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

(incorporated in Cayman Islands with limited liability)

(Stock code: 1930)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL SUMMARY

	For the year ended 31 December		
	2022	2021	Change
Revenue *(RMB'000)*	**198,543**	222,209	–10.7%
Gross profit *(RMB'000)*	**44,558**	48,613	–8.3%
Gross profit margin	**22.4%**	21.9%	0.5 percentage points
Net profit attributable to owners of the Company *(RMB'000)*	**17,312**	21,195	–18.3%
Net profit margin	**8.7%**	9.5%	–0.8 percentage points
Basic earnings per share *(RMB cents)*	**2.6**	3.2	–18.8%
Diluted earnings per share *(RMB cents)*	**2.6**	3.2	–18.8%
Proposed final dividend per share *(HK cents)*	**0.241***Note*	0.286	
Proposed total dividend *(HKD million)*	**1.6***Note*	1.9	

Note:

On 27 March 2023, the board (the "**Board**") of directors (the "**Directors**") of the Company proposed a final dividend (the "**Final Dividend**") of HK0.241 cents (equivalent to RMB0.210 cents) per ordinary share totalling approximately HK$1.6 million (equivalent to approximately RMB1.4 million) for the year ended 31 December 2022 (the "**FY2022**"), which is subject to the approval of the Company's shareholders at 2022 annual general meeting (the "**2022 AGM**") to be held on Thursday, 1 June 2023 and is expected to be paid by cash on Wednesday, 19 July 2023.

RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3*	**198,543**	222,209
Cost of sales		**(153,985)**	(173,596)
Gross profit		**44,558**	48,613
Other income and gains, net	*4*	**3,792**	11,467
Selling and distribution expenses		**(5,941)**	(6,009)
General and administrative expenses		**(23,162)**	(27,746)
Finance costs		**(638)**	(692)
PROFIT BEFORE TAX	*5*	**18,609**	25,633
Income tax expense	*6*	**(999)**	(4,550)
PROFIT FOR THE YEAR		**17,610**	21,083
Attributable to:			
Owners of the Company		**17,312**	21,195
Non-controlling interests		**298**	(112)
		17,610	21,083

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

		Year ended 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
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		**35**	103
Other comprehensive income that will not be reclassified to profit or loss in subsequent years:			
Translation differences:			
Currency translation differences of the Company		**3,214**	(1,382)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**3,249**	(1,279)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**20,859**	19,804
Attributable to:			
Owners of the Company		**20,561**	19,916
Non-controlling interests		**298**	(112)
		20,859	19,804
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY (in RMB cents per share)			
Basic, for profit for the year	*7*	**2.6**	3.2
Diluted, for profit for the year	*7*	**2.6**	3.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**115,954**	70,940
Right-of-use assets		**19,357**	16,969
Intangible assets		**1,640**	1,738
Prepayments, other receivables and other assets		**8,883**	10,434
Deferred tax assets		**1,500**	2,497
Net investments in subleases		**202**	598
Restricted bank deposits	*11*	**2,085**	2,085
Total non-current assets		**149,621**	105,261
CURRENT ASSETS			
Inventories	*9*	**246,433**	182,222
Trade and notes receivables	*10*	**110,588**	95,744
Prepayments, other receivables and other assets		**5,246**	9,434
Net investments in subleases		**396**	180
Restricted bank deposits	*11*	**66**	695
Cash and cash equivalents	*11*	**54,449**	98,071
Total current assets		**417,178**	386,346
CURRENT LIABILITIES			
Trade payables	*12*	**62,601**	59,822
Other payables and accruals		**37,009**	14,962
Government grants		**1,906**	2,107
Contract liabilities		**116,630**	92,542
Interest-bearing bank and other borrowings		**10,938**	–
Income tax payable		**–**	1,770
Lease liabilities		**3,369**	4,508
Total current liabilities		**232,453**	175,711
NET CURRENT ASSETS		**184,725**	210,635
TOTAL ASSETS LESS CURRENT LIABILITIES		**334,346**	315,896

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT LIABILITIES			
Government grants		**2,248**	4,148
Interest-bearing bank borrowing		**2,000**	–
Deferred tax liabilities		**155**	171
Lease liabilities		**7,433**	9,518
Total non-current liabilities		**11,836**	13,837
Net assets		**322,510**	302,059
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*13*	**5,806**	5,806
Treasury shares		**(101)**	(724)
Reserves		**315,890**	296,660
		321,595	301,742
Non-controlling interests		**915**	317
Total equity		**322,510**	302,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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 after-sales services.

The Company and its subsidiaries now comprising the Group underwent a reorganisation (the "**Reorganization**") in preparation for an Initial Public Offering ("**IPO**") through the incorporation of the Company, the 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.

