

Shinelong Automotive Lightweight Application Limited

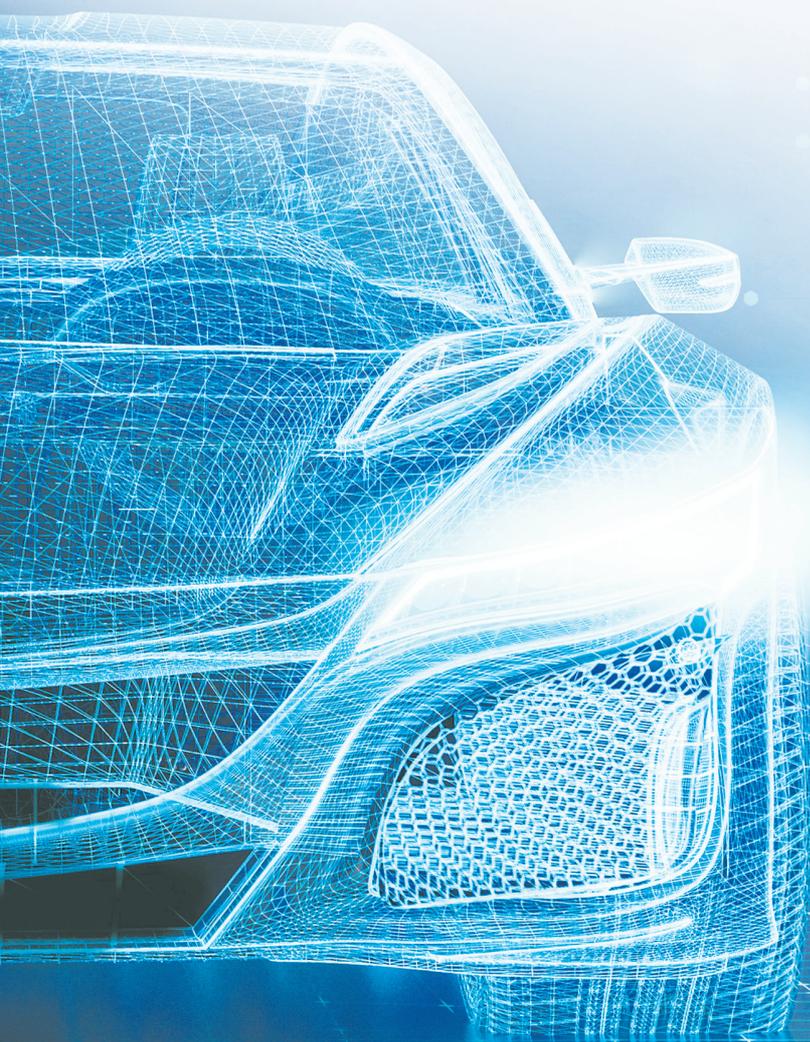
勳龍汽車輕量化應用有限公司

(Incorporated in Cayman Islands with limited liability)

Stock Code : 1930

2021

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

JOINT COMPANY SECRETARIES

Ms. Shen Xuejuan
Ms. Lam Nim Chi

AUTHORISED REPRESENTATIVES

Mr. Lin Wan-Yi
Ms. Lam Nim Chi

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

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

INVESTOR RELATIONS

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Telephone: (+86) 512-3683 2657

WEBSITE

<http://www.shinlone.com.cn>

STOCK CODE

1930

Corporate Information

LISTING INFORMATION

Equity Securities

The ordinary shares of Shinelong Automotive Lightweight Application Limited (the “**Company**”) (stock code: 1930) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**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 (<http://www.shinlone.com.cn>) and the Hong Kong Stock Exchange’s website (<http://www.hkex.com.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 CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

SUMMARY OF THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Management Discussion and Analysis

BUSINESS REVIEW

The Company (and together with its subsidiaries, 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 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 the six months ended 30 June 2021 (the “**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 appliances 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.

