</b>	3,487

During the year, certain directors were granted awarded shares and share options in respect of their services to the Group, further details of which are set out in note 27 to the financial statements. The expenses recognised in the financial statements for the current year in relation to these awarded shares and share options are included in the above directors' and chief executive's remuneration disclosures.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION *(Continued)*

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the reporting period were as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Lin Lien-Hsing	199	214
So George Siu Ming	199	214
Fan Chi Chiu	199	214
	<b>597</b>	642

There were no other emoluments payable to the independent non-executive directors during the reporting period (2020: Nil).

### (b) Executive directors, a non-executive director and chief executives

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share reward expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>Year ended 31 December 2021</b>						
Executive directors:						
Lin Wan-Yi	72	688	130	73	–	963
Cheng Ching-Long	48	434	120	62	–	664
Yung Chia-Pu	48	–	–	–	–	48
Lu Jen-Chieh	24	323	50	30	–	427
	192	1,445	300	165	–	2,102
Non-executive director:						
Hsieh Pei-Chen	36	–	–	–	–	36
Chief executives:						
Chen Ming-Chih	24	368	80	43	–	515
Wang Jinxin	–	218	27	46	20	311
	24	586	107	89	20	826
	252	2,031	407	254	20	2,964

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION *(Continued)*

### (b) Executive directors, a non-executive director and chief executives *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>Year ended 31 December 2020</b>					
Executive directors:					
Lin Wan-Yi	72	716	140	–	928
Cheng Ching-Long	48	439	130	–	617
Yung Chia-Pu	48	–	–	–	48
Lu Jen-Chieh	24	272	52	–	348
	192	1,427	322	–	1,941
Non-executive director:					
Hsieh Pei-Chen	36	–	–	–	36
Chief executives:					
Chen Ming-Chih	24	366	84	–	474
Liu Huaping	–	150	–	2	152
Wang Jinxin	–	195	32	15	242
	24	711	116	17	868
	252	2,138	438	17	2,845

There was no arrangement under which a director waived or agreed to waive any remuneration during the reporting period.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the reporting period included two directors and one chief executive (2020: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the reporting period of the remaining two (2020: three) highest paid employees who are not a director or a chief executive of the Group are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	893	1,132
Equity-settled share reward expense	31	–
Performance related bonuses	220	574
	1,144	1,706

The number of non-director and non-chief executive highest paid employees during the reporting period whose remuneration fell within the following band is as follows:

	Year ended 31 December	
	2021	2020
Nil to HK\$1,000,000	2	3

During the year, certain awarded shares and share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The expenses recognized in the financial statements for the current year in relation to these awarded shares and share options are included in the above non-director and non-chief executive highest paid employees' remuneration.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands. Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax (“**CIT**”) rate of 25%. During the reporting period, Shinelong (Suzhou) was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate of 15% (2020: 15%). Xunzhan was certified as a small and micro-sized enterprise (“**SME**”) and enjoyed a 75% reduction in taxable income and the preferential income tax rate of 10% for the year ended 31 December 2021 as its taxable income is below RMB1 million (2020: 75% reduction in taxable income and preferential income tax rate of 20%).

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current — PRC	3,231	7,369
Deferred — PRC	1,319	(1,608)
Total tax charge for the year	4,550	5,761

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its major operating subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before tax	25,633	34,087
Statutory tax rate	25%	25%
Tax at the statutory tax rate	6,408	8,522
Lower tax rates enacted by local authority	(2,686)	(3,716)
Change of lower tax rates enacted by local authority	81	–
Expenses not deductible for income tax purposes	144	84
Adjustments in respect of current tax of previous periods	(102)	60
Additional deductible allowance for research and development expenses	(304)	(409)
Effect of withholding tax at 10% on earnings anticipated to be remitted by the Group's PRC subsidiaries	171	252
Tax losses not recognised	838	968
Total tax charge for the year	4,550	5,761

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 11. DIVIDENDS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Proposed final dividend		
— RMB0.233 cents (2020: RMB0.309 cents) per ordinary share	<b>1,538</b>	2,039

On 23 March 2022, the directors proposed a final dividend of HK0.286 cents (equivalent to RMB0.233 cents) per ordinary share totalling approximately HK\$1,888,000 (equivalent to RMB1,538,000) for the year ended 31 December 2021, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The proposed final dividend for the year ended 31 December 2020 was paid by the Company to its shareholders on 19 July 2021.

