

Shinelong Automotive Lightweight Application Limited

勳龍汽車輕量化應用有限公司

(Incorporated in Cayman Islands with limited liability)

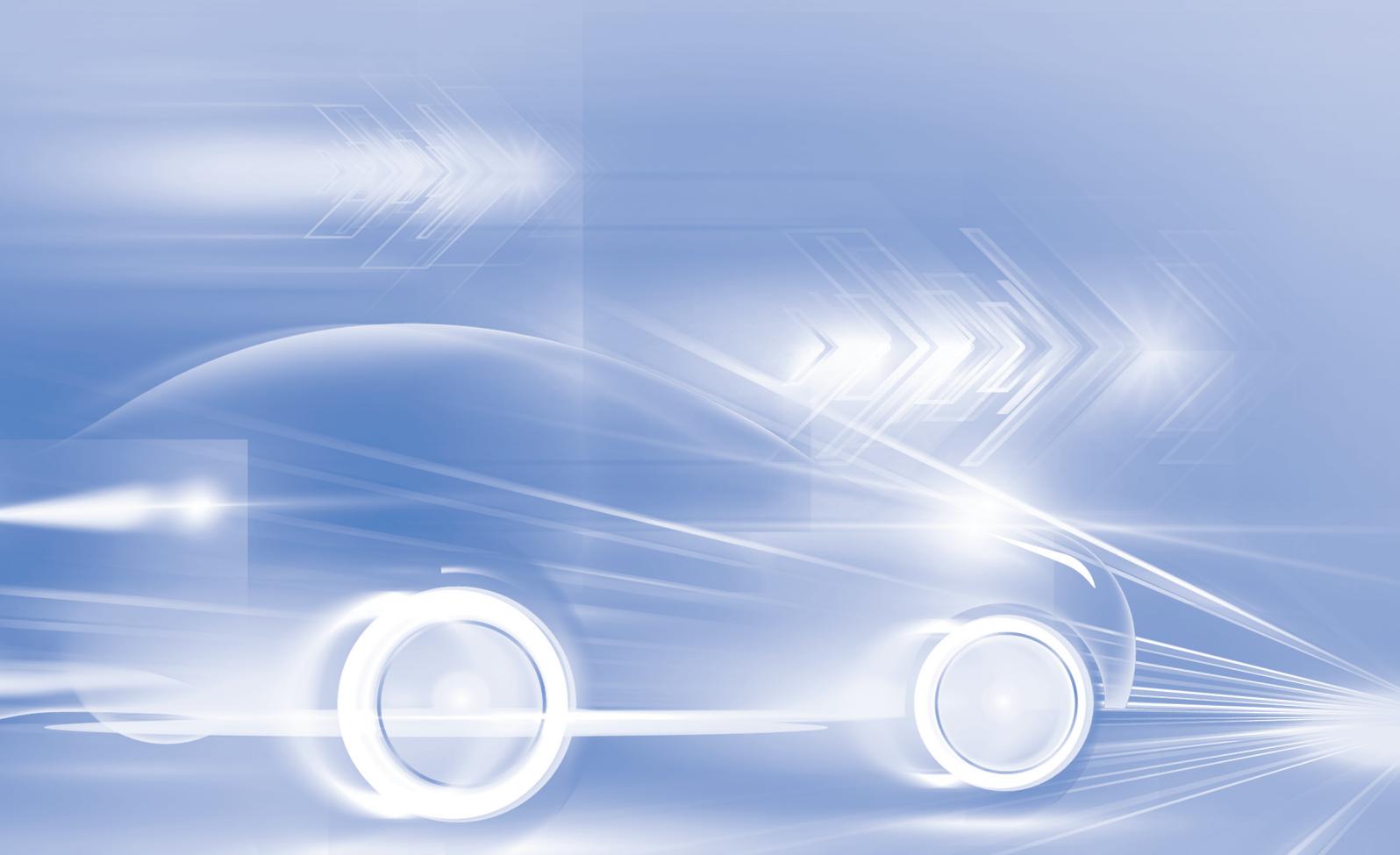
Stock Code : 1930



2023  
INTERIM REPORT

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lin Wan-Yi (*Chairman*)

Mr. Yung Chia-Pu

Mr. Cheng Ching-Long

Mr. Lu Jen-Chieh

### Non-executive Director

Ms. Hsieh Pei-Chen

### Independent Non-executive Directors

Mr. So George Siu Ming

Mr. Lin Lien-Hsing

Mr. Fan Chi Chiu

## BOARD COMMITTEES

### Audit Committee

Mr. So George Siu Ming (*Committee Chairman*)

Mr. Lin Lien-Hsing

Mr. Fan Chi Chiu

### Remuneration Committee

Mr. Lin Lien-Hsing (*Committee Chairman*)

Mr. Lin Wan-Yi

Mr. Fan Chi Chiu

### Nomination Committee

Mr. Lin Wan-Yi (*Committee Chairman*)

Mr. So George Siu Ming

Mr. Lin Lien-Hsing

### Environmental, Social and Governance Committee

Mr. Cheng Ching-Long (*Committee Chairman*)

Mr. Fan Chi Chiu

Mr. Lu Jen-Chieh

## COMPANY SECRETARY

Ms. Shen Xuejuan

## AUTHORISED REPRESENTATIVES

Mr. Lin Wan-Yi

Ms. Shen Xuejuan

## AUDITOR

Ernst & Young

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

## REGISTERED OFFICE

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111 Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

2 Middle Yangguang Road

Zhangpu Town, Kunshan City

Jiangsu Province

the PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road, Kowloon

Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## INVESTOR RELATIONS

Ms. Shen Xuejuan

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Telephone: (+86) 512-3683 2657

## WEBSITE

[www.shinlone.com.cn](http://www.shinlone.com.cn)

## STOKE CODE

1930

# Corporate Information

## LISTING INFORMATION

### Equity Securities

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

## DESPATCH OF CORPORATE COMMUNICATIONS

This interim report (both Chinese and English versions) will be delivered to shareholders of the Company. This interim report is also published on the Company’s website ([www.shinlone.com.cn](http://www.shinlone.com.cn)) and the Hong Kong Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)).

For environmental protection reasons, the Company encourages the shareholders of the Company to view this interim report posted on the aforesaid websites where possible.

# Financial Summary

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

|  | For the six months ended 30 June |        |                       |
|--|----------------------------------|--------|-----------------------|
|  | 2023                             | 2022   | Change                |
| Revenue (RMB'000)  | <b>106,783</b>                   | 82,340 | 29.7%                 |
| Gross profit (RMB'000)                                     | <b>30,022</b>                    | 20,212 | 48.5%                 |
| Gross profit margin  | <b>28.1%</b>                     | 24.5%  | 3.6 percentage points |
| Net profit attributable to owners of the Company (RMB'000) | <b>13,771</b>                    | 7,778  | 77.1%                 |
| Net profit margin  | <b>12.9%</b>                     | 9.4%   | 3.5 percentage points |
| Basic earnings per share (RMB cents)                       | <b>2.1</b>                       | 1.2    | 75.0%                 |
| Diluted earnings per share (RMB cents)                     | <b>2.1</b>                       | 1.2    | 75.0%                 |

## SUMMARY OF THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  | As at           | As at               | Change                |
|--|-----------------|---------------------|-----------------------|
|  | 30 June<br>2023 | 31 December<br>2022 |                       |
| Total assets (RMB'000)                   | <b>597,770</b>  | 566,799             | 5.5%                  |
| Cash and cash equivalents (RMB'000)      | <b>49,410</b>   | 54,449              | -9.3%                 |
| Total liabilities (RMB'000)              | <b>261,726</b>  | 244,289             | 7.1%                  |
| Total equity (RMB'000)                   | <b>336,044</b>  | 322,510             | 4.2%                  |
| Return on equity <sup>(Note)</sup>       | <b>4.1%</b>     | 2.5%                | 1.6 percentage points |
| Return on total assets <sup>(Note)</sup> | <b>2.3%</b>     | 1.5%                | 0.8 percentage points |

Note: Return on equity and return on total assets are compared between this reporting period and the corresponding period of last year.

# 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 the first half of 2023, with the optimization of epidemic prevention and control measures in the PRC, China's economy has entered a period of post-epidemic recovery. The automobile market in the PRC was still in a slow recovery stage and the operation of the automobile industry was still under great pressure. In the first half of 2023, the production and sales of automobiles in the PRC increased by 9.3% and 9.8% year-on-year, respectively, among which the proportion of new energy vehicles increased to 28.3%.

In the first half of 2023, the consumption recovery of durable consumables such as household electrical appliances relatively lagged behind, and needed to wait for the full recovery of the economy. In overseas markets, the global economy is still in a tightening phase caused by the tightening of monetary policies in some developed economies, with high uncertainties in economic growth and pressure in exports.

The revenue of the Group for the six months ended 30 June 2023 (the "1H2023") amounted to approximately RMB106.8 million, representing an increase of approximately RMB24.5 million or 29.7% as compared with that of approximately RMB82.3 million for the six months ended 30 June 2022 (the "1H2022"). Such increase was mainly due to the increase in the revenue generated from the sales of automotive moulds and electrical appliance moulds of the Group. Profit attributable to owners of the Company for 1H2023 amounted to approximately RMB13.8 million, representing an increase of approximately 77.1% as compared with that of approximately RMB7.8 million for 1H2022. Such increase was mainly due to the combined effects of (i) the increase in revenue generated from sales of automotive moulds; (ii) the decrease in the inventory impairment allowances for work-in-progress of automotive moulds as compared with the corresponding period of last year; and (iii) the increase in the general and administrative expenses and income tax expenses.