Management Discussion and Analysis

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 automotive 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 countervail 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 RMB'000	2020 RMB'000	Change %
Sales of moulds			
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
Sub-total	87,475	104,998	–16.7
Parts processing services	7,799	6,664	17.0
Other sundry income	776	543	42.9
Total	96,050	112,205	–14.4

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% 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.

Management Discussion and Analysis

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 moulds 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.

Management Discussion and Analysis

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 report, 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.

Interim dividends

The Company did not declare any interim dividends during 1H2021.

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).

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("**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責任公司). 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.

As disclosed in the announcement of the Company dated 27 August 2021 in relation to the disposal of assets (the "**Disposal Announcement**"), on 27 August 2021, Shinelong (Suzhou) entered into an agreement with Zhangpu Construction Bureau of Kunshan Municipality* (昆山市張浦鎮建設局) (the "**Purchaser**"), pursuant to which Shinelong (Suzhou) agreed to sell and the Purchaser agreed to purchase the existing plant of the Group including certain machinery and equipment at the consideration of approximately RMB15.1 million. For details of the disposal, please refer to the Disposal Announcement. The Company will make further announcement(s) in relation to the matters referred to above 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**").

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.

* For identification purpose only

Management Discussion and Analysis

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 HK\$' million	Utilised up to 30 June 2021 HK\$' million	Unutilised as at 30 June 2021 HK\$' million	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	–	–
		95.6	44.6	51.0	

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

CORPORATE GOVERNANCE PRACTICES

The board of the Company (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 report, 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.

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 2021, the interests or short positions of the Directors of the Company 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 ^(Note 1)	Approximate percentage of shareholding
Mr. Lin Wan-Yi	Interest in a controlled corporation ^(Note 2)	324,225,000 (L)	49.125%
Mr. Lin Wan-Yi	Beneficial owner ^(Notes 3 and 4)	2,654,000 (L)	0.40%
Mr. Cheng Ching-Long	Beneficial owner ^(Notes 3 and 4)	1,408,000 (L)	0.21%
Mr. Lu Jen-Chieh	Beneficial owner ^(Notes 3 and 4)	688,000 (L)	0.10%

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 the 832,000 awarded shares, 704,000 awarded shares, 344,000 awarded shares granted to each of Mr. Lin, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh respectively in May 2021, which were not yet vested.
4. Included the 832,000 share options, 704,000 share options, 344,000 share options granted to each of Mr. Lin, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh respectively in May 2021, which were not yet vested.

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 2021, none of the Directors or chief executives 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 2021, the following persons (not being Directors or chief executives 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 ^(Note 1)	Approximate number of shareholding
Shine Art	Beneficial owner	324,225,000 (L)	49.125%
Friendly Holdings (HK) Co., Limited	Beneficial owner	91,080,000 (L)	13.80%
Hammurabi International Limited	Interest in a controlled corporation ^(Note 2)	91,080,000 (L)	13.80%
Mr. Liu Fang Jung	Interest in a controlled corporation ^(Note 2)	91,080,000 (L)	13.80%
Ms. Su Su-Mei	Interest of spouse ^(Note 3)	326,879,000 (L)	49.52%

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 (HK) Co., Limited ("**Friendly Holdings**") which was directly held as to 100% by Hammurabi International Limited, which was in turn directly held as to 100% by Mr. Liu Fang Jung ("**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 Su-Mei ("**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 2021, the Directors and the chief executives 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.

Corporate Governance

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.

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.

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 exercise price is HK\$0.405, no options have been exercised up to 30 June 2021. The closing price of the securities immediately before the date of grant is HK\$0.41.

