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 2023

FINANCIAL SUMMARY

	For the year ended 31 December		
	2023	2022	Change
Revenue *(RMB'000)*	**218,698**	198,543	10.2%
Gross profit *(RMB'000)*	**50,878**	44,558	14.2%
Gross profit margin	**23.3%**	22.4%	0.9 percentage points
Net profit attributable to owners of the Company *(RMB'000)*	**20,552**	17,312	18.7%
Net profit margin	**9.4%**	8.7%	0.7 percentage points
Basic earnings per share *(RMB cents)*	**3.1**	2.6	19.2%
Diluted earnings per share *(RMB cents)*	**3.1**	2.6	19.2%
Proposed final dividend per share *(HK cents)*	***0.241*** [Note]	0.241	
Proposed total dividend *(HKD million)*	***1.6*** [Note]	1.6	

Note:

On 25 March 2024, the board (the "**Board**") of directors (the "**Directors**") of the Company proposed a final dividend (the "**Final Dividend**") of HK0.241 cents (equivalent to RMB0.219 cents) per ordinary share totalling approximately HK$1.6 million (equivalent to approximately RMB1.4 million) for the year ended 31 December 2023 (the "**FY2023**"), which is subject to the approval of the Company's shareholders at 2023 annual general meeting (the "**2023 AGM**") to be held on Thursday, 13 June 2024 and is expected to be paid by cash on Friday, 26 July 2024.

RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3*	**218,698**	198,543
Cost of sales		**(167,820)**	(153,985)
Gross profit		**50,878**	44,558
Other income and gains, net	*4*	**6,486**	3,792
Selling and distribution expenses		**(6,767)**	(5,941)
General and administrative expenses		**(25,391)**	(23,162)
Finance costs		**(512)**	(638)
PROFIT BEFORE TAX	*5*	**24,694**	18,609
Income tax expense	*6*	**(3,505)**	(999)
PROFIT FOR THE YEAR		**21,189**	17,610
Attributable to:			
Owners of the Company		**20,552**	17,312
Non-controlling interests		**637**	298
		21,189	17,610

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

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/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		**(143)**	35
Other comprehensive income that will not be reclassified to profit or loss in subsequent years:			
Currency translation differences of the Company		**166**	3,214
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**23**	3,249
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**21,212**	20,859
Attributable to:			
Owners of the Company		**20,575**	20,561
Non-controlling interests		**637**	298
		21,212	20,859
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY (in Renminbi cents per share)			
Basic, for profit for the year	*7*	**3.1**	2.6
Diluted, for profit for the year	*7*	**3.1**	2.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**185,724**	115,954
Right-of-use assets		**9,443**	19,357
Intangible assets		**1,046**	1,640
Prepayments, other receivables and other assets		**1,996**	8,883
Deferred tax assets		**1,601**	1,500
Net investments in subleases		**–**	202
Restricted bank deposits	*11*	**1,390**	2,085
Total non-current assets		**201,200**	149,621
CURRENT ASSETS			
Inventories	*9*	**268,961**	246,433
Trade and notes receivables	*10*	**101,846**	110,588
Prepayments, other receivables and other assets		**3,956**	5,246
Net investments in subleases		**236**	396
Restricted bank deposits	*11*	**695**	66
Cash and cash equivalents	*11*	**42,169**	54,449
Total current assets		**417,863**	417,178
CURRENT LIABILITIES			
Trade payables	*12*	**52,124**	62,601
Other payables and accruals		**50,405**	37,009
Government grants		**1,573**	1,906
Contract liabilities		**147,050**	116,630
Interest-bearing bank and other borrowings		**6,645**	10,938
Income tax payable		**898**	–
Lease liabilities		**1,266**	3,369
Total current liabilities		**259,961**	232,453
NET CURRENT ASSETS		**157,902**	184,725
TOTAL ASSETS LESS CURRENT LIABILITIES		**359,102**	334,346

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT LIABILITIES			
Government grants		**3,622**	2,248
Interest-bearing bank borrowings		**12,905**	2,000
Deferred tax liabilities		**161**	155
Lease liabilities		**215**	7,433
Total non-current liabilities		**16,903**	11,836
Net assets		**342,199**	322,510
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*13*	**5,806**	5,806
Treasury shares		**(43)**	(101)
Reserves		**334,884**	315,890
		340,647	321,595
Non-controlling interests		**1,552**	915
Total equity		**342,199**	322,510

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. They 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 for the year ended 31 December 2023. 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 the 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 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 the 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

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*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] No mandatory effective date yet determined but available for adoption

While the adoption of some of the revised IFRSs may result in changes in accounting policies, none of these IFRSs is expected to have any significant impact on the Group's financial statements.