## OUTLOOK

Due to the impact of multiple factors such as geopolitical conflicts, continued inflation and climate change, the uncertainty of the world economy will become more prominent in 2023. The Chinese government will continue to actively implement the strategy of expanding domestic demand, strive to boost market confidence and further stimulate the vitality of market entities and consumers. With the strong support of the Chinese government for the application and promotion of new energy vehicles, the penetration rate of new energy vehicles is expected to continue to grow, thus driving the expansion of demand for the whole industrial chain. The continued household consumption upgrading is expected to stimulate the demand for the automobile market, and the acceleration of technological iteration in the automobile industry may also bring new market opportunities. On the other hand, competition in the automobile industry has increased dramatically, and the automobile and automotive moulds markets also face many challenges.

# Management Discussion and Analysis

With the optimization of epidemic prevention and control measures, the improvement of residents' income expectations and the relaxation of China's real estate policies, the consumption of domestic household electrical appliance will also recover to a certain extent. In terms of overseas markets, household electrical appliance exports are still under pressure. The household electrical appliance mould market is expected to remain highly competitive.

The construction of the Group's new plant, which is located in Kunshan City, Jiangsu province, is expected to be completed by the end of 2023. Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited\* (勳龍智造精密應用材料(蘇州)股份有限公司) ("**Shinelong (Suzhou)**", a principal wholly-owned subsidiary of the Company), will relocate to the new plant. 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 strive to reduce costs and increase efficiency. The new plant may provide favorable conditions for the Group to secure new business opportunities.

In the second half of 2023, the Group will actively address the challenges brought by changes in global political and economic situations, pay close attention to the development changes in the market and industry environment, and formulate business strategies accordingly to achieve sustainable business development.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group amounted to approximately RMB106.8 million for 1H2023, representing an increase of approximately RMB24.5 million or 29.7% as compared with that of approximately RMB82.3 million for 1H2022.

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

|                                  | For the six months ended 30 June |                 |             |
|----------------------------------|----------------------------------|-----------------|-------------|
|                                  | 2023<br>RMB'000                  | 2022<br>RMB'000 | Change<br>% |
| <b>Sales of moulds</b>           |                                  |                 |             |
| Automotive moulds                | <b>78,298</b>                    | 61,009          | 28.3        |
| Electrical appliance moulds      | <b>19,144</b>                    | 10,550          | 81.5        |
| Other moulds                     | <b>332</b>                       | 1,321           | -74.9       |
| Sub-total                        | <b>97,774</b>                    | 72,880          | 34.2        |
| <b>Parts processing services</b> | <b>7,305</b>                     | 8,979           | -18.6       |
| <b>Others</b>                    | <b>1,704</b>                     | 481             | 254.3       |
| Total                            | <b>106,783</b>                   | 82,340          | 29.7        |

# Management Discussion and Analysis

## (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 parts. Sales of moulds accounted for approximately 91.6% of the Group's revenue for 1H2023.

The revenue generated from sales of automotive moulds for 1H2023 amounted to approximately RMB78.3 million, representing an increase of approximately RMB17.3 million or 28.3% as compared with that of approximately RMB61.0 million for 1H2022. Such increase was primarily due to an increase of amounts in the final acceptance reports received from one of the Group's major customers as compared with the corresponding period of last year.

The revenue generated from sales of electrical appliance moulds for 1H2023 amounted to approximately RMB19.1 million, representing an increase of approximately RMB8.5 million or 81.5% as compared with that of approximately RMB10.6 million for 1H2022. Such increase was primarily due to the increase in revenue generated from one of the Group's major customers during the reporting period, which was due to the increase in order categories received by the Group from this customer.

## (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 1H2023 amounted to approximately RMB7.3 million, representing a decrease of approximately RMB1.7 million or 18.6% as compared with that of approximately RMB9.0 million for 1H2022. 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 1H2023 amounted to approximately RMB76.8 million, representing an increase of approximately RMB14.7 million or 23.6% as compared with that of approximately RMB62.1 million for 1H2022. Such increase was mainly due to the increase in revenue generated from automotive moulds and electrical appliance moulds which resulted in an increase in the cost of sales accordingly.

## Gross profit and gross profit margin

The gross profit of the Group for 1H2023 amounted to approximately RMB30.0 million, representing an increase of approximately RMB9.8 million or 48.5% as compared with that of approximately RMB20.2 million for 1H2022. The gross profit margin increased from approximately 24.5% for 1H2022 to approximately 28.1% for 1H2023, which was mainly due to the decrease in the inventory impairment allowances for work-in-progress of automotive moulds in 1H2023 as compared with the corresponding period of last year.

# Management Discussion and Analysis

## Other income and gains

The other income and gains of the Group mainly consisted of government grants, interest income, gains and losses on disposal of assets and exchange gains and losses. The amount remained relatively stable for 1H2022 and 1H2023.

## Selling and distribution expenses

The selling and distribution expenses of the Group mainly consisted of staff costs for sales staff and provision for warranty. The amount remained relatively stable for 1H2022 and 1H2023.

## General and administrative expenses

The general and administrative expenses of the Group for 1H2023 amounted to approximately RMB11.5 million, representing an increase of approximately RMB2.0 million or 21.0% as compared with that of approximately RMB9.5 million for 1H2022. The increase was mainly due to (i) the increase in impairment losses for trade and notes receivables of approximately RMB1.5 million; and (ii) the increase in taxes of approximately RMB0.6 million as compared with the corresponding period of last year.

## Finance costs

The finance costs of the Group mainly consisted of interest expenses on lease liabilities and discounted note receivable. The amount remained relatively stable for 1H2022 and 1H2023 at approximately RMB0.4 million and RMB0.3 million, respectively.

## Income tax expenses and effective tax rate

The income tax expenses of the Group increased from approximately RMB1.4 million for 1H2022 to approximately RMB2.6 million for 1H2023. The effective tax rate, representing income tax expense divided by profit before taxation, were 14.9% and 15.2% for 1H2022 and 1H2023, respectively.

## Net profit and net profit margin

The Group recorded net profit attributable to owners of the Company of approximately RMB7.8 million and approximately RMB13.8 million for 1H2022 and 1H2023, with a net profit margin of approximately 9.4% and 12.9%, respectively. The increase in net profit margin for 1H2023 was mainly due to the combined effects of (i) the increase in the revenue generated from sales of automotive moulds; (ii) the decrease in the inventory impairment allowances for work-in-progress of automotive moulds as compared with the corresponding period of last year; and (iii) the increase in the general and administrative expenses and income tax expenses.

## Interim dividends

The Company did not declare any interim dividends during 1H2023.

## Liquidity and Financial Resources

For 1H2023, the Group's operations were primarily financed through cash generated from its operating activities. 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.

# Management Discussion and Analysis

As at 30 June 2023, the Group's total current assets and current liabilities were approximately RMB426.9 million (31 December 2022: approximately RMB417.2 million) and approximately RMB245.2 million (31 December 2022: approximately RMB232.5 million), respectively, while the current ratio was approximately 1.7 times (31 December 2022: approximately 1.8 times). The increase in total current assets as at 30 June 2023 as compared to that as at 31 December 2022 was mainly due to the net effects of (i) the increase in finished goods which comprised moulds that had only passed the customers' initial inspection for which the Group had not received their final acceptance reports; and (ii) the decrease in trade and notes receivables, cash and cash equivalents. The increase in total current liabilities as at 30 June 2023 as compared to that as at 31 December 2022 was mainly due to the combined effects of (i) the increase in contract liabilities, other payables and accruals; and (ii) the decrease in trade and bills payables, interest-bearing bank and other borrowings.

As at 30 June 2023, the Group had cash and bank balances of approximately RMB52.6 million (31 December 2022: approximately RMB56.6 million), among which restricted bank deposits were approximately RMB3.2 million (31 December 2022: approximately RMB2.2 million).

As at 30 June 2023, the Group's balance of interest-bearing bank and other borrowings were approximately RMB13.9 million (31 December 2022: approximately RMB12.9 million). The interest-bearing bank borrowings bear interest at a fixed interest rate. As at 30 June 2023, the Group's gearing ratio was approximately 7.6% (31 December 2022: approximately 7.4%), 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 and cash generated from operations and borrowings.

## Reserves and Capital Structure

As at 30 June 2023, the Group's total equity was approximately RMB336.0 million (31 December 2022: approximately RMB322.5 million), which represented share capital of approximately RMB5.8 million (31 December 2022: approximately RMB5.8 million) and reserves of approximately RMB328.8 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 RMB1.5 million (31 December 2022: approximately RMB0.9 million). The increase in total equity was primarily due to the net profit recorded for 1H2023.

## Capital Expenditure and Commitments

The Group's capital expenditure in 1H2023 primarily comprised expenditure on construction in progress and equipments and amounted to a total of approximately RMB28.1 million (31 December 2022: approximately RMB53.8 million).

As at 30 June 2023, the Group had capital commitments of approximately RMB47.6 million (31 December 2022: approximately RMB72.3 million) which mainly represented purchase of machinery and construction of new plant.

## Property, Plant and Equipment

The Group's property, plant and equipment mainly comprised buildings, machinery, furniture, fixtures and equipment, leasehold improvements and motor vehicles. As at 30 June 2023, the Group's property, plant and equipment amounted to approximately RMB133.2 million (31 December 2022: approximately RMB116.0 million).

# Management Discussion and Analysis

## Inventories

The Group's inventories comprised (i) raw materials and low-value consumables used in production; (ii) work-in-progress for products being manufactured in the production plants; and (iii) finished goods which comprised moulds that had only passed the customers' initial inspection for which the Group had not received their final acceptance reports. As at 30 June 2023, the Group's inventories amounted to approximately RMB271.2 million (31 December 2022: approximately RMB246.4 million). Such increase was mainly due to the increase in orders for automotive moulds received by the Group since the second half of 2021 and during the reporting period.

## Trade and notes receivables

The Group's trade and notes receivables represented amounts receivable from customers in relation to the sales of moulds and 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 30 June 2023, the Group's trade and notes receivables amounted to approximately RMB100.0 million (31 December 2022: approximately RMB110.6 million). Such decrease was mainly due to the decrease in the Group's notes receivable issued by customers during the reporting period.