Set out below are details of the outstanding options under the Share Option Scheme as at 30 June 2021:

Category of participants	Grant date	Exercise period	Exercise price	Outstanding as at 1 January 2021	Number of share options				Outstanding as at 30 June 2021	
					Granted during 1H2021	Exercised during 1H2021	Cancelled during 1H2021	Lapsed during 1H2021		
Director of the Company or its subsidiary										
Mr. Lin	18 May 2021	18 May 2021 – 17 May 2026	HK\$0.405	-	832,000	-	-	-	832,000	
Mr. Cheng Ching-Long	18 May 2021	18 May 2021 – 17 May 2026	HK\$0.405	-	704,000	-	-	-	704,000	
Mr. Lu Jen-Chieh	18 May 2021	18 May 2021 – 17 May 2026	HK\$0.405	-	344,000	-	-	-	344,000	
Mr. Chen Ming-Chih	18 May 2021	18 May 2021 – 17 May 2026	HK\$0.405	-	492,000	-	-	-	492,000	
Subtotal					2,372,000	-	-	-	2,372,000	
Other employees of the Group	18 May 2021	18 May 2021 – 17 May 2026	HK\$0.405	-	6,876,000	-	-	-	6,876,000	
Total					-	9,248,000 (Note)	-	-	-	9,248,000

Note:

9,248,000 options were granted on 18 May 2021 under the Share Option Scheme, subject to the satisfaction of the vesting criteria and conditions, the share options will be vested to the grantees in the following manner:

2,774,400 options shall be vested during the period commencing from 18 May 2022 and ending on 17 May 2023;

2,774,400 options shall be vested during the period commencing from 18 May 2023 and ending on 17 May 2024; and

3,699,200 options shall be vested during the period commencing from 18 May 2024 and ending on 17 May 2025.

Corporate Governance

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, 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.

Set out below are details of the outstanding awarded shares under the Share Award Scheme as at 30 June 2021:

Category of participants	Grant date	Outstanding	Number of awarded shares			Outstanding
		as at 1 January 2021	Granted during 1H2021	Vested during 1H2021	Lapsed during 1H2021	as at 30 June 2021
Director of the Company or its subsidiary						
Mr. Lin	18 May 2021	–	832,000	–	–	832,000
Mr. Cheng Ching-Long	18 May 2021	–	704,000	–	–	704,000
Mr. Lu Jen-Chieh	18 May 2021	–	344,000	–	–	344,000
Mr. Chen Ming-Chih	18 May 2021	–	492,000	–	–	492,000
Subtotal		–	2,372,000	–	–	2,372,000
Other employees of the Group	18 May 2021	–	6,876,000	–	–	6,876,000
Total		–	9,248,000	–	–	9,248,000

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.

Corporate Governance

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 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 1H2021 and up to the date of this report.

UPDATES ON DIRECTORS' INFORMATION

As required under Rule 13.51B(1) of the Listing Rules, the changes in Directors' biographical details since the date of 2020 annual report and up to the date of this report are set out below:

Mr. Lin Lien-Hsing, an independent non-executive Director of the Company, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Board, has been appointed as an independent director of L&K Engineering (Suzhou) Co., Ltd. (亞翔系統集成科技(蘇州)股份有限公司) (stock code: 603929), a company listed on the Shanghai Stock Exchange, on 16 March 2021.

Save as those disclosed above, there is no other information for the Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

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

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

For the six months ended 30 June 2021

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

Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	71,887	73,995
Right-of-use assets	10	15,535	17,495
Intangible assets	11	1,813	2,015
Prepayments	14	2,324	526
Deferred tax assets		2,252	3,645
Total non-current assets		93,811	97,676
CURRENT ASSETS			
Inventories	12	182,332	185,584
Trade and notes receivables	13	87,138	84,504
Prepayments, other receivables and other assets	14	2,497	1,625
Net investments in subleases		193	380
Time deposit	15	10,000	10,000
Cash and cash equivalents	16	84,147	95,918
Total current assets		366,307	378,011
CURRENT LIABILITIES			
Trade and notes payables	17	36,204	43,804
Other payables and accruals	18	11,131	15,790
Government grants	21	266	519
Contract liabilities	19	102,638	108,324
Other borrowings		–	922
Dividends payable	7	2,039	–
Lease liabilities	20	3,826	4,631
Income tax payable		–	2,709
Total current liabilities		156,104	176,699
NET CURRENT ASSETS		210,203	201,312
TOTAL ASSETS LESS CURRENT LIABILITIES		304,014	298,988

