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## **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)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Shinelong Automotive Lightweight Application Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) hereby announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 (the “**1H2021**”). The interim results of the Group have been reviewed by the Company’s auditor 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. The interim results of the Group have also been reviewed by the Company’s audit committee (the “**Audit Committee**”).

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

	<b>For the six months ended 30 June</b>		
	<b>2021</b>	2020	Change
Revenue ( <i>RMB'000</i> )	<b>96,050</b>	112,205	-14.4%
Gross profit ( <i>RMB'000</i> )	<b>24,793</b>	43,365	-42.8%
Gross profit margin	<b>25.8%</b>	38.6%	-12.8 percentage points
Net profit ( <i>RMB'000</i> )	<b>8,696</b>	17,875	-51.4%
Net profit margin	<b>9.1%</b>	15.9%	-6.8 percentage points
Basic earnings per share ( <i>RMB cents</i> )	<b>1.3</b>	2.7	-51.9%
Diluted earnings per share ( <i>RMB cents</i> )	<b>1.3</b>	2.7	-51.9%

**SUMMARY OF THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As at 30 June 2021</b>	As at 31 December 2020	Change
Total assets ( <i>RMB'000</i> )	<b>460,118</b>	475,687	-3.3%
Cash and cash equivalents ( <i>RMB'000</i> )	<b>84,147</b>	95,918	-12.3%
Total liabilities ( <i>RMB'000</i> )	<b>169,222</b>	191,229	-11.5%
Total equity ( <i>RMB'000</i> )	<b>290,896</b>	284,458	2.3%
Return on equity	<b>3.0%</b>	10.0%	-7.0 percentage points
Return on total assets	<b>1.9%</b>	6.0%	-4.1 percentage points

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

	<i>Notes</i>	<b>2021 (Unaudited) RMB'000</b>	2020 (Unaudited) RMB'000
REVENUE	4	<b>96,050</b>	112,205
Cost of sales		<b>(71,257)</b>	(68,840)
Gross profit		<b>24,793</b>	43,365
Other income and gains, net		<b>1,729</b>	442
Selling and distribution expenses		<b>(2,226)</b>	(1,896)
General and administrative expenses		<b>(13,626)</b>	(19,537)
Finance costs		<b>(353)</b>	(414)
PROFIT BEFORE TAX	5	<b>10,317</b>	21,960
Income tax expense	6	<b>(1,621)</b>	(4,085)
PROFIT FOR THE PERIOD		<b>8,696</b>	17,875
Attributable to:			
Owners of the Company		<b>8,744</b>	17,875
Non-controlling interests		<b>(48)</b>	–
		<b>8,696</b>	17,875
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of debt investments at fair value through other comprehensive income		<b>101</b>	83
Exchange differences on translation of foreign operations		<b>(496)</b>	1,673
NET OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<b>(395)</b>	1,756
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		<b>(395)</b>	1,756
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<b>8,301</b>	19,631

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

*For the six months ended 30 June 2021*

	<i>Notes</i>	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 (Unaudited) RMB'000
Attributable to:			
Owners of the Company		<b>8,349</b>	19,631
Non-controlling interests		<b>(48)</b>	–
		<u><b>8,301</b></u>	<u>19,631</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY</b>			
<b>HOLDERS OF THE COMPANY</b>			
<b>(in RMB cent per share)</b>			
	8		
Basic			
— For profit for the period		<b>1.3</b>	2.7
Diluted			
— For profit for the period		<u><b>1.3</b></u>	<u>2.7</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		<b>30 June 2021</b>	31 December 2020
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>71,887</b>	73,995
Right-of-use assets		<b>15,535</b>	17,495
Intangible assets		<b>1,813</b>	2,015
Prepayments		<b>2,324</b>	526
Deferred tax assets		<b>2,252</b>	3,645
		<hr/>	<hr/>
Total non-current assets		<b>93,811</b>	97,676
<b>CURRENT ASSETS</b>			
Inventories	10	<b>182,332</b>	185,584
Trade and notes receivables	11	<b>87,138</b>	84,504
Prepayments, other receivables and other assets		<b>2,497</b>	1,625
Net investments in subleases		<b>193</b>	380
Time deposit		<b>10,000</b>	10,000
Cash and cash equivalents	12	<b>84,147</b>	95,918
		<hr/>	<hr/>
Total current assets		<b>366,307</b>	378,011
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	13	<b>36,204</b>	43,804
Other payables and accruals		<b>11,131</b>	15,790
Government grants		<b>266</b>	519
Contract liabilities		<b>102,638</b>	108,324
Other borrowings		–	922
Dividends payable	7	<b>2,039</b>	–
Lease liabilities		<b>3,826</b>	4,631
Income tax payable		–	2,709
		<hr/>	<hr/>
Total current liabilities		<b>156,104</b>	176,699
<b>NET CURRENT ASSETS</b>		<hr/> <b>210,203</b> <hr/>	<hr/> 201,312 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>304,014</b> <hr/>	<hr/> 298,988 <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(CONTINUED)**