Since the outbreak of COVID-19 in the first half of 2020, the Group had 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 and bills payables

The Group's trade and bills 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 30 June 2023, the Group's trade and bills payables amounted to approximately RMB55.3 million (31 December 2022: approximately RMB62.6 million). Such decrease was mainly due to the decrease in purchase volume in the second quarter of 2023 as compared with that in the fourth quarter of 2022.

## 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 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.

# Management Discussion and Analysis

As at 30 June 2023, the Group's contract liabilities amounted to approximately RMB136.0 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 30 June 2023, the Group had 379 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. 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 benefits, equity-settled share reward expenses and contributions to retirement schemes for the directors of the Company (the "**Directors**") and other staff of the Group for 1H2023 amounted to approximately RMB24.5 million (1H2022: approximately RMB20.9 million). The increase in staff cost was mainly due to the increase in labor cost.

## MATERIAL ACQUISITIONS AND DISPOSALS

During 1H2023, 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 30 June 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 is secured by the mortgages over the Group's leasehold land with a net carrying value at the end of the reporting period of approximately RMB6.8 million, together with the new plant under construction on the leasehold land with a net carrying value at the end of the reporting period of approximately RMB55.1 million. As at 30 June 2023, the Group had a bank borrowing of RMB13.9 million under the general facility agreement for the construction of new plant, which bears interest at a rate of 3.90% per annum and is to be repaid as to RMB4.0 million in 2023, RMB6.0 million in 2024 and RMB3.9 million in 2025, respectively.

# Management Discussion and Analysis

## 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 will be funded by the internal resources and banking facilities of the Group. It is expected that the Construction Works will be completed in 2023. For further details, please refer to the announcement of the Company dated 11 July 2022 and the circular of the Company dated 10 August 2022, respectively.

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

## SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 30 June 2023.

## FOREIGN CURRENCY EXPOSURE

Since the Group generated most of the revenue and incurred most of the costs in Renminbi for 1H2023, 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.

# Management Discussion and Analysis

## USE OF PROCEEDS

The net proceeds (the “**Net Proceeds**”) from the global offering and the listing of the Company shares (the “**Listing**”), 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 30 June 2023:

|                                     | Percentage of<br>Net Proceeds | Net Proceeds<br>from the<br>global offering<br>HK\$' million | Utilised up to<br>30 June 2023<br>HK\$' million | Unutilised<br>as at<br>30 June 2023<br>HK\$' million | Expected<br>timeline for<br>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 2023                           |
| Purchase new production equipment   | 76.3%                         | 72.9   | 65.3  | 7.6  | By the end of 2023                           |
| Purchase softwares                  | 6.5%                          | 6.2  | 4.8   | 1.4  | By the end of 2023                           |
| Supplement working capital          | 10.0%                         | 9.6  | 9.6   | –  | –  |
|                                     |                               | 95.6   | 85.9  | 9.7  |  |

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 objectives 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 the Net 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 30 June 2023, the unutilised Net Proceeds of approximately HK\$9.7 million have been placed as interest bearing deposits with a licensed bank in Hong Kong.

## 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, during 1H2023 and up to the date of this report, the Company has complied with all the code provisions as set out in the CG Code, except for code provisions 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 shareholders of the Company. 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.

# Corporate Governance

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

As at 30 June 2023, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), which (i) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be recorded in the register therein; or (iii) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

### (i) Interests in the Company

| Name of Director     | Nature of interest                                       | Number of ordinary shares held <sup>(Note 1)</sup> | Approximate percentage of shareholding |
|----------------------|--|--|--|
| Mr. Lin Wan-Yi       | Interest in a controlled Corporation <sup>(Note 2)</sup> | 324,225,000 (L)                                    | 49.125%                                |
| Mr. Lin Wan-Yi       | Beneficial Owner <sup>(Note 3)</sup>                     | 2,404,400 (L)                                      | 0.36%                                  |
| Mr. Cheng Ching-Long | Beneficial Owner <sup>(Note 4)</sup>                     | 1,196,800 (L)                                      | 0.18%                                  |
| Mr. Lu Jen-Chieh     | Beneficial Owner <sup>(Note 5)</sup>                     | 584,800 (L)  | 0.08%                                  |

Notes:

1. The letter "L" denotes the person's long position in the shares.
2. The Company was directly owned as to 49.125% by Shine Art International Limited ("Shine Art") which was directly held as to 58.312% by Mr. Lin Wan-Yi ("Mr. Lin"). Accordingly, by virtue of the SFO, Mr. Lin is deemed to be interested in the same number of shares of the Company held by Shine Art.
3. Included 1,489,200 Shares which were directly held by Mr. Lin, 582,400 share options and 332,800 unvested awarded shares. Details of the share options and awarded shares are set out in the section headed "SHARE OPTION SCHEME" and "SHARE AWARD SCHEME" of this report, respectively.
4. Included 422,400 Shares which were directly held by Mr. Cheng Ching-Long, 492,800 share options and 281,600 unvested awarded shares. Details of the share options and awarded shares are set out in the section headed "SHARE OPTION SCHEME" and "SHARE AWARD SCHEME" of this report, respectively.
5. Included 206,400 Shares which were directly held by Mr. Lu Jen-Chieh, 240,800 share options and 137,600 unvested awarded shares. Details of the share options and awarded shares are set out in the section headed "SHARE OPTION SCHEME" and "SHARE AWARD SCHEME" of this report, respectively.

# Corporate Governance

## (ii) Interests in the associated corporation

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

Save as disclosed above and so far as is known to the Directors, as at 30 June 2023, none of the Directors or chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

# Corporate Governance

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

So far as is known to the Directors, as at 30 June 2023, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

| Name of substantial shareholder                              | Nature of interest                                       | Number of ordinary shares held <sup>(Note 1)</sup> | Approximate percentage of shareholding |
|--|--|--|--|
| Shine Art  | Beneficial Owner   | 324,225,000 (L)                                    | 49.125%                                |
| Friendly Holdings (HK) Co., Limited<br>("Friendly Holdings") | Beneficial Owner   | 91,080,000 (L)                                     | 13.80%                                 |
| Mr. Liu Fang Jung ("Mr. Liu")                                | Interest in a controlled corporation <sup>(Note 2)</sup> | 91,080,000 (L)                                     | 13.80%                                 |
| Ms. Su Su-Mei ("Ms. Su")                                     | Interest of spouse <sup>(Note 3)</sup>                   | 326,629,400 (L)                                    | 49.48%                                 |

Notes:

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

Save as disclosed above, as at 30 June 2023, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

During 1H2023 and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Share Option Scheme”) on 6 June 2019. The principal terms of the Share Option Scheme were summarised in the section headed “Share Option Scheme” in Appendix IV of the Prospectus. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

From 1 January 2023, the Company will rely on the transitional arrangements provided for the share schemes and will comply with the new Chapter 17 accordingly (effective from 1 January 2023).

Further information of the share options is set out in Note 24 to the Financial Statements and details of the movement of the share options during 1H2023 are set out in the table as follows:

| Category of participants                         | Grant date  | Exercise period         | Exercise price <sup>(Note 1)</sup> | Outstanding          | Number of share options |                         |                        |                      | Outstanding                   |
|--|-------------|-------------------------|------------------------------------|----------------------|-------------------------|-------------------------|------------------------|----------------------|-------------------------------|
|  |             |                         |                                    | as at 1 January 2023 | Granted during 1H2023   | Exercised During 1H2023 | Canceled During 1H2023 | Lapsed During 1H2023 | as at 30 June 2023            |
| Directors of the Company                         |             |                         |                                    |                      |                         |                         |                        |                      |                               |
| Mr. Lin <sup>(Note 2)</sup>                      | 18 May 2021 | 18 May 2022–17 May 2026 | HK\$0.405                          | 832,000              | –                       | –                       | –                      | 249,600              | 582,400                       |
| Mr. Cheng Ching-Long                             | 18 May 2021 | 18 May 2022–17 May 2026 | HK\$0.405                          | 704,000              | –                       | –                       | –                      | 211,200              | 492,800                       |
| Mr. Lu Jen-Chieh                                 | 18 May 2021 | 18 May 2022–17 May 2026 | HK\$0.405                          | 344,000              | –                       | –                       | –                      | 103,200              | 240,800                       |
| <b>Subtotal</b>                                  |             |                         |                                    | 1,880,000            | –                       | –                       | –                      | 564,000              | 1,316,000                     |
| Other employees of the Group <sup>(Note 3)</sup> | 18 May 2021 | 18 May 2022–17 May 2026 | HK\$0.405                          | 6,288,000            | –                       | –                       | –                      | 2,230,800            | 4,057,200                     |
| <b>Total</b>                                     |             |                         |                                    | 8,168,000            | –                       | –                       | –                      | 2,794,800            | 5,373,200 <sup>(Note 4)</sup> |

Notes:

- The closing price of the Shares immediately before the date of grant (being 18 May 2021) was HK\$0.41 per Share.
- Mr. Lin is also the chief executive officer and a substantial shareholder of the Company.
- Other employees of the Group include Mr. Chen Ming-Chih, a director of a subsidiary of the Company, who resigned on 31 March 2023.
- Subject to the satisfaction of the vesting criteria and conditions, 5,373,200 Share Options will be vested to the grantees in the following manner:
  - 2,302,800 Share Options shall be vested during the period commencing from 18 May 2023 and ending on 17 May 2024; and
  - 3,070,400 Share Options shall be vested during the period commencing from 18 May 2024 and ending on 17 May 2025.

# Corporate Governance

As of 1 January 2023 and 30 June 2023, the number of Share Options available to be granted under the Share Option Scheme were 57,832,000 Shares and 60,626,800 Shares, respectively.

## SHARE AWARD SCHEME

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

From 1 January 2023, the Company will rely on the transitional arrangements provided for the share schemes and will comply with the new Chapter 17 accordingly (effective from 1 January 2023).