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year ended 31 December 2021 attributable to ordinary equity holders of the Company of approximately RMB21,195,000 (2020: RMB28,347,000) and the weighted average number of ordinary shares of 659,296,801 (2020: 660,000,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	<b>21,195</b>	28,347

	Number of shares	
	Year ended 31 December	
	2021	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>659,296,801</b>	660,000,000
Effect of dilution — weighted average number of ordinary shares:		
Awarded shares	<b>897,522</b>	—
	<b>660,194,323</b>	660,000,000

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>							
At 1 January 2020	6,259	102,925	4,212	2,908	1,618	–	117,922
Additions	–	8,778	600	–	–	11,358	20,736
Transfers	–	(983)	–	–	–	364	(619)
Disposals	–	(5,046)	(50)	–	–	–	(5,096)
At 31 December 2020	6,259	105,674	4,762	2,908	1,618	11,722	132,943
Additions	–	7,084	938	–	258	392	8,672
Transfers	–	12,114	–	–	–	(12,114)	–
Disposals	(4,756)	(1,975)	–	–	–	–	(6,731)
At 31 December 2021	1,503	122,897	5,700	2,908	1,876	–	134,884
<b>Accumulated depreciation</b>							
At 1 January 2020	3,894	44,657	2,437	2,807	1,215	–	55,010
Depreciation charge for the year	282	8,182	518	36	117	–	9,135
Transfers	–	(619)	–	–	–	–	(619)
Disposals	–	(4,539)	(39)	–	–	–	(4,578)
At 31 December 2020	4,176	47,681	2,916	2,843	1,332	–	58,948
Depreciation charge for the year	228	9,283	573	35	48	–	10,167
Disposals	(3,924)	(1,247)	–	–	–	–	(5,171)
At 31 December 2021	480	55,717	3,489	2,878	1,380	–	63,944
<b>Net carrying amount</b>							
As at 31 December 2020	2,083	57,993	1,846	65	286	11,722	73,995
As at 31 December 2021	1,023	67,180	2,211	30	496	–	70,940

As at 31 December 2021, the gross carrying amount of the fully depreciated property, plant and equipment of the Group that were still in use was approximately RMB18,492,000 (2020: RMB15,309,000).

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 14. INTANGIBLE ASSETS

	<b>Software</b> RMB'000
<b>Cost</b>	
At 1 January 2020	7,851
Additions	318
<hr/>	
At 31 December 2020	8,169
Additions	848
<hr/>	
At 31 December 2021	9,017
<hr/>	
<b>Accumulated amortisation</b>	
At 1 January 2020	4,689
Amortisation charge for the year	1,465
<hr/>	
At 31 December 2020	6,154
Amortisation charge for the year	1,125
<hr/>	
At 31 December 2021	7,279
<hr/>	
<b>Net carrying amount</b>	
At 31 December 2020	2,015
<hr/>	
At 31 December 2021	1,738
<hr/>	

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 15. LEASES

### The Group as a lessee

As at 31 December 2021, the Group has lease contracts for factories and venues, parking lots and a vehicle in its operations. Leases of factories and venues generally have lease terms between 3 and 10 years. Leases of parking lots generally have a lease period of 10 years, while a lease of vehicle has a lease term of 3 years. Office equipment generally is individually of low value.

In December 2021, the Group subleased part of one leased building in Qingdao to three third parties. The subleases were classified as finance leases. Accordingly, as an intermediate lessor, the Group recognized net investments in subleases amounting to RMB1,170,000 and derecognised the corresponding right-of-use asset of the head lease amounting to RMB1,152,000, resulting in a gain of RMB18,000 recognized in profit or loss at the sublease commencement date.

### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the reporting period are as follows:

	Factories and venues RMB'000	Parking lots RMB'000	Leasehold land RMB'000	Vehicle RMB'000	Total RMB'000
As at 1 January 2020	14,487	383	800	–	15,670
Additions	–	–	–	815	815
Modifications	4,569	–	–	–	4,569
Depreciation charges	(3,368)	(52)	(25)	(114)	(3,559)
As at 31 December 2020	15,688	331	775	701	17,495
Additions	5,833	–	–	–	5,833
Modifications (Note)	253	–	–	–	253
Subleases	(1,152)	–	–	–	(1,152)
Disposal (Note 5)	–	–	(759)	–	(759)
Depreciation charges	(4,360)	(52)	(16)	(273)	(4,701)
As at 31 December 2021	16,262	279	–	428	16,969

Note: Modification of increase in lease payments was made to two of the Group's leased factories and venues during the reporting period. Lease liabilities were remeasured for the increase in lease payments by discounting the revised lease payments using a revised discount rate, with corresponding adjustments made to the right-of-use assets.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 15. LEASES *(Continued)*

### The Group as a lessee *(Continued)*

#### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the reporting period are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	16,674	15,292
New leases	2,646	815
Accretion of interest recognised during the year	688	836
Covid-19-related rent concessions from a lessor	–	(67)
Modifications	253	4,569
Payments	(6,235)	(4,771)
Carrying amount at 31 December	14,026	16,674
Analysed into:		
Current portion	4,508	4,631
Non-current portion	9,518	12,043

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 15. LEASES *(Continued)*

### The Group as a lessee *(Continued)*

(c) The amounts recognized in profit or loss in relation to leases during the reporting period are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	688	836
Depreciation charges of right-of-use assets	4,701	3,559
Expense relating to short-term leases and leases of low-value assets (mainly included in general and administrative expenses and cost of sales)	87	54
Gain on derecognition of right-of-use assets due to subleases classified as finance leases	(18)	–
Covid-19-related rent concessions from a lessor	–	(67)
<b>Total amount recognised in profit or loss</b>	<b>5,458</b>	<b>4,382</b>

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements and future cash outflows relating to leases that have not yet commenced are nil.