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 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

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 IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(b) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(c) *Annual Improvements to IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the financial statements.

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 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

5 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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.

3. REVENUE

3.1 Disaggregated revenue information

An analysis of revenue is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Sales of moulds		
Automotive moulds	**137,328**	133,884
Electrical appliance moulds	**40,442**	65,802
Other moulds	**5,670**	3,007
Parts processing services	**13,963**	17,625
Others	**1,140**	1,891
	198,543	222,209
Represented by:		
Goods and services transferred at a point in time	**198,543**	222,209
Represented by:		
Geographic markets		
The PRC	**185,963**	208,859
Overseas	**12,580**	13,350
	198,543	222,209

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	
	2022	2021
	RMB'000	*RMB'000*
Sales of moulds		
Automotive moulds	**52,952**	52,532
Electrical appliance moulds	**4,844**	15,433
Other moulds	**1,049**	400
Parts processing services	**339**	–
	59,184	68,365

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 2022 *RMB'000*
Customer 1	**42,925**
Customer 4	**21,694**
	64,619

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

3.2 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	
	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**210,734**	247,744
After one year	**206,485**	96,506
	417,219	344,250

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.

4. OTHER INCOME AND GAINS, NET

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Other income, net		
Government grants *(Note)*	**2,924**	2,574
Interest income	**1,499**	1,256
Others	**(138)**	125
	4,285	3,955
(Loss)/gains, net		
Foreign exchange differences, net	**(1,007)**	222
Gain on disposal of property, plant and equipment	**514**	5,512
Gain on disposal of leasehold land	**–**	1,760
Gain on derecognition of right-of-use assets due to subleases classified as finance leases	**–**	18
	(493)	7,512
	3,792	11,467

Note: 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.

5. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Raw materials consumed	**68,443**	81,010
Direct labor cost	**25,042**	29,043
Subcontracting expenses	**30,978**	27,364
Depreciation of property, plant and equipment	**11,619**	10,167
Depreciation of right-of-use assets	**5,573**	4,701
Amortisation of intangible assets	**938**	1,125
Research and development costs	**8,198**	8,067
Lease payments not included in the measurement of lease liabilities	**55**	87
Interest on lease liabilities	**560**	688
Auditor's remuneration	**1,519**	1,410
Employee benefit expenses (including directors' and chief executive's remuneration):		
Salaries and bonuses	**16,967**	17,158
Equity-settled share reward expense	**457**	792
Pension scheme contributions	**1,584**	1,866
	19,008	19,816
(Write-back of)/impairment losses for trade and notes receivables, net	**(940)**	1,165
Provision for warranty	**1,176**	502
Write-down of inventories to net realisable value	**7,561**	4,705
Foreign exchange differences, net	**1,007**	(222)

6. 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% (2021: 15%). Qingdao Xunzhan Molding Technology Company Limited ("**Xunzhan**"), Xunhou Laser Technology (Suzhou) Company Limited ("**Xunhou**"), Kunshan Longjun, were certified as small and micro-sized enterprises ("**SME**") and enjoyed an 87.5% reduction in taxable income and the preferential income tax rate of 20% for the year ended 31 December 2022 as its taxable income is below RMB1 million (2021: 87.5% reduction in taxable income and preferential income tax rate of 20%).

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current — PRC	**(153)**	3,231
Deferred — PRC	**1,152**	1,319
Total tax charge for the year	**999**	4,550

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	
	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**18,609**	25,633
Statutory tax rate	**25%**	25%
Tax at the statutory tax rate	**4,652**	6,408
Lower tax rates enacted by local authority	**(2,385)**	(2,686)
Change of lower tax rates enacted by local authority	**–**	81
Expenses not deductible for income tax purposes	**95**	144
Adjustments in respect of current tax of previous periods	**(262)**	(102)
Additional deductible allowance for research and development expenses	**(899)**	(304)
Effect of withholding tax at 10% on earnings anticipated to be remitted by the Group's PRC subsidiaries	**155**	171
Additional deductible allowance for purchases of property, plant and equipment	**(1,458)**	–
Tax losses not recognised	**1,104**	838
Tax losses utilised from previous periods	**(3)**	–
Total tax charge for the year	**999**	4,550

7. 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 2022 attributable to ordinary equity holders of the Company of approximately RMB17,312,000 (2021: RMB21,195,000), and the weighted average number of ordinary shares of 657,469,791 (2021: 659,296,801) 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.