Further information of the awarded shares granted pursuant to the Share Award Scheme is set out in Note 24 to the Financial Statements and the details of the movement of the awarded shares during 1H2023 are set out in the table as follows:

| Category of participants                         | Grant date  | Purchase price per Share <sup>(Note 1)</sup> | Number of awarded shares         |                       |                      |                        |                      | Outstanding as at 30 June 2023 <sup>(Note 3)</sup> |
|--|-------------|--|----------------------------------|-----------------------|----------------------|------------------------|----------------------|--|
|  |             |  | Outstanding as at 1 January 2023 | Granted during 1H2023 | Vested during 1H2023 | Canceled during 1H2023 | Lapsed during 1H2023 |  |
| Directors of the Company                         |             |  |                                  |                       |                      |                        |                      |  |
| Mr. Lin  | 18 May 2021 | HK\$0.20                                     | 332,800                          | -                     | -                    | -                      | -                    | 332,800  |
| Mr. Cheng Ching-Long                             | 18 May 2021 | HK\$0.20                                     | 281,600                          | -                     | -                    | -                      | -                    | 281,600  |
| Mr. Lu Jen-Chieh                                 | 18 May 2021 | HK\$0.20                                     | 137,600                          | -                     | -                    | -                      | -                    | 137,600  |
| <b>Subtotal</b>                                  |             |  | <b>752,000</b>                   | <b>-</b>              | <b>-</b>             | <b>-</b>               | <b>-</b>             | <b>752,000</b>                                     |
| Other employees of the Group <sup>(Note 2)</sup> | 18 May 2021 | HK\$0.20                                     | 2,515,200                        | -                     | -                    | -                      | 196,800              | 2,318,400  |
| <b>Total</b>                                     |             |  | <b>3,267,200</b>                 |                       |                      |                        | <b>196,800</b>       | <b>3,070,400</b>                                   |

Notes:

1. The closing price of the Shares immediately before the date of grant (being 18 May 2021) was HK\$0.41 per Share.
2. Other employees of the Group include Mr. Chen Ming-Chih, a director of a subsidiary of the Company, who resigned on 31 March 2023.
3. Subject to the satisfaction of the vesting criteria and conditions, the remaining unvested awarded shares will be vested on 18 November 2023.

The number of awards available for grant under the scheme mandate as at 1 January 2023 and 30 June 2023 are 57,508,000 and 57,704,800, respectively.

# Corporate Governance

## AUDIT COMMITTEE

The Company has an Audit Committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and code provision D.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Mr. So George Siu Ming, Mr. Lin Lien-Hsing and Mr. Fan Chi Chiu. The Group's unaudited consolidated interim results for 1H2023 have been reviewed by the Audit Committee. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

Ernst & Young, the Company's auditor, has reviewed the unaudited consolidated interim results of the Group for 1H2023 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code and specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during 1H2023 and up to the date of this report.

The Company has also adopted 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 during 1H2023 and up to the date of this report.

## UPDATES ON DIRECTORS' INFORMATION

There are no changes in the Directors' biographical details that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of 2022 annual report and up to the date of this report.

## AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

To bring the articles of association of the Company in line with the core shareholder protection standards as provided in the latest version of Appendix 3 to the Listing Rules which took effect on 1 January 2022, and to make certain housekeeping changes in line with such amendments, the second amended and restated memorandum and articles of association of the Company had been adopted by the shareholders of the Company at the AGM held on 1 June 2023. For details, please refer to the announcements of the Company dated 27 March 2023 and 1 June 2023, and the circular of the Company dated 25 April 2023.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for 1H2023 (for 1H2022: Nil).

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

|   | Notes | 2023<br>(Unaudited)<br>RMB'000 | 2022<br>(Unaudited)<br>RMB'000 |
|---|-------|--------------------------------|--------------------------------|
| REVENUE   | 4     | <b>106,783</b>                 | 82,340                         |
| Cost of sales   |       | <b>(76,761)</b>                | (62,128)                       |
| Gross profit  |       | <b>30,022</b>                  | 20,212                         |
| Other income and gains, net   |       | <b>1,817</b>                   | 1,817                          |
| Selling and distribution expenses   |       | <b>(3,074)</b>                 | (3,088)                        |
| General and administrative expenses   |       | <b>(11,502)</b>                | (9,507)                        |
| Finance costs   |       | <b>(261)</b>                   | (380)                          |
| PROFIT BEFORE TAX   | 5     | <b>17,002</b>                  | 9,054                          |
| Income tax expense  | 6     | <b>(2,576)</b>                 | (1,352)                        |
| PROFIT FOR THE PERIOD   |       | <b>14,426</b>                  | 7,702                          |
| Attributable to:  |       |                                |                                |
| Owners of the Company   |       | <b>13,771</b>                  | 7,778                          |
| Non-controlling interests   |       | <b>655</b>                     | (76)                           |
|   |       | <b>14,426</b>                  | 7,702                          |
| OTHER COMPREHENSIVE INCOME  |       |                                |                                |
| Changes in fair value of debt investments at fair value through other comprehensive income      |       | <b>45</b>                      | 158                            |
| Exchange differences on translation of foreign operations                                       |       | <b>370</b>                     | 1,829                          |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods |       | <b>415</b>                     | 1,987                          |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD   |       | <b>14,841</b>                  | 9,689                          |

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the six months ended 30 June 2023

|   | Notes | 2023<br>(Unaudited)<br>RMB'000 | 2022<br>(Unaudited)<br>RMB'000 |
|---|-------|--------------------------------|--------------------------------|
| Attributable to:  |       |                                |                                |
| Owners of the Company   |       | <b>14,186</b>                  | 9,765                          |
| Non-controlling interests   |       | <b>655</b>                     | (76)                           |
|   |       | <b>14,841</b>                  | 9,689                          |
| <b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b><br>(in Renminbi ("RMB") cents per share) |       |                                |                                |
| Basic   | 8     |                                |                                |
| — For profit for the period   |       | <b>2.1</b>                     | 1.2                            |
| Diluted   |       |                                |                                |
| — For profit for the period   |       | <b>2.1</b>                     | 1.2                            |

# Interim Condensed Consolidated Statement of Financial Position

30 June 2023

|   | Notes | 30 June<br>2023<br>(Unaudited)<br>RMB'000 | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|---|-------|---|---|
| <b>NON-CURRENT ASSETS</b>                       |       |   |   |
| Property, plant and equipment                   | 9     | <b>133,174</b>                            | 115,954                                     |
| Right-of-use assets                             | 10    | <b>19,070</b>                             | 19,357                                      |
| Intangible assets                               | 11    | <b>1,296</b>                              | 1,640                                       |
| Prepayments, other receivables and other assets | 14    | <b>14,335</b>                             | 8,883                                       |
| Deferred tax assets                             |       | <b>944</b>                                | 1,500                                       |
| Net investments in subleases                    |       | <b>–</b>                                  | 202   |
| Restricted bank deposits                        | 15    | <b>2,085</b>                              | 2,085                                       |
| <b>Total non-current assets</b>                 |       | <b>170,904</b>                            | 149,621                                     |
| <b>CURRENT ASSETS</b>                           |       |   |   |
| Inventories                                     | 12    | <b>271,161</b>                            | 246,433                                     |
| Trade and notes receivables                     | 13    | <b>99,971</b>                             | 110,588                                     |
| Prepayments, other receivables and other assets | 14    | <b>4,774</b>                              | 5,246                                       |
| Net investments in subleases                    |       | <b>410</b>                                | 396   |
| Restricted bank deposits                        | 15    | <b>1,140</b>                              | 66  |
| Cash and cash equivalents                       | 15    | <b>49,410</b>                             | 54,449                                      |
| <b>Total current assets</b>                     |       | <b>426,866</b>                            | 417,178                                     |
| <b>CURRENT LIABILITIES</b>                      |       |   |   |
| Trade and bills payables                        | 16    | <b>55,334</b>                             | 62,601                                      |
| Other payables and accruals                     | 17    | <b>39,638</b>                             | 37,009                                      |
| Government grants                               | 21    | <b>1,019</b>                              | 1,906                                       |
| Contract liabilities                            | 18    | <b>136,016</b>                            | 116,630                                     |
| Interest-bearing bank and other borrowings      | 19    | <b>7,000</b>                              | 10,938                                      |
| Dividends payable                               | 7     | <b>1,386</b>                              | –   |
| Lease liabilities                               | 20    | <b>4,090</b>                              | 3,369                                       |
| Income tax payable                              |       | <b>730</b>                                | –   |
| <b>Total current liabilities</b>                |       | <b>245,213</b>                            | 232,453                                     |
| <b>NET CURRENT ASSETS</b>                       |       | <b>181,653</b>                            | 184,725                                     |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>    |       | <b>352,557</b>                            | 334,346                                     |

# Interim Condensed Consolidated Statement of Financial Position *(Continued)*

30 June 2023

|  | Notes | 30 June<br>2023<br>(Unaudited)<br>RMB'000 | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|--|-------|---|---|
| <b>NON-CURRENT LIABILITIES</b>                   |       |   |   |
| Government grants                                | 21    | <b>2,115</b>                              | 2,248                                       |
| Interest-bearing bank borrowings                 | 19    | <b>6,870</b>                              | 2,000                                       |
| Deferred tax liabilities                         |       | <b>104</b>                                | 155   |
| Lease liabilities                                | 20    | <b>7,424</b>                              | 7,433                                       |
| <b>Total non-current liabilities</b>             |       | <b>16,513</b>                             | 11,836                                      |
| <b>Net assets</b>                                |       | <b>336,044</b>                            | 322,510                                     |
| <b>EQUITY</b>                                    |       |   |   |
| Equity attributable to the owners of the Company |       |   |   |
| Share capital                                    | 22    | <b>5,806</b>                              | 5,806                                       |
| Treasury shares                                  | 23    | <b>(101)</b>                              | (101)                                       |
| Reserves   |       | <b>328,769</b>                            | 315,890                                     |
|  |       | <b>334,474</b>                            | 321,595                                     |
| Non-controlling interests                        |       | <b>1,570</b>                              | 915   |
| <b>Total equity</b>                              |       | <b>336,044</b>                            | 322,510                                     |