30 June 2021

		<b>30 June 2021</b>	31 December 2020
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Government grants		2,227	2,235
Deferred tax liabilities		107	252
Lease liabilities		<u>10,784</u>	<u>12,043</u>
Total non-current liabilities		<u>13,118</u>	<u>14,530</u>
Net assets		<u>290,896</u>	<u>284,458</u>
<b>EQUITY</b>			
Equity attributable to the owners of the Company			
Share capital	14	5,806	5,806
Reserves		<u>284,859</u>	<u>278,373</u>
Non-controlling interests		<u>290,665</u>	284,179
		<u>231</u>	<u>279</u>
Total equity		<u>290,896</u>	<u>284,458</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

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

The Company is an investment holding company. The Group is 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, 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 2021, the related condensed consolidated statement of profit or loss and 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.

### 2. BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30 June 2021 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 2020.

### 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 2020, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

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

Other than as explained below regarding the impact of Amendment to *Covid-19-Related Rent Concessions and IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted), the new and revised standards are not relevant to the preparation of the Interim Financial Information. The nature and impact of the amendment to IFRS 16 are described below:

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

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. There is no reduction in the lease payments arising from the rent concessions for the period ended 30 June 2021.

### 4. REVENUE

An analysis of revenue is as follows:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Sales of moulds		
Health protective appliances moulds	–	38,664
Automotive moulds	<b>45,149</b>	36,417
Electrical appliance moulds	<b>40,461</b>	26,345
Other moulds	<b>1,865</b>	3,572
Parts processing services	<b>7,799</b>	6,664
Others	<b>776</b>	543
	<b>96,050</b>	112,205
Represented by:		
Goods and services transferred at a point in time	<b>96,050</b>	112,205
Represented by:		
Geographic markets		
The People’s Republic of China (the “PRC”)	<b>93,828</b>	107,216
Overseas	<b>2,222</b>	4,989
	<b>96,050</b>	112,205

## 5. PROFIT BEFORE TAX

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Raw material consumed	33,972	32,773
Direct labor cost	9,604	7,760
Subcontracting expenses	12,367	17,842
Depreciation of property, plant and equipment	4,948	4,465
Depreciation of right-of-use assets	1,960	1,521
Amortization of intangible assets	591	721
Research and development costs	5,184	3,800
Interest on lease liabilities	353	414
Auditor's remuneration	616	629
Employee benefit expenses (including directors' remuneration)		
Salaries and bonuses	7,588	7,630
Equity-settled share reward expense	176	–
Pension scheme contributions	2,097	1,205
	<u>9,861</u>	<u>8,835</u>
Impairment losses for trade and notes receivables, net	7	7,836
Reversal of warranty	(597)	(128)
Write-down of inventories to net realizable value	1,178	4,441
Foreign exchange differences, net	<u>(26)</u>	<u>1,474</u>

## 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 rate of 25%. During the six months ended 30 June 2021, Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited (“**Shinelong (Suzhou)**”) was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate of 15%. Qingdao Xunzhan Molding Technology Company Limited was certified as a small and micro-sized enterprise and enjoyed a 75% reduction in taxable income and the preferential income tax rate of 20% for the period ended 30 June 2021 as its estimated annual taxable income is below RMB1 million.

