

# 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



# 2019

## 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

## JOINT COMPANY SECRETARIES

Ms. Shen Xuejuan

Ms. Lam Nim Chi (appointed on 28 August 2019)

## AUTHORISED REPRESENTATIVES

Mr. Lin Wan-Yi

Ms. Lam Nim Chi (appointed on 28 August 2019)

## AUDITOR

Ernst & Young

## COMPLIANCE ADVISER

Ballas Capital Limited

## 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

Ms. Shen Xuejuan

Email: sophia@shinlone.com.cn

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## 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		
	2019	2018	Change
Revenue (RMB'000)	<b>113,988</b>	86,330	32.0%
Gross profit (RMB'000)	<b>32,695</b>	25,710	27.2%
Gross profit margin	<b>28.7%</b>	29.8%	-1.1 percentage points
Net profit (RMB'000)	<b>1,539</b>	12,519	-87.7%
Net profit margin	<b>1.4%</b>	14.5%	-13.1 percentage points
Adjusted net profit (RMB'000) <sup>Note 1</sup>	<b>16,139</b>	12,519	28.9%
Adjusted net profit margin <sup>Note 1</sup>	<b>14.2%</b>	14.5%	-0.3 percentage point
Basic earnings per share (RMB cents)	<b>0.31</b>	N/A <sup>Note 2</sup>	N/A

Notes:

- (1) Adjusted net profit and adjusted net profit margin are calculated based on the net profit for the period before listing expenses for the listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange (the "Listing").
- (2) No earnings per share was presented for the six months ended 30 June 2018 as it was not considered meaningful due to the reorganisation of the Group for the Listing.

## SUMMARY OF THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	As at	Change
	30 June 2019	31 December 2018	
Total assets (RMB'000)	<b>439,236</b>	305,908	43.6%
Cash and cash equivalents (RMB'000)	<b>23,997</b>	14,112	70.0%
Total liabilities (RMB'000)	<b>200,347</b>	174,589	14.8%
Total equity (RMB'000)	<b>238,889</b>	131,319	81.9%
Return on equity	<b>1.3%</b>	23.9%	-22.6 percentage points
Return on total assets	<b>0.7%</b>	10.2%	-9.5 percentage points
Adjusted return on equity <sup>Note</sup>	<b>13.5%</b>	29.1%	-15.6 percentage points
Adjusted return on total assets <sup>Note</sup>	<b>7.3%</b>	12.5%	-5.2 percentage points

Note: Adjusted return on equity and adjusted return on total assets are calculated based on the net profit for the year/period before listing expenses for the Listing.

# Management Discussion and Analysis

## BUSINESS REVIEW

The board (the “**Board**”) of directors (the “**Directors**”) of Shinelong Automotive Lightweight Application Limited (the “**Company**”, and together with its subsidiaries the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2019 (the “**1H2019**”). 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. 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. The Company’s shares have been successfully listed on the Main Board of the Hong Kong Stock Exchange on 28 June 2019.

The revenue of the Group for 1H2019 amounted to RMB114.0 million, representing an increase of RMB27.7 million or 32.0% as compared with that of RMB86.3 million for the six months ended 30 June 2018 (the “**1H2018**”). Such increase was mainly due to the increase in revenue generated from the sales of automotive moulds. Excluding the listing expenses, the Group’s net profit would be RMB16.1 million for 1H2019, representing an increase of RMB3.6 million or 28.9% as compared with that of RMB12.5 million for 1H2018. Such increase was mainly due to the increase in gross profit from the sales of automotive moulds.

## OUTLOOK

In 2019, the automotive mould market of China is likely to experience a stable growth with increasing demand for automotive mould development and production to cater for the development and launch of new vehicle models, especially new energy vehicles. The hot-pressing automotive mould market, which the Group is focused on, is also expected to grow as lightweight technology is increasingly applied in the automobile industry as an efficient solution for energy saving and emission reduction which drives the demand for hot-pressing mould. The Group believes that it will be able to capitalise on its leading market position in this fast-growing hot-pressing mould manufacturing market, despite the modest expected growth in the overall PRC automobile manufacturing industry.

Regarding the electrical appliance mould market, the Group faces both opportunities and challenges. On one hand, the emerging demand for new types of electrical appliance, continuous upgrade and update of electrical appliance (such as intelligent household appliances) and increasing complexity of electrical appliance design and function are likely to increase the demand for electrical appliance mould of the Group. On the other hand, there are uncertainties in both domestic and global macro-economic environment, such as slowdown of electrical appliance market in China and price pressure of mould products from fierce competition.

The Directors believe there will be a steady growth of the automotive and electrical appliance industry and will implement the strategies and expansion plans as set out in the prospectus of the Company dated 17 June 2019 (the “**Prospectus**”) to capture further market share.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The revenue of the Group amounted to RMB114.0 million for 1H2019, representing an increase of RMB27.7 million or 32.0% as compared with that of RMB86.3 million for 1H2018.

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

	For the six months ended 30 June		
	2019 RMB'000	2018 RMB'000	Change %
<b>Sales of moulds</b>			
Automotive moulds	<b>79,264</b>	34,800	127.8
Electrical appliance moulds	<b>27,752</b>	39,038	-28.9
Other moulds	<b>51</b>	819	-93.8
Sub-total	<b>107,067</b>	74,657	43.4
<b>Parts processing services</b>	<b>5,200</b>	10,204	-49.0
<b>Other sundry income</b>	<b>1,721</b>	1,469	17.2
Total	<b>113,988</b>	86,330	32.0

#### (i) Sales of moulds

The Group principally engages in the design, develop, manufacture and sell 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, develop, manufacture and sell customised plastic injection moulds for the production of electrical appliance. Sales of moulds accounted for approximately 94% of the Group's revenue for the six months ended 30 June 2019.