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

|  | Attributable to the owners of the Company |                            |                           |                            |  |                               |   |                              |                              |                  |                                      | Total equity<br>RMB'000 |
|--|---|----------------------------|---------------------------|----------------------------|--|-------------------------------|---|------------------------------|------------------------------|------------------|--------------------------------------|-------------------------|
|  | Share capital<br>RMB'000                  | Treasury shares<br>RMB'000 | Share premium*<br>RMB'000 | Merger reserve*<br>RMB'000 | Share-based compensation reserve*<br>RMB'000 | Statutory reserve*<br>RMB'000 | Fair value reserve of financial assets at fair value through other comprehensive income*<br>RMB'000 | Exchange reserve*<br>RMB'000 | Retained profits*<br>RMB'000 | Total<br>RMB'000 | Non-controlling interests<br>RMB'000 |                         |
| As at 1 January 2023 (audited)   | 5,806                                     | (101)                      | 101,242                   | 52,302                     | 347  | 21,740                        | (165)   | 320                          | 140,104                      | 321,595          | 915                                  | 322,510                 |
| Profit for the period  | -   | -                          | -                         | -                          | -  | -                             | -   | -                            | 13,771                       | 13,771           | 655                                  | 14,426                  |
| Other comprehensive income for the period:   |   |                            |                           |                            |  |                               |   |                              |                              |                  |                                      |                         |
| Changes in fair value of debt investments at fair value through other comprehensive income | -   | -                          | -                         | -                          | -  | -                             | 45  | -                            | -                            | 45               | -                                    | 45                      |
| Currency translation differences   | -   | -                          | -                         | -                          | -  | -                             | -   | 370                          | -                            | 370              | -                                    | 370                     |
| Total comprehensive income for the period  | -   | -                          | -                         | -                          | -  | -                             | 45  | 370                          | 13,771                       | 14,186           | 655                                  | 14,841                  |
| Final 2022 dividend declared (Note 7)  | -   | -                          | -                         | -                          | -  | -                             | -   | -                            | (1,386)                      | (1,386)          | -                                    | (1,386)                 |
| Equity-settled share reward expense (Note 24)  | -   | -                          | -                         | -                          | 79   | -                             | -   | -                            | -                            | 79               | -                                    | 79                      |
| As at 30 June 2023 (unaudited)   | 5,806                                     | (101)                      | 101,242                   | 52,302                     | 426  | 21,740                        | (120)   | 690                          | 152,489                      | 334,474          | 1,570                                | 336,044                 |

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

For the six months ended 30 June 2023

|  | Attributable to the owners of the Company |                            |                           |                            |  |                               |                                  |                              |                              |                  |                                      | Total equity<br>RMB'000 |
|--|---|----------------------------|---------------------------|----------------------------|--|-------------------------------|----------------------------------|------------------------------|------------------------------|------------------|--------------------------------------|-------------------------|
|  | Share capital<br>RMB'000                  | Treasury shares<br>RMB'000 | Share premium*<br>RMB'000 | Merger reserve*<br>RMB'000 | Share-based compensation reserve*<br>RMB'000 | Statutory reserve*<br>RMB'000 | comprehensive income*<br>RMB'000 | Exchange reserve*<br>RMB'000 | Retained profits*<br>RMB'000 | Total<br>RMB'000 | Non-controlling interests<br>RMB'000 |                         |
| As at 1 January 2022 (audited)   | 5,806                                     | (724)                      | 101,043                   | 52,302                     | 339  | 19,483                        | (200)                            | (2,894)                      | 126,587                      | 301,742          | 317                                  | 302,059                 |
| Profit/(loss) for the period   | -   | -                          | -                         | -                          | -  | -                             | -                                | -                            | 7,778                        | 7,778            | (76)                                 | 7,702                   |
| Other comprehensive income for the period:   |   |                            |                           |                            |  |                               |                                  |                              |                              |                  |                                      |                         |
| Changes in fair value of debt investments at fair value through other comprehensive income | -   | -                          | -                         | -                          | -  | -                             | 158                              | -                            | -                            | 158              | -                                    | 158                     |
| Currency translation differences   | -   | -                          | -                         | -                          | -  | -                             | -                                | 1,829                        | -                            | 1,829            | -                                    | 1,829                   |
| Total comprehensive income/(loss) for the period   | -   | -                          | -                         | -                          | -  | -                             | 158                              | 1,829                        | 7,778                        | 9,765            | (76)                                 | 9,689                   |
| Final 2021 dividend declared (Note 7)  | -   | -                          | -                         | -                          | -  | -                             | -                                | -                            | (1,538)                      | (1,538)          | -                                    | (1,538)                 |
| Equity-settled share reward expense (Note 24)  | -   | -                          | -                         | -                          | 271  | -                             | -                                | -                            | -                            | 271              | -                                    | 271                     |
| Capital contribution from a non-controlling shareholder                                    | -   | -                          | -                         | -                          | -  | -                             | -                                | -                            | -                            | -                | 150                                  | 150                     |
| As at 30 June 2022 (unaudited)   | 5,806                                     | (724)                      | 101,043                   | 52,302                     | 610  | 19,483                        | (42)                             | (1,065)                      | 132,827                      | 310,240          | 391                                  | 310,631                 |

\* These reserve amounts comprise the reserves of approximately RMB328,769,000 (six months ended 30 June 2022: RMB305,158,000) in the condensed consolidated statement of financial position as at 30 June 2023.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

|  | Notes | 2023<br>(Unaudited)<br>RMB'000 | 2022<br>(Unaudited)<br>RMB'000 |
|--|-------|--------------------------------|--------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                            |       |                                |                                |
| Profit before tax  |       | <b>17,002</b>                  | 9,054                          |
| Adjustments for:   |       |                                |                                |
| Depreciation of property, plant and equipment                          | 9     | <b>5,505</b>                   | 5,269                          |
| Amortization of intangible assets                                      | 11    | <b>344</b>                     | 574                            |
| Write-down of inventories to net realizable value                      | 5     | <b>1,081</b>                   | 3,433                          |
| Impairment losses/(write back of) for trade and notes receivables, net | 5     | <b>75</b>                      | (1,420)                        |
| Depreciation of right-of-use assets                                    | 10    | <b>3,037</b>                   | 2,871                          |
| Net foreign exchange differences                                       | 5     | <b>(11)</b>                    | 288                            |
| Equity-settled share reward expense                                    | 24    | <b>79</b>                      | 271                            |
| Government grants  | 21    | <b>(1,020)</b>                 | (1,073)                        |
| Interest income  |       | <b>(574)</b>                   | (603)                          |
| Finance costs  |       | <b>261</b>                     | 380                            |
| Gain on disposal of items of property, plant and equipment             |       | <b>(50)</b>                    | (69)                           |
|  |       | <b>25,729</b>                  | 18,975                         |
| Increase in inventories  |       | <b>(25,809)</b>                | (44,216)                       |
| Decrease in trade and notes receivables                                |       | <b>3,649</b>                   | 18,166                         |
| (Increase)/Decrease in prepayments, other receivables and other assets |       | <b>(439)</b>                   | 1,365                          |
| Decrease in trade and bills payables                                   |       | <b>(7,267)</b>                 | (5,869)                        |
| Decrease in other payables and accruals                                |       | <b>(89)</b>                    | (3,191)                        |
| Increase in contract liabilities                                       |       | <b>19,386</b>                  | 25,060                         |
| Increase in restricted bank deposits                                   |       | <b>(1,074)</b>                 | (151)                          |
| Cash generated from operations   |       | <b>14,086</b>                  | 10,139                         |
| Income tax paid  |       | <b>(285)</b>                   | (1,280)                        |
| Net cash flows generated from operating activities                     |       | <b>13,801</b>                  | 8,859                          |

# Interim Condensed Consolidated Statement of Cash Flows *(Continued)*

For the six months ended 30 June 2023

|   | Notes | 2023<br>(Unaudited)<br>RMB'000 | 2022<br>(Unaudited)<br>RMB'000 |
|---|-------|--------------------------------|--------------------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |       |                                |                                |
| Purchases of items of property, plant and equipment                               |       | <b>(25,792)</b>                | (6,768)                        |
| Purchases of items of intangible assets   |       | –                              | (338)                          |
| Proceeds from disposal of items of property, plant and equipment                  |       | <b>569</b>                     | 558                            |
| Purchase of leasehold land  |       | –                              | (211)                          |
| Proceeds from disposal of leasehold land  |       | –                              | 4,517                          |
| Receipt of principal portion of finance lease payments arising from the subleases |       | <b>188</b>                     | –                              |
| Interests received  |       | <b>430</b>                     | 589                            |
| <b>Net cash flows used in investing activities</b>                                |       | <b>(24,605)</b>                | (1,653)                        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |       |                                |                                |
| Proceed from discounted notes receivable with recourse                            | 19    | –                              | 6,938                          |
| Payment of interest expense on discounted notes receivable                        |       | –                              | (78)                           |
| Payment of interest on short-term and long-term borrowings                        |       | <b>(187)</b>                   | –                              |
| Proceeds from short-term and long-term borrowings                                 | 19    | <b>7,870</b>                   | –                              |
| Principal portion of lease payments   | 20    | <b>(2,038)</b>                 | (2,018)                        |
| Interest portion of lease payments  | 20    | <b>(261)</b>                   | (302)                          |
| Capital contribution from non-controlling shareholders                            |       | –                              | 150                            |
| <b>Net cash flows generated from financing activities</b>                         |       | <b>5,384</b>                   | 4,690                          |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>                       |       |                                |                                |
| Cash and cash equivalents at beginning of period                                  | 15    | <b>54,449</b>                  | 98,071                         |
| Effect of foreign exchange rate changes, net                                      |       | <b>381</b>                     | 1,541                          |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                                 | 15    | <b>49,410</b>                  | 111,508                        |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>                          |       |                                |                                |
| Cash and cash equivalents as stated in the statement of financial position        | 15    | <b>49,410</b>                  | 111,508                        |
| <b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>         |       | <b>49,410</b>                  | 111,508                        |

# Notes to the Interim Financial Information

30 June 2023

## 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 aftersales services.

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

The Company’s shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) since 28 June 2019.