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Current — PRC	373	5,485
Deferred — PRC	1,248	(1,400)
	<u>1,621</u>	<u>4,085</u>
Total tax charge for the period	<u>1,621</u>	<u>4,085</u>

## 7. DIVIDENDS

	<b>For the six months ended 30 June</b>	
	<b>2021 (Unaudited) RMB'000</b>	<b>2020 (Unaudited) RMB'000</b>
At beginning of the period	–	–
Final declared		
— RMB0.309 cents (2020: 0.562 cents) per ordinary share	<u>2,039</u>	<u>3,709</u>
At end of the period	<u><u>2,039</u></u>	<u><u>3,709</u></u>

On 26 March 2021, the Directors proposed a final dividend of RMB0.309 cents per ordinary share totalling approximately RMB2,039,000 for the year ended 31 December 2020 which is approved by the Company's shareholders at the annual general meeting on 28 May 2021.

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 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 2021 attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 660,000,000 (six months ended 30 June 2020: 660,000,000) 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. 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 to assume conversion of all dilutive potential ordinary shares.

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

	<b>For the six months ended 30 June</b>	
	<b>2021 (Unaudited) RMB'000</b>	<b>2020 (Unaudited) RMB'000</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	<u>8,744</u>	<u>17,875</u>
	<b>Number of shares</b>	
	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>660,000,000</u>	660,000,000
Effect of dilution — weighted average number of ordinary shares:		
Awarded shares	<u>3,740,247</u>	–
	<u><u>663,740,247</u></u>	<u><u>660,000,000</u></u>

## 9. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>							
At 1 January 2021	6,259	105,674	4,762	2,908	1,618	11,722	132,943
Additions	-	14,206	344	-	-	(11,071)	3,479
Disposals	-	(1,789)	-	-	-	-	(1,789)
At 30 June 2021	<u>6,259</u>	<u>118,091</u>	<u>5,106</u>	<u>2,908</u>	<u>1,618</u>	<u>651</u>	<u>134,633</u>
<b>Accumulated depreciation</b>							
At 1 January 2021	4,176	47,681	2,916	2,843	1,332	-	58,948
Depreciation charges for the period	141	4,489	281	17	20	-	4,948
Disposals	-	(1,150)	-	-	-	-	(1,150)
At 30 June 2021	<u>4,317</u>	<u>51,020</u>	<u>3,197</u>	<u>2,860</u>	<u>1,352</u>	<u>-</u>	<u>62,746</u>
<b>Net carrying amount</b>							
At 30 June 2021 (unaudited)	<u>1,942</u>	<u>67,071</u>	<u>1,909</u>	<u>48</u>	<u>266</u>	<u>651</u>	<u>71,887</u>
	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>							
At 1 January 2020	6,259	102,925	4,212	2,908	1,618	-	117,922
Additions	-	2,697	211	-	-	3,611	6,519
Disposals	-	(3)	(30)	-	-	-	(33)
At 30 June 2020	<u>6,259</u>	<u>105,619</u>	<u>4,393</u>	<u>2,908</u>	<u>1,618</u>	<u>3,611</u>	<u>124,408</u>
<b>Accumulated depreciation</b>							
At 1 January 2020	3,894	44,657	2,437	2,807	1,215	-	55,010
Depreciation charges for the period	141	3,999	249	18	58	-	4,465
Disposals	-	(1)	(25)	-	-	-	(26)
At 30 June 2020	<u>4,035</u>	<u>48,655</u>	<u>2,661</u>	<u>2,825</u>	<u>1,273</u>	<u>-</u>	<u>59,449</u>
<b>Net carrying amount</b>							
At 30 June 2020 (unaudited)	<u>2,224</u>	<u>56,964</u>	<u>1,732</u>	<u>83</u>	<u>345</u>	<u>3,611</u>	<u>64,959</u>

## 10. INVENTORIES

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Finished goods	<b>128,480</b>	135,839
Work in progress	<b>52,801</b>	48,757
Raw materials and low value consumables	<b>1,051</b>	988
	<b><u>182,332</u></b>	<u>185,584</u>

## 11. 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:

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Within 30 days	<b>22,786</b>	20,340
31–60 days	<b>12,560</b>	19,519
61–90 days	<b>6,348</b>	7,615
91–180 days	<b>19,501</b>	17,515
181–365 days	<b>19,480</b>	9,270
over 365 days	<b>6,463</b>	10,245
	<b><u>87,138</u></b>	<u>84,504</u>

## 12. CASH AND CASH EQUIVALENTS

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Cash and cash equivalents	<b><u>84,147</u></b>	<u>95,918</u>

At 30 June 2021 and 31 December 2020, the Group's cash and bank balances denominated in RMB and held in Mainland China amounted to RMB28,898,000 and RMB49,089,000, 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.