### The Group as an intermediate lessor

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable leases are as follows:

	Undiscounted lease receivables 2021 RMB'000	Present value of lease receivables 2021 RMB'000
Amounts receivable:		
Within one year	208	180
In the second year	414	396
In the third year	206	202
	<b>828</b>	<b>778</b>
Less: future finance income	50	
<b>Total net investments in subleases</b>	<b>778</b>	
Portion classified as current assets	180	
Portion classified as non-current assets	598	

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 15. LEASES *(Continued)*

### The Group as an intermediate lessor *(Continued)*

	Undiscounted lease receivables 2020 RMB'000	Present value of lease receivables 2020 RMB'000
Amounts receivable within one year	385	380
Less: future finance income	5	
Total net investments in subleases	380	
Portion classified as current assets	380	

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 16. DEFERRED TAX

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

### Deferred tax assets

	Losses available for offsetting against future taxable income RMB'000	Write-down of inventories to net realisable value RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Asset-related government grants RMB'000	Provision for warranty RMB'000	Lease liabilities RMB'000	Expected credit losses of debt financial liabilities RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2021	24	1,107	235	412	510	2,411	1,301	32	6,032
Deferred tax credited/(charged) to profit or loss during the year (Note 10)	42	(65)	(207)	104	(148)	(525)	(930)	16	(1,713)
At 31 December 2021	66	1,042	28	516	362	1,886	371	48	4,319

	Losses available for offsetting against future taxable income RMB'000	Write-down of inventories to net realisable value RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Asset-related government grants RMB'000	Provision for warranty RMB'000	Lease liabilities RMB'000	Expected credit losses of debt financial liabilities RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2020	24	581	110	358	649	2,124	17	31	3,894
Deferred tax credited/(charged) to profit or loss during the year (Note 10)	–	526	125	54	(139)	287	1,284	1	2,138
At 31 December 2020	24	1,107	235	412	510	2,411	1,301	32	6,032

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 16. DEFERRED TAX *(Continued)*

### Deferred tax liabilities

	Rights-of-use assets RMB'000	Net investments in subleases RMB'000	Effect of withholding tax at 10% on earnings anticipated to be remitted by the Group's PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2021	(2,368)	(19)	(252)	(2,639)
Deferred tax (charged)/credited to profit or loss during the year (Note 10)	573	(8)	(171)	394
Payment of withholding tax	–	–	252	252
A 31 December 2021	(1,795)	(27)	(171)	(1,993)

	Rights-of-use assets RMB'000	Net investments in subleases RMB'000	Effect of withholding tax at 10% on earnings anticipated to be remitted by the Group's PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2020	(2,073)	(36)	(412)	(2,521)
Deferred tax (charged)/credited to profit or loss during the year (Note 10)	(295)	17	(252)	(530)
Payment of withholding tax	–	–	412	412
A 31 December 2020	(2,368)	(19)	(252)	(2,639)

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 16. DEFERRED TAX *(Continued)*

### Deferred tax liabilities *(Continued)*

For the year ended 31 December 2021, the Group recognised deferred tax liabilities of approximately RMB171,000 (2020: RMB252,000) on earnings anticipated to be remitted by certain PRC subsidiaries in the foreseeable future. No withholding tax had been provided for the retained profits of approximately RMB22,675,000 (2020: RMB29,871,000) expected to be retained by the PRC subsidiaries and not to be remitted in the foreseeable future based on several factors, including the Company's dividend policy, the impact of the Covid-19 pandemic and management's estimation of overseas funding requirements. The aggregate amount of temporary differences associated with these retained profits for which deferred tax liabilities have not been recognised was approximately RMB160,596,000 (2020: RMB137,921,000) as at 31 December 2021.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	2,497	3,645
Net deferred tax liabilities recognised in the consolidated statement of financial position	(171)	(252)
	2,326	3,393

The Company has tax losses arising in the Cayman Islands of RMB36,225,000 (2020: RMB26,734,000) that are available indefinitely for offsetting against its future taxable profits. The Group also has tax losses arising in Mainland China of RMB247,000 (2020: RMB83,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 16. DEFERRED TAX *(Continued)*

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Tax losses	<b>36,472</b>	26,817

## 17. INVENTORIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Finished goods	<b>99,761</b>	135,839
Work in progress	<b>80,977</b>	48,757
Raw materials and low value consumables	<b>1,484</b>	988
	<b>182,222</b>	185,584

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 18. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	<b>75,014</b>	64,053
Notes receivable	<b>23,195</b>	29,581
Impairment	<b>(2,465)</b>	(9,130)
	<b>95,744</b>	84,504

The Group generally grants a credit period of 20 to 180 days to customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and notes receivables are non-interest-bearing.