The revenue generated from sales of automotive moulds for 1H2019 amounted to RMB79.3 million, representing an increase of RMB44.5 million or 127.8% as compared with that of RMB34.8 million for 1H2018. Such increase was primary due to the increase in revenue generated from one of the Group's top customers, which was attributable by the increase in confirmed orders received from such customer in 2018. The Directors believe that this customer increased its business with the Group as a result of (a) the more frequent introduction of new passenger vehicle models to meet the changing tastes and needs of customers; and (b) increased adoption of lightweight technology by this customer and hence increased demand of the Group's hot-pressing automotive moulds.

The revenue generated from sales of electrical appliance moulds for 1H2019 amounted to RMB27.8 million, representing a decrease of RMB11.3 million or 28.9% as compared with that of RMB39.0 million for 1H2018. Such decrease was primary due to the decrease in revenue generated from one of the Group's customers, which issued fewer final acceptance reports for the Group's moulds in 1H2019.

# Management Discussion and Analysis

## (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 1H2019 amounted to RMB5.2 million, representing a decrease of RMB5.0 million or 49.0% as compared with that of RMB10.2 million for 1H2018. Such decrease was primary due to decrease in demand of processing services of auto machine parts.

## 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 1H2019 amounted to RMB81.3 million, representing an increase of RMB20.7 million or 34.1% as compared with that of RMB60.6 million for 1H2018. Such increase was in line with the increase in revenue for 1H2019.

## Gross profit and gross profit margin

The gross profit of the Group for 1H2019 amounted to RMB32.7 million, representing an increase of RMB7.0 million or 27.2% as compared with that of RMB25.7 million for 1H2018. The gross profit margin decreased from 29.8% for 1H2018 to 28.7% for 1H2019.

The following table sets forth a breakdown of the gross profit and gross profit margin of the Group by business segment:

	For the six months ended 30 June				
	2019		2018		Change
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
Sales of automotive moulds	24,770	31.3	10,728	30.8	130.9
Sales of electrical appliance moulds	4,504	16.2	8,823	22.6	-49.0
Sales of other moulds	6	11.8	260	31.7	-97.7
Parts processing services	2,180	41.9	4,911	48.1	-55.6
Other sundry income	1,235	71.8	988	67.3	25.0
	<b>32,695</b>	<b>28.7</b>	25,710	29.8	27.2

The gross profit margin from sales of automotive moulds remained relatively stable at 30.8% for 1H2018 and 31.3% for 1H2019.



# Management Discussion and Analysis

The gross profit margin from sales of electrical appliance moulds decreased from 22.6% for 1H2018 to 16.2% for 1H2019, which was mainly due to the increase in provision for obsolete inventory for the Group's finished goods for 1H2019 as the mould design and specifications of three of the customers were relatively complex and the Group incurred a relatively high production cost to manufacture such moulds. Based on the best available facts and circumstances, the Group wrote down the above finished goods to net realisable value according to the Group's inventory policies. As a result, the provision for such inventory increased and adversely affected the Group's gross profit margin from sales of electrical appliance moulds.

The gross profit margin from parts processing services decreased from 48.1% for 1H2018 to 41.9% for 1H2019, which was mainly due to the fact that the Group offered competitive pricing to a new customer in order to attract new businesses, and the specifications and requirements from this new customer were relatively complex, resulting in higher labour costs and hence lower gross profit margin.

## Other income and gains

The other income and gains of the Group mainly consisted of government grants and interest income. The amount decreased from RMB1.0 million for 1H2018 to RMB0.5 million for 1H2019 which was mainly due to the decrease in government grants for the period.

## 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 remained relatively stable at RMB2.7 million for 1H2018 and 1H2019.

## Administrative expenses

The administrative expenses of the Group for 1H2019 amounted to RMB24.5 million, representing an increase of RMB15.7 million or 178.2% as compared with that of RMB8.8 million for 1H2018. The listing expenses in relation to the Listing recognised for 1H2019 was RMB14.6 million. Excluding the listing expenses, the administrative expenses for 1H2019 amounted to RMB9.9 million, representing an increase of RMB1.1 million or 12.5% as compared with the corresponding period in 2018. Such increase was mainly due to the increase in employee benefit expenses as a result of the increase in headcount and annual salary increment.

## Finance costs

The finance costs of the Group mainly consisted of interest expenses on bank loans, discounted notes receivable and lease liabilities. The amount increased from RMB0.3 million for 1H2018 to RMB0.5 million for 1H2019 which was mainly due to the increase in interest expenses on lease liabilities pursuant to the adoption of IFRS 16 Leases from 1 January 2019.

# Management Discussion and Analysis

## Income tax expenses and effective tax rate

The income tax expenses of the Group increased from RMB2.3 million for 1H2018 to RMB3.9 million for 1H2019. The effective tax rate, representing income tax expense divided by profit before taxation, was 15.5% and 71.5% for 1H2018 and 1H2019, respectively. Excluding the listing expenses, the effective tax rate would have increased from 15.5% for 1H2018 to 19.3% for 1H2019, which was mainly due to the deferred tax charged for withholding tax on the earnings anticipated to be remitted by subsidiaries for 1H2019.

## Net profit and net profit margin

The Group recorded net profit of RMB12.5 million and RMB1.5 million for 1H2018 and 1H2019, with a net profit margin of 14.5% and 1.4% respectively. Excluding the listing expenses, the net profit margin of the Group would have remained relatively stable at 14.5% and 14.2% for 1H2018 and 1H2019, respectively.

## Dividends

The Company did not declare any dividend during 1H2019.