### 13. TRADE AND NOTES PAYABLES

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

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Within 30 days	17,598	21,010
31–60 days	9,295	10,028
61–90 days	6,438	7,092
91–120 days	1,763	5,089
over 120 days	1,110	585
	<u>36,204</u>	<u>43,804</u>

### 14. SHARE CAPITAL

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Issued and fully paid/credited as fully paid 660,000,000 ordinary shares of HK\$0.01 each	<u>5,806</u>	<u>5,806</u>

## BUSINESS REVIEW

The Group is a developer and major supplier of customised moulds in the PRC, with a focus on moulds for the production of automotive parts which cater for the growing trend of automotive lightweight application, as well as electrical appliance parts and other parts. 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 2021, as the novel coronavirus disease 2019 (“**COVID-19**”) situation in the PRC was brought under control, demand for automobile production continued to recover. Automobile production and sales in the PRC increased by 24.2% and 25.6% year-on-year, respectively. The proportion of new energy vehicles in automobile production and sales continued to increase. At the same time, due to insufficient chip supply and increased prices of raw materials, competition in the upstream and downstream of automotive industries is also intensifying.

In the first half of 2021, the sales volume of major electrical appliance categories in the PRC fell. However, as the prices of raw materials continue to rise, the sales amount increased and consumption trends changed. As the electrical appliance industry also faced the shortage of chip supply, the development of certain new products has been delayed and electrical appliance moulds are facing fierce competition and pressure from increasing costs.

In the first half of 2020, due to the outbreak of COVID-19, the demand for health protective appliances moulds increased significantly. In the first half of 2021, the COVID-19 situation was effectively controlled in the PRC, and the Group did not record any sales of health protective appliances moulds for the period.

The revenue of the Group for 1H2021 amounted to approximately RMB96.1 million, representing a decrease of approximately RMB16.1 million or 14.4% as compared with that of approximately RMB112.2 million for the six months ended 30 June 2020 (the “**1H2020**”). Such decrease was mainly due to the absence of revenue from the sales of health protective appliances moulds, as compared to the significant demand of the same for the corresponding period in 2020. The Group’s net profit for 1H2021 amounted to approximately RMB8.7 million, representing a significant decline of approximately RMB9.2 million or 51.4% as compared with the net profit of approximately RMB17.9 million for 1H2020. Such decline was mainly due to the absence of sales of health protective appliance moulds.

## OUTLOOK

In the second half of 2021, the domestic economy is expected to continue to maintain a stable recovery, but there are still unstable and uncertain factors in the global economic recovery and pandemic prevention and control. Moreover, the impact of shortage of chip supply issue is still relatively prominent, and the sharp rise in raw material prices will further increase the cost pressure of enterprises. These issues will affect automobiles, electrical appliances and upstream industries.

The implementation of measures in various regions of the PRC to relax restrictions on automotive purchases and promote the consumption of new energy vehicles, as well as the acceleration of the replacement of old vehicles and the promotion of localised manufacturing of automotive parts, will further promote the development of automobile market, bring opportunities and intensify competition for the automotive mould industry in the PRC.

The electrical appliances industry is still facing a high retention rate of traditional electrical appliances and limited new demands. However, the consumption of electrical appliances is shifting towards high-end and quality upgrade. The Group faces both opportunities and challenges in electrical appliance moulds market.

In the second half of 2021, the Group will formulate business strategies based on changes in the market and operating environment, control operating costs and continue to improve production efficiency, in order to counteract the pressure of rising costs of production and labor and maintain the Group's competitive advantage. The Group will seize possible opportunities and actively explore other potential markets to expand its customer base. The Group will also continue to prudently implement the strategies and expansion plans as set out in its prospectus dated 17 June 2019 (the "**Prospectus**") and pay attention to preventing and controlling operational risks.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group amounted to approximately RMB96.1 million for 1H2021, representing a decrease of approximately RMB16.1 million or 14.4% as compared with that of approximately RMB112.2 million for 1H2020.