Details of the concentration of credit risk arising from the customers are set out in note 34 to the financial statements.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the date of the final acceptance report and net of loss allowance for impairment, is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 30 days	<b>22,425</b>	12,259
31–60 days	<b>12,903</b>	12,443
61–90 days	<b>8,040</b>	2,757
91–180 days	<b>12,426</b>	9,842
181–365 days	<b>9,493</b>	7,377
Over 365 days	<b>7,262</b>	10,245
	<b>72,549</b>	54,923

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 18. TRADE AND NOTES RECEIVABLES *(Continued)*

Set out below is the movements in loss allowance for impairment of trade and notes receivables:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	9,130	111
Impairment losses, net	1,165	9,019
Write off	(7,830)	–
Carrying amount at 31 December	2,465	9,130

The Group has applied the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days of ageing. If there is objective evidence of impairment existing individually for financial assets that are individually significant, an impairment loss is recognised in profit or loss. The Group performs a collective assessment for all other trade receivables that are not individually significant or for which impairment has not yet been identified by including the asset in a group of financial assets with similar credit risk characteristics for impairment. The collective provision calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Generally, trade receivables are written off when there is no reasonable expectation of recovering additional cash. Indicators include, among others, the bankruptcy of the customer and a failure to make contractual payments for a period of greater than 36 months.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 18. TRADE AND NOTES RECEIVABLES *(Continued)*

The gross carrying amount of trade receivables individually measured is RMB204,000 (2020: RMB8,033,000) and the loss allowance for these trade receivables is RMB204,000 (2020: RMB8,033,000). Set out below is the information about the credit risk exposure on the Group's trade receivables using the collective provision calculation matrix:

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
<b>31 December 2021</b>					
Gross carrying amount	66,672	5,176	2,897	65	74,810
Expected credit loss rate	0.30%-0.87%	3.00%-7.81%	3.00%-34.00%	100%	
Expected credit losses	573	638	985	65	2,261
<b>31 December 2020</b>					
Gross carrying amount	44,970	10,641	409	–	56,020
Expected credit loss rate	0.30%-0.66%	3.00%-6.16%	3.00%-38.33%	N/A	
Expected credit losses	293	647	157	–	1,097

The Group's notes receivable are recognised as debt investments at fair value through other comprehensive income and the Group applies the low credit risk simplification for the assessment of ECLs of notes receivable. At the end of the reporting period, the Group evaluated that the notes receivable are considered to have low credit risk and there has been a significant increase in credit risk when contractual payments are more than 180 days past due.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Non-current</b>		
Prepayment for acquisition of leasehold land (Note)	6,935	–
Prepayment for acquisition of items of property, plant and equipment	3,149	176
Deposits	350	350
	<b>10,434</b>	526
<b>Current</b>		
Receivable for the sale of the Plant	4,865	–
Prepayments	2,430	533
Deposits and other receivables	1,787	619
Input value added tax (“VAT”) to be deducted	228	51
HKEX annual subscription fee	124	122
Capital contribution receivable from a non-controlling shareholder	–	300
	<b>9,434</b>	1,625

Note: On 23 November 2021, the Group and Kunshan Natural Resources and Planning Bureau (the “Transferor”) entered into an agreement (the “Transfer Agreement”) to transfer a piece of state-owned industrial construction leasehold land located in Kunshan, Jiangsu Province, the PRC (the “Land”) with a term of 30 years at the consideration of approximately RMB6,935,000 (the “Land Consideration”). The Land Consideration was determined through bidding in an open online listing-for-trading held by the Transferor.

Since the Land will be transferred to the Group by 23 February 2022 according to the Transfer Agreement, the Land Consideration paid by the Group as at 31 December 2021 was recorded as prepayment.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The Group applies the general approach to provide for expected credit losses of the financial assets measured at amortised cost, for which the Group assesses the impairment individually based on the internal credit rating of these debtors. Based on the assessment, there has been no significant increase in credit risk since initial recognition. No impairment loss has been recognised under the 12-month ECLs based on the information about the exposure to credit risk for these financial assets which are assessed individually as at 31 December 2021.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 20. CASH AND CASH EQUIVALENTS, TIME DEPOSIT AND RESTRICTED BANK DEPOSITS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash and bank balances	<b>100,851</b>	105,918
Less: Time deposit	–	(10,000)
Restricted bank deposits (Note)	<b>(2,780)</b>	–
	<b>(2,780)</b>	(10,000)
Cash and cash equivalents	<b>98,071</b>	95,918

Note: The restricted bank deposits are placed by Shinelong (Suzhou) in Kunshan Rural Commercial Bank (the “**KRCB**”) as required by Zhangpu Town and Kunshan Municipality People’s Government for the purpose of acquiring the Land as disclosed in note 19 to the financial statements.