## Liquidity and Financial Resources

For 1H2019, 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 2019, the Group's total current assets and current liabilities were RMB350.0 million (31 December 2018: RMB232.8 million) and RMB185.4 million (31 December 2018: RMB173.4 million), respectively, while the current ratio was 1.9 times (31 December 2018: 1.3 times). The increase in total current assets as at 30 June 2019 was mainly attributable to the increase in other receivables in relation to the proceeds from the Listing. The proceeds from the Listing was fully received by the Company on 2 July 2019. As at 30 June 2019, the Group had a cash and bank balances amounting to RMB24.0 million (31 December 2018: RMB14.1 million).

As at 30 June 2019, the Group had aggregate banking facilities of RMB100 million. The Group's gearing ratio was nil as at 30 June 2019 (31 December 2018: 4.9%) as the Group had no bank borrowings and amounts due to related parties which were financing in nature. The gearing ratio is calculated based on the Group's bank borrowings and amounts due to a shareholder of the Company, Friendly Holdings (HK) Co., Limited, divided by total equity as at the end of each year and multiplied by 100%.

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

# Management Discussion and Analysis

## Reserves and Capital Structure

As at 30 June 2019, the Group's total equity was RMB238.9 million (31 December 2018: RMB131.3 million), which represented share capital of RMB5.8 million (31 December 2018: less than RMB1,000) and reserves of RMB233.1 million (31 December 2018: RMB131.3 million). The increase in total equity was primarily due to the issuance of shares of the Group for the Listing and net profit for the current period.

## Capital Expenditure and Commitments

The Group's capital expenditure in 1H2019 primarily comprised expenditure on machinery and furniture, fixtures and equipment and amounted to a total of RMB4.6 million (31 December 2018: RMB20.9 million).

As at 30 June 2019, the Group had capital commitments of RMB3.2 million (31 December 2018: no capital commitments) which mainly represented purchase of machinery and furniture, fixtures and equipment.

## 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 2019, the Group's property, plant and equipment amounted to RMB67.3 million (31 December 2018: RMB67.1 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 have only passed the customers' initial inspection for which the Group had not received their final acceptance reports. As at 30 June 2019, the Group's inventories amounted to RMB140.7 million (31 December 2018: RMB139.0 million).

## Trade and notes receivables

The Group's trade and notes receivables represented amounts receivable from the customers in relation to the sales of moulds and 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 2019, the Group's trade and notes receivables amounted to RMB84.2 million (31 December 2018: RMB75.4 million).

## Prepayments, other receivables and other assets

As at 30 June 2019, the Group's prepayments, other receivables and other assets amounted to RMB101.1 million (31 December 2018: RMB4.0 million). Such increase was mainly due to the increase in other receivables in relation to the proceeds from the Listing, which was subsequently received by the Company on 2 July 2019.

## Trade and notes payables

The Group's trade and notes payables primarily consisted of payable to the suppliers in relation to the purchase of raw materials for the manufacture of moulds, and subcontracting fees payable to third-party contractors. As at 30 June 2019, the Group's trade and notes payables amounted to RMB65.2 million (31 December 2018: RMB66.4 million).



# Management Discussion and Analysis

## Contract liabilities

The Group's contract liabilities consisted of the advance payment from the customers. 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 finished goods in the Group's inventories.

After the moulds 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 2019, the Group's contract liabilities amounted to RMB92.3 million (31 December 2018: RMB81.2 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 2019, the Group had 370 employees (31 December 2018: 351 employees), all of whom were in the PRC. To promote the employees' knowledge and technical expertise, the Group offers training programmes to employees from time to time according to their job duties. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. In addition to basic remuneration, the Group also makes contributions to mandatory social security funds for the benefit of the PRC employees that provide for pension insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing funds.

The total staff cost including remuneration, other benefits and contributions to retirement schemes for the Directors and other staff of the Group for 1H2019 amounted to RMB19.1 million (1H2018: RMB14.0 million). The increase in staff cost was mainly due to the increase in headcount and annual salary increment.

## MATERIAL ACQUISITIONS AND DISPOSALS

During 1H2019, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

## CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no material contingent liabilities (as at 31 December 2018: nil).

## CHARGES OVER GROUP'S ASSETS

As at 30 June 2019, none of the assets of the Group were pledged.

## SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 30 June 2019.



# Management Discussion and Analysis

## FOREIGN CURRENCY EXPOSURE

Since the Group generated most of the revenue and incurred most of the costs in Renminbi for 1H2019, 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 Company’s shares were successfully listed on the Hong Kong Stock Exchange on 28 June 2019. The proceeds from the Listing was fully received by the Company on 2 July 2019.

The following table sets out the utilisation of the Net Proceeds as at 30 June 2019:

	Net Proceeds from the global offering HK\$' million	Utilised up to 30 June 2019 HK\$' million	Unutilised as at 30 June 2019 HK\$' million
Lease the premises for new factory	3.8	–	3.8
General set up costs of the factory	3.1	–	3.1
Purchase new production equipment	72.9	–	72.9
Purchase softwares	6.2	–	6.2
Supplement working capital	9.6	–	9.6
	95.6	–	95.6

As the Listing took place on 28 June 2019, no Net Proceeds has been utilised up to 30 June 2019. The Directors regularly evaluate the Group’s business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. The Directors currently do not consider any modification of the use of proceeds described in the Prospectus is required.

# Corporate Governance



## CORPORATE GOVERNANCE PRACTICES

The Board of the Company 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 (the “**Shareholders**”), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Board currently comprises 8 members, with 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors.

Pursuant to code provision A.2.1 of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”), 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. 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 our Group as a whole.

Save as disclosed above, the Company has complied with the CG Code. The Board will review the corporate governance practices of the Group from time to time with an aim to meet international best practices.