3. REVENUE

3.1 Disaggregated revenue information

An analysis of revenue is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Sales of moulds		
Automotive moulds	**164,911**	137,328
Electrical appliance moulds	**38,368**	40,442
Other moulds	**720**	5,670
Subtotal	**203,999**	183,440
Parts processing services	**10,863**	13,963
Others	**3,836**	1,140
Total	**218,698**	198,543
Represented by:		
Goods and services transferred at a point in time	**218,698**	198,543
Represented by:		
Geographic markets		
The PRC	**209,253**	185,963
Overseas	**9,445**	12,580
Total	**218,698**	198,543

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	
	2023	2022
	RMB'000	*RMB'000*
Sales of moulds		
Automotive moulds	**66,481**	52,952
Electrical appliance moulds	**5,251**	4,844
Other moulds	**153**	1,049
Parts processing services	**248**	339
Total	**72,133**	59,184

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 2023 *RMB'000*
Customer 1	**65,861**
Customer 2	**31,094**
Customer 3	**28,611**
	125,566

	Year ended 31 December 2022 *RMB'000*
Customer 1	42,925
Customer 2	21,694
	64,619

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	
	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**210,735**	210,734
After one year	**230,885**	206,485
Total	**441,620**	417,219

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	
	2023	2022
	RMB'000	*RMB'000*
Other income, net		
Government grants *(Note)*	**4,924**	2,924
Interest income	**1,153**	1,499
Others	**(40)**	(138)
Total other income, net	**6,037**	4,285
Gains/(losses), net		
Foreign exchange differences, net	**40**	(1,007)
Gain on disposal of items of property, plant and equipment	**99**	514
Gain on lease modifications	**405**	–
Loss on derecognition of right-of-use asset due to sublease classified as finance lease	**(95)**	–
Total gains/(losses), net	**449**	(493)
Total other income and gains, net	**6,486**	3,792

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 Groups profit before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Raw materials consumed	**74,099**	68,443
Direct labour cost	**27,164**	25,042
Subcontracting expenses	**36,248**	30,978
Depreciation of property, plant and equipment	**11,548**	11,619
Depreciation of right-of-use assets	**5,431**	5,573
Amortisation of intangible assets	**648**	938
Research and development costs	**8,165**	8,198
Lease payments not included in the measurement of lease liabilities	**98**	55
Interest on lease liabilities	**427**	560
Auditor's remuneration	**1,479**	1,519
Employee benefit expenses (including directors' and chief executive's remuneration):		
Salaries and bonuses	**17,869**	16,967
Equity-settled share reward expense	**184**	457
Pension scheme contributions	**1,828**	1,584
	19,881	19,008
Accrual/(write-back) of impairment losses on trade and notes receivables, net	**202**	(940)
Provision for warranty	**1,525**	1,176
Write-down of inventories to net realisable value	**924**	7,561
Foreign exchange differences, net	**(40)**	1,007

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% (2022: 15%). Qingdao Xunzhan Molding Technology Company Limited ("**Xunzhan**"), Xunhou Laser Technology (Suzhou) Company Limited ("**Xunhou**") and Kunshan Longjun, were certified as small and micro-sized enterprises ("**SME**") and enjoyed a 75% reduction in taxable income and the preferential income tax rate of 20% for the year ended 31 December 2023 as its taxable income is below RMB1 million (2022: 87.5% reduction in taxable income and preferential income tax rate of 20%).