The Interim Financial Information comprises the condensed consolidated statement of financial position as at 30 June 2023, the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “**Interim Financial Information**”).

The Interim Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 1. GENERAL INFORMATION *(Continued)*

### Information about subsidiaries

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

| Company name  | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company |          | Principal activities                          |
|---|---|---|--|----------|---|
|   |   |   | Direct   | Indirect |   |
| Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("Shinelong (Suzhou)") (Note (a)) | PRC/Mainland China                                | RMB170,000,000                            | 99.9   | 0.1      | Design, Manufacture and sale of moulds        |
| Qingdao Xunzhan Molding Technology Company Limited ("Xunzhan") (Note (b))   | PRC/Mainland China                                | RMB6,000,000                              | –  | 100      | Design, Manufacture and sale of moulds        |
| Kunshan Longjun Management Consulting Company Limited ("Kunshan Longjun") (Note (b))                                      | PRC/Mainland China                                | US\$50,000                                | 100  | –        | Inactive                                      |
| Xunhou Laser Technology (Suzhou) Company Limited ("Xunhou") (Note (c))  | PRC/Mainland China                                | RMB10,000,000                             | –  | 70       | Design, manufacture and sale of laser devices |

(a) Shinelong (Suzhou) was established on 8 January 2002 under the name of Shinelong Precision Moulds (Kunshan) Company Limited as a limited liability company under the law of the PRC, which was converted into a company limited by shares on 29 March 2016 and renamed as Shinlone Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("Shinlone (Suzhou)"). It was further renamed as Shinelong (Suzhou) on 28 December 2018. Shinelong (Suzhou) is a wholly owned subsidiary of the Company.

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

(c) Xunhou was established on 7 April 2020 with registered share capital of RMB10,000,000 as a limited liability company under the law of the PRC, which is a 70%-owned subsidiary of Shinelong (Suzhou). The business scope of Xunhou covers the manufacture of medical devices and automotive parts, intelligent control system integration and the provision of technical services. As at 30 June 2023, Xunhou received capital contributions of RMB3,500,000 from Shinelong (Suzhou) and RMB750,000 from the non-controlling shareholder, Yinwei Laser Technology (Kunshan) Company Limited.

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 2. BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

|   |   |
|---|---|
| IFRS 17   | <i>Insurance Contracts</i>  |
| Amendments to IFRS 17                             | <i>Insurance Contracts</i>  |
| Amendment to IFRS 17                              | <i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i>              |
| Amendments to IAS 1 and IFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i>  |
| Amendments to IAS 8                               | <i>Definition of Accounting Estimates</i>   |
| Amendments to IAS 12                              | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to IAS 12                              | <i>International Tax Reform — Pillar Two Model Rules</i>                                |

The nature and 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

- 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. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- 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. While the adoption of some of the revised HKASs may result in changes in accounting policies, none of these IASs is expected to have a significant impact on the Group's results of operations and financial position.
- 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. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. 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.

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 4. REVENUE

An analysis of revenue is as follows:

|   | For the six months ended |             |
|---|--------------------------|-------------|
|   | 30 June                  |             |
|   | 2023                     | 2022        |
|   | (Unaudited)              | (Unaudited) |
|   | RMB'000                  | RMB'000     |
| <b>Sales of moulds</b>                            |                          |             |
| Automotive moulds                                 | <b>78,298</b>            | 61,009      |
| Electrical appliance moulds                       | <b>19,144</b>            | 10,550      |
| Other moulds                                      | <b>332</b>               | 1,321       |
| Sub-total   | <b>97,774</b>            | 72,880      |
| <b>Parts processing services</b>                  | <b>7,305</b>             | 8,979       |
| <b>Others</b>                                     | <b>1,704</b>             | 481         |
| Total   | <b>106,783</b>           | 82,340      |
| Represented by:                                   |                          |             |
| Goods and services transferred at a point in time | <b>106,783</b>           | 82,340      |
| Represented by:                                   |                          |             |
| Geographic markets                                |                          |             |
| The PRC   | <b>103,398</b>           | 74,960      |
| Overseas  | <b>3,385</b>             | 7,380       |
|   | <b>106,783</b>           | 82,340      |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 5. PROFIT BEFORE TAX

|   | For the six months ended |             |
|---|--------------------------|-------------|
|   | 30 June                  |             |
|   | 2023                     | 2022        |
|   | (Unaudited)              | (Unaudited) |
|   | RMB'000                  | RMB'000     |
| Raw materials consumed  | <b>34,069</b>            | 28,835      |
| Direct labor cost   | <b>12,191</b>            | 10,745      |
| Subcontracting expenses   | <b>16,920</b>            | 9,044       |
| Depreciation of property, plant and equipment (Note 9)                              | <b>5,505</b>             | 5,269       |
| Depreciation of right-of-use assets (Note 10)                                       | <b>3,037</b>             | 2,871       |
| Amortization of intangible assets (Note 11)   | <b>344</b>               | 574         |
| Research and development costs  | <b>3,553</b>             | 3,045       |
| Interest on lease liabilities (Note 20)   | <b>261</b>               | 302         |
| Auditor's remuneration  | <b>600</b>               | 600         |
| Employee benefit expenses (including directors' and chief executive's remuneration) |                          |             |
| Salaries and bonuses  | <b>9,286</b>             | 7,774       |
| Equity-settled share reward expense   | <b>79</b>                | 271         |
| Pension scheme contributions  | <b>2,970</b>             | 2,153       |
|   | <b>12,335</b>            | 10,198      |
| Impairment/(write-back of) losses for trade and notes receivables, net              | <b>75</b>                | (1,420)     |
| Provision for warranty (Note 17)  | <b>635</b>               | 239         |
| Write-down of inventories to net realizable value                                   | <b>1,081</b>             | 3,433       |
| Foreign exchange differences, net   | <b>11</b>                | (288)       |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 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 six months ended 30 June 2023 and 2022, Shinelong (Suzhou) was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate of 15%. Xunzhan, Xunhou, and Kunshan Longjun were certified as small and micro-sized enterprises (“**SME**”) and enjoyed an 75% reduction in taxable income and the preferential income tax rate of 20% for the period ended 30 June 2023 (2022:87.5% reduction in taxable income and preferential income tax rate of 20%).

|                                 | For the six months ended<br>30 June |                                |
|---------------------------------|-------------------------------------|--------------------------------|
|                                 | 2023<br>(Unaudited)<br>RMB'000      | 2022<br>(Unaudited)<br>RMB'000 |
| Current — PRC                   | 1,916                               | 1,490                          |
| Deferred — PRC                  | 660                                 | (138)                          |
| Total tax charge for the period | 2,576                               | 1,352                          |

## 7. DIVIDENDS

|  | For the six months ended<br>30 June |                                |
|--|-------------------------------------|--------------------------------|
|  | 2023<br>(Unaudited)<br>RMB'000      | 2022<br>(Unaudited)<br>RMB'000 |
| At beginning of the period   | —                                   | —                              |
| Final declared<br>— RMB0.210 cents (2022: RMB0.233 cents) per ordinary share | 1,386                               | 1,538                          |
| At end of the period   | 1,386                               | 1,538                          |

On 27 March 2023, the directors proposed a final dividend of RMB0.210 cents per ordinary share totalling approximately RMB1,386,000 for the year ended 31 December 2022, which was approved by the Company’s shareholders at the annual general meeting on 1 June 2023.

The directors did not recommend the payment of an interim dividend for the six months ended 30 June 2023 and 2022.

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 8. 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 six months ended 30 June 2023 attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 659,624,800 (six months ended 30 June 2022: 657,174,400) in issue during the period.

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

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

|  | For the six months ended<br>30 June                     |                                |
|--|---|--------------------------------|
|  | 2023<br>(Unaudited)<br>RMB'000                          | 2022<br>(Unaudited)<br>RMB'000 |
| <b>Earnings</b>  |   |                                |
| Profit attributable to ordinary equity holders of the Company,<br>used in the basic and diluted earnings per share calculation | <b>13,771</b>   | 7,778                          |
|  |   |                                |
|  | Number of shares<br>For the six months ended<br>30 June |                                |
|  | 2023  | 2022                           |
| <b>Shares</b>  |   |                                |
| Weighted average number of ordinary shares in issue during the period<br>used in the basic earnings per share calculation      | <b>659,624,800</b>                                      | 657,174,400                    |
| Effect of dilution — weighted average number of ordinary shares<br>Awarded shares  | <b>801,276</b>  | 1,688,154                      |
| Weighted average number of ordinary shares used in the diluted earnings<br>per share calculation                               | <b>660,426,076</b>                                      | 658,862,554                    |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 9. PROPERTY, PLANT AND EQUIPMENT

|                                     | Buildings<br>RMB'000 | Machinery<br>RMB'000 | Furniture,<br>fixtures and<br>equipment<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Motor vehicles<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------|----------------------|----------------------|--|--------------------------------------|---------------------------|--|------------------|
| <b>Cost</b>                         |                      |                      |  |                                      |                           |  |                  |
| At 1 January 2023                   | 1,503                | 130,487              | 6,377  | 2,908                                | 2,112                     | 42,329                                 | 185,716          |
| Additions                           | -                    | 1,127                | 314  | 790                                  | 23                        | 20,991                                 | 23,245           |
| Transfer                            | -                    | 8,206                | -  | -                                    | -                         | (8,206)                                | -                |
| Disposals                           | -                    | (624)                | (94)   | -                                    | -                         | -                                      | (718)            |
| At 30 June 2023                     | 1,503                | 139,196              | 6,597  | 3,698                                | 2,135                     | 55,114                                 | 208,243          |
| <b>Accumulated depreciation</b>     |                      |                      |  |                                      |                           |  |                  |
| At 1 January 2023                   | 548                  | 60,775               | 4,099  | 2,897                                | 1,443                     | -                                      | 69,762           |
| Depreciation charges for the period | 34                   | 5,016                | 308  | 130                                  | 17                        | -                                      | 5,505            |
| Disposals                           | -                    | (113)                | (85)   | -                                    | -                         | -                                      | (198)            |
| At 30 June 2023                     | 582                  | 65,678               | 4,322  | 3,027                                | 1,460                     | -                                      | 75,069           |
| <b>Net carrying amount</b>          |                      |                      |  |                                      |                           |  |                  |
| At 30 June 2023 (unaudited)         | 921                  | 73,518               | 2,275  | 671                                  | 675                       | 55,114                                 | 133,174          |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