# Corporate Governance

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, 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 <sup>(Note 1)</sup>	Approximate percentage of shareholding
Mr. Lin Wan-Yi	Interest in a controlled corporation <sup>(Note 2)</sup>	324,225,000 (L)	49.125%
Mr. Lin Wan-Yi	Beneficial owner	990,000 (L)	0.15%

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.

# 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 2019, none of the Directors or chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



# Corporate Governance

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors, as at 30 June 2019, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder	Nature of interest	Number of ordinary shares held (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%
Digital Link Overseas Co., Ltd	Beneficial owner	47,718,000 (L)	7.23%
Mr. Lo Ter-Chong	Interest in a controlled corporation (Note 3)	47,718,000 (L)	7.23%
Ms. Su Su-Mei	Interest of spouse (Note 4)	325,215,000 (L)	49.275%

Notes:

- The letter "L" denotes the person's long position in the shares.
- 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.
- The Company was directly owned as to 7.23% by Digital Link Overseas Co., Ltd ("**Digital Link**") which was directly held as to 100% by Mr. Lo Ter-Chong ("**Mr. Lo**"). Accordingly, by virtue of the SFO, Mr. Lo is deemed to be interested in the same number of shares of the Company held by Digital Link.
- 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 2019, 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**

The Company was listed on the Hong Kong Stock Exchange on 28 June 2019 (the “**Listing Date**”). Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities throughout the period commencing from the Listing Date and up to the date of this report.

## **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 or to the Group.

During 1H2019, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme.

## **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 the six months ended 30 June 2019 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 the six months ended 30 June 2019 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**

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, each of them confirmed that he/she has complied in full with the Model Code since the Listing Date and up to 30 June 2019.

## **UPDATES ON DIRECTORS' INFORMATION**

As required under Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, the change in Directors' biographical details since the despatch date of the Prospectus are set out below:

Mr. Fan Chi Chiu, the independent non-executive Director of the Company, has been appointed as the independent non-executive directors of Hevol Service Group Co. Limited (Stock code: 6093) which was listed on the Main Board of the Hong Kong Stock Exchange on 11 July 2019. 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 the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

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

For the six months ended 30 June 2019

	Notes	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
REVENUE	5	<b>113,988</b>	86,330
Cost of sales		<b>(81,293)</b>	(60,620)
Gross profit		<b>32,695</b>	25,710
Other income and gains, net		<b>455</b>	958
Selling and distribution expenses		<b>(2,700)</b>	(2,720)
General and administrative expenses		<b>(24,517)</b>	(8,814)
Finance costs		<b>(540)</b>	(317)
PROFIT BEFORE TAX	6	<b>5,393</b>	14,817
Income tax expense	7	<b>(3,854)</b>	(2,298)
PROFIT FOR THE PERIOD		<b>1,539</b>	12,519
Attributable to:			
Owners of the parent		<b>1,539</b>	12,519
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>(30)</b>	(143)
Exchange differences on translation of foreign operations		<b>(49)</b>	–
NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<b>(79)</b>	(143)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<b>1,460</b>	12,376
Attributable to:			
Owners of the parent		<b>1,460</b>	12,376
BASIC AND DILUTED EARNINGS PER SHARE (in RMB per share)	9	–*	Not applicable

\* The amount is less than RMB1, which is RMB0.0031.

# Condensed Consolidated Statement of Financial Position

30 June 2019

		30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>67,272</b>	67,110
Intangible assets	11	<b>3,019</b>	3,625
Prepaid land lease payments		–	800
Right-of-use assets	4	<b>16,652</b>	–
Prepayments	15	<b>20</b>	60
Deferred tax assets	12	<b>2,263</b>	1,474
<b>Total non-current assets</b>		<b>89,226</b>	73,069
<b>CURRENT ASSETS</b>			
Inventories	13	<b>140,736</b>	138,952
Trade and notes receivables	14	<b>84,174</b>	75,442
Prepayments, other receivables and other assets	15	<b>101,103</b>	4,021
Amount due from a related party	22	–	312
Cash and cash equivalents	16	<b>23,997</b>	14,112
<b>Total current assets</b>		<b>350,010</b>	232,839
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	17	<b>65,230</b>	66,434
Other payables and accruals	18	<b>22,522</b>	16,673
Government grants	20	<b>272</b>	234
Contract liabilities	19	<b>92,283</b>	81,154
Dividends payable	8	–	367
Amounts due to related parties	22	–	6,956
Lease liabilities	4	<b>2,911</b>	–
Income tax payable		<b>2,221</b>	1,536
<b>Total current liabilities</b>		<b>185,439</b>	173,354
<b>NET CURRENT ASSETS</b>		<b>164,571</b>	59,485
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>253,797</b>	132,554



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

30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Government grants	20	<b>1,975</b>	1,235
Deferred tax liabilities	12	<b>643</b>	–
Lease liabilities	4	<b>12,290</b>	–
<b>Total non-current liabilities</b>		<b>14,908</b>	1,235
<b>Net assets</b>		<b>238,889</b>	131,319
<b>EQUITY</b>			
Equity attributable to the owners of the parent			
Share capital	21	<b>5,806</b>	–*
Reserves		<b>233,083</b>	131,319
<b>Total equity</b>		<b>238,889</b>	131,319

\* The amount is less than RMB1,000.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to the owners of the Parent							
	Share capital	Share premium*	Merger reserve*	Statutory reserve*	Fair value reserve*	Exchange reserve*	Retained profits*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2018	–	668	52,302	9,207	(230)	16	69,356	131,319
Profit for the period	–	–	–	–	–	–	1,539	1,539
Other comprehensive income for the period:								
Changes in fair value of debt investments at fair value through other comprehensive income	–	–	–	–	(30)	–	–	(30)
Exchange differences on translation of foreign operations	–	–	–	–	–	(49)	–	(49)
Total comprehensive income for the period	–	–	–	–	(30)	(49)	1,539	1,460
Issue of shares for the initial public offering (“IPO”) (Note 21)	1,452	126,279	–	–	–	–	–	127,731
Share issue expenses	–	(21,621)	–	–	–	–	–	(21,621)
Capitalisation issue (Note 21)	4,354	(4,354)	–	–	–	–	–	–
As at 30 June 2019 (unaudited)	5,806	100,972	52,302	9,207	(260)	(33)	70,895	238,889

\* These reserve amounts comprise the reserves of RMB233,083,000 in the condensed consolidated statement of financial position as at 30 June 2019.