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	**17,312**	21,195

	Number of shares Year ended 31 December	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**657,469,791**	659,296,801
Effect of dilution — weighted average number of ordinary shares:		
Awarded shares	**410,996**	897,522
	657,880,787	660,194,323

8. 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*
Cost							
At 1 January 2021	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
Additions	–	16,749	697	–	382	42,329	60,157
Disposals	–	(9,159)	(20)	–	(146)	–	(9,325)
At 31 December 2022	1,503	130,487	6,377	2,908	2,112	42,329	185,716
Accumulated depreciation							
At 1 January 2021	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
Depreciation charge for the year	68	10,771	624	19	137	–	11,619
Disposals	–	(5,713)	(14)	–	(74)	–	(5,801)
At 31 December 2022	548	60,775	4,099	2,897	1,443	–	69,762
Net carrying amount							
As at 31 December 2021	1,023	67,180	2,211	30	496	–	70,940
As at 31 December 2022	955	69,712	2,278	11	669	42,329	115,954

As at 31 December 2022, the gross carrying amount of the fully depreciated property, plant and equipment of the Group that were still in use was approximately RMB24,584,000 (2021: RMB18,492,000).

As at 31 December 2022, the Group's new plant under construction with a net carrying amount of approximately RMB34,791,000 (2021: Nil) were mortgaged to secure the general bank facility granted to the Group.

9. INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Finished goods	**155,715**	99,761
Work in progress	**89,363**	80,977
Raw materials and low value consumables	**1,355**	1,484
	246,433	182,222

10. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**71,391**	75,014
Notes receivable	**40,722**	23,195
Impairment	**(1,525)**	(2,465)
	110,588	95,744

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.

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	
	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**22,546**	22,425
31–60 days	**6,423**	12,903
61–90 days	**5,972**	8,040
91–180 days	**10,643**	12,426
181–365 days	**13,273**	9,493
Over 365 days	**11,009**	7,262
	69,866	72,549

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

	2022	2021
	RMB'000	*RMB'000*
At the beginning of year	**2,465**	9,130
(Write-back)/impairment losses, net	**(940)**	1,165
Amount written off as uncollectible	**–**	(7,830)
At the end of year	**1,525**	2,465

The Group has applied the simplified approach to providing 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 the statement of 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. In response to COVID-19 and the Group's expectations of economic impacts, the forward-looking macroeconomic assumption underpinning the collective provision calculation has been revised. However, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

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.

The gross carrying amount of trade receivables individually measured is RMB204,000 (2021: RMB204,000) and the loss allowance for these trade receivables is RMB204,000 (2021: RMB204,000). 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	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022					
Gross carrying amount	**59,226**	**10,774**	**948**	**239**	**71,187**
Expected credit loss rate	**0.30%–0.62%**	**3.00%–5.86%**	**3.00%–11.06%**	**100%**	
Expected credit losses	**369**	**608**	**105**	**239**	**1,321**
31 December 2021					
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

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.

11. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances	**56,600**	100,851
Less:		
Restricted bank deposits *(Note)*	**(2,151)**	(2,780)
Cash and cash equivalents	**54,449**	98,071

Note: As at 31 December 2022, the Group has placed restricted bank deposits in a bank with an aggregate amount of approximately RMB2,151,000 (2021: RMB2,780,000), among which approximately RMB2,085,000 (2021: RMB2,780,000) is in relation to the performance guarantees issued by the bank to Zhangpu Town People's Government of Kunshan Municipality for the acquisition of the leasehold land and approximately RMB66,000 (2021: Nil) is in relation to the quality guarantees issued by the bank to a customer of the Group for the sale of moulds.

As at 31 December 2022, the Group's cash and bank balances denominated in RMB amounted to RMB34,795,000 (2021: RMB49,057,000). RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, and 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.

12. TRADE PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**62,601**	59,822

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	
	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**28,272**	29,914
31–60 days	**13,283**	11,639
61–90 days	**13,542**	11,234
91–120 days	**6,553**	3,089
Over 120 days	**951**	3,946
	62,601	59,822

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

13. SHARE CAPITAL

	31 December 2021 and 2022	
	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

There was no change to the share capital of the Company for the year ended 31 December 2022.

14. DIVIDENDS

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Proposed final dividend		
— RMB0.210 cents (2021: RMB0.233 cents) per ordinary share	**1,386**	1,538

On 27 March 2023, the directors proposed a final dividend of HK0.241 cents (equivalent to RMB0.210 cents) per ordinary share totalling approximately HK$1,591,000 (equivalent to RMB1,386,000) for the year ended 31 December 2022, 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 2021 was paid by the Company to its shareholders on 22 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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.

In 2022, spread of new variants of the novel coronavirus, the turbulent international geopolitical situation, the economic "de-globalization" and high global inflation resulted in an increasing in downside risks of world economy. China's economy has been impacted by multiple factors such as international situation and the domestic pandemic situation. As a result, the economic development was under great pressure, and the growth rate was slowed down.