Condensed Consolidated Statement of Financial Position *(Continued)*

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Government grants	21	2,227	2,235
Deferred tax liabilities		107	252
Lease liabilities	20	10,784	12,043
Total non-current liabilities		13,118	14,530
Net assets		290,896	284,458
EQUITY			
Equity attributable to the owners of the Company			
Share capital	22	5,806	5,806
Reserves		284,859	278,373
		290,665	284,179
Non-controlling interests		231	279
Total equity		290,896	284,458

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to the owners of the Company										Total equity RMB'000
	Share capital RMB'000	Share premium* RMB'000	Merger reserve* RMB'000	Share-based compensation reserve RMB'000	Statutory reserve* RMB'000	Fair value reserve* RMB'000	Exchange reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	
As at 1 January 2021 (audited)	5,806	100,972	52,302	-	16,947	(303)	(1,512)	109,967	284,179	279	284,458
Profit/(loss) for the period	-	-	-	-	-	-	-	8,744	8,744	(48)	8,696
Other comprehensive income/(loss) for the period:											
Changes in fair value of debt investments at fair value through other comprehensive income	-	-	-	-	-	101	-	-	101	-	101
Currency translation differences	-	-	-	-	-	-	(496)	-	(496)	-	(496)
Total comprehensive income/(loss) for the period	-	-	-	-	-	101	(496)	8,744	8,349	(48)	8,301
Final 2020 dividend declared (Note 7)	-	-	-	-	-	-	-	(2,039)	(2,039)	-	(2,039)
Equity-settled share reward expense	-	-	-	176	-	-	-	-	176	-	176
As at 30 June 2021 (unaudited)	5,806	100,972	52,302	176	16,947	(202)	(2,008)	116,672	290,665	231	290,896

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

For the six months ended 30 June 2021

	Attributable to the owners of the Company							Total RMB'000
	Share capital RMB'000	Share premium* RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange reserve* RMB'000	Retained profits* RMB'000	
As at 1 January 2020 (audited)	5,806	100,972	52,302	13,481	(314)	1,638	88,795	262,680
Profit for the period	-	-	-	-	-	-	17,875	17,875
Other comprehensive income for the period:								
Changes in fair value of debt investments at fair value through other comprehensive income	-	-	-	-	83	-	-	83
Currency translation differences	-	-	-	-	-	1,673	-	1,673
Total comprehensive income for the period	-	-	-	-	83	1,673	17,875	19,631
Final 2019 dividend declared (Note 7)	-	-	-	-	-	-	(3,709)	(3,709)
As at 30 June 2020 (unaudited)	5,806	100,972	52,302	13,481	(231)	3,311	102,961	278,602

* These reserve amounts comprise the reserves of approximately RMB284,859,000 (six months ended 30 June 2020: RMB272,796,000) in the condensed consolidated statement of financial position as at 30 June 2021.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		10,317	21,960
Adjustments for:			
Depreciation of property, plant and equipment	9	4,948	4,465
Amortization of intangible assets	11	591	721
Fair value gain on financial assets at fair value through profit or loss		(208)	(151)
Write-down of inventories to net realizable value	5	1,178	4,441
Impairment losses for trade and notes receivables, net	5	7	7,836
Depreciation of right-of-use assets	10	1,960	1,521
Net foreign exchange differences		26	1,470
Rent concession due to COVID-19	20	–	(67)
Equity-settled share reward expense	23	176	–
Government grants	21	(261)	(237)
Interest income		(387)	(476)
Finance costs		353	414
Loss on disposal of items of property, plant and equipment		21	2
		18,721	41,899
Decrease/(increase) in inventories		2,074	(41,048)
(Increase)/decrease in trade and notes receivables		(3,462)	12,882
(Increase)/decrease in prepayments, other receivables and other assets		(386)	192
(Decrease)/increase in trade and notes payables		(7,600)	14,235
Decrease in other payables and accruals		(4,659)	(142)
(Decrease)/increase in contract liabilities		(5,686)	17,305
Cash (used in)/generated from operations		(998)	45,323
Income tax paid		(3,994)	(4,441)
Net cash flows (used in)/generated from operating activities		(4,992)	40,882
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(5,152)	(11,268)
Purchases of items of intangible assets		(389)	(310)
Proceeds from disposal of items of property, plant and equipment		618	4
Purchases of financial assets at fair value through profit or loss		(38,010)	(20,500)
Proceeds from disposal of financial assets at fair value through profit or loss		38,010	–
Cash received from returns on financial assets at fair value through profit or loss		208	99
Receipt of principal portion of finance lease payments arising from the subleases		186	179
Interests received		388	476
Net cash flows used in investing activities		(4,141)	(31,320)