At 31 December 2021, the Group’s cash and bank balances denominated in RMB amounted to RMB49,057,000 (2020: RMB49,089,000). RMB is not freely convertible into other currencies, however, under PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchanges business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 21. TRADE PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables	<b>59,822</b>	43,804

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 30 days	<b>29,914</b>	21,010
31–60 days	<b>11,639</b>	10,028
61–90 days	<b>11,234</b>	7,092
91–120 days	<b>3,089</b>	5,089
Over 120 days	<b>3,946</b>	585
	<b>59,822</b>	43,804

The trade payables are non-interest-bearing and are normally settled on 30 to 120-day terms.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 22. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Staff cost and welfare accruals	9,495	8,838
Provision for warranty (Note)	2,414	3,400
Other tax payables	1,061	1,601
Professional service fee payables	1,019	1,021
Other payables	973	930
	<b>14,962</b>	15,790

Other payables are non-interest-bearing and are repayable on demand.

Note:

### Provision for warranty

	2021	2020
	RMB'000	RMB'000
Carrying amount at 1 January	3,400	4,328
Provision	502	305
Payment	(1,488)	(1,233)
Carrying amount at 31 December	<b>2,414</b>	3,400

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 23. CONTRACT LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contract liabilities	<b>92,542</b>	108,324

Contract liabilities include short-term advances received to deliver moulds.

## 24. GOVERNMENT GRANTS

	2021	2020
	RMB'000	RMB'000
Carrying amount at 1 January	<b>2,754</b>	2,391
Received during the year (Note)	<b>1,219</b>	827
Addition from the sale and leaseback transaction (Note 5)	<b>3,187</b>	–
Released to profit or loss	<b>(905)</b>	(464)
Carrying amount at 31 December	<b>6,255</b>	2,754
Current portion	<b>(2,107)</b>	(519)
Non-current portion	<b>4,148</b>	2,235

Note: Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 25. SHARE CAPITAL

	31 December 2020 and 2021	
	HK\$'000	RMB'000
Issued and fully paid/credited as fully paid:		
660,000,000 ordinary shares of HK\$0.01 each	6,600	5,806

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 2 October 2018, with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. 10,000 ordinary shares were issued at par pursuant to the Reorganisation.

On 6 June 2019, the authorised share capital of the Company was increased by HK\$19,620,000 to HK\$20,000,000 by the creation of 1,962,000,000 shares divided into 2,000,000,000 shares.

On 28 June 2019, upon its Listing, the Company issued 165,000,000 ordinary shares with a par value of HK\$0.01 each at HK\$0.88 each, and raised gross proceeds of approximately HK\$145,200,000 (equivalent to approximately RMB127,731,000). The share capital and share premium arising from the new issue were approximately RMB1,452,000 and RMB126,279,000, respectively.

On 28 June 2019, 494,990,000 ordinary shares with a par value of HK\$0.01 each were issued and credited as fully paid to the shareholders, whose names appeared on the register of members of the Company at the close of business on 27 June 2019 in proportion to their then shareholding in the Company, by way of capitalisation of the share premium account of approximately HK\$4,950,000 (equivalent to approximately RMB4,354,000) upon the completion of the Listing.

There was no change to the share capital of the Company for the year ended 31 December 2021.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 26. RESERVES

### Group

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

### Share premium

The share premium of the Group represents the reserve arisen pursuant to the Reorganisation and the reserve arisen pursuant to Shinlone (Suzhou)'s conversion as a limited liability company in March 2016 and the amount resulting from the vesting and transfer of awarded shares in November 2021, as further detailed in note 27 to the financial statements.

### Share-based payment reserve

The share-based payment reserve comprises the fair value of share options and awarded shares granted which are yet to be exercised. The amount will either be transferred to the share premium when the related share options are exercised or the related awarded shares are vested and transferred, or be transferred to retained earnings should the related share options or awarded shares expire or be forfeited.

### Merger reserve

There was no change in the merger reserve of the Group, which represents the reserve arisen pursuant to the Reorganisation and the reserve arisen pursuant to Shinlone (Suzhou)'s conversion as a limited liability company in March 2016.

### Statutory reserve

The statutory reserve of the Group represents all the appropriation of net profits (after offsetting accumulated losses from prior years) made by the Group's subsidiaries in the PRC. The percentage of appropriation to statutory reserve is 10%. When the balances of the statutory reserve reach 50% of the registered capital, such transfer needs not to be made.

### Fair value reserve

The fair value reserve of the Group represents the fair value changes of debt investments measured at fair value through other comprehensive income, which will be reclassified subsequently to profit or loss upon disposal.

### Exchange reserve

The exchange reserve of the Group represents all relevant exchange differences arising from the translation of the financial statements of an entity whose functional currency is different from the Group's presentation currency.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 27. SHARE-BASED PAYMENTS

### Share option scheme

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 6 June 2019, the purpose of which is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

On 18 May 2021, under the Share Option Scheme, the Company granted options to its employees, including executive directors, to subscribe for up to a total of 9,248,000 ordinary shares with the nominal value of HK\$0.01 per share. The share options have a term of 5 years from the date of grant and their exercise price is HK\$0.405. The exercise of the share options is subject to the grantees’ continued service to the Group through the applicable vesting dates, the financial performance of the Group over certain periods and the grantees’ achievement of their respective performance targets as determined by the Company (the “**Performance Conditions**”).