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current — PRC	**3,445**	(153)
Deferred — PRC	**60**	1,152
Total tax charge for the year	**3,505**	999

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory tax 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	
	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**24,694**	18,609
Statutory tax rate	**25%**	25%
Tax at the statutory tax rate	**6,174**	4,652
Lower tax rates enacted by local authority	**(2,815)**	(2,385)
Change of higher tax rates enacted by local authority	**(86)**	–
Expenses not deductible for income tax purposes	**94**	95
Adjustments in respect of current tax of previous periods	**153**	(262)
Additional deductible allowance for research and development expenses	**(740)**	(899)
Effect of withholding tax at 10% on earnings anticipated to be remitted by the Group's PRC subsidiaries	**161**	155
Additional deductible allowance for purchases of property, plant and equipment	**–**	(1,458)
Tax losses not recognised	**564**	1,104
Tax losses utilised from previous periods	**–**	(3)
Total tax charge for the year	**3,505**	999

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 2023 attributable to ordinary equity holders of the Company of approximately RMB20,552,000 (2022: RMB17,312,000), and the weighted average number of ordinary shares of 657,210,065 (2022: 657,469,791) 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	
	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	**20,552**	17,312

	Number of shares Year ended 31 December	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**657,210,065**	657,469,791
Effect of dilution — weighted average number of ordinary shares:		
Awarded shares	**1,145,122**	410,996
Total	**658,355,187**	657,880,787

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2022	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
Additions	–	9,884	1,167	790	333	69,780	81,954
Transfers	81,557	9,655	234	–	–	(91,446)	–
Disposals	–	(1,085)	(578)	(1,855)	–	–	(3,518)
At 31 December 2023	83,060	148,941	7,200	1,843	2,445	20,663	264,152
Accumulated depreciation							
At 1 January 2022	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
Depreciation charge for the year	127	10,444	594	265	118	–	11,548
Disposals	–	(507)	(520)	(1,855)	–	–	(2,882)
At 31 December 2023	675	70,712	4,173	1,307	1,561	–	78,428
Net carrying amount							
As at 31 December 2022	955	69,712	2,278	11	669	42,329	115,954
As at 31 December 2023	82,385	78,229	3,027	536	884	20,663	185,724

As at 31 December 2023, the gross carrying amount of the fully depreciated property, plant and equipment of the Group that were still in use was approximately RMB31,242,000 (2022: RMB24,584,000).

As at 31 December 2023, the Group's new buildings, the construction of which was completed in December 2023, were mortgaged to secure the general bank facility granted to the Group with a net carrying amount of approximately RMB75,939,000 (2022: RMB34,791,000).

9. INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finished goods	**201,156**	155,715
Work in progress	**66,901**	89,363
Raw materials and low value consumables	**904**	1,355
Total	**268,961**	246,433

10. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**62,857**	71,391
Notes receivable	**40,716**	40,722
Impairment	**(1,727)**	(1,525)
Net carrying amount	**101,846**	110,588

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	
	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**16,044**	22,546
31–60 days	**6,272**	6,423
61–90 days	**6,410**	5,972
91–180 days	**5,746**	10,643
181–365 days	**15,284**	13,273
Over 365 days	**11,374**	11,009
Total	**61,130**	69,866

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

	2023	2022
	RMB'000	*RMB'000*
At the beginning of year	**1,525**	2,465
Accrual/(write-back) of impairment losses, net	**202**	(940)
At the end of year	**1,727**	1,525

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 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. The Group has taken its expectations of economic impacts into consideration when making the forward-looking assumption underpinning the collective provision calculation.

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 (2022: RMB204,000) and the loss allowance for these trade receivables is RMB204,000 (2022: 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 2023					
Gross carrying amount	**50,111**	**10,665**	**1,638**	**239**	**62,653**
Expected credit loss rate	**0.30%–0.71%**	**3.00%–6.45%**	**3.00%–14.89%**	**100%**	**2.43%**
Expected credit losses	**355**	**687**	**242**	**239**	**1,523**
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%–11.08%	100%	1.86%
Expected credit losses	369	608	105	239	1,321

The Group's notes receivables 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 receivables are considered to have low credit risk.

11. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**44,254**	56,600
Less:		
Restricted bank deposits *(Note)*	**(2,085)**	(2,151)
Cash and cash equivalents	**42,169**	54,449

Note: As at 31 December 2023 and 2022, the Group has placed restricted bank deposits in a bank with an aggregate amount of approximately RMB2,085,000, which are 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. The restricted bank deposit of approximately RMB66,000 as at 31 December 2022, which is in relation to the quality guarantees issued by a bank to a customer of the Group for the sale of moulds, was released in 2023.