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

For the six months ended 30 June 2018

	Attributable to the owners of the Parent							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Fair value reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	
As at 31 December 2017	–	–	52,970	5,728	(289)	–	48,277	106,686
Profit for the period	–	–	–	–	–	–	12,519	12,519
Other comprehensive income for the period:								
Changes in fair value of debt investments at fair value through other comprehensive income	–	–	–	–	(143)	–	–	(143)
Total comprehensive income for the period	–	–	–	–	(143)	–	12,519	12,376
As at 30 June 2018 (unaudited)	–	–	52,970	5,728	(432)	–	60,796	119,062

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>5,393</b>	14,817
Adjustments for:			
Depreciation of property, plant and equipment	10	<b>4,386</b>	3,916
Amortization of intangible assets	11	<b>640</b>	577
Write-down of inventories to net realisable value		<b>8,132</b>	2,122
Impairment losses for trade and notes receivables, net		<b>182</b>	176
Recognition of prepaid land lease payment		<b>–</b>	12
Depreciation of right-of-use assets	4	<b>1,292</b>	–
Foreign exchange differences, net		<b>–</b>	126
Government grants	20	<b>(182)</b>	(115)
Interest income		<b>(58)</b>	(64)
Finance costs		<b>540</b>	317
(Gain)/loss on disposal of items of property, plant and equipment		<b>(25)</b>	56
		<b>20,300</b>	21,940
Increase in inventories		<b>(9,916)</b>	(24,111)
Increase in trade and notes receivables		<b>(9,107)</b>	(16,607)
Decrease/(increase) in prepayments, other receivables and other assets		<b>1,934</b>	(1,303)
(Decrease)/increase in trade and notes payables		<b>(1,204)</b>	10,863
Increase/(decrease) in other payables and accruals		<b>5,849</b>	(1,603)
Decrease in amounts due to related parties		<b>–</b>	(43)
Increase in contract liabilities		<b>11,129</b>	15,174
Cash generated from operations		<b>18,985</b>	4,310
Income tax paid		<b>(3,408)</b>	(2,432)
<b>Net cash flows from operating activities</b>		<b>15,577</b>	1,878



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

For the six months ended 30 June 2019

	Notes	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		<b>(4,552)</b>	(15,130)
Purchases of items of intangible assets		<b>(34)</b>	–
Proceeds from disposal of items of property, plant and equipment		<b>69</b>	149
Receipt of government grants	20	<b>960</b>	300
Interests received		<b>58</b>	64
<b>Net cash flows used in investing activities</b>		<b>(3,499)</b>	(14,617)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares for the IPO		<b>12,773</b>	–
Share issue expenses		<b>(6,283)</b>	–
Proceeds from issue of shares for the Reorganization		<b>312</b>	–
Cash paid in connection with the Reorganization		<b>(548)</b>	–
Payment to a related party	22	<b>(6,408)</b>	–
Loan from a related party	22	<b>8,500</b>	–
Repayment of loan from a related party	22	<b>(8,500)</b>	–
Principal portion of lease payments	4	<b>(1,662)</b>	–
Interest portion of lease payments	4	<b>(372)</b>	–
Repayment of bank borrowings		–	(8,524)
Repayment of interests on bank and other borrowings		<b>(5)</b>	(339)
<b>Net cash flows used in financing activities</b>		<b>(2,193)</b>	(8,863)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January	16	<b>14,112</b>	33,631
Effect of foreign exchange rate changes, net		–	10
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	16	<b>23,997</b>	12,039
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the statement of financial position	16	<b>23,997</b>	12,039
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>		<b>23,997</b>	12,039

# Notes to the Interim Financial Information

30 June 2019

## 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”) were involved in technical development, research, production and sale of precision moulds.

The Company and its subsidiaries now comprising the Group underwent a reorganization (the “Reorganization”) in preparation for an IPO through the incorporation of the Company, acquisition of Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited (“Shinelong (Suzhou)”) and Kunshan Longjun Management Consulting Company Limited (“Kunshan Longjun”) by the Company, further allotment of ordinary shares and capitalization issue. 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 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 Interim Financial Information comprises the condensed consolidated statement of financial position as at 30 June 2019, the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”).

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

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

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

30 June 2019

## 2. BASIS OF PRESENTATION

Pursuant to the Reorganization, the Company became the holding company of the companies now comprising the Group on 28 December 2018. As the Reorganization primarily involved inserting new holding entities at the top of the existing holding company and has not resulted in any change of economic substance, the Interim Financial Information has been presented as a continuation of the existing company using the pooling of interest method for all the periods presented.

Accordingly, the condensed consolidated statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows are prepared as if the current group structure had been in existence throughout the periods presented. The condensed consolidated statement of financial position as at the end of the reporting period presents the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates.

All intra-group transactions and balances have been eliminated on consolidation.

## 3. BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 Interim Financial Reporting. 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 2018.

## 4. 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 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRS 16	Leases
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 2015–2017 Cycle

Other than as explained below regarding the impact of IFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's Interim Financial Information. The nature and impact of the new and revised IFRSs are described below:



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

### Adoption of IFRS 16

IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases — Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

### New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

### As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for buildings and land use right. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.