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

	For the six months ended 30 June		
	2021	2020	Change
	RMB'000	RMB'000	%
<b>Sales of moulds</b>			
Automotive moulds	45,149	36,417	24.0
Electrical appliance moulds	40,461	26,345	53.6
Health protective appliances moulds	–	38,664	–100.0
Other moulds	1,865	3,572	–47.8
	<hr/>	<hr/>	<hr/>
Sub-total	87,475	104,998	–16.7
<b>Parts processing services</b>	7,799	6,664	17.0
<b>Other sundry income</b>	776	543	42.9
	<hr/>	<hr/>	<hr/>
Total	<u>96,050</u>	<u>112,205</u>	<u>–14.4</u>

#### (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. Sales of moulds accounted for approximately 91% of the Group's revenue for 1H2021.

The revenue generated from sales of automotive moulds for 1H2021 amounted to approximately RMB45.1 million, representing an increase of approximately RMB8.7 million or 24.0% as compared with that of approximately RMB36.4 million for 1H2020. Such increase was primarily due to (i) the increase in revenue generated from one of the Group's major customers whose orders had increased in 2019, which resulted in an increase in the acceptance reports received by the Group during the reporting period; and (ii) the increase in revenue generated from two new customers of the Group in the reporting period.

The revenue generated from sales of electrical appliance moulds for 1H2021 amounted to approximately RMB40.5 million, representing an increase of approximately RMB14.2 million or 53.6% as compared with that of approximately RMB26.3 million for 1H2020. Such increase was primarily due to the increase in revenue generated from one of the Group's major customers and one new customer of the Group in the reporting period.

Due to the stable control of the COVID-19 situation in the PRC, the Group did not receive orders for health protective appliances moulds since the second half of 2020.

*(ii) Parts processing services*

Parts processing services principally include services provided to the customers for (i) modification of moulds the Group manufactured and sold; and (ii) processing machine parts that are used in automotive moulds and electrical appliance moulds. The revenue generated from parts processing services for 1H2021 amounted to approximately RMB7.8 million, representing an increase of approximately RMB1.1 million or 17.0% as compared with that of approximately RMB6.7 million for 1H2020. Such increase was primarily due to the increase 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, hot runner and mould base.

The cost of sales of the Group for 1H2021 amounted to approximately RMB71.3 million, representing an increase of approximately RMB2.5 million or 3.5% as compared with that of approximately RMB68.8 million for 1H2020. Such increase was mainly due to the costs of production of health protective appliances moulds were relatively lower when comparing to the production of automotive moulds and electrical appliance moulds. The sales from health protective appliances mould accounted for a relatively high proportion in 1H2020 and the cost of sales for 1H2021 was mainly generated from the sales of automotive moulds and electrical appliance moulds.

**Gross profit and gross profit margin**

The gross profit of the Group for 1H2021 amounted to approximately RMB24.8 million, representing a decrease of approximately RMB18.6 million or 42.8% as compared with that of approximately RMB43.4 million for 1H2020. The gross profit margin decreased from approximately 38.6% for 1H2020 to approximately 25.8% for 1H2021, which was mainly attributable to the absence of revenue from the sales of health protective appliances moulds in 1H2021 for which the Group was able to charge a higher mark-up mainly due to (i) the high demand of masks as a result of the outbreak of COVID-19; (ii) the request of urgent delivery of moulds from the new customers; and (iii) the relatively short production cycle.

## **Other income and gains**

The other income and gains of the Group mainly consisted of government grants, interest income, income from asset disposal and exchange gains and losses. The amount increased from approximately RMB0.4 million for 1H2020 to approximately RMB1.7 million for 1H2021, which was mainly due to the decrease in exchange losses in 1H2021 compared to corresponding period of last year.

## **Selling and distribution expenses**

The selling and distribution expenses of the Group mainly consisted of staff costs for sales staff, provision for warranty and logistics expenses for delivery of moulds to customers. The amount increased from approximately RMB1.9 million for 1H2020 to approximately RMB2.2 million for 1H2021, representing an increase of approximately RMB0.3 million or 17.4%. Such increase was mainly due to the increase in logistics and exhibition expenses.

## **General and administrative expenses**

The general and administrative expenses of the Group for 1H2021 amounted to approximately RMB13.6 million, representing a decrease of approximately RMB5.9 million or 30.3% as compared with that of approximately RMB19.5 million for 1H2020. The decrease was mainly due to the net effect of (i) the decrease in impairment losses for trade receivables from approximately RMB7.8 million for 1H2020 to that of approximately RMB7,000 for 1H2021; and (ii) the increase in R&D expenditure of approximately RMB1.4 million compared with the same period of last year. The significant amount of impairment losses for trade receivables for 1H2020 was mainly attributable to the failure of a customer of the Group to settle trade receivables as agreed. As at the date of this announcement, these trade receivables have been written-off as the debtor has no remaining assets based on the investigation results of the court.