At 31 December 2023, the Group's cash and bank balances denominated in RMB amounted to RMB37,406,000 (2022: RMB34,795,000). 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	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**52,124**	62,601

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	
	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**20,548**	28,272
31–60 days	**13,240**	13,283
61–90 days	**8,061**	13,542
91–120 days	**9,226**	6,553
Over 120 days	**1,049**	951
Total	**52,124**	62,601

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

13. SHARE CAPITAL

	31 December 2022 and 2023	
	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 2023.

14. DIVIDENDS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Proposed final dividend		
— RMB0.219 cents (2022: RMB0.210 cents) per ordinary share	**1,445**	1,386

On 25 March 2024, the directors proposed a final dividend of HK0.241 cents (equivalent to RMB0.219 cents) per ordinary share totalling approximately HK$1,591,000 (equivalent to RMB1,445,000) for the year ended 31 December 2023, 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 2022 was paid by the Company to its shareholders on 19 July 2023.

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 2023, with the optimization of epidemic prevention and control measures in the PRC, China's economy has entered a period of post-epidemic recovery. In the first half of 2023, the automobile market in the PRC was still in a slow recovery stage. In the second half of 2023, driven by national and local policies, as well as promotional activities carried out by various manufacturers, market demand is gradually released. In 2023, production and sales of automobiles in the PRC increased by 11.6% and 12.0% year-on-year, respectively, of which the market share of new energy vehicle increased to 31.6%. On the other hand, the price war between the automobile enterprises continues to be fierce, and the competition in the automobile and automobile mould market is intensified.

In 2023, the consumption recovery of durable consumables such as household electrical appliances relatively lagged behind. Consumer confidence is weak, and the overall household electrical appliance and household electrical appliance mould market is still under the pressure of insufficient market demand and fierce competition.

The revenue of the Group for FY2023 amounted to approximately RMB218.7 million, representing an increase of approximately RMB20.2 million or 10.2% as compared with that of RMB198.5 million for the year ended 31 December 2022 (the "**FY2022**"). Such increase was mainly due to the Group's adjustment of its strategy in recent years to focus on the development of automotive moulds, resulting in an increase in orders for automotive moulds and an increase in the final acceptance report of automotive moulds obtained in FY2023. The profit attributable to owners of the Company for FY2023 amounted to approximately RMB20.6 million, representing an increase of 18.7% as compared with that of approximately RMB17.3 million for FY2022, which was mainly due to a combination of (i) the increase in revenue of the automotive moulds segment for FY2023; (ii) the increase in government grants and absence of exchange losses; and (iii) the increase in general and administrative expenses and income tax expenses.

OUTLOOK

Geopolitical conflicts persist and the global economy remains uncertain. Facing a complex domestic and foreign environment, the Chinese government will continue to actively implement the strategy of expanding domestic demand and stimulating potential consumption. It is expected that the domestic automobile market in 2024 will maintain steady development on the whole, and the market penetration rate of new energy vehicles is expected to continue to expand. On the other hand, the fierce competition in the automotive industry has risen sharply, and the automobile and automotive mould market is also facing both opportunities and challenges.

In 2024, the economic recovery of the household electrical appliance industry is expected to continue, and the continuous improvement of the domestic macroeconomic and a series of pro-consumption policies introduced around the country will help the household electrical appliance industry to continue to recover in 2024. However, consumer confidence is still weak, and the household electrical appliance and household electrical appliance mould market is still facing great pressure in 2024, and the competition is becoming more intense.

The construction of the Group's new plant, which is located in Kunshan City, Jiangsu province, was completed by the end of 2023, with the exception of interior decoration. Shinelong (Suzhou), a principal wholly-owned subsidiary of the Company, has relocated part of the factory production workshops, while the office building is currently undergoing decoration. The Group will be able to plan the layout of production lines more efficiently, centralise the management of the production process, save logistics costs and increase efficiency. The new plant may provide favorable conditions for the Group to secure new business opportunities. In 2024, the Group will actively face the opportunities and challenges brought by changes in global political, economic and other external environment, pay close attention to the changes in the market and business environment, continue to further penetrate into the mould market, strengthen competitiveness, and strive to reduce costs and increase efficiency.

FINANCIAL REVIEW

Revenue

The revenue of the Group amounted to approximately RMB218.7 million for FY2023, representing an increase of approximately RMB20.2 million or 10.2% as compared with that of approximately RMB198.5 million for FY2022.