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

30 June 2019

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

### Adoption of IFRS 16 *(Continued)*

#### As a lessee — Leases previously classified as operating leases *(Continued)*

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedient when applying IFRS 16 at 1 January 2019:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) (Unaudited) RMB'000
<b>Assets</b>	
Increase in right-of-use assets	17,230
Decrease in prepaid land lease payments	(825)
Decrease in prepayments, other receivables and other assets	(256)
<hr/>	
Increase in total assets	16,149
<hr/>	
<b>Liabilities</b>	
Increase in lease liabilities	16,149
<hr/>	

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

30 June 2019

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

### Adoption of IFRS 16 *(Continued)*

#### As a lessee — Leases previously classified as operating leases *(Continued)*

Impacts on transition *(Continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited) RMB'000
<b>Operating lease commitments as at 31 December 2018</b>	20,673
Weighted average incremental borrowing rate as at 1 January 2019	4.87%
Discounted operating lease commitments as at 1 January 2019	16,149
<b>Lease liabilities as at 1 January 2019</b>	<b>16,149</b>

### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

#### Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

#### Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

30 June 2019

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

### Adoption of IFRS 16 *(Continued)*

#### Summary of new accounting policies *(Continued)*

##### Lease liabilities *(Continued)*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

#### Amounts recognised in the condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the period are as follow:

	Right-of-use assets			Lease liabilities RMB'000
	Buildings under operating lease RMB'000	Prepaid land lease payments RMB'000	Subtotal RMB'000	
As at 1 January 2019 (unaudited)	16,405	825	17,230	16,149
Depreciation charge	(1,280)	(12)	(1,292)	–
Interest expense	–	–	–	372
Lease modification	714	–	714	714
Payments	–	–	–	(2,034)
As at 30 June 2019 (unaudited)	15,839	813	16,652	15,201

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

30 June 2019

## 5. REVENUE

An analysis of revenue is as follows:

	For the six months ended	
	30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales of moulds		
Automobile moulds	<b>79,264</b>	34,800
Electric appliance moulds	<b>27,752</b>	39,038
Other moulds	<b>51</b>	819
Parts processing services	<b>5,200</b>	10,204
Others	<b>1,721</b>	1,469
	<b>113,988</b>	86,330
Represented by:		
Goods and services transferred at a point in time	<b>113,988</b>	86,330
Represented by:		
Geographic markets		
Domestic	<b>112,809</b>	80,389
Overseas	<b>1,179</b>	5,941
	<b>113,988</b>	86,330



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

30 June 2019

## 6. PROFIT BEFORE TAX

	For the six months ended	
	30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Raw material consumed	45,640	30,529
Direct labour cost	9,854	6,810
Subcontracting expenses	12,422	13,280
Depreciation of plant, property and equipment (Note 10)	4,386	3,916
Depreciation of right-of-use assets (Note 4)	1,292	–
Amortization of intangible assets (Note 11)	640	577
Research and development costs	3,016	2,515
Minimum lease payments under operating leases	–	1,390
Interest expense of lease liabilities (Note 4)	372	–
Travelling and entertainment expenses	1,243	1,050
General office expenses	921	820
Logistic expenses	828	885
Listing expenses (Note)	14,600	–
Employee benefit expenses (including directors' remuneration)		
Salaries and bonuses	7,034	5,660
Pension scheme contributions	2,192	1,567
	<b>9,226</b>	7,227
Impairment losses for trade and notes receivables, net	182	176
(Reversal of)/provision for warranty	(165)	339
Write-down of inventories to net realizable value	8,132	2,122
Foreign exchange differences, net	(95)	117

Note: The listing expenses included auditors' remuneration of RMB1,081,000 and nil respectively for the six months ended 30 June 2019 and 2018.

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

30 June 2019

## 7. 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 2019 and 2018, 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 ("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 2019 as its taxable income is below RMB1 million. The applicable income tax rate for Xunzhan for the period ended 30 June 2018 is 25% as its taxable income is above RMB1 million.

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Current — PRC	4,000	1,145
Deferred — PRC	(146)	1,153
Total tax charge for the period	3,854	2,298

## 8. DIVIDENDS

The Board does not recommend payment of any dividend for the six months ended 30 June 2019 (2018: Nil).

The dividends declared and paid by the Company's subsidiary to its shareholders during the six months ended 30 June 2019 are as follows:

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
At beginning of the period	367	—
Settlement (Note)	(367)	—
At end of the period	—	—

Note: For the six months ended 30 June 2019, the Group's dividend payable was settled through the net off with the withholding tax receivable from shareholders for the Reorganisation.

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

30 June 2019

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2019 attributable to ordinary equity holders of the Company of RMB1,539,000 and the weighted average number of ordinary shares of 496,833,333 in issue during the period, as adjusted to reflect the capitalisation issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019.

No earnings per share information is presented for the six months ended 30 June 2018, as its inclusion is not considered meaningful due to the Reorganization and the basis of presentation of the Group as disclosed in Note 2 to the Interim Financial Information.