## **Finance costs**

The finance costs of the Group mainly consisted of interest expenses on lease liabilities. The amount remained relatively stable for 1H2020 and 1H2021.

## **Income tax expenses and effective tax rate**

The income tax expenses of the Group decreased from approximately RMB4.1 million for 1H2020 to approximately RMB1.6 million for 1H2021. The effective tax rate, representing income tax expense divided by profit before taxation, were 18.6% and 15.7% for 1H2020 and 1H2021, respectively.

## **Net profit and net profit margin**

The Group recorded net profit of approximately RMB17.9 million and approximately RMB8.7 million for 1H2020 and 1H2021, with a net profit margin of approximately 15.9% and 9.1%, respectively, which was mainly due to the decrease in the gross profit margin of the Group as explained above.

## **Liquidity and Financial Resources**

For 1H2021, the Group's operations were primarily financed through 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.

As at 30 June 2021, the Group's total current assets and current liabilities were approximately RMB366.3 million (31 December 2020: approximately RMB378.0 million) and approximately RMB156.1 million (31 December 2020: approximately RMB176.7 million), respectively, while the current ratio was approximately 2.3 times (31 December 2020: approximately 2.1 times). The decrease in total current assets as at 30 June 2021 as compared to that as at 31 December 2020 was mainly attributable to the decrease in the balance of cash and cash equivalents. As at 30 June 2021, the Group had cash and cash equivalents amounting to approximately RMB84.1 million (31 December 2020: approximately RMB95.9 million).

As at 30 June 2021, the Group's gearing ratio was approximately 5.0% (31 December 2020: approximately 6.2%), which was calculated based on interest-bearing liabilities divided by total equity.

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

## **Reserves and Capital Structure**

As at 30 June 2021, the Group's total equity was approximately RMB290.9 million (31 December 2020: approximately RMB284.5 million), which represented share capital of approximately RMB5.8 million (31 December 2020: share capital of approximately RMB5.8 million) and reserves of approximately RMB284.9 million (31 December 2020: approximately RMB278.4 million) and non-controlling interests of approximately RMB0.2 million (31 December 2020: approximately RMB0.3 million). The increase in total equity was primarily due to the net profit recorded for 1H2021.

## **Capital Expenditure and Commitments**

The Group's capital expenditure in 1H2021 primarily comprised expenditure on construction in progress and machinery and amounted to a total of approximately RMB5.2 million (31 December 2020: approximately RMB20.7 million).

As at 30 June 2021, the Group had capital commitments of approximately RMB2.8 million (31 December 2020: approximately RMB3.8 million) which mainly represented purchase of machinery.

## **Property, Plant and Equipment**

The Group's property, plant and equipment mainly comprised of buildings, machinery, furniture, fixtures and equipment, leasehold improvements and motor vehicles. As at 30 June 2021, the Group's property, plant and equipment amounted to approximately RMB71.9 million (31 December 2020: approximately RMB74.0 million).

## **Inventories**

The Group's inventories comprised (i) raw materials and low-value consumables used in production; (ii) work-in-progress for products being manufactured in the production plants; and (iii) finished goods which comprised moulds that had only passed the customers' initial inspection for which the Group had not received their final acceptance reports. As at 30 June 2021, the Group's inventories amounted to approximately RMB182.3 million (31 December 2020: approximately RMB185.6 million). Such decrease was mainly due to the decrease of finished goods resulting from the increase in the amount of acceptance reports of automotive moulds and electrical appliance moulds received by the Group 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 2021, the Group's trade and notes receivables amounted to approximately RMB87.1 million (31 December 2020: approximately RMB84.5 million). Such increase was mainly due to the fact that the acceptance reports of automotive moulds and electrical appliance moulds received by the Group in 1H2021 were concentrated in the second quarter, resulting in an increase of trade receivables, which was partially offset by the decrease in notes receivables.