The following share options were outstanding under the Share Option Scheme during the year:

	2021	
	Weighted average exercise price HK\$ per share	Number of share options '000
At 1 January	–	–
Granted during the year	<b>0.405</b>	<b>9,248</b>
At 31 December	<b>0.405</b>	<b>9,248</b>

No share options were exercised for the year ended 31 December 2021.

The exercise price and exercise period of the share options outstanding as at 31 December 2021 are HK\$0.405 and from 18 May 2022 to 17 May 2026, respectively.

The fair value of the share options granted during the year ended 31 December 2021 was approximately RMB1,695,000 (equivalent to approximately HK\$2,044,000, HK\$0.221 each). No share-based compensation expense has been recognised under the Share Option Scheme during the year as the Performance Conditions are not expected to be satisfied.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 27. SHARE-BASED PAYMENTS *(Continued)*

### Share option scheme *(Continued)*

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2021
Dividend yield (%)	0.92
Expected volatility (%)	77.57
Historical volatility (%)	77.57
Risk-free interest rate (%)	0.62
Expected life of options (year)	5
Weighted average share price (HK\$ per share)	0.221

The expected life of the options is based on the validity period of the Share Option Scheme. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 9,248,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 9,248,000 additional ordinary shares of the Company and additional share capital of approximately HK\$92,000 (before issue expenses).

### Share award scheme

The Company has adopted a share award scheme on 18 May 2021 (the “**Share Award Scheme**”), pursuant to which the Company may grant awarded shares to the selected participants, including directors, senior management and/or employee(s). The Share Award Scheme shall be valid and effective for ten years from the adoption date unless early terminated by the Directors in accordance with the scheme rules.

On 18 May 2021, under the Share Award Scheme, the Company granted an aggregate of 9,248,000 awarded shares to 24 selected participants. The relevant awardees shall contribute HK\$0.20 per awarded share. Subject to the awardees’ continued service to the Group through the applicable vesting dates, the awarded shares shall become vested with respect to 30%, 30% and 40% of the awarded shares on 18 November 2021, 2022 and 2023, respectively.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 27. SHARE-BASED PAYMENTS *(Continued)*

### Share award scheme *(Continued)*

The following awarded shares were outstanding under the Share Award Scheme during the year:

	2021 Number of awarded shares '000
At 1 January	–
Granted during the year	9,248
Vested during the year	(2,774)
At 31 December	6,474

The fair value of each awarded share was calculated based on the market price of the Company's shares at the grant date.

For the year ended 31 December 2021, the Group recognised RMB792,000 of share-based compensation expenses under the Share Award Scheme in profit or loss.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 28. TREASURY SHARES

	2021	
	Number of shares '000	Amount RMB'000
At 1 January	–	–
Shares repurchased	5,600	1,560
Vesting of awarded shares (Note 27)	(2,774)	(836)
At 31 December	2,826	724

Pursuant to a resolution passed by the Board of Directors of the Company on 18 May 2021, the Company has entered into a trust deed with an independent trustee (the “**Trustee**”). The Trustee shall act as the administrator of the Company’s Share Award Scheme.

A structured entity (the “**Trust**”), namely SALA T Limited, was set up on 13 May 2021, which is solely for the purpose of administering and holding the Company’s shares for the Share Award Scheme. The Company has the power to direct the relevant activities of the Trust and it has the ability to use its power over the Trust to affect its exposure to returns. Therefore, the assets and liabilities of the Trust are included in the Group’s consolidated statement of financial position and the ordinary shares held for the Company’s Share Award Scheme were regarded as treasury shares and presented as a deduction in equity.

During the year ended 31 December 2021, the Company purchased 5,600,000 shares on the HKEX through the Trust pursuant to the Share Award Scheme at an average price of approximately HK\$0.3383 per share with a total consideration of HK\$1,894,000 (equivalent to approximately RMB1,560,000).

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the reporting period, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,899,000 (2020: RMB5,384,000) and RMB2,899,000 (2020: RMB5,384,000), respectively, in respect of lease arrangements for factories and venues, and non-cash additions to right-of-use assets and government grants of RMB3,187,000 (2020: Nil) and RMB3,187,000 (2020: Nil), respectively, in respect of the sale and leaseback of factories and venues. In addition, the Group's other borrowings and notes receivable of RMB922,000 in relation to notes receivable discounted with recourse were derecognised when cash was collected by the KRCB.

Other than the items described above, there are no other major non-cash transactions for the year ended 31 December 2021.