## 10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2019	6,259	98,783	3,924	2,908	1,640	113,514
Additions	–	4,175	273	–	144	4,592
Disposal	–	(69)	(80)	–	(129)	(278)
At 30 June 2019	6,259	102,889	4,117	2,908	1,655	117,828
<b>Accumulated depreciation</b>						
At 1 January 2019	3,612	36,890	2,101	2,584	1,217	46,404
Depreciation charges for the period	141	3,819	250	114	62	4,386
Disposals	–	(49)	(72)	–	(113)	(234)
At 30 June 2019	3,753	40,660	2,279	2,698	1,166	50,556
<b>Net carrying amount</b>						
At 30 June 2019 (unaudited)	2,506	62,229	1,838	210	489	67,272

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

30 June 2019

## 10. 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	Total RMB'000
<b>Cost</b>						
At 1 January 2018	6,259	80,445	3,289	2,853	1,590	94,436
Additions	–	14,725	443	–	–	15,168
Disposal	–	(415)	(16)	–	–	(431)
At 30 June 2018	6,259	94,755	3,716	2,853	1,590	109,173
<b>Accumulated depreciation</b>						
At 1 January 2018	3,330	31,091	1,787	2,346	1,030	39,584
Depreciation charges for the period	141	3,333	208	122	112	3,916
Disposals	–	(212)	(14)	–	–	(226)
At 30 June 2018	3,471	34,212	1,981	2,468	1,142	43,274
<b>Net carrying amount</b>						
At 30 June 2018 (unaudited)	2,788	60,543	1,735	385	448	65,899



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

30 June 2019

## 11. INTANGIBLE ASSETS

	<b>Software</b> RMB'000
<b>Cost</b>	
At 1 January 2019	7,058
Additions	34
At 30 June 2019	7,092
<b>Accumulated amortization</b>	
At 1 January 2019	3,433
Amortization charges for the period	640
At 30 June 2019	4,073
<b>Net carrying amount</b>	
At 30 June 2019 (unaudited)	3,019
<b>Cost</b>	
At 1 January 2018	6,281
Additions	–
At 30 June 2018	6,281
<b>Accumulated amortization</b>	
At 1 January 2018	2,256
Amortization charges for the period	577
At 30 June 2018	2,833
<b>Net carrying amount</b>	
At 30 June 2018 (unaudited)	3,448

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

30 June 2019

## 12. DEFERRED TAX

The movements in deferred tax assets are as follows:

	Losses available for offsetting against future taxable income RMB'000	Write- down of inventories to net realizable value RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Asset related government grants RMB'000	Provision for warranties RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2019	-	332	252	220	550	120	1,474
Deferred tax credited/(charged) to profit or loss during the period (Note 7)	-	1,017	(179)	117	(115)	(51)	789
At 30 June 2019 (unaudited)	-	1,349	73	337	435	69	2,263
At 1 January 2018	422	218	481	137	460	1,071	2,789
Deferred tax credited/(charged) to profit or loss during the period (Note 7)	(396)	265	17	28	(108)	(959)	(1,153)
At 30 June 2018 (unaudited)	26	483	498	165	352	112	1,636

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

30 June 2019

## 12. DEFERRED TAX *(Continued)*

The movement in deferred tax liabilities is as follows:

	Withholding tax on the earnings anticipated to be remitted by subsidies RMB'000
At 1 January 2019	–
Deferred tax charged to profit or loss during the period (Note 7)	643
At 30 June 2019 (unaudited)	643
At 1 January and 30 June 2018 (unaudited)	–

As at 30 June 2019, the Group recognised deferred income tax liabilities of RMB643,000 on retained earnings anticipated to be remitted by certain PRC subsidiaries in the foreseeable future. No withholding tax had been provided for retained earnings of approximately RMB84,886,000 expected to be retained by the PRC subsidiaries and not to be remitted in the foreseeable future based on several factors, including the Company's dividend policy and management's estimation of overseas funding requirements. The aggregate amount of temporary differences associated with these retained earnings for which deferred tax liabilities have not been recognised was RMB8,489,000 as at 30 June 2019.

## 13. INVENTORIES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Finished goods	87,192	96,741
Work in progress	52,233	40,417
Raw materials and low value consumables	1,311	1,794
	<b>140,736</b>	138,952

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

30 June 2019

## 14. 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 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within 30 days	22,348	17,144
31–60 days	11,757	11,682
61–90 days	11,603	9,504
91–180 days	16,482	24,866
181–365 days	16,969	8,510
over 365 days	5,015	3,736
	<b>84,174</b>	75,442

## 15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
<b>Non-current</b>		
Prepayments	20	60
<b>Current</b>		
IPO proceeds receivable	99,623	–
Prepayments	742	1,227
Deposits and other receivables	571	516
Prepaid income tax	93	–
Input value added tax (“VAT”) to be deducted	74	–
Deferred listing expenses	–	2,253
Prepaid land lease payments	–	25
	<b>101,103</b>	4,021



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

30 June 2019

## 16. CASH AND CASH EQUIVALENTS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Cash on hand and at banks	<b>23,997</b>	14,112

At 30 June 2019 and 31 December 2018, the Group's cash and bank balances denominated in RMB amounted to RMB11,322,000 and RMB13,722,000, respectively. RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank 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 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within 30 days	<b>28,825</b>	20,772
31–60 days	<b>12,132</b>	11,727
61–90 days	<b>10,579</b>	10,141
91–120 days	<b>9,962</b>	10,073
over 120 days	<b>3,732</b>	13,721
	<b>65,230</b>	66,434

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

30 June 2019

## 18. OTHER PAYABLES AND ACCRUALS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Professional service fee payables	12,471	3,112
Staff cost and welfare accruals	6,404	7,357
Provision for warranty (Note)	2,901	3,669
Other tax payables	115	1,556
Other payables	631	979
	<b>22,522</b>	16,673

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

Note:

### Provision for warranty

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
At the beginning of period	3,669	3,068
(Reversal)/provision	(165)	2,975
Payment	(603)	(2,374)
At the end of period	<b>2,901</b>	3,669

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

30 June 2019

## 19. CONTRACT LIABILITIES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Contract liabilities	<b>92,283</b>	81,154

Contract liabilities consist of advance payment made by customers. A contract liability is the Group's obligation to deliver goods or render services to customers for which the Group has received consideration from the customers. A contract liability is recognised by the Group when the customers pay consideration before the Group delivers goods or render services to the customers.