China's automobile industry was also affected by frequent occurrence of COVID-19 pandemic in various areas, the shortage of chip supply, high raw material prices and other adverse factors. The Chinese government has adopted a series of policies such as preferential purchase tax to stabilize growth and boost consumption. In 2022, production and sales of automobiles in the PRC increased by 3.4% and 2.1% year-on-year, respectively. The new energy vehicle market sustained explosive growth and the market share of new energy vehicle increased to 25.6%.

In 2022, the household electrical appliance industry was affected by volatile international situation, the sluggish domestic real estate market, the recurrence of epidemic situation, the tendency of conservative consumption attitudes and other factors. As a result, the retail sales of household electrical appliance fell significantly.

It has been the Group's intention to expand and consolidate the Group's operation. In 2021, the Group acquired a piece of land (the "**Land**") through online public listing-for-trading activities. In 2022, the Group completed the tender process for selection of contractor in relation to the construction of the Land and construction of the new plant has commenced. At present, the construction of various main works is in full swing.

During March and April 2022, the outbreak of COVID-19 pandemic in Shanghai, the PRC was particularly severe. The principal subsidiary of the Group, which is located in area neighboring Shanghai, was also affected by lockdown measures and disrupted logistics in short term due to COVID-19 pandemic situations. The Group has put in place measures to reduce the adverse impact arising from COVID-19 pandemic. With the rapid development of the new energy vehicle market in the PRC, the Group actively adjusts its market strategy and strives to explore the market of automotive moulds. In order to provide better services to our customers, improve the comprehensive competitiveness of the Group and customer stickiness, the Group has purchased several hydraulic press used for hot forming, die spotting and testing during the year. In 2022, the amount of orders for automotive moulds received by the Group increased as compared with that in 2021. Due to the impacts of COVID-19 pandemic, the decline in consumer demands in the household electrical appliance market and other factors, the amount of orders for electrical appliance moulds received by the Group in 2022 was decreased as compared with that in 2021.

In 2022, Shinelong (Suzhou), a principal wholly-owned subsidiary of the Group, has taken various measures to optimize the organizational structure of each department, so as to enhance the staff enthusiasm and improve efficiency.

The revenue of the Group for FY2022 amounted to approximately RMB198.5 million, representing a decrease of approximately RMB23.7 million or 10.7% as compared with that of RMB222.2 million for the year ended 31 December 2021 (the "**FY2021**"). Such decrease was mainly due to the decrease in revenue generated from sales of electrical appliance moulds, which was impacted by the sluggish demand and fierce competition in electrical appliance and electrical appliance moulds markets. In response to the market environment of electrical appliance moulds and the rapid development of the new energy vehicle market, the Group adjusts its strategy to focus on the development of automotive moulds, resulting in an increase in orders for automotive moulds while orders for electrical appliance moulds decreased. However, the production and examination period for automotive moulds is relatively lengthy, and as such, the increase in revenue of automotive moulds in FY2022 was unable to fully offset the decline in revenue from electrical appliance moulds. The profit attributable to owners of the Company for FY2022 amounted to approximately RMB17.3 million, representing a decrease of 18.3% as compared with that of approximately RMB21.2 million for FY2021. Such decrease was mainly due to a combination of (i) the decrease in revenue of the electrical appliance moulds segment for FY2022; (ii) a decrease in other income and gains arising from the disposal of plant and land; (iii) a decrease in income tax expenses due to the fact that Shinelong(Suzhou), a principal wholly-owned subsidiary of the Group, was qualified as a high and new technology enterprise, and could enjoy a preferential policy of one-time deduction before corporate income tax and 100% additional deduction for certain equipment and appliances purchased in the fourth quarter of 2022; and (iv) a decrease in general and administrative expenses.

OUTLOOK

Due to the impact of multiple factors such as intensifying geopolitical conflicts, high global inflation and climate change, the uncertainty of the world economy will become more prominent in 2023. The market remains under pressure due to the uncertainty of world economic development, and the Chinese government will continue to actively implement the strategy of expanding domestic demand, strive to boost market confidence and further stimulate the vitality of market entities and consumers. With the optimization of COVID-19 prevention and control measures in the PRC and the expectation that the shortage of chip supply and other problems will be greatly alleviated in 2023, it is expected the domestic automobile market will continue to develop steadily, which will bring chances for automotive moulds market. On the other hand, the market competition has become more fierce, the automobile and automotive moulds markets also face challenges.

In 2023, while the domestic market demand for traditional household electrical appliances is expected to be released slowly and the demand of consumers for large-size and high-end products is increasing, market competition is fierce. Overseas market will face great challenges due to the possibility of economic recession in some countries. All of these will intensify the competition and bring uncertainty to the household electrical appliance mould market.