Condensed Consolidated Statement of Cash Flows *(Continued)*

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments	20	(2,064)	(1,599)
Interest portion of lease payments	20	(353)	(414)
Capital contribution from non-controlling shareholders		300	–
Net cash flows used in financing activities		(2,117)	(2,013)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period	16	95,918	86,904
Effect of foreign exchange rate changes, net		(521)	203
CASH AND CASH EQUIVALENTS AT END OF PERIOD	16	84,147	94,656
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	16	84,147	94,656
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		84,147	94,656

Notes to the Interim Financial Information

30 June 2021

1. GENERAL INFORMATION

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

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

The 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 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.

Notes to the Interim Financial Information *(Continued)*

30 June 2021

1. GENERAL INFORMATION *(Continued)*

Information about subsidiaries

Particulars of the Company's 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	RMB105,000,000	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	Inactive

(a) Shinelong (Suzhou) was established on 8 January 2002 under the name of Shinlong Precision Moulds (Kunshan) Company Limited as a limited liability company under the law of the PRC, which was converted to a company limited by shares on 29 March 2016 and renamed as Shinlone Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited. 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 a registered 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 medical device manufacturing, automotive parts manufacturing, intelligent control system integration and technical services.

Notes to the Interim Financial Information *(Continued)*

30 June 2021

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.

Notes to the Interim Financial Information *(Continued)*

30 June 2021

4. REVENUE

An analysis of revenue is as follows:

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

Notes to the Interim Financial Information *(Continued)*

30 June 2021

5. PROFIT BEFORE TAX

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	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 (Note 9)	4,948	4,465
Depreciation of right-of-use assets (Note 10)	1,960	1,521
Amortization of intangible assets (Note 11)	591	721
Research and development costs	5,184	3,800
Interest on lease liabilities (Note 20)	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 (Note 23)	176	–
Pension scheme contributions	2,097	1,205
	9,861	8,835
Impairment losses for trade and notes receivables, net	7	7,836
Reversal of warranty (Note 18)	(597)	(128)
Write-down of inventories to net realizable value	1,178	4,441
Foreign exchange differences, net	(26)	1,474

Notes to the Interim Financial Information *(Continued)*

30 June 2021

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 2021, Shinelong (Suzhou) was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate of 15%. Xunzhan was certified as a small and micro-sized enterprise ("SME") 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.

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

7. DIVIDENDS

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

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).

Notes to the Interim Financial Information *(Continued)*

30 June 2021

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:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	8,744	17,875

	Number of shares For the six months ended 30 June	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	660,000,000	660,000,000
Effect of dilution — weighted average number of ordinary shares: Awarded shares (Note 23)	3,740,247	—
	663,740,247	660,000,000

Notes to the Interim Financial Information *(Continued)*

30 June 2021

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
Cost							
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	6,259	118,091	5,106	2,908	1,618	651	134,633
Accumulated depreciation							
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	4,317	51,020	3,197	2,860	1,352	-	62,746
Net carrying amount							
At 30 June 2021 (unaudited)	1,942	67,071	1,909	48	266	651	71,887

Notes to the Interim Financial Information *(Continued)*

30 June 2021

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

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 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	6,259	105,619	4,393	2,908	1,618	3,611	124,408
Accumulated depreciation							
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	4,035	48,655	2,661	2,825	1,273	–	59,449
Net carrying amount							
At 30 June 2020 (unaudited)	2,224	56,964	1,732	83	345	3,611	64,959