## 20. GOVERNMENT GRANTS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
At the beginning of the period	<b>1,469</b>	915
Received during the period	<b>960</b>	800
Released to the statement of profit or loss	<b>(182)</b>	(246)
At the end of the period	<b>2,247</b>	1,469
Current portion	<b>(272)</b>	(234)
Non-current portion	<b>1,975</b>	1,235

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

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

30 June 2019

## 21. SHARE CAPITAL

	30 June 2019 (Unaudited)	
	HK\$'000	RMB'000
Issued and fully paid/credited as fully paid 660,000,000 ordinary shares of HK\$0.01 each	6,600	5,806

	31 December 2018 (Audited)	
	HK\$	RMB
Issued and allotted 10,000 ordinary shares of HK\$0.01 each	100	87.62

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

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

On 28 June 2019, upon its successful listing on the Hong Kong Stock Exchange, the Company issued 165,000,000 ordinary shares with a par value of HK\$0.01 each at HK\$0.88 each, and raised gross proceeds of approximately HK\$145,200,000 (equivalent to approximately RMB127,731,000), among which, approximately HK\$14,520,000 (equivalent to approximately RMB12,773,000) was received by the Company by 30 June 2019. The share capital and share premium arising from the new issue were approximately RMB1,452,000 and RMB126,279,000, respectively.

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



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

30 June 2019

## 22. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Name	Relationship
Shine Art	Controlling Shareholder
Friendly Holdings (HK) Co., Limited ("Friendly Holdings")	Shareholder
Digital Link Overseas Co., Limited	Shareholder
High Chance Limited	Shareholder
Talent Chain Limited ("Talent Chain")	Shareholder
Jouder Precision Industry (Kunshan) Co., Ltd. ("Jouder")	A company in which Lin Feng-I, a former director of the Company's subsidiary is a director
Lin Wan-Yi	Ultimate controlling shareholder, Chairman, Executive Director and chief executive officer
Talent Trading (Shanghai) Limited Company ("Talent Trading")	A Company Controlled by the controlling shareholder
Fulagai Consulting (Shanghai) Co., Ltd. ("Fulagai")	A Company Controlled by Friendly Holdings

(b) In addition to the transactions detailed elsewhere in this financial information, the Group had the following significant transactions with related parties during the period:

	For the six months ended	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loan from a related party (received and repaid):		
Shine Art (Note (i))	8,500	–
Payment on behalf of the Company:		
Friendly Holdings (Note (iii))	6,408	–
Purchase of products from a related party:		
Jouder	–	242

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

30 June 2019

## 22. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

### (c) Other transactions with related parties

The controlling shareholder of Friendly Holdings, which is one of the Company's shareholders, guaranteed certain bank loan facilities made to the Group of up to RMB10,000,000 which expired as at 28 April 2019. There are no guarantees provided to the Group as at 30 June 2019.

### (d) Outstanding balances with related parties

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Due from a related party <i>Non-trade</i> Talent Chain (Note (ii))	–	312
Due to related parties <i>Non-trade</i> Friendly Holdings (Note (iii)) Talent trading (Note (ii)) Lin Wan-Yi (Note (iv)) Fulagai (Note (v))	– – – –	6,408 312 118 118
	–	6,956

Note:

- (i) Shine Art is the controlling shareholder of the Group. It granted an unsecured loan with principal of RMB8,500,000 in January 2019 to the Group for the repayment of listing expenses. The loan was non-interest-bearing, unsecured and fully repaid in May 2019.
- (ii) Talent trading, the shareholder of Shinelong (Suzhou) prior to the Reorganization, is a directly and wholly owned subsidiary of Talent Chain, the shareholder of the Company. The amounts were subsequently settled in January 2019.
- (iii) Friendly Holdings, a shareholder of the Company, paid listing expenses of RMB6,408,000 (equivalent to the sum of HK\$5,978,000, US\$115,000 and RMB404,000) on behalf of the Company in December 2018. The balance with Friendly Holdings was non-interest-bearing, unsecured and was fully repaid in May 2019.
- (iv) The amount due to the Chairman and executive Director of the Company, Lin Wan-Yi, represents the unpaid consideration for his equity interest in Kunshan Longjun pursuant to the Reorganization, which was paid subsequently in January 2019.
- (v) The amount due to Fulagai Consulting, a direct and wholly owned subsidiary of Friendly Holdings, represents the unpaid consideration for his equity interest in Shinelong (Suzhou) pursuant to the Reorganization, which was subsequently settled in January 2019.

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

30 June 2019

## 22. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

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

	For the six months ended	
	30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	84	60
Salaries, allowances, and benefits in kind	1,000	624
Performance related bonuses	223	135
Total compensation paid to key management personnel	1,307	819

The key management personnel of the Group for the six months ended 30 June 2019 included three directors of the Company whose total compensation was RMB913,000 and for the six months ended 30 June 2018 included two directors of a subsidiary now comprising the Group whose total compensation was RMB819,000.

## 23. COMMITMENTS

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

	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Contracted, but not provided for:		
Machinery	3,097	—
Furniture, fixtures and equipment	61	—
	3,158	—

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

30 June 2019

## 24. 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 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
FINANCIAL ASSETS				
Notes receivable	27,510	20,759	27,250	20,529

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in trade and notes payables, other payables and accruals, amounts due from/to related parties, lease liabilities and contract liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

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



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

30 June 2019

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

### Fair value hierarchy

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

#### Assets measured at fair value:

As at 30 June 2019

	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	–	27,250	–	27,250

As at 31 December 2018

	Fair value measurement using			Total (Audited) RMB'000
	Quoted Price in active markets (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	
Notes receivable	–	20,529	–	20,529

## 25. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the unaudited Interim Financial Information, the Group did not have any significant event subsequent to 30 June 2019.

## 26. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The unaudited Interim Financial Information was approved and authorised for issue by the board of directors on 28 August 2019.