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

	For the year ended 31 December		
	2023	2022	Change
	RMB'000	*RMB'000*	*%*
Sales of moulds			
Automotive moulds	**164,911**	137,328	20.1
Electrical appliance moulds	**38,368**	40,442	–5.1
Other moulds	**720**	5,670	–87.3
Sub-total	**203,999**	183,440	11.2
Parts processing services	**10,863**	13,963	–22.2
Others	**3,836**	1,140	236.5
Total	**218,698**	198,543	10.2

(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 93% of the Group's revenue for FY2023.

The revenue generated from sales of automotive moulds for FY2023 amounted to approximately RMB164.9 million, representing an increase of approximately RMB27.6 million or 20.1% as compared with that of approximately RMB137.3 million for FY2022. Such increase was mainly due to the net effects of (i) the increase of amounts in the final acceptance reports received from two of the Group's major customers as compared with that for the previous year; (ii) the increase in revenue generated from a new customer of the Group during the reporting period; and (iii) the decrease in revenue generated from one of the Group's major customers.

The revenue generated from sales of electrical appliance moulds for FY2023 amounted to approximately RMB38.4 million, representing a decrease of approximately RMB2.0 million or 5.1% as compared with that of approximately RMB40.4 million for FY2022. Such decrease was mainly due to the Company's optimisation of customer structures, resulting in a decrease in orders received from one of the Group's major customers.

(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 FY2023 amounted to approximately RMB10.9 million, representing a decrease of approximately RMB3.1 million or 22.2% as compared with that of approximately RMB14.0 million for FY2022. Such decrease was primarily due to the decrease in revenue generated from automotive parts processing services of 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, casting parts, hot runner and mould base.

The cost of sales of the Group for FY2023 amounted to approximately RMB167.8 million, representing an increase of approximately RMB13.8 million or 9.0% as compared with that of approximately RMB154.0 million for FY2022. Such increase was mainly due to the increase in revenue generated from sales of automotive moulds during the reporting period, and the cost of sales increased accordingly.

Gross profit and gross profit margin

The gross profit of the Group for FY2023 amounted to approximately RMB50.9 million, representing an increase of approximately RMB6.3 million or 14.2% as compared with that of approximately RMB44.6 million for FY2022. The gross profit margin increased from 22.4% for FY2022 to 23.3% for FY2023, which was mainly due to the decrease in the inventory impairment allowances for work-in-progress of automotive moulds during the reporting period as compared with that of the previous year.

Other income and gains

The other income and gains of the Group mainly consisted of government grants, interest income, gain on lease modification, gains and losses on disposal of assets and foreign exchange differences. The amount increased from approximately RMB3.8 million for FY2022 to approximately RMB6.5 million for FY2023, which was mainly due to the net effects of an increase in government grants of approximately RMB2.0 million, absence of exchange losses of approximately RMB1.0 million and a decrease in gains on disposal of assets of approximately RMB0.4 million in FY2023 as compared with that of the previous year.

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 selling and distribution expenses of the Group for FY2022 and FY2023 were approximately RMB5.9 million and approximately RMB6.8 million, respectively. Such increase was mainly due to the net effects of (i) an increase in staff costs and provision for warranty of approximately RMB0.8 million in FY2023 as compared with that for FY2022; and (ii) a decrease in logistics expenditure of approximately RMB0.4 million in FY2023 as compared with that for FY2022.

General and administrative expenses

The general and administrative expenses of the Group for FY2023 amounted to approximately RMB25.4 million, representing an increase of approximately RMB2.2 million or 9.6% as compared with that of approximately RMB23.2 million for FY2022. Such increase was mainly due to the net effects of (i) an increase of approximately RMB1.1 million in impairment losses for trade and notes receivables; (ii) an increase of approximately RMB0.7 million in consulting fees and approximately RMB0.9 million in taxes; and (iii) a decrease of approximately RMB0.7 million in staff costs.

Finance costs

The finance costs of the Group mainly consisted of interest expenses on lease liabilities, bank borrowings and discounted notes receivable. The amount remained relatively stable at approximately RMB0.6 million for FY2022 and approximately RMB0.5 million for FY2023.

