

# 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

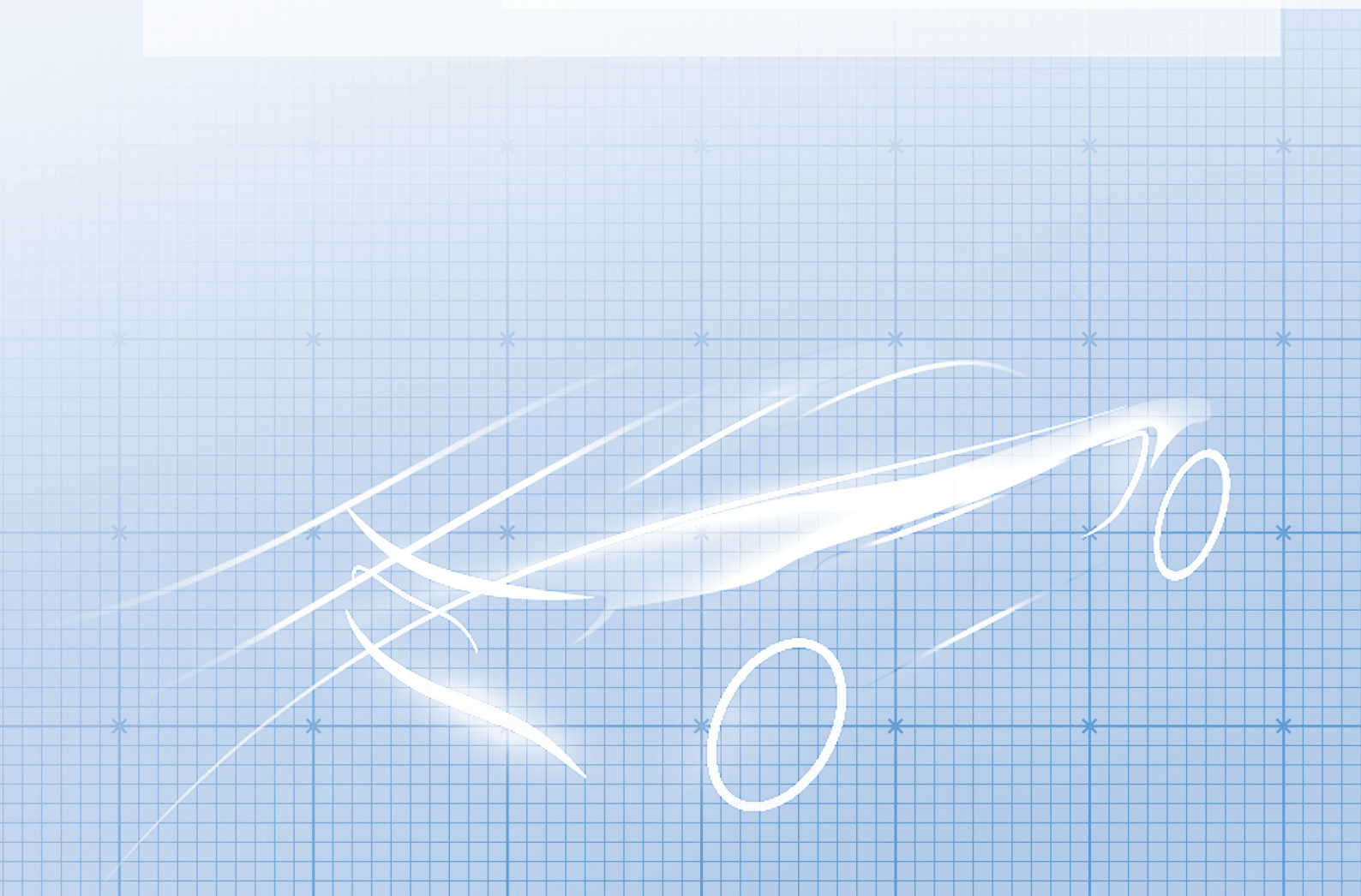


# 2020

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

## 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](mailto:sophia@shinlone.com.cn)  
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		
	2020	2019	Change
Revenue (RMB'000)	<b>112,205</b>	113,988	-1.6%
Gross profit (RMB'000)	<b>43,365</b>	32,695	32.6%
Gross profit margin	<b>38.6%</b>	28.7%	9.9 percentage points
Net profit (RMB'000)	<b>17,875</b>	1,539	1,061.5%
Net profit margin	<b>15.9%</b>	1.4%	14.5 percentage points
Adjusted net profit (RMB'000) <sup>Note</sup>	<b>17,875</b>	16,139	10.8%
Adjusted net profit margin <sup>Note</sup>	<b>15.9%</b>	14.2%	1.7 percentage points
Basic earnings per share (RMB cents)	<b>2.71</b>	0.31	774.2%

Note: Adjusted net profit is not a financial measure under IFRS. 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").