Notes to the Interim Financial Information *(Continued)*

30 June 2021

10. RIGHT-OF-USE ASSETS

	Factories and venues RMB'000	Parking lots RMB'000	Leasehold land RMB'000	Vehicle RMB'000	Total RMB'000
At 1 January 2021	15,688	331	775	701	17,495
Depreciation charges for the period	(1,786)	(27)	(12)	(135)	(1,960)
At 30 June 2021 (unaudited)	13,902	304	763	566	15,535

	Factories and venues RMB'000	Parking lots RMB'000	Leasehold land RMB'000	Total RMB'000
At 1 January 2020	14,487	383	800	15,670
Depreciation charges for the period	(1,482)	(27)	(12)	(1,521)
At 30 June 2020 (unaudited)	13,005	356	788	14,149

The Group has lease contracts for factories and venues, parking lots and a parcel of land in its operations. Lump sum payments were made upfront to acquire the leased land with a lease period of 50 years, and no ongoing payments will be made under the term of the land lease. 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. Office equipment generally is individually of low value.

Notes to the Interim Financial Information *(Continued)*

30 June 2021

11. INTANGIBLE ASSETS

	Software RMB'000
Cost	
At 1 January 2021	8,169
Additions	389
At 30 June 2021	8,558
Accumulated amortization	
At 1 January 2021	6,154
Amortization charges for the period	591
At 30 June 2021	6,745
Net carrying amount	
At 30 June 2021 (unaudited)	1,813
Cost	
At 1 January 2020	7,851
Additions	310
At 30 June 2020	8,161
Accumulated amortization	
At 1 January 2020	4,689
Amortization charges for the period	721
At 30 June 2020	5,410
Net carrying amount	
At 30 June 2020 (unaudited)	2,751

Notes to the Interim Financial Information *(Continued)*

30 June 2021

12. INVENTORIES

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

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

Notes to the Interim Financial Information *(Continued)*

30 June 2021

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Non-current		
Prepayments for purchases of items of property, plant and equipment	1,849	176
Deposits and other receivables	475	350
	2,324	526
Current		
Deposits and other receivables	816	619
Prepayments	681	533
Capital contribution receivable from a non-controlling shareholder	–	300
HKEx annual subscription fee	–	122
Input value added tax (“VAT”) to be deducted	88	51
Prepaid income tax expenses	912	–
	2,497	1,625

15. TIME DEPOSIT

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Time deposit	10,000	10,000

In June 2021, a time deposit of RMB10 million with original maturity of 3 years was placed by the Group in China CITIC Bank (“CITIC”) with an interest rate of 3.65% per annum. The Group has the right to transfer the time deposit before maturity. Subsequent to 30 June 2021, the Group transferred the entire balance to third parties through CITIC and received the principal and corresponding interest income in July 2021.

Notes to the Interim Financial Information *(Continued)*

30 June 2021

16. CASH AND CASH EQUIVALENTS

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

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.

17. 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:

	30 June 2021 (Unaudited) RMB'000	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
	36,204	43,804

Notes to the Interim Financial Information *(Continued)*

30 June 2021

18. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Staff cost and welfare accruals	6,692	8,838
Provision for warranty (Note)	2,215	3,400
Other tax payables	664	1,601
Professional service fee payables	587	1,021
Other payables	973	930
	11,131	15,790

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

Note:

Provision for warranty

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
At the beginning of period	3,400	4,328
Reversal	(597)	(128)
Payment	(588)	(716)
At the end of period	2,215	3,484

19. CONTRACT LIABILITIES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Contract liabilities	102,638	108,324

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

Notes to the Interim Financial Information *(Continued)*

30 June 2021

20. LEASE LIABILITIES

	30 June 2021 (Unaudited) RMB'000
Carrying amount at 1 January 2021	16,674
Accretion of interest recognised during the period	353
Payments	(2,417)
Carrying amount at 30 June 2021 (unaudited)	14,610
Analysed:	
Current portion	3,826
Non-current portion	10,784