Income tax expenses and effective tax rate

The income tax expenses of the Group increased from approximately RMB1.0 million for FY2022 to approximately RMB3.5 million for FY2023. The effective tax rate, representing income tax expense divided by profit before taxation, were 5.4% and 14.2% for FY2022 and FY2023, 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 for FY2022.

Net profit and net profit margin

The Group recorded net profit attributable to owners of the Company of approximately RMB17.3 million and approximately RMB20.6 million for FY2022 and FY2023, with a net profit margin of 8.7% and 9.4%, respectively. This was mainly due to the combined effects of (i) the increase in revenue generated from sales of automotive moulds and other income and gains, net, for FY2023; and (ii) the increase of general and administrative expenses and income tax expenses.

Capital expenditure and commitments

The Group's capital expenditure in FY2023 primarily comprised expenditure on acquisition of plant and equipment, intangible assets and right-of-use assets and amounted to a total of approximately RMB64.2 million (FY2022: approximately RMB53.8 million).

As at 31 December 2023, the Group had capital commitments of approximately RMB12.8 million (31 December 2022: approximately RMB72.3 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 2023, the Group's total current assets and current liabilities were approximately RMB417.9 million (31 December 2022: approximately RMB417.2 million) and approximately RMB260.0 million (31 December 2022: approximately RMB232.5 million), respectively, while the current ratio was approximately 1.6 times (31 December 2022: approximately 1.8 times). The increase in total current liabilities as at 31 December 2023 was mainly due to the net effects of (i) the increase in contract liabilities, other payables and accruals; and (ii) the decrease in trade payables.

As at 31 December 2023, the Group had cash and bank balances of approximately RMB44.3 million (31 December 2022: approximately RMB56.6 million), among which restricted bank deposits were approximately RMB2.1 million (31 December 2022: approximately RMB2.2 million).

As at 31 December 2023, the Group's balance of interest-bearing bank and other borrowings were approximately RMB19.6 million (31 December 2022: approximately RMB12.9 million). The interest-bearing bank borrowings bear interest at a fixed interest rate. As at 31 December 2023, the Group's gearing ratio was 6.1% (31 December 2022: 7.4%), which was calculated based on interest-bearing liabilities (including the lease 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 2023, the Group's total equity was approximately RMB342.2 million (31 December 2022: approximately RMB322.5 million), which represented share capital of approximately RMB5.8 million (31 December 2022: approximately RMB5.8 million), reserves of approximately RMB334.9 million (31 December 2022: approximately RMB315.9 million), treasury shares of approximately RMB0.1 million (31 December 2022: approximately RMB0.1 million) and non-controlling interests of approximately RMB1.6 million (31 December 2022: approximately RMB0.9 million). The increase in total equity was primarily due to the net profit recorded for FY2023.

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 2023, the Group's property, plant and equipment amounted to approximately RMB185.7 million (31 December 2022: approximately RMB116.0 million). Such increase was mainly due to the increase in building assets resulting from the completion of the new plant construction of Shinelong (Suzhou), a principal wholly-owned subsidiary of the Company, by the end of December 2023.

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 2023, the Group's inventories amounted to approximately RMB269.0 million (31 December 2022: approximately RMB246.4 million). Such increase was mainly due to the increase in the proportion of orders received by the Group for automotive moulds compared with those received for electrical appliance moulds, resulting in an increase in inventory.

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 2023, the Group's trade and notes receivables amounted to approximately RMB101.8 million (31 December 2022: approximately RMB110.6 million). Such decrease was mainly due to the timely collection of the Group's trade receivable 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 2023, the Group's trade payables amounted to approximately RMB52.1 million (31 December 2022: approximately RMB62.6 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 30% 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 40% of the total fee as trade receivables.

As at 31 December 2023, the Group's contract liabilities amounted to approximately RMB147.1 million (31 December 2022: approximately RMB116.6 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 2023, the Group had 358 employees (31 December 2022: 383 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 FY2023 amounted to approximately RMB47.0 million (FY2022: approximately RMB44.1 million). The increase in staff cost was mainly due to the increase in direct labour cost.