## SUMMARY OF THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	As at	Change
	30 June 2020	31 December 2019	
Total assets (RMB'000)	<b>464,853</b>	414,467	12.2%
Cash and cash equivalents (RMB'000)	<b>94,656</b>	86,904	8.9%
Total liabilities (RMB'000)	<b>186,251</b>	151,787	22.7%
Total equity (RMB'000)	<b>278,602</b>	262,680	6.1%
Return on equity	<b>12.8%</b>	9.0%	3.8 percentage points
Return on total assets	<b>7.7%</b>	5.7%	2.0 percentage points
Adjusted return on equity <sup>Note</sup>	<b>12.8%</b>	14.6%	-1.8 percentage points
Adjusted return on total assets <sup>Note</sup>	<b>7.7%</b>	9.2%	-1.5 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 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.

The revenue of the Group for the six months ended 30 June 2020 (the “**1H2020**”) amounted to RMB112.2 million, representing a slight decrease of RMB1.8 million or 1.6% as compared with that of RMB114.0 million for the six months ended 30 June 2019 (the “**1H2019**”). Such decrease was mainly due to the net effect of the decrease in revenue generated from the sales of automotive moulds and the increase in revenue generated from sales of health protective appliances moulds. The Group’s net profit for 1H2020 amounted to RMB17.9 million, representing an increase of RMB1.8 million or 10.8% as compared with the net profit (before listing expenses) of RMB16.1 million for 1H2019. Such increase was mainly due to the increase in the gross profit from sales of health protective appliances moulds.

## OUTLOOK

In 2019, the Chinese economy was affected by the uncertainties arising from the Sino-US trade frictions. In 2020, due to the global outbreak of the novel coronavirus disease 2019 (“**COVID-19**”), business and economic activities in China and other countries have been severely affected and international trade has shrunk significantly. According to the statistics of the China Association of Automobile Manufacturers, domestic automobile production and sales in China in the first half of 2020 decreased by 16.8% and 16.9% year-on-year, respectively. Although the rate of decline has been slowed down, due to the uncertainties arising from the outbreak of COVID-19, demand of automobiles has not yet recovered and the investment plans and new production lines of some automotive parts companies in China have also been delayed or suspended. The hot-pressing automotive mould market, which the Group is focused on, is therefore expected to continue to be affected by the overall slump in the PRC automobile manufacturing market.

The electrical appliance market also faces similar situation as the automobile manufacturing market in the PRC which the demand of electrical appliances has been greatly affected and the export activities of electrical appliances from the PRC to overseas have been reduced as a result of the lockdown measures adopted by the PRC and other countries to prevent the spread of COVID-19.

While the automobile manufacturing market and electrical appliance market face fierce competition and challenges from the pandemic, the Chinese government has introduced a series of measures to stimulate consumption of automobiles and electrical appliances, including promotion of the retirement and replacement of old automotive in an effective and orderly manner, relaxation of the restriction on purchase of automotive of some of the cities, promotion of purchase of new energy vehicles in the countryside, reduction of taxes, and relaxation of the restriction on foreign investment. The Group expects the Chinese government will continue to introduce measures to stimulate investment and the economy and boost consumer confidence.

## Management Discussion and Analysis

In view of the outbreak of COVID-19, the Group had developed health protective appliances moulds during the first half of 2020 which were mainly used for the production of masks. The revenue from the sales of health protective appliances moulds of the Group for 1H2020 mostly offset the decrease in the revenue from the sales of automotive moulds. The Group expects the demand of health protective appliances will be slowed down in the second half of 2020 with the gradual control of the domestic epidemic situation.

In the second half of 2020, the Group will formulate business strategies based on the current situation of the global automotive, electrical appliance market and health protective appliances moulds and strengthen the credit risk assessments of its customers to face the challenges ahead. The Group will actively explore other potential markets and continue to improve production efficiency and control operating costs to maintain its competitive advantages. The Group will also continue to implement the strategies and expansion plans as set out in its prospectus dated 17 June 2019 (the "Prospectus").