|                                     | Buildings<br>RMB'000 | Machinery<br>RMB'000 | Furniture,<br>fixtures and<br>equipment<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Motor vehicles<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------|----------------------|----------------------|--|--------------------------------------|---------------------------|--|------------------|
| <b>Cost</b>                         |                      |                      |  |                                      |                           |  |                  |
| At 1 January 2022                   | 1,503                | 122,897              | 5,700  | 2,908                                | 1,876                     | –                                      | 134,884          |
| Additions                           | –                    | 730                  | 228  | –                                    | 295                       | 500                                    | 1,753            |
| Disposals                           | –                    | (2,665)              | (11)   | –                                    | (146)                     | –                                      | (2,822)          |
| At 30 June 2022                     | 1,503                | 120,962              | 5,917  | 2,908                                | 2,025                     | 500                                    | 133,815          |
| <b>Accumulated depreciation</b>     |                      |                      |  |                                      |                           |  |                  |
| At 1 January 2022                   | 480                  | 55,717               | 3,489  | 2,878                                | 1,380                     | –                                      | 63,944           |
| Depreciation charges for the period | 34                   | 4,847                | 311  | 12                                   | 65                        | –                                      | 5,269            |
| Disposals                           | –                    | (2,252)              | (7)  | –                                    | (74)                      | –                                      | (2,333)          |
| At 30 June 2022                     | 514                  | 58,312               | 3,793  | 2,890                                | 1,371                     | –                                      | 66,880           |
| <b>Net carrying amount</b>          |                      |                      |  |                                      |                           |  |                  |
| At 30 June 2022 (unaudited)         | 989                  | 62,650               | 2,124  | 18                                   | 654                       | 500                                    | 66,935           |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 10. RIGHT-OF-USE ASSETS

|                                     | Leasehold<br>land<br>RMB'000 | Factories<br>and venues<br>RMB'000 | Parking<br>lots<br>RMB'000 | Vehicle<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------|------------------------------|------------------------------------|----------------------------|--------------------|------------------|
| At 1 January 2023                   | 6,925                        | 12,049                             | 227                        | 156                | 19,357           |
| Addition                            | –                            | 1,306                              | –                          | –                  | 1,306            |
| Modification                        | –                            | 1,444                              | –                          | –                  | 1,444            |
| Depreciation charges for the period | (119)                        | (2,756)                            | (26)                       | (136)              | (3,037)          |
| At 30 June 2023 (unaudited)         | 6,806                        | 12,043                             | 201                        | 20                 | 19,070           |

|                                     | Leasehold<br>land<br>RMB'000 | Factories<br>and venues<br>RMB'000 | Parking<br>lots<br>RMB'000 | Vehicle<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------|------------------------------|------------------------------------|----------------------------|--------------------|------------------|
| At 1 January 2022                   | –                            | 16,262                             | 279                        | 428                | 16,969           |
| Addition                            | 7,146                        | –                                  | –                          | –                  | 7,146            |
| Depreciation charges for the period | (99)                         | (2,610)                            | (26)                       | (136)              | (2,871)          |
| At 30 June 2022 (unaudited)         | 7,047                        | 13,652                             | 253                        | 292                | 21,244           |

The Group has lease contracts for factories and venues, parking lots, a parcel of land in its operations, and a vehicle. Leases of factories and venues generally have lease terms between 2 and 10 years. Leases of parking lots generally have a lease term of 10 years. Vehicles generally have a lease term of 3 years. The lease of the land has a lease term of 30 years.

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 11. INTANGIBLE ASSETS

|                                     | Software<br>RMB'000 |
|-------------------------------------|---------------------|
| <b>Cost</b>                         |                     |
| At 1 January 2023                   | 9,857               |
| Additions                           | –                   |
| At 30 June 2023                     | 9,857               |
| <b>Accumulated amortization</b>     |                     |
| At 1 January 2023                   | 8,217               |
| Amortization charges for the period | 344                 |
| At 30 June 2023                     | 8,561               |
| <b>Net carrying amount</b>          |                     |
| At 30 June 2023 (unaudited)         | 1,296               |

|                                     | Software<br>RMB'000 |
|-------------------------------------|---------------------|
| <b>Cost</b>                         |                     |
| At 1 January 2022                   | 9,017               |
| Additions                           | 338                 |
| At 30 June 2022                     | 9,355               |
| <b>Accumulated amortization</b>     |                     |
| At 1 January 2022                   | 7,279               |
| Amortization charges for the period | 574                 |
| At 30 June 2022                     | 7,853               |
| <b>Net carrying amount</b>          |                     |
| At 30 June 2022 (unaudited)         | 1,502               |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 12. INVENTORIES

|   | 30 June<br>2023<br>(Unaudited)<br>RMB'000 | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|---|---|---|
| Finished goods                          | 189,807                                   | 155,715                                     |
| Work in progress                        | 80,256                                    | 89,363                                      |
| Raw materials and low value consumables | 1,098                                     | 1,355                                       |
|   | <b>271,161</b>                            | 246,433                                     |

## 13. TRADE AND NOTES RECEIVABLES

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

|                | 30 June<br>2023<br>(Unaudited)<br>RMB'000 | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|----------------|---|---|
| Within 30 days | 33,126                                    | 33,137                                      |
| 31–60 days     | 3,019                                     | 12,578                                      |
| 61–90 days     | 7,529                                     | 9,030                                       |
| 91–180 days    | 18,480                                    | 24,281                                      |
| 181–365 days   | 31,302                                    | 20,553                                      |
| Over 365 days  | 6,515                                     | 11,009                                      |
|                | <b>99,971</b>                             | 110,588                                     |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

|  | 30 June<br>2023<br>(Unaudited)<br>RMB'000 | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|--|---|---|
| <b>Non-current</b>   |   |   |
| Prepayment for acquisition of items of property, plant and equipment | 14,335                                    | 8,883                                       |
|  | <b>14,335</b>                             | 8,883                                       |
| <b>Current</b>   |   |   |
| Prepayments  | 2,403                                     | 1,525                                       |
| Deposits and other receivables                                       | 1,956                                     | 1,993                                       |
| Receivable for the sale of the plant                                 | 348                                       | 348   |
| HKEX annual subscription fee   | 67  | 135   |
| Prepaid income tax   | –   | 1,056                                       |
| Input value added tax (“VAT”) to be deducted                         | –   | 189   |
|  | <b>4,774</b>                              | 5,246                                       |

## 15. CASH AND CASH EQUIVALENTS

|                                       | 30 June<br>2023<br>(Unaudited)<br>RMB'000 | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|---------------------------------------|---|---|
| Cash and bank balances                | 52,635                                    | 56,600                                      |
| Less: Restricted bank deposits (Note) | (3,225)                                   | (2,151)                                     |
| Cash and cash equivalents             | <b>49,410</b>                             | 54,449                                      |

Note:

As at 30 June 2023, the Group has placed restricted bank deposits in a bank with an aggregate amount of approximately RMB3,225,000 (2022: RMB2,151,000), among which approximately RMB2,085,000 (2022: RMB2,085,000) is in relation to the performance guarantees issued by the bank to Zhangpu Town People’s Government of Kunshan Municipality for the acquisition of the leasehold land. Approximately RMB66,000 (2022: RMB66,000) is in relation to the quality guarantees issued by the bank to a customer of the Group for the sale of moulds. Approximately RMB1,074,000 (2022: Nil) is in relation to the performance guarantees issued to the bank for the settlement of the bills payable.

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 15. CASH AND CASH EQUIVALENTS *(Continued)*

As at 30 June 2023 and 31 December 2022, the Group's cash and bank balances denominated in RMB and held in Mainland China amounted to RMB31,555,000 and RMB34,795,000, respectively. RMB is not freely convertible into other currencies, however, under Mainland China'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 authorized to conduct foreign exchange 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.

