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 2021

FINANCIAL SUMMARY

	For the year ended 31 December		
	2021	2020	Change
Revenue *(RMB'000)*	**222,209**	203,445	9.2%
Gross profit *(RMB'000)*	**48,613**	71,225	–31.7%
Gross profit margin	**21.9%**	35.0%	–13.1 percentage points
Net profit attributable to owners of the Company *(RMB'000)*	**21,195**	28,347	–25.2%
Net profit margin	**9.5%**	13.9%	–4.4 percentage points
Basic earnings per share *(RMB cents)*	**3.2**	4.3	–25.6%
Diluted earnings per share *(RMB cents)*	**3.2**	4.3	–25.6%
Proposed final dividend per share *(HK cents)*	**0.286** *Note*	0.371	
Proposed total dividend *(HKD million)*	**1.9** *Note*	2.4	

Note:

On 23 March 2022, the board (the "**Board**") of directors (the "**Directors**") of the Company proposed a final dividend (the "**Final Dividend**") of HK0.286 cents (equivalent to RMB0.233 cents) per ordinary share totalling approximately HK$1.9 million (equivalent to approximately RMB1.5 million) for the year ended 31 December 2021 (the "**FY2021**"). The proposed Final Dividend is subject to the approval of the Company's shareholders at the 2021 annual general meeting (the "**2021 AGM**") to be held on Wednesday, 22 June 2022 and is expected to be paid by cash on Friday, 22 July 2022.

RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3*	**222,209**	203,445
Cost of sales		**(173,596)**	(132,220)
Gross profit		**48,613**	71,225
Other income and gains, net		**11,467**	3,621
Selling and distribution expenses		**(6,009)**	(6,501)
General and administrative expenses		**(27,746)**	(33,420)
Finance costs		**(692)**	(838)
PROFIT BEFORE TAX	*4*	**25,633**	34,087
Income tax expense	*5*	**(4,550)**	(5,761)
PROFIT FOR THE YEAR		**21,083**	28,326
Attributable to:			
Owners of the Company		**21,195**	28,347
Non-controlling interests		**(112)**	(21)
		21,083	28,326

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

		Year ended 31 December	
		2021	2020
	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		**103**	11
Translation differences:			
Currency translation differences		**(1,382)**	(3,150)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(1,279)**	(3,139)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**19,804**	25,187
Attributable to:			
Owners of the Company		**19,916**	25,208
Non-controlling interests		**(112)**	(21)
		19,804	25,187
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (in RMB cents per share)			
Basic			
— For profit for the year	*6*	**3.2**	4.3
Diluted			
— For profit for the year	*6*	**3.2**	4.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*7*	**70,940**	73,995
Right-of-use assets		**16,969**	17,495
Intangible assets		**1,738**	2,015
Prepayments, other receivables and other assets		**10,434**	526
Deferred tax assets		**2,497**	3,645
Net investments in subleases		**598**	–
Restricted bank deposits	*10*	**2,085**	–
Total non-current assets		**105,261**	97,676
CURRENT ASSETS			
Inventories	*8*	**182,222**	185,584
Trade and notes receivables	*9*	**95,744**	84,504
Prepayments, other receivables and other assets		**9,434**	1,625
Net investments in subleases		**180**	380
Time deposit	*10*	**–**	10,000
Restricted bank deposit	*10*	**695**	–
Cash and cash equivalents	*10*	**98,071**	95,918
Total current assets		**386,346**	378,011
CURRENT LIABILITIES			
Trade payables	*11*	**59,822**	43,804
Other payables and accruals		**14,962**	15,790
Government grants		**2,107**	519
Contract liabilities		**92,542**	108,324
Other borrowings		**–**	922
Income tax payable		**1,770**	2,709
Lease liabilities		**4,508**	4,631
Total current liabilities		**175,711**	176,699
NET CURRENT ASSETS		**210,635**	201,312
TOTAL ASSETS LESS CURRENT LIABILITIES		**315,896**	298,988

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

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

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 office address of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

The Company and its subsidiaries now comprising the Group underwent a reorganisation (the "**Reorganisation**") in preparation for an IPO through the incorporation of the Company, acquisition of Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("**Shinelong (Suzhou)**") and Kunshan Longjun Management Consulting Company Limited 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, 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 Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the novel coronavirus disease 2019 ("**Covid-19**") pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2022