### FINANCIAL REVIEW

#### Revenue

The revenue of the Group amounted to RMB112.2 million for 1H2020, representing a decrease of RMB1.8 million or 1.6% as compared with that of RMB114.0 million for 1H2019.

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

	For the six months ended 30 June		
	2020 RMB'000	2019 RMB'000	Change %
<b>Sales of moulds</b>			
Automotive moulds	36,417	79,264	-54.1
Electrical appliance moulds	26,345	27,752	-5.1
Health protective appliances moulds	38,664	–	–
Other moulds	3,572	51	6,903.9
Sub-total	104,998	107,067	-1.9
<b>Parts processing services</b>	6,664	5,200	28.2
<b>Other sundry income</b>	543	1,721	-68.4
Total	112,205	113,988	-1.6

# 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 and health protective appliances. Sales of moulds accounted for approximately 94% of the Group's revenue for 1H2020.

The revenue generated from sales of automotive moulds for 1H2020 amounted to RMB36.4 million, representing a decrease of RMB42.9 million or 54.1% as compared with that of RMB79.3 million for 1H2019. Such decrease was primary due to the decrease in revenue generated from one of the Group's major customers, whose orders had decreased in the second half of 2019. The directors of the Company (the "Directors") believe that this customer decreased its business with the Group as a result of the decrease in sales of automobiles and introduction of new passenger vehicle models due to the weakened global economy.

The revenue generated from sales of electrical appliance moulds for 1H2020 amounted to RMB26.3 million, which remained relatively stable as compared with that of RMB27.8 million for 1H2019.

Due to the outbreak of COVID-19, the Group had developed health protective appliances moulds during the first half of 2020 which were mainly used for the production of masks. The revenue generated from sales of health protective appliances moulds for 1H2020 amounted to RMB38.7 million.

## (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, electrical appliance moulds and health protective appliances moulds. The revenue generated from parts processing services for 1H2020 amounted to RMB6.7 million, representing an increase of RMB1.5 million or 28.2% as compared with that of RMB5.2 million for 1H2019. Such increase was primary due to increase in demand of parts processing services for health protective appliances moulds from the Group's new customers.

## 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 1H2020 amounted to RMB68.8 million, representing a decrease of RMB12.5 million or 15.3% as compared with that of RMB81.3 million for 1H2019. Such decrease was mainly due to the decrease in the demand of automotive moulds and the cost of production of health protective appliances moulds was relatively lower when comparing to the production of automotive moulds and electrical appliance moulds.



# Management Discussion and Analysis

## Gross profit and gross profit margin

The gross profit of the Group for 1H2020 amounted to RMB43.4 million, representing an increase of RMB10.7 million or 32.6% as compared with that of RMB32.7 million for 1H2019. The gross profit margin increased from 28.7% for 1H2019 to 38.6% for 1H2020 which was mainly attributable to (a) the increase in the gross profit margin from sales of automotive moulds mainly due to the fact that the Group had received a larger proportion of acceptance reports from one of the Group's major customers which had a relatively higher gross profit margin when comparing to other customers; and (b) the higher gross profit margin from health protective appliances moulds as the Group was able to charge a higher mark-up in this business segment 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 and interest income. The amount remained relatively stable at RMB0.5 million for 1H2019 and RMB0.4 million for 1H2020.

## 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 decreased from RMB2.7 million for 1H2019 to RMB1.9 million for 1H2020, representing a decrease of RMB0.8 million or 29.8%. Such decrease was mainly due to the decrease in moulds maintenance costs, logistics expenses, and travelling and entertainment.

## General and administrative expenses

The general and administrative expenses of the Group for 1H2020 amounted to RMB19.5 million, representing a decrease of RMB5.0 million or 20.3% as compared with that of RMB24.5 million for 1H2019. The listing expenses in relation to the Listing recognised for 1H2019 was RMB14.6 million. Excluding the listing expenses, the general and administrative expenses of RMB19.5 million for 1H2020 would have increased by RMB9.6 million or 97.0% as compared with that of RMB9.9 million for 1H2019. Such increase was mainly due to (i) the increase in compliance costs after listing; and (ii) the increase in impairment losses for trade receivables of RMB7.7 million. The increase in impairment loss was mainly attributable to provision relating to one of the Group's customers which was not able to settle its trade receivables with the Group as agreed. As at the date of this report, the Group was under legal proceedings with this customer and the Group considered that such trade receivables may or may not be fully collected. However, a full impairment losses for trade receivables was provided for this customer for prudent purpose. The Directors further believe that the COVID-19 pandemic may have negative impact on some of its customers' businesses and/or liquidity. As such, the Group has reviewed and analyzed its trade receivables profiles and increased the provision for the expected credit losses as considered appropriate.