## 16. TRADE AND BILLS PAYABLES

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

|                | 30 June<br>2023<br>(Unaudited)<br>RMB'000 | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|----------------|---|---|
| Within 30 days | 20,570                                    | 28,272                                      |
| 31–60 days     | 17,796                                    | 13,283                                      |
| 61–90 days     | 11,253                                    | 13,542                                      |
| 91–120 days    | 2,234                                     | 6,553                                       |
| Over 120 days  | 3,481                                     | 951   |
|                | <b>55,334</b>                             | 62,601                                      |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 17. OTHER PAYABLES AND ACCRUALS

|   | <b>30 June<br/>2023<br/>(Unaudited)<br/>RMB'000</b> | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|---|---|---|
| Payables for construction of the new plant and purchases of machinery | <b>20,436</b>                                       | 17,711                                      |
| Other payables  | <b>10,040</b>                                       | 7,981                                       |
| Staff cost and welfare accruals                                       | <b>7,539</b>  | 9,284                                       |
| Provision for warranty (Note)   | <b>1,623</b>  | 2,033                                       |
|   | <b>39,638</b>                                       | 37,009                                      |

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

Note:

### Provision for warranty

|                            | <b>For the six months ended<br/>30 June</b> |                                |
|----------------------------|---|--------------------------------|
|                            | <b>2023<br/>(Unaudited)<br/>RMB'000</b>     | 2022<br>(Unaudited)<br>RMB'000 |
| At the beginning of period | <b>2,033</b>                                | 2,414                          |
| Accrual                    | <b>635</b>                                  | 239                            |
| Payment                    | <b>(1,045)</b>                              | (751)                          |
| At the end of period       | <b>1,623</b>                                | 1,902                          |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 18. CONTRACT LIABILITIES

|                      | 30 June<br>2023<br>(Unaudited)<br>RMB'000 | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|----------------------|---|---|
| Contract liabilities | <b>136,016</b>                            | 116,630                                     |

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

## 19. INTEREST-BEARING BANK AND OTHER BORROWINGS

|   | As at 30 June<br>2023             |           |               | As at 31 December<br>2022         |          |               |
|---|-----------------------------------|-----------|---------------|-----------------------------------|----------|---------------|
|   | Effective<br>Interest<br>Rate (%) | Maturity  | RMB'000       | Effective<br>Interest<br>Rate (%) | Maturity | RMB'000       |
| <b>Current</b>  |                                   |           |               |                                   |          |               |
| Other borrowings  | N/A                               | N/A       | –             | 1.30                              | 2023     | 6,938         |
| Current portion of long-term bank<br>borrowing — secured (Note (a)) | 3.97                              | 2023–2024 | 7,000         | 3.97                              | 2023     | 4,000         |
|   |                                   |           | <b>7,000</b>  |                                   |          | <b>10,938</b> |
| <b>Non-current</b>  |                                   |           |               |                                   |          |               |
| Long-term bank borrowing<br>— secured (Note (a))                    | 3.97                              | 2024–2025 | 6,870         | 3.97                              | 2024     | 2,000         |
|   |                                   |           | <b>13,870</b> |                                   |          | <b>12,938</b> |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 19. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

|  | As at<br>30 June<br>2023<br>RMB'000 | As at<br>31 December<br>2022<br>RMB'000 |
|--|-------------------------------------|---|
| <b>Analysed into:</b>                      |                                     |   |
| <b>Other borrowings repayable:</b>         |                                     |   |
| Within one year                            | –                                   | 6,938                                   |
| <b>Long-term bank borrowing repayable:</b> |                                     |   |
| Within one year                            | <b>7,000</b>                        | 4,000                                   |
| In the second year                         | <b>6,870</b>                        | 2,000                                   |
|  | <b>13,870</b>                       | 6,000                                   |
|  | <b>13,870</b>                       | 12,938                                  |

Notes:

- (a) In October 2022, the Group entered into a ten-year general facility agreement with a maximum credit limit of RMB80,000,000 with Jiangsu Kunshan Rural Commercial Bank Co., Ltd. Zhangpu Sub-branch, which is secured by the mortgages over the Group's leasehold land with a net carrying value at the end of the reporting period of approximately RMB6,806,000 (2022: RMB6,925,000), together with the new plant under construction on the leasehold land with a net carrying value at the end of the reporting period of approximately RMB55,114,000 (2022: RMB34,791,000). As at 30 June 2023, the Group had bank borrowings of RMB6,000,000, RMB4,370,000 and RMB3,500,000 under the general facility agreement, which bear interest at a rate of 3.90% per annum. The bank borrowing of RMB6,000,000 is repayable in three equal instalments in September 2023, December 2023 and June 2024, respectively. The bank borrowing of RMB4,370,000 is repayable in two instalments in December 2024 and June 2025, respectively. The bank borrowing of RMB3,500,000 is repayable in two instalments in June 2024 and December 2024, respectively.
- (b) All borrowings are denominated in RMB.

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 20. LEASE LIABILITIES

|  | 30 June<br>2023<br>(Unaudited)<br>RMB'000 |
|--|---|
| Carrying amount at 1 January 2023                  | 10,802                                    |
| New leases   | 1,306                                     |
| Accretion of interest recognised during the period | 261                                       |
| Modifications                                      | 1,444                                     |
| Payments   | (2,299)                                   |
| Carrying amount at 30 June 2023 (unaudited)        | 11,514                                    |
| Analysed into:                                     |   |
| Current portion                                    | 4,090                                     |
| Non-current portion                                | 7,424                                     |

|  | 30 June<br>2022<br>(Unaudited)<br>RMB'000 |
|--|---|
| Carrying amount at 1 January 2022                  | 14,026                                    |
| Accretion of interest recognised during the period | 302                                       |
| Payments   | (2,320)                                   |
| Carrying amount at 30 June 2022 (unaudited)        | 12,008                                    |
| Analysed into:                                     |   |
| Current portion                                    | 3,913                                     |
| Non-current portion                                | 8,095                                     |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 21. GOVERNMENT GRANTS

|   | For the six months ended<br>30 June |                                |
|---|-------------------------------------|--------------------------------|
|   | 2023<br>(Unaudited)<br>RMB'000      | 2022<br>(Unaudited)<br>RMB'000 |
| At the beginning of period                  | 4,154                               | 6,255                          |
| Released to the statement of profit or loss | (1,020)                             | (1,073)                        |
| At the end of period                        | 3,134                               | 5,182                          |
| Current portion                             | (1,019)                             | (2,055)                        |
| Non-current portion                         | 2,115                               | 3,127                          |

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

## 22. SHARE CAPITAL

|  | 30 June<br>2023<br>(Unaudited)<br>RMB'000 | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|--|---|---|
| Issued and fully paid/credited as fully paid<br>660,000,000 ordinary shares of HK\$0.01 each | 5,806                                     | 5,806                                       |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 23. TREASURY SHARES

|   | 30 June<br>2023<br>(Unaudited)<br>RMB'000 | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|---|---|---|
| Treasury shares (number of shares: 375,000) | 101                                       | 101   |

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

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

No shares were purchased for the Share Award Scheme during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## 24. SHARE-BASED PAYMENTS

### Share Option Scheme

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

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

For the six months ended 30 June 2023, no share-based compensation expense has been recognised under the Share Option Scheme as the Performance Conditions are not expected to be satisfied (six months ended 30 June 2022: Nil).

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

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

### Share award scheme

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

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

For the six months ended 30 June 2023, the Group has recognised approximately RMB79,000 of share-based compensation expenses under the Share Award Scheme in the condensed consolidated statement of profit or loss (six months ended 30 June 2022: RMB271,000).

## 25. RELATED PARTY TRANSACTIONS

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

| Name                                | Relationship   |
|-------------------------------------|--|
| Shine Art International Limited     | Controlling Shareholder  |
| Friendly Holdings (HK) Co., Limited | Shareholder  |
| High Chance Limited                 | Shareholder  |
| Lin Wan-Yi                          | Ultimate controlling shareholder,<br>Chairman, Executive Director<br>and chief executive officer |

(b) There was no transaction with related parties during the period.

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## 25. RELATED PARTY TRANSACTIONS *(Continued)*

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

|  | For the six months ended<br>30 June |                                |
|--|-------------------------------------|--------------------------------|
|  | 2023<br>(Unaudited)<br>RMB'000      | 2022<br>(Unaudited)<br>RMB'000 |
| Fees   | 78                                  | 84                             |
| Equity-settled share reward expense                        | 26                                  | 86                             |
| Salaries, allowances, and benefits in kind                 | 954                                 | 1,048                          |
| Performance related bonuses                                | 105                                 | 204                            |
| Pension scheme contributions                               | 28                                  | 24                             |
| <b>Total compensation paid to key management personnel</b> | <b>1,191</b>                        | <b>1,446</b>                   |

The key management personnel of the Group for the six months ended 30 June 2023 included three (six months ended 30 June 2022: three) directors of the Company whose total compensation was approximately RMB951,000 (six months ended 30 June 2022: RMB1,133,000).

## 26. COMMITMENTS

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

|                                   | 30 June<br>2023<br>(Unaudited)<br>RMB'000 | 31 December<br>2022<br>(Audited)<br>RMB'000 |
|-----------------------------------|---|---|
| Contracted, but not provided for: |   |   |
| Machinery                         | 24,612                                    | 14,065                                      |
| Plant construction                | 23,019                                    | 58,243                                      |
|                                   | <b>47,631</b>                             | <b>72,308</b>                               |

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

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

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

|                  | Carrying Amounts                          |   | Fair Values                               |   |
|------------------|---|---|---|---|
|                  | 30 June<br>2023<br>RMB'000<br>(Unaudited) | 31 December<br>2022<br>RMB'000<br>(Audited) | 30 June<br>2023<br>RMB'000<br>(Unaudited) | 31 December<br>2022<br>RMB'000<br>(Audited) |
| FINANCIAL ASSETS |   |   |   |   |
| Notes receivable | 22,398                                    | 40,722                                      | 22,398                                    | 40,722                                      |

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

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

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

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

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

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

### Fair value hierarchy

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

#### Assets measured at fair value:

As at 30 June 2023

|                  | Fair value measurement using  |  |  | Total<br>(Unaudited)<br>RMB'000 |
|------------------|---|--|--|---------------------------------|
|                  | Quoted Price<br>in active<br>markets<br>(Level 1)<br>(Unaudited)<br>RMB'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>(Unaudited)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>(Unaudited)<br>RMB'000 |                                 |
| Notes receivable | –   | 22,398   | –  | 22,398                          |

As at 31 December 2022

|                  | Fair value measurement using  |  |  | Total<br>(Unaudited)<br>RMB'000 |
|------------------|---|--|--|---------------------------------|
|                  | Quoted Price<br>in active<br>markets<br>(Level 1)<br>(Unaudited)<br>RMB'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>(Unaudited)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>(Unaudited)<br>RMB'000 |                                 |
| Notes receivable | –   | 40,722   | –  | 40,722                          |

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).

# Notes to the Interim Financial Information *(Continued)*

30 June 2023

## **28. EVENTS AFTER THE REPORTING PERIOD**

As at the date of approval of the unaudited Interim Financial Information, the Group did not have any significant event subsequent to 30 June 2023.

## **29. APPROVAL OF THE INTERIM FINANCIAL INFORMATION**

The unaudited Interim Financial Information was approved and authorized for issue by the Board on 28 August 2023.