The construction of the Group's new plant, which is located in Kunshan City, Jiangsu province, is expected to be completed by the end of 2023. Shinelong (Suzhou), a subsidiary of the Group, will relocate to the new plant. The Group will be able to plan the layout of production lines more efficiently and purchase more advanced and efficient production equipment according to business requirements. It is expected that the new plant will enable the Group to centralise the management of the production process, save logistics costs and improve efficiency. The new plant may provide favorable conditions for the Group to secure new business opportunities. In 2023, the Group will actively address the challenges brought by changes in global political, economic and pandemic situations, and pay close attention to changes in the market and business environment. While preventing and controlling operational risks, the Group will continue to further penetrate into the mould market, strengthen our competitiveness, seize market opportunities, and strive to expand market share.

FINANCIAL REVIEW

Revenue

The revenue of the Group amounted to approximately RMB198.5 million for FY2022, representing a decrease of approximately RMB23.7 million or 10.7% as compared with that of approximately RMB222.2 million for FY2021.

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

	For the year ended 31 December		
	2022	2021	Change
	RMB'000	*RMB'000*	*%*
Sales of moulds			
Automotive moulds	**137,328**	133,884	2.6
Electrical appliance moulds	**40,442**	65,802	-38.5
Other moulds	**5,670**	3,007	88.6
Sub-total	**183,440**	202,693	-9.5
Parts processing services	**13,963**	17,625	-20.8
Other sundry income	**1,140**	1,891	-39.7
Total	**198,543**	222,209	-10.7

(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 92% of the Group's revenue for FY2022.

The revenue generated from sales of automotive moulds for FY2022 amounted to approximately RMB137.3 million, representing an increase of approximately RMB3.4 million or 2.6% as compared with that of approximately RMB133.9 million for FY2021.

The revenue generated from sales of electrical appliance moulds for FY2022 amounted to approximately RMB40.4 million, representing a decrease of approximately RMB25.4 million or 38.5% as compared with that of approximately RMB65.8 million for FY2021. Due to the sluggish demand and fierce competition in electrical appliance and electrical appliance moulds markets, and the rapid development of the new energy vehicle market, the Group adjusts its strategy to focus on the development of automotive moulds. As a result, the amount and proportion of orders for automotive moulds received by the Group increased, while the amount and proportion of orders for electrical appliance moulds decreased, which resulted in a decreased in revenue generated from sales of electrical appliance moulds.

(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 FY2022 amounted to approximately RMB14.0 million, representing a decrease of approximately RMB3.6 million or 20.8% as compared with that of approximately RMB17.6 million for FY2021. Such decrease was primarily due to the decrease in revenue from parts processing services for electrical appliance 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 FY2022 amounted to approximately RMB154.0 million, representing a decrease of approximately RMB19.6 million or 11.3% as compared with that of approximately RMB173.6 million for FY2021. Such decrease was mainly due to the decrease in revenue generated from electrical appliance moulds, and the cost of sales decreased accordingly.

Gross profit and gross profit margin

The gross profit of the Group for FY2022 amounted to approximately RMB44.6 million, representing a decrease of approximately RMB4.0 million or 8.3% as compared with that of approximately RMB48.6 million for FY2021. The gross profit margin increased from 21.9% for FY2021 to 22.4% for FY2022, which was mainly due to the decrease in revenue generated from sales of electrical appliance moulds with low gross profit margin during the reporting period.

Other income and gains

The 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 decreased from approximately RMB11.5 million for FY2021 to RMB3.8 million for FY2022, which was mainly due to the decrease of gains on disposal of assets for FY2022. 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 (Suzhou), a wholly-owned subsidiary of the Company.

Selling and distribution expenses

The selling and distribution expenses of the Group mainly consisted of staff costs for sales staff and provision for warranty. The amount remained relatively stable at approximately RMB6.0 million for FY2021 and approximately RMB5.9 million for FY2022.

General and administrative expenses

The general and administrative expenses of the Group for FY2022 amounted to approximately RMB23.2 million, representing a decrease of approximately RMB4.5 million or 16.5% as compared with that of approximately RMB27.7 million for FY2021. Such decrease was mainly due to the net effects of (i) the decrease of approximately RMB2.1 million in impairment losses for trade and notes receivables due to the timely settlement of trade receivables by the Group's customers; (ii) a decrease of approximately RMB1.2 million in welfare funds, approximately RMB1.3 million in consulting fees, approximately RMB1.1 million in taxes; and (iii) an increase of approximately RMB0.9 million in depreciation.

Finance costs

The finance costs of the Group mainly consisted of interest expenses on lease liabilities and discounted notes receivable. The amount remained relatively stable at approximately RMB0.7 million for FY2021 and approximately RMB0.6 million for FY2022.