## Finance costs

The finance costs of the Group mainly consisted of interest expenses on bank loans, discounted notes receivable and lease liabilities. The amount remained relatively stable at RMB0.5 million for 1H2019 and RMB0.4 million for 1H2020.

## Income tax expenses and effective tax rate

The income tax expenses of the Group increased from RMB3.9 million for 1H2019 to RMB4.1 million for 1H2020. The effective tax rate, representing income tax expense divided by profit before taxation, were 71.5% and 18.6% for 1H2019 and 1H2020, respectively. Excluding the listing expenses, the effective tax rate would have remained relatively stable at 19.3% for 1H2019 and 18.6% for 1H2020.

# Management Discussion and Analysis

## Net profit and net profit margin

The Group recorded net profit of RMB1.5 million and RMB17.9 million for 1H2019 and 1H2020, with a net profit margin of 1.4% and 15.9%, respectively. Excluding the listing expenses, the net profit margin of the Group would have increased from 14.2% for 1H2019 to 15.9% for 1H2020, which was mainly due to the increase in the gross profit margin of the Group.

## Interim dividends

The Company did not declare any interim dividends during 1H2020.

## Liquidity and Financial Resources

For 1H2020, the Group's operations were primarily financed through its operating activities and proceeds from the Listing. 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 2020, the Group's total current assets and current liabilities were RMB374.7 million (31 December 2019: RMB330.6 million) and RMB173.9 million (31 December 2019: RMB137.5 million), respectively, while the current ratio was 2.2 times (31 December 2019: 2.4 times). The increase in total current assets as at 30 June 2020 was mainly attributable to the increase in inventories, financial assets at fair value through profit or loss and cash and bank balances. As at 30 June 2020, the Group had cash and bank balances amounting to RMB94.7 million (31 December 2019: RMB86.9 million).

As at 30 June 2020, the Group had total banking facilities of RMB230 million. The Group's gearing ratio was 4.9% as at 30 June 2020 (31 December 2019: 5.8%).

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 2020, the Group's total equity was RMB278.6 million (31 December 2019: RMB262.7 million), which represented share capital of RMB5.8 million (31 December 2019: share capital of RMB5.8 million) and reserves of RMB272.8 million (31 December 2019: RMB256.9 million). The increase in total equity was primarily due to the net profit for the current period.

## Capital Expenditure and Commitments

The Group's capital expenditure in 1H2020 primarily comprised expenditure on construction in progress and machinery and amounted to a total of RMB6.5 million (31 December 2019: RMB4.8 million).

As at 30 June 2020, the Group had capital commitments of RMB19.3 million (31 December 2019: no capital commitments) which mainly represented purchase of machinery.

# Management Discussion and Analysis

## 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 2020, the Group's property, plant and equipment amounted to RMB65.0 million (31 December 2019: RMB62.9 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 2020, the Group's inventories amounted to RMB175.0 million (31 December 2019: RMB138.4 million). Such increase was mainly due to (i) the increase in work-in-progress mainly attributable to the increase in orders received in the second quarter of 2020; and (ii) some of the Group's customers had delayed the issuance of final acceptance reports for the Group's moulds as a result of the outbreak of COVID-19.

## 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 2020, the Group's trade and notes receivables amounted to RMB82.8 million (31 December 2019: RMB103.4 million). Such decrease was mainly due to (i) the increase in revenue from sales of health protective appliances moulds which customers in this business segment usually settle their trade receivables in a shorter period of time; and (ii) impairment losses for trade receivables of one of the Group's customers as mentioned in "General and administrative expenses" section above.