### (b) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities during the reporting period are as follows:

#### 2021

	As at 31 December 2020 RMB'000	Changes from financing cash flows RMB'000	Interest expense RMB'000	Dividend declared RMB'000	Non-cash transaction (Note 29 (a)) RMB'000	As at 31 December 2021 RMB'000
Other borrowings	922	-	-	-	(922)	-
Dividends payable	-	(2,039)	-	2,039	-	-
Lease liabilities	16,674	(6,235)	688	-	2,899	14,026
	17,596	(8,274)	688	2,039	1,977	14,026

#### 2020

	As at 31 December 2019 RMB'000	Changes from financing cash flows RMB'000	Interest expense RMB'000	Covid-19- related rent concessions from a lessor RMB'000	Dividend declared RMB'000	Non-cash transaction (Note 29 (a)) RMB'000	As at 31 December 2020 RMB'000
Other borrowings	-	922	-	-	-	-	922
Dividends payable	-	(3,709)	-	-	3,709	-	-
Lease liabilities	15,292	(4,771)	836	(67)	-	5,384	16,674
	15,292	(7,558)	836	(67)	3,709	5,384	17,596

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Within operating activities	(87)	(54)
Within financing activities	(6,235)	(4,771)
	(6,322)	(4,825)

## 30. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Contracted, but not provided for:		
Machinery	12,221	3,770
Plant construction	1,684	–
Total	13,905	3,770

## 31. RELATED PARTY TRANSACTIONS

(a) The Group's related parties and its relationships with them:

Name	Relationship
Shine Art	Controlling Shareholder
Lin Wan-Yi	Ultimate controlling shareholder, Chairman, executive director and chief executive officer

(b) There were no transactions with related parties during the reporting period.

(c) Compensation of key management personnel of the Group:

The key management personnel of the Group included four directors and two chief executives of the Group (2020: four directors and three chief executives) whose emoluments were disclosed in note 8 to the financial statements.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### Financial assets

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Debt investments — notes receivable	<b>23,195</b>	29,581
FINANCIAL ASSETS AT AMORTISED COST		
Trade receivables	<b>72,549</b>	54,923
Cash and cash equivalents	<b>98,071</b>	95,918
Net investments in subleases	<b>778</b>	380
Financial assets included in prepayments, other receivables and other assets	<b>1,900</b>	1,162
Restricted bank deposits	<b>2,780</b>	—
	<b>176,078</b>	152,383

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
FINANCIAL LIABILITIES		
Trade payables	<b>59,822</b>	43,804
Lease liabilities	<b>14,026</b>	16,674
Financial liabilities included in other payables and accruals	<b>1,992</b>	1,951
	<b>75,840</b>	62,429

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying Amounts		Fair Values	
	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000
FINANCIAL ASSETS				
Notes receivable	<b>23,395</b>	29,884	<b>23,195</b>	29,581

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, and contract liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance management center is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance management center analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of notes receivable have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to make estimates about the expected future cash flows of the notes receivable. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the consolidated statement of profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

##### As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	23,195	–	23,195

##### As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	29,581	–	29,581

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the reporting period under review, the Group's policy that no trading in financial instruments shall be undertaken.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in foreign currency rate %	Increase/(decrease) in profit before tax As at 31 December 2021 RMB'000	2020 RMB'000
If RMB weakens against USD	5	568	540
If RMB strengthens against USD	(5)	(568)	(540)
If RMB weakens against HKD	5	(1,575)	(1,000)
If RMB strengthens against HKD	(5)	1,575	1,000

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables and deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Credit risk *(Continued)*

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty. The Group had certain concentrations of credit risk as the trade and notes receivables in terms of the following percentages were due from the five largest customers out of the Group's total trade and notes receivables:

	As at 31 December	
	2021	2020
	%	%
Due from the Group's five largest customers	58	43

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021 and 2020. The amounts presented are gross carrying amounts for financial assets.

### As at 31 December 2021

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	–	–	72,549	72,549	
Notes receivable	23,195	–	–	–	23,195	
Cash and cash equivalents	98,071	–	–	–	98,071	
Restricted bank deposits	2,780	–	–	–	2,780	
Net investments in subleases	778	–	–	–	778	
Financial assets included in prepayments, other receivables and other assets	1,900	–	–	–	1,900	
	126,724	–	–	72,549	199,273	

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Credit risk *(Continued)*

As at 31 December 2020

	12-month	Lifetime ECLs		Simplified approach	Total
	ECLs	Stage 2	Stage 3		
	Stage 1	Stage 2	Stage 3		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	–	–	54,923	54,923
Notes receivable	29,581	–	–	–	29,581
Cash and cash equivalents	95,918	–	–	–	95,918
Time deposit	10,000	–	–	–	10,000
Net investments in subleases	380	–	–	–	380
Financial assets included in prepayments, other receivables and other assets	1,162	–	–	–	1,162
	137,041	–	–	54,923	191,964

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables are disclosed in note 18 to the financial statements.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or no later than 1 year			Total RMB'000
	RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
<b>As at 31 December 2021</b>				
Trade payables	59,822	–	–	59,822
Lease liabilities	5,066	10,387	–	15,453
Financial liabilities included in other payables and accruals	1,992	–	–	1,992
	<b>66,880</b>	<b>10,387</b>	<b>–</b>	<b>77,267</b>
<b>As at 31 December 2020</b>				
Trade payables	43,804	–	–	43,804
Lease liabilities	5,316	10,893	2,573	18,782
Financial liabilities included in other payables and accruals	1,951	–	–	1,951
	51,071	10,893	2,573	64,537

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

## 35. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of these financial statements, apart from the events elsewhere mentioned in these financial statements, there is no other significant event subsequent to 31 December 2021.