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 notes payables**

The Group's trade and notes 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 2021, the Group's trade and notes payables amounted to approximately RMB36.2 million (31 December 2020: approximately RMB43.8 million). Such decrease was mainly due to the decrease in purchase volume of raw materials for the decrease in orders received in the second quarter of 2021.

### **Contract liabilities**

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

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

As at 30 June 2021, the Group's contract liabilities amounted to approximately RMB102.6 million (31 December 2020: approximately RMB108.3 million), most of which represented payments from the customers for moulds that had passed their initial inspection but for which the Group had not received their final acceptance reports.

## EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 349 employees (31 December 2020: 345 employees), all of whom were in the PRC. To promote employees' knowledge and technical expertise, the Group offers training programmes to employees from time to time according to their job duties. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. 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 total staff cost including remuneration, other benefits, equity-settled share reward expenses and contributions to retirement schemes for the Directors and other staff of the Group for 1H2021 amounted to approximately RMB19.5 million (1H2020: approximately RMB16.6 million). The increase in staff cost was mainly due to the increase in direct labor cost and pension scheme contributions.

## MATERIAL ACQUISITIONS AND DISPOSALS

During 1H2021, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

## CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no material contingent liabilities (as at 31 December 2020: Nil).

## PLEDGES OVER GROUP'S ASSETS

As at 30 June 2021, none of the assets of the Group were pledged.

## FUTURES PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As disclosed in the voluntary announcement of the Company dated 18 August 2021 in relation to the investment framework agreement and the asset transfer framework agreement (the "**Announcement**"), on 18 August 2021, Shinelong (Suzhou), a wholly owned subsidiary of the Company, (i) entered into an investment framework agreement with Zhangpu Town People's Government of Kunshan Municipality\* (昆山市張浦鎮人民政府) (the "**Zhangpu Government**") and (ii) entered into an asset transfer framework agreement with the Zhangpu Government and Kunshan Zhangpu Asset Management Co., Ltd\* (昆山市張浦資產經營有限公司). Pursuant to the two aforesaid agreements, the Group may enter into further formal and definitive agreements to dispose of the existing plant and acquire new land and buildings to relocate its plant. The aforesaid possible acquisition is currently expected to be funded by internal resources of the Group and/or external borrowings. Please refer to the Announcement for detailed information. The Company will make further announcement(s) in relation to the matters referred to in the Announcement as and when required in compliance with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

\* For identification purpose only

## SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 30 June 2021.

## FOREIGN CURRENCY EXPOSURE

Since the Group generated most of the revenue and incurred most of the costs in Renminbi for 1H2021, there was no significant exposure to foreign exchange rate and the Group did not maintain any hedging policy against foreign exchange risk. The management will consider hedging significant currency exposure should the need arise.

## USE OF PROCEEDS

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

The following table sets out the utilisation of the Net Proceeds as at 30 June 2021:

	Percentage of Net Proceeds	Net Proceeds from the global offering <i>HK\$' million</i>	Utilised up to 30 June 2021 <i>HK\$' million</i>	Unutilised as at 30 June 2021 <i>HK\$' million</i>	Expected timeline for full utilisation
Lease the premises for new factory	4.0%	3.8	2.6	1.2	By the end of 2022
General set up costs of the factory	3.2%	3.1	2.2	0.9	By the end of 2023
Purchase new production equipment	76.3%	72.9	27.9	45.0	By the end of 2023
Purchase softwares	6.5%	6.2	2.3	3.9	By the end of 2023
Supplement working capital	10.0%	9.6	9.6	–	–
		<u>95.6</u>	<u>44.6</u>	<u>51.0</u>	

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.

In view of the uncertainties in the development and control of COVID-19 and the global economic recovery, the Group extended the expected timeline for the utilisation of the Net Proceeds.

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

As at 30 June 2021, the unutilised Net Proceeds of approximately HK\$51.0 million have been placed as interest bearing deposits with licensed banks 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 1H2021 and up to the date of this announcement, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.2.1 as set out below:

Pursuant to code provision A.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.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during 1H2021 and up to the date of this announcement.

## **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 C.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 1H2021 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 1H2021 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 1H2021 and up to the date of this announcement.

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 1H2021 and up to the date of this announcement.

## **INTERIM DIVIDEND**

The Board of Directors of the Company does not recommend the payment of an interim dividend for 1H2021 (for 1H2020: Nil).

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

Hong Kong, 25 August 2021

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