Due to the outbreak of COVID-19, the Group had strengthened the internal control measures on its assessment of expected credit losses on trade receivables, which include the following:

- (i) reviewed the trade receivables aging regularly and assessed the customers individually for provision for expected credit loss allowance which take into account the historical settlement pattern, correspondence with the customers, and evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers; and
- (ii) increased the expected credit losses rates which were determined based on the Group's historical credit loss experience and rates used by the Group's comparable companies, with an adjustment to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

Based on the Group's assessment, the impairment losses for trade and notes receivables increased from RMB0.2 million for 1H2019 to RMB7.8 million for 1H2020. As at the date of this report, other than the legal proceedings with one of the Group's customers as mentioned in "General and administrative expenses" section above, the Group was not aware of any significant financial difficulties in its major debtors or significant doubt on collectability of its material trade receivables.

# Management Discussion and Analysis

## 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 2020, the Group's trade and notes payables amounted to RMB64.4 million (31 December 2019: RMB50.2 million). Such increase was mainly due to the increase in purchase volume of raw materials for the increase in orders received in the second quarter of 2020.

## 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 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 2020, the Group's contract liabilities amounted to RMB83.2 million (31 December 2019: RMB65.9 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 2020, the Group had 355 employees (31 December 2019: 358 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 and contributions to retirement schemes for the Directors and other staff of the Group for 1H2020 amounted to RMB16.6 million (1H2019: RMB19.1 million). The decrease in staff cost was mainly due to the decrease in direct labor cost and pension scheme contributions.

## MATERIAL ACQUISITIONS AND DISPOSALS

During 1H2020, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

## CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities (as at 31 December 2019: nil).

## PLEDGES OVER GROUP'S ASSETS

As at 30 June 2020, 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 2020.

# Management Discussion and Analysis

## FOREIGN CURRENCY EXPOSURE

Since the Group generated most of the revenue and incurred most of the costs in Renminbi for 1H2020, there was no significant exposure to foreign exchange rate and the Group did not maintain any hedging policy against foreign exchange risk. The management will consider hedging significant currency exposure should the need arise.

## USE OF PROCEEDS

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

The following table sets out the utilisation of the Net Proceeds as at 30 June 2020:

	Percentage of Net Proceeds	Net Proceeds from the global offering HK\$' million	Utilised up to 30 June 2020 HK\$' million	Unutilised as at 30 June 2020 HK\$' million	Expected timeline for full utilisation
Lease the premises for new factory	4.0%	3.8	0.9	2.9	By the end of 2021
General set up costs of the factory	3.2%	3.1	–	3.1	By the end of 2021
Purchase new production equipment	76.3%	72.9	13.7	59.2	By the end of 2021
Purchase softwares	6.5%	6.2	1.4	4.8	By the end of 2021
Supplement working capital	10.0%	9.6	6.7	2.9	By the end of 2021
		95.6	22.7	72.9	

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

The expected timeline of application of the unutilised Net Proceeds is based on the Prospectus and 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 2020, the unutilised Net Proceeds of approximately HK\$72.9 million have been placed as interest bearing deposits with licensed banks in the PRC and 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices.

The Board is of the view that, during 1H2020 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. 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.

## 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 2020, 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:

# Corporate Governance

## (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.

## (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 2020, none of the Directors or chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

# Corporate Governance

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

So far as is known to the Directors, as at 30 June 2020, 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	33,718,000 (L)	5.10%
Mr. Lo Ter-Chong	Interest in a controlled corporation (Note 3)	33,718,000 (L)	5.10%
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 5.10% 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 2020, 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 1H2020 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 to the Group.

During 1H2020, 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 2020 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 2020 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES**

The Company has adopted the Model Code and specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during 1H2020 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 1H2020 and up to the date of this report.

# Corporate Governance

## UPDATES ON DIRECTORS' INFORMATION

As required under Rule 13.51B(1) of the Listing Rules, the change in Directors' biographical details since the date of 2019 annual report and up to the date of this report are set out below:

Mr. Lin Wan-Yi, the executive Director, Chairman and chief executive officer of the Company, was appointed as the executive director and general manager of Xunhou Laser Technology (Suzhou) Company Limited (勳厚激光科技(蘇州)有限公司), a subsidiary of the Company, with effect from April 2020.

Mr. Cheng Ching-Long, the executive Director and vice president of operation of the Company, was appointed as the chairman of the Environmental, Social and Governance Committee of the Board with effect from May 2020.

Mr. Fan Chi Chiu, the independent non-executive Director of the Company and a member of the Audit Committee and the Remuneration Committee of the Board, was appointed as a member of the Environmental, Social and Governance Committee of the Board with effect from May 2020.