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	203,900	137,175
Due from a subsidiary	32,171	31,350
Total non-current assets	236,071	168,525
CURRENT ASSETS		
Prepayments, other receivables and other assets	437	129
Cash and cash equivalents	40,881	48,526
Total current assets	41,318	48,655
CURRENT LIABILITIES		
Due to a subsidiary	–	1,050
Other payables and accruals	1,087	1,091
Total current liabilities	1,087	2,141
NET CURRENT ASSETS	40,231	46,514
TOTAL ASSETS LESS CURRENT LIABILITIES	276,302	215,039
Net assets	276,302	215,039
EQUITY		
Share capital	5,806	5,806
Treasury shares	(724)	–
Reserves (Note)	271,220	209,233
Total equity	276,302	215,039

# Notes to the Financial Statements *(Continued)*

31 December 2021

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2020	100,972	136,507	–	1,638	(22,946)	216,171
Loss for the year	–	–	–	–	(79)	(79)
Other comprehensive loss for the year:	–	–	–	–	–	–
Currency translation differences	–	–	–	(3,150)	–	(3,150)
Total comprehensive loss for the year	–	–	–	(3,150)	(79)	(3,229)
Final 2019 dividend	–	–	–	–	(3,709)	(3,709)
As at 31 December 2020 and 1 January 2021	100,972	136,507	–	(1,512)	(26,734)	209,233
Profit for the year	–	–	–	–	64,998	64,998
Other comprehensive loss for the year:	–	–	–	–	–	–
Currency translation differences	–	–	–	(1,382)	–	(1,382)
Total comprehensive income/(loss) for the year	–	–	–	(1,382)	64,998	63,616
Final 2020 dividend	–	–	–	–	(2,039)	(2,039)
Equity-settled share reward expense	–	–	792	–	–	792
Vesting of awarded shares	71	–	(453)	–	–	(382)
As at 31 December 2021	101,043	136,507	339	(2,894)	36,225	271,220

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 23 March 2022.

# Five-Year Financial Summary

## RESULTS

	2021 RMB'000	For the year ended 31 December			
		2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	<b>222,209</b>	203,445	230,228	217,216	178,450
Gross profit	<b>48,613</b>	71,225	77,576	72,913	66,235
Profit before tax	<b>25,633</b>	34,087	31,382	38,071	43,370
Profit for the year	<b>21,083</b>	28,326	23,713	31,351	37,572
Adjusted net profit <sup>Note 1</sup>	<b>21,083</b>	28,326	38,313	38,266	34,610
Basic earnings per share (RMB cents)	<b>3.2</b>	4.3	4.1	N/A <sup>Note 2</sup>	N/A <sup>Note 2</sup>
Diluted earnings per share (RMB cents)	<b>3.2</b>	4.3	4.1	N/A <sup>Note 2</sup>	N/A <sup>Note 2</sup>

## PROFITABILITY ANALYSIS

	2021	For the year ended 31 December			
		2020	2019	2018	2017
Gross profit margin	<b>21.9%</b>	35.0%	33.7%	33.6%	37.1%
Net profit margin	<b>9.5%</b>	13.9%	10.3%	14.4%	21.1%
Adjusted net profit margin <sup>Note 1</sup>	<b>9.5%</b>	13.9%	16.6%	17.6%	19.4%

Notes:

- Adjusted net profit and adjusted net profit margin are not financial measures under IFRS. Adjusted net profit and adjusted net profit margin are calculated based on the net profit for the year after excluding the effect of (i) the listing expenses for the Listing; (ii) the listing expenses for the previous listing application for A-Share filed by the Company's subsidiary on 23 December 2016 ("**A-Share Listing Application**"); and (iii) the cash-subsidies granted by the local government in relation to the A-Share Listing Application.
- No earnings per share was presented for the years ended 31 December 2018, 2017 as it was not considered meaningful due to the reorganisation of the Group for the Listing.

## ASSETS AND LIABILITIES

	2021 RMB'000	As at 31 December			
		2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Total assets	<b>491,607</b>	475,687	414,467	305,908	270,382
Cash and cash equivalents	<b>98,071</b>	95,918	86,904	14,112	33,631
Total liabilities	<b>189,548</b>	191,229	151,787	174,589	163,696
Borrowings	–	922	–	–	27,219
Total equity	<b>302,059</b>	284,458	262,680	131,319	106,686