	30 June 2020 (Unaudited) RMB'000
Carrying amount at 1 January 2020	15,292
Accretion of interest recognised during the period	414
Rent concession due to COVID-19	(67)
Payments	(2,013)
Carrying amount at 30 June 2020 (unaudited)	13,626
Analysed:	
Current portion	3,176
Non-current portion	10,450

Notes to the Interim Financial Information *(Continued)*

30 June 2021

21. GOVERNMENT GRANTS

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
At the beginning of period	2,754	2,391
Released to the statement of profit or loss	(261)	(237)
At the end of period	2,493	2,154
Current portion	(266)	(463)
Non-current portion	2,227	1,691

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

Notes to the Interim Financial Information *(Continued)*

30 June 2021

23. 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 grantee’s 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”). The fair value of the share options determined using a Binomial option-pricing model was approximately HK\$0.221.

For the six months ended 30 June 2021, no share-based compensation expense has been recognised under the Share Option Scheme as the Performance Conditions are not expected to be satisfied (30 June 2020: Nil).

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 2021, the Group has recognised RMB176,000 of share-based compensation expenses under the Share Award Scheme in the condensed consolidated statement of profit or loss (30 June 2020: Nil).

Notes to the Interim Financial Information *(Continued)*

30 June 2021

24. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Shine Art International Limited	Controlling Shareholder
Lin Wan-Yi	Ultimate controlling shareholder, Chairman, Executive Director and chief executive officer

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

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Fees	84	84
Equity-settled share reward expense	54	–
Salaries, allowances, and benefits in kind	977	1,056
Performance related bonuses	219	206
Total compensation paid to key management personnel	1,334	1,346

The key management personnel of the Group for the six months ended 30 June 2021 included three (six months ended 30 June 2020: three) directors of the Company whose total compensation was RMB947,000 (six months ended 30 June 2020: RMB941,000).

Notes to the Interim Financial Information *(Continued)*

30 June 2021

25. COMMITMENTS

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Contracted, but not provided for:		
Machinery	2,795	3,770
Furniture, fixtures and equipment	39	–
	2,834	3,770

26. 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
FINANCIAL ASSETS				
Notes receivable	22,389	29,884	22,187	29,581

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and notes 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:

Notes to the Interim Financial Information *(Continued)*

30 June 2021

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

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.

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 2021

	Fair value measurement using			Total (Unaudited) RMB'000
	Quoted Price in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	
Notes receivable	–	22,187	–	22,187

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	29,581	–	29,581

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 (For the six months ended 30 June 2020: Nil).

Notes to the Interim Financial Information *(Continued)*

30 June 2021

27. EVENTS AFTER THE REPORTING PERIOD

On 18 August 2021, the Group entered into an investment framework agreement (the “Investment Framework Agreement”) with Zhangpu Town People’s Government of Kunshan Municipality (the “Zhangpu Government”) and an asset transfer framework agreement (the “Asset Transfer Framework Agreement”) with the Zhangpu Government and Kunshan Zhangpu Asset Management Co., Ltd (the “Asset Management Company”).

Pursuant to the Investment Framework Agreement and the Asset Transfer Framework Agreement, the Group agreed to (i) increase the registered capital of its subsidiary, Shinelong (Suzhou) by US\$20.0 million (equivalent of RMB129.2 million) for the purchase of land-use-right, construction of factory and acquisition of equipment; and (ii) transfer one of the Group’s existing plants (the “Plant”) in Kunshan, Jiangsu Province, the PRC to the Zhangpu Government based on a valuation price agreed by both parties (the “Transfer”). In return, the Zhangpu Government agreed to facilitate the sales of the use right of a piece of state-owned industrial construction land (the “New Land”) to the Group at a consideration to be determined according to the National Minimum Price Standard for Industrial Land Transfer. It is also agreed that the Group can continue to use the Plant free of charge, after the Transfer, until the Group has relocated its plant and assets to the New Land.

As at the date of approval of the unaudited Interim Financial Information, apart from the aforementioned event, the Group did not have any other significant event subsequent to 30 June 2021.

28. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The unaudited Interim Financial Information was approved and authorized for issue by the Board on 25 August 2021.