Mr. Lu Jen-Chieh, the executive Director of the Company, was appointed as a member of the Environmental, Social and Governance Committee of the Board with effect from May 2020.

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 1H2020 (for 1H2019: nil).

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

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	4	112,205	113,988
Cost of sales		(68,840)	(81,293)
Gross profit		43,365	32,695
Other income and gains, net		442	455
Selling and distribution expenses		(1,896)	(2,700)
General and administrative expenses		(19,537)	(24,517)
Finance costs		(414)	(540)
PROFIT BEFORE TAX	5	21,960	5,393
Income tax expense	6	(4,085)	(3,854)
PROFIT FOR THE PERIOD		17,875	1,539
Attributable to:			
Owners of the Company		17,875	1,539
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		83	(30)
Exchange differences on translation of foreign operations		1,673	(49)
NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		1,756	(79)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		19,631	1,460
Attributable to:			
Owners of the Company		19,631	1,460
BASIC AND DILUTED EARNINGS PER SHARE (in RMB cent per share)	8	2.71	0.31

# Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>64,959</b>	62,912
Right-of-use assets	10	<b>14,149</b>	15,670
Intangible assets	11	<b>2,751</b>	3,162
Prepayments	14	<b>4,749</b>	–
Deferred tax assets		<b>3,401</b>	1,785
Net investments in subleases		<b>193</b>	362
<b>Total non-current assets</b>		<b>90,202</b>	83,891
<b>CURRENT ASSETS</b>			
Inventories	12	<b>175,026</b>	138,419
Trade and notes receivables	13	<b>82,760</b>	103,395
Prepayments, other receivables and other assets	14	<b>1,286</b>	1,478
Net investments in subleases		<b>371</b>	380
Financial assets at fair value through profit or loss	15	<b>20,552</b>	–
Cash and cash equivalents	16	<b>94,656</b>	86,904
<b>Total current assets</b>		<b>374,651</b>	330,576
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	17	<b>64,409</b>	50,174
Other payables and accruals	18	<b>14,298</b>	14,440
Government grants	21	<b>463</b>	454
Contract liabilities	19	<b>83,247</b>	65,942
Dividends payable	7	<b>3,709</b>	–
Lease liabilities	20	<b>3,176</b>	3,333
Income tax payable		<b>4,592</b>	3,136
<b>Total current liabilities</b>		<b>173,894</b>	137,479
<b>NET CURRENT ASSETS</b>		<b>200,757</b>	193,097
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>290,959</b>	276,988

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

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Government grants	21	<b>1,691</b>	1,937
Deferred tax liabilities		<b>216</b>	412
Lease liabilities	20	<b>10,450</b>	11,959
<b>Total non-current liabilities</b>		<b>12,357</b>	14,308
<b>Net assets</b>		<b>278,602</b>	262,680
<b>EQUITY</b>			
Equity attributable to the owners of the Company			
Share capital	22	<b>5,806</b>	5,806
Reserves		<b>272,796</b>	256,874
<b>Total equity</b>		<b>278,602</b>	262,680

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to the owners of the Company							
	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	Total 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

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

For the six months ended 30 June 2020

	Attributable to the owners of the Company							
	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	Total RMB'000
As at 1 January 2019 (audited)	--**	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")	1,452	126,279	-	-	-	-	-	127,731
Share issue expenses	-	(21,621)	-	-	-	-	-	(21,621)
Capitalization standing to the credit of share premium	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 approximately RMB272,796,000 (six months ended 30 June 2019: RMB233,083,000) in the condensed consolidated statement of financial position as at 30 June 2020.