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

3 No mandatory effective date yet determined but available for adoption

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

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

3. REVENUE

3.1 Disaggregated revenue information

An analysis of revenue is as follows:

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

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

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

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

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

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

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	
	2021	2020
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**247,744**	206,577
After one year	**96,506**	108,951
	344,250	315,528

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

4. PROFIT BEFORE TAX

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

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

5. 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 rate of 25%. During the reporting period, Shinelong (Suzhou) was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate of 15% (2020: 15%). Qingdao Xunzhan Molding Technology Company Limited was certified as a small and micro-sized enterprise and enjoyed a 75% reduction in taxable income and the preferential income tax rate of 10% for the year ended 31 December 2021 as its taxable income is below RMB1 million (2020: 75% reduction in taxable income and preferential income tax rate of 20%).

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

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

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

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

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

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

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

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

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

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

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

8. INVENTORIES

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

9. TRADE AND NOTES RECEIVABLES

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

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

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

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

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

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

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

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

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

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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**
31 December 2020					
Gross carrying amount	44,970	10,641	409	–	56,020
Expected credit loss rate	0.30%–0.66%	3.00%–6.16%	3.00%–38.33%	N/A	
Expected credit losses	293	647	157	–	1,097

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

10. CASH AND CASH EQUIVALENTS, TIME DEPOSIT AND RESTRICTED BANK DEPOSITS

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

Note: The restricted bank deposits are placed by Shinelong (Suzhou) in Kunshan Rural Commercial Bank as required by Zhangpu Town and Kunshan Municipality People's Government for the purpose of acquiring a piece of state-owned industrial construction leasehold land located in Kunshan, Jiangsu Province, the PRC.

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

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

11. TRADE PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**59,822**	43,804

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

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

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

12. SHARE CAPITAL

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

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

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

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

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

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

13. DIVIDENDS

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

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

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

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

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

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

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

OUTLOOK

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

(i) Sales of moulds

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

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

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

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

(ii) Parts processing services

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

Cost of sales

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

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

Gross profit and gross profit margin

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

Other income and gains

Other income and gains of the Group mainly consisted of government grants, interest income, gain on disposal of assets and foreign exchange differences. The amount increased from approximately RMB3.6 million for FY2020 to approximately RMB11.5 million for FY2021 which was mainly due to the increase of approximately RMB6.5 million in gains arising from the disposal of assets and increase in government grants of approximately RMB0.8 million for the year. The gains from the disposal of assets for FY2021 was mainly attributable to the disposal of the plant and land, located in 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, owned by Shinelong (Suzhou), a wholly-owned subsidiary of the Company. For more detailed information, please refer to the announcement made by the Company on 27 August 2021.

Selling and distribution expenses

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

General and administrative expenses

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

Finance costs

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

Income tax expenses and effective tax rate

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

Net profit and net profit margin

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

Capital expenditure and commitments

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

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

Liquidity and financial resources

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

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

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

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

Reserves and capital structure

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

Property, plant and equipment

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

Inventories

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

Trade and notes receivables

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

Trade payables

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

Contract liabilities

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

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

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

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

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

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

CONTINGENT LIABILITIES

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

PLEDGES OVER GROUP'S ASSETS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

SIGNIFICANT INVESTMENTS HELD

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

FOREIGN CURRENCY EXPOSURE

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

USE OF PROCEEDS

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

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

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

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

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

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

COMPARISON OF EXPANSION PLANS WITH ACTUAL PROGRESS

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

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

EVENTS AFTER THE REPORTING PERIOD

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

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS FOR THE 2021 AGM

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

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

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

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 2021 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 AUDITOR

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 FY2021 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 FY2021. 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 2021 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 2021 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 2021 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 as set out below.

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During FY2021 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 5,600,000 Shares on the Hong Kong Stock Exchange at an aggregate consideration of approximately HK$1.9 million.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares during FY2021 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 (http://www.shinlone.com.cn) and the Hong Kong Stock Exchange's website (http://www.hkex.com.hk). The annual report of the Company for the year ended 31 December 2021 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, 23 March 2022

As at the date of this announcement, the executive directors of the Company are Mr. Lin WanYi, 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.