Income tax expenses and effective tax rate

The income tax expenses of the Group decreased from approximately RMB4.6 million for FY2021 to approximately RMB1.0 million for FY2022. The effective tax rate, representing income tax expense divided by profit before taxation, were 17.8% and 5.4% for FY2021 and FY2022, respectively, which was primarily due to the fact that Shinelong (Suzhou), a principal wholly-owned subsidiary of the Group, was qualified as a high and new technology enterprise, and could enjoy a preferential policy of one-time deduction before corporate income tax and 100% additional deduction for certain equipment and appliances purchased in the fourth quarter of 2022, resulting in a decrease in income tax expenditure.

Net profit and net profit margin

The Group recorded net profit attributable to owners of the Company of approximately RMB21.2 million and RMB17.3 million for FY2021 and FY2022, with a net profit margin of 9.5% and 8.7%, respectively. This was mainly due to the combined effects of the decrease in revenue generated from sales of electrical appliance moulds, other income and gains, general and administrative expenses and income tax expenses for FY2022.

Capital expenditure and commitments

The Group's capital expenditure in FY2022 primarily comprised expenditure on acquisition of plant and equipment, intangible assets and right-of-use assets and amounted to a total of approximately RMB53.8 million (FY2021: approximately RMB8.7 million).

As at 31 December 2022, the Group had capital commitments of approximately RMB72.3 million (31 December 2021: approximately RMB13.9 million).

Liquidity and financial resources

The Group's operations were primarily financed through its operating activities for FY2022. 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 2022, the Group's total current assets and current liabilities were approximately RMB417.2 million (31 December 2021: approximately RMB386.3 million) and approximately RMB232.5 million (31 December 2021: approximately RMB175.7 million), respectively, while the current ratio was approximately 1.8 times (31 December 2021: approximately 2.2 times). The increase in total current assets as at

31 December 2022 was mainly due to the combined effects of (i) the increase in inventory of approximately RMB64.2 million. Since FY2021, the amount and proportion of orders for automotive moulds received by the Group increased, while the amount and proportion of orders for electrical appliance moulds decreased, and the production and examination period of automotive moulds is relatively lengthy as compared with that of electrical appliance moulds, which resulted in an increase in inventory; (ii) the decrease in cash and cash equivalents of approximately RMB43.6 million due to acquisition of plant, equipment and an increase in inventory in FY2022. The increase in total current liabilities as at 31 December 2022 was mainly attributable to the increase in contract liabilities, other payables and accruals, interest-bearing bank and other borrowings.

As at 31 December 2022, the Group had cash and bank balances of approximately RMB56.6 million (31 December 2021: approximately RMB100.9 million), among which restricted bank deposits were approximately RMB2.2 million (31 December 2021: approximately RMB2.8 million).

As at 31 December 2022, the Group's balance of interest-bearing bank and other borrowings were approximately RMB12.9 million (31 December 2021: Nil). The interest-bearing bank borrowings bear interest at a fixed interest rate. As at 31 December 2022, the Group's gearing ratio was 7.4% (31 December 2021: 4.6%), 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 2022, the Group's total equity was approximately RMB322.5 million (31 December 2021: approximately RMB302.1 million), which represented share capital of approximately RMB5.8 million (31 December 2021: approximately RMB5.8 million), reserves of approximately RMB315.9 million (31 December 2021: approximately RMB296.7 million), treasury shares approximately RMB0.1 million (31 December 2021: approximately RMB0.7 million) and non-controlling interests of approximately RMB0.9 million (31 December 2021: approximately RMB0.3 million). The increase in total equity was primarily due to the net profit recorded for FY2022.

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 2022, the Group's property, plant and equipment amounted to approximately RMB116.0 million (31 December 2021: approximately RMB70.9 million).

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 2022, the Group's inventories amounted to approximately RMB246.4 million (31 December 2021: approximately RMB182.2 million). Such increase was mainly due to the increase in orders for automotive mould received by the Group since the second half of 2021 and during the reporting period.

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 receivable 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 2022, the Group's trade and notes receivables amounted to approximately RMB110.6 million (31 December 2021: approximately RMB95.7 million). Such increase was mainly due to the increase in the Group's notes receivable issued by customers during the reporting period.

Since the outbreak of COVID-19 in the first half of 2020, the Group has strengthened the internal control measures on its assessment of expected credit losses on trade receivables, reviewed the trade receivables ageing regularly and assessed the customers individually for provision for expected credit loss allowance which take into account the historical settlement pattern, communications with the customers, and evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers.

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 2022, the Group's trade payables amounted to approximately RMB62.6 million (31 December 2021: approximately RMB59.8 million).