\*\* The amount is less than RMB1,000.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>21,960</b>	5,393
Adjustments for:			
Depreciation of property, plant and equipment	9	<b>4,465</b>	4,386
Amortization of intangible assets	11	<b>721</b>	640
Fair value gain on financial assets at fair value through profit or loss		<b>(151)</b>	–
Write-down of inventories to net realizable value	5	<b>4,441</b>	8,132
Impairment losses for trade and notes receivables, net	5	<b>7,836</b>	182
Depreciation of right-of-use assets	10	<b>1,521</b>	1,292
Net foreign exchange differences		<b>1,470</b>	–
Rent concession due to COVID-19	20	<b>(67)</b>	–
Government grants	21	<b>(237)</b>	(182)
Interest income		<b>(476)</b>	(58)
Finance costs		<b>414</b>	540
Loss/(gain) on disposal of items of property, plant and equipment		<b>2</b>	(25)
		<b>41,899</b>	20,300
Increase in inventories		<b>(41,048)</b>	(9,916)
Decrease/(increase) in trade and notes receivables		<b>12,882</b>	(9,107)
Decrease in prepayments, other receivables and other assets		<b>192</b>	1,934
Increase/(decrease) in trade and notes payables		<b>14,235</b>	(1,204)
(Decrease)/increase in other payables and accruals		<b>(142)</b>	5,849
Increase in contract liabilities		<b>17,305</b>	11,129
		<b>45,323</b>	18,985
Cash generated from operations		<b>45,323</b>	18,985
Income tax paid		<b>(4,441)</b>	(3,408)
		<b>40,882</b>	15,577
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		<b>(11,268)</b>	(4,552)
Purchases of items of intangible assets		<b>(310)</b>	(34)
Proceeds from disposal of items of property, plant and equipment		<b>4</b>	69
Purchases of financial assets at fair value through profit or loss		<b>(20,500)</b>	–
Cash received from returns on financial assets at fair value through profit or loss		<b>99</b>	–
Receipt of government grants		<b>–</b>	960
Receipt of principal portion of finance lease payments arising from the subleases		<b>179</b>	–
Interests received		<b>476</b>	58
		<b>(31,320)</b>	(3,499)
Net cash flows used in investing activities		<b>(31,320)</b>	(3,499)



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

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares for the IPO		–	12,773
Share issue expenses		–	(6,283)
Proceeds from issue of shares for the Reorganization		–	312
Cash paid in connection with the Reorganization		–	(548)
Payments to a related party	23	–	(6,408)
Loan from a related party	23	–	8,500
Repayment of loan from a related party	23	–	(8,500)
Principal portion of lease payments	20	<b>(1,599)</b>	(1,662)
Interest portion of lease payments	20	<b>(414)</b>	(372)
Repayment of interests on bank and other borrowings		–	(5)
<b>Net cash flows used in financing activities</b>		<b>(2,013)</b>	(2,193)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period	16	<b>86,904</b>	14,112
Effect of foreign exchange rate changes, net		<b>203</b>	–
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	16	<b>94,656</b>	23,997
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the statement of financial position	16	<b>94,656</b>	23,997
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>		<b>94,656</b>	23,997

# Notes to the Interim Financial Information

30 June 2020

## 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 2020, the related condensed consolidated statement of profit or loss and comprehensive income for the six-month periods then ended, 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 2020

## 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	RMB39,000,000	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. The registered capital has not been paid and Xunhou was inactive as at 30 June 2020.

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

30 June 2020

## 2. BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30 June 2020 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 2019.

## 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 2019, 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 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

Other than as explained below regarding the impact of Amendment to IFRS 16 *Covid-19-Related Rent Concessions* (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 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's factories and venues have been reduced by a lessor as a result of the Covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by a lessor as a result of the Covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of approximately RMB67,000 has been accounted for as a variable lease payment by derecognizing part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

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

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

30 June 2020

## 4. REVENUE

An analysis of revenue is as follows:

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales of moulds		
Health protective appliances moulds	<b>38,664</b>	–
Automotive moulds	<b>36,417</b>	79,264
Electrical appliance moulds	<b>26,345</b>	27,752
Other moulds	<b>3,572</b>	51
Parts processing services	<b>6,664</b>	5,200
Others	<b>543</b>	1,721
	<b>112,205</b>	113,988
Represented by:		
Goods and services transferred at a point in time	<b>112,205</b>	113,988
Represented by:		
Geographic markets		
The PRC	<b>107,216</b>	112,809
Overseas	<b>4,989</b>	1,179
	<b>112,205</b>	113,988

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

30 June 2020

## 5. PROFIT BEFORE TAX

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Raw material consumed	<b>32,773</b>	45,640
Direct labor cost	<b>7,760</b>	9,854
Subcontracting expenses	<b>17,842</b>	12,422
Depreciation of property, plant and equipment (Note 9)	<b>4,465</b>	4,386
Depreciation of right-of-use assets (Note 10)	<b>1,521</b>	1,292
Amortization of intangible assets (Note 11)	<b>721</b>	640
Research and development costs	<b>3,800</b>	3,016
Interest on lease liabilities (Note 20)	<b>414</b>	372
Listing expenses	<b>–</b>	14,600
Auditor's remuneration	<b>629</b