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2023, the Group had no material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

In February 2023, 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 RMB5.6 million. For further details, please refer to the announcement of the Company dated 23 February 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities (as at 31 December 2022: 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 was raised to approximately RMB89.6 million in January 2024. The general facility was secured by the mortgages over the Group's leasehold land with a net carrying value at 31 December 2023 of approximately RMB6.7 million (2022: approximately RMB6.9 million), together with the new buildings on the leasehold land, the construction of which was completed in December 2023, with a net carrying value at 31 December 2023 of approximately RMB75.9 million (2022: approximately RMB34.8 million). As at 31 December 2023, the Group had four bank borrowings of approximately RMB18.9 million in aggregate under the general facility agreement, which bear interest at a rate of 3.90% per annum and are repayable in June and December 2024, June and December 2025, and June 2026, 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 several 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 onsite permit approved by Shinelong (Suzhou). The consideration has been funded by the internal resources and banking facilities of the Group. Although the Construction Works were completed by the end of 2023, there remain outstanding payments. 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 has formulated and is currently executing plans for the decoration of the office building and other related works.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 December 2023.

FOREIGN CURRENCY EXPOSURE

Since the Group generated most of the revenue and incurred most of the costs in Renminbi for FY2023, 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 2023:

	Percentage of Net Proceeds	**Net Proceeds from the Global offering** *HK$' million*	**Utilised up to 31 December 2023** *HK$' million*	**Unutilised as at 31 December 2023** *HK$' million*	**Expected timeline for full utilisation**
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 2024
Purchase new production equipment	76.3%	72.9	70.8	2.1	By the end of 2024
Purchase softwares	6.5%	6.2	4.8	1.4	By the end of 2024
Supplement working capital	10.0%	9.6	9.6	–	–
		95.6	91.4	4.2	

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 2023, the unutilised Net Proceeds of approximately HK$4.2 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 2023 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$70.8 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, a set of hydraulic press used for mould die spotting.
	— 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

As at the date of approval of these financial statements, apart from the events elsewhere mentioned in these financial statements, there was no other significant event subsequent to 31 December 2023.

ANNUAL GENERAL MEETING

The 2023 AGM will be held on Thursday 13 June 2024. Notice of the 2023 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**") who requested the printed copy within the prescribed time and in such manner as required under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

FINAL DIVIDEND

As compared with that for FY2022, the Group's revenue increased by approximately 10.2% and its net profit attributable to owners of the Company increased by approximately 18.7% for FY2023. Given the uncertainty of the world economic conditions, as well as considering the capital requirements for the outstanding payment related to 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 RMB0.219 cents) per Share totalling approximately HK$1.6 million (equivalent to approximately RMB1.4 million) for the year ended 31 December 2023. The proposed Final Dividend is subject to the approval of the Shareholders at the 2023 AGM to be held on Thursday, 13 June 2024 and is expected to be paid by cash on Friday, 26 July 2024.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2023 AGM

The 2023 AGM will be held on Thursday, 13 June 2024 and for the purpose of determining the Shareholders' eligibility to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Friday, 7 June 2024 to Thursday, 13 June 2024, both days inclusive, during which period no transfer of the Shares will be registered. To qualify for attending and voting at the 2023 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, 6 June 2024. Shareholders whose names appear on the register of members of the Company on Thursday, 13 June 2024 will be entitled to attend and vote at the 2023 AGM.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

Upon obtaining approval of the Shareholders at the forthcoming 2023 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, 19 June 2024 to Thursday, 20 June 2024, 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, 18 June 2024. Shareholders whose names appear on the register of members of the Company on Thursday, 20 June 2024 will be entitled to receive the Final Dividend (subject to the approval by the Shareholders at the 2023 AGM).

REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with Appendix C1 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 2023 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 FY2023 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 FY2023. 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 C3 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 2023 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 2023 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 the Shareholders, 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 C1 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 2023 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 C.1.6 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 comprises 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 C.1.6 of the CG Code, independent non-executive Directors and non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of the Shareholders. Ms. Hsieh Pei-Chen, the non-executive Director, was unable to attend the annual general meeting (the "**AGM**") of the Company held on 1 June 2023 due to other work commitment. All independent non-executive Directors 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

During FY2023 and up to the date of this announcement, 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 2,760,000 Shares on the Hong Kong Stock Exchange at an aggregate consideration of approximately HK$0.9 million (excluding all related expenses, transaction levy, brokerage, tax, duties and levies).

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during FY2023 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 2023 containing all the information required under the Listing Rules will be dispatched to the Shareholders who requested the printed copy 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, 25 March 2024

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