Contract liabilities

The Group's contract liabilities consisted of the 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 2022, the Group's contract liabilities amounted to approximately RMB116.6 million (31 December 2021: approximately RMB92.5 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.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 383 employees (31 December 2021: 353 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 aims 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 expenses and contributions to retirement schemes for the Directors and other staff of the Group for FY2022 amounted to approximately RMB44.1 million (FY2021: approximately RMB48.9 million). The decrease in staff cost was mainly due to the decrease in direct labor cost.

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2022, the Group had no material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

In May 2022, Shinelong (Suzhou) entered into the purchase agreement with Dees Hydraulic Industrial (Kunshan) Co., Ltd.* (迪斯油壓工業(昆山)有限公司) ("**Dees (Kunshan)**") for the purchase of the equipment at a consideration of approximately RMB8.5 million. For further details, please refer to the announcement of the Company dated 6 May 2022 and the supplemental announcement of the Company dated 10 May 2022, respectively.

In July 2022, Shinelong (Suzhou) entered into the construction contract for the construction work of new plant with Jiangsu Yongtai Construction Engineering Co.,Ltd.* (江蘇永泰建造工程有限公司), as the contractor, at the consideration of approximately RMB77.0 million, subject to the adjustment on the raw materials price difference; design change issued by the designer; and/or valid on-site permit approved by Shinelong (Suzhou) (if any). For further details, please refer to the announcement of the Company dated 11 July 2022 and the circular of the Company dated 10 August 2022, respectively.

In July 2022, Shinelong (Suzhou) entered into the purchase agreement with Dees (Kunshan) for the purchase of the equipment at a consideration of approximately RMB19.3 million. For further details, please refer to the announcement of the Company dated 22 July 2022.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities (as at 31 December 2021: Nil).

PLEDGES OVER GROUP'S ASSETS

In October 2022, the Group entered into a ten-year general facility agreement with a maximum credit limit of RMB80.0 million with Jiangsu Kunshan Rural Commercial Bank Co., Ltd. Zhangpu Sub-branch, which is secured by the mortgages over the Group's leasehold land with a net carrying value at the end of the reporting period of approximately RMB6.9 million, together with the new plant under construction on the leasehold land with a net carrying value at the end of the reporting period of approximately RMB34.8 million. As at 31 December 2022, the Group had a bank borrowing of RMB6.0 million under the general facility agreement for the construction of new plant, which bears interest at a rate of 3.90% per annum and is repayable in three equal instalments in September 2023, December 2023 and June 2024, respectively.

* *For identification purposes only*

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Shinelong (Suzhou), a principal wholly-owned subsidiary of the Company, was established in 2002, and began its operation in the plant which was located at 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, since 2003. With the development of business, Shinelong (Suzhou) has successively leased serval plants, which are located in Zhangpu Town, Kunshan city, for mould production from third parties. The operation sites are relatively scattered, which is not optimal for effective production management. It has been the Group's intention to expand and consolidate the Group's operation. As disclosed in the announcement of the Company dated 12 November 2021, Shinelong (Suzhou) successfully bid the land use right of a piece of state-owned industrial construction land located in Zhangpu Town, Kunshan City. On 11 July 2022, the Group engaged the contractor to carry out the construction works of a new plant on the Land, which include construction works of research and development workshop, assembly workshop, CNC workshop, research and development and office building, and hazardous waste warehouse etc. ("**Construction Works**") at the consideration of approximately RMB77.0 million, subject to the adjustment on the raw materials price difference; design change issued by the designer; and/or valid on-site permit approved by Shinelong (Suzhou). The consideration will be funded by the internal resources and banking facilities of the Group. It is expected that the Construction Works will be completed in 2023. For further details, please refer to the announcement of the Company dated 11 July 2022 and the circular of the Company dated 10 August 2022, respectively.

In addition, the Group will formulate and implement plans on decoration, gardening, elevators, cranes and other related works for the new plant, and the Company will make further announcement(s) in relation to this matter when required in compliance with the requirements under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

On 23 February 2023, Shinelong (Suzhou) entered into the purchase agreement with Dees (Kunshan) for the purchase of the equipment at a consideration of approximately RMB5.6 million. For further details, please refer to the announcement of the Company dated 23 February 2023.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 December 2022.

FOREIGN CURRENCY EXPOSURE

Since the Group generated most of the revenue and incurred most of the costs in Renminbi for FY2022, 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 of the Company dated 17 June 2019 (the "**Prospectus**").

The following table sets out the utilisation of the Net Proceeds as at 31 December 2022:

	Percentage of Net Proceeds	Net Proceeds from the Global offering	Utilised up to 31 December 2022	Unutilised as at 31 December 2022	Expected timeline for full utilisation
		HK$' million	*HK$' million*	*HK$' million*	
Lease the premises for new factory	4.0%	3.8	3.8	–	–
General set up costs of the factory	3.2%	3.1	2.4	0.7	By the end of 2023
Purchase new production equipment	76.3%	72.9	59.8	13.1	By the end of 2023
Purchase softwares	6.5%	6.2	4.8	1.4	By the end of 2023
Supplement working capital	10.0%	9.6	9.6	–	–
		95.6	80.4	15.2	

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.

The expected timeline of utilisation 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 2022, the unutilised Net Proceeds of approximately HK$15.2 million have been placed as interest bearing deposits with licensed bank in 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 2022 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$59.8 million to acquire one coordinate measuring machine, eleven computerised numerical control machines, a set of automatic thermoforming press lines, a set of hydraulic press used for hot forming, die spotting and testing and a set of heating furnace, a set of hydraulic press (including automatic handling system, heating furnace and heating control system) used for mould production and debugging.
	— Purchase softwares	— The Group has utilised an aggregate of HK$4.8 million to acquire computer softwares for product analysis and mould design.

EVENTS AFTER THE REPORTING PERIOD

In February 2023, the Group entered into a purchase agreement with Dees (Kunshan) for the purchase of equipment at the consideration of approximately RMB5.6 million.

As at the date of this announcement, apart from the aforementioned event, there is no other significant event subsequent to 31 December 2022.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Thursday, 1 June 2023. Notice of the 2022 AGM will be published on the Company's website (www.shinlone.com.cn) and the Hong Kong Stock Exchange's website (www.hkex.com.hk) and will be dispatched to the Shareholders of the Company (the "**Shareholders**") within the prescribed time and in such manner as required under the Listing Rules.

FINAL DIVIDEND

As compared with that for FY2021, the Group's revenue decreased by approximately 10.7% and its net profit attributable to owners of the Company decreased by approximately 18.3% for FY2022. Given the uncertainty of the world economic conditions, as well as considering the capital requirements for the plant construction, in order to maintain a stable financial condition and reserve working capital to tackle any unpredicted events, the Board recommends the payment of Final Dividend of HK0.241 cents (equivalent to RMB0.210 cents) per Share totalling approximately HK$1.6 million (equivalent to approximately RMB1.4 million) for the year ended 31 December 2022. The proposed Final Dividend is subject to the approval of the Shareholders at the 2022 AGM to be held on Thursday, 1 June 2023 and is expected to be paid by cash on Wednesday, 19 July 2023.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2022 AGM

The 2022 AGM will be held on Thursday, 1 June 2023 and for the purpose of determining the Shareholders' eligibility to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023, both days inclusive, during which period no transfer of the Shares will be registered. To qualify for attending and voting at the 2022 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 25 May 2023. Shareholders whose names appear on the register of members of the Company on Thursday, 1 June 2023 will be entitled to attend and vote at the 2022 AGM.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

Upon obtaining approval of the Shareholders at the forthcoming 2022 AGM, for the purpose of determining the Shareholders' entitlement to the Final Dividend, the register of members of the Company will be closed from Wednesday, 7 June 2023 to Thursday, 8 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 June 2023. Shareholders whose names appear on the register of members of the Company on Thursday, 8 June 2023 will be entitled to receive the Final Dividend (subject to the approval by the Shareholders at the 2022 AGM).

REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to be responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit of the Group.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022 and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

The members of the Audit Committee comprises Mr. So George Siu Ming, Mr. Lin Lien-Hsing and Mr. Fan Chi Chiu who are independent non-executive Directors.

REVIEW OF PRELIMINARY ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2022 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for FY2022. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this annual results announcement.

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 2022 and up to the date of this announcement.

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 2022 and up to the date of this announcement.

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 2022 and up to the date of this announcement, the Company has complied with all the code provisions as set out in the CG Code, except for code provision C.2.1 and F.2.2 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.

Pursuant to code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The chairman of the Board should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. Mr. Lin Lien-Hsing, chairman of the Remuneration Committee was unable to attend the annual general meeting (the "**AGM**") of the Company held on 22 June 2022 due to his other work commitment while the other members of the Remuneration Committee have attended the AGM.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares during FY2022 and up to the date of this announcement.

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 announcement, the Directors confirm that the Company maintained sufficient public float as required under the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website (www.shinlone.com.cn) and the Hong Kong Stock Exchange's website (www.hkex.com.hk). The annual report of the Company for the year ended 31 December 2022 containing all the information required under the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

By Order of the Board
Shinelong Automotive Lightweight Application Limited
Lin Wan-Yi
Chairman and Executive Director

Hong Kong, 27 March 2023

As at the date of this announcement, the executive directors of the Company are Mr. Lin Wan-Yi, Mr. Yung Chia-Pu, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh; the non-executive director of the Company is Ms. Hsieh Pei-Chen; and the independent non-executive directors of the Company are Mr. So George Siu Ming, Mr. Lin Lien-Hsing and Mr. Fan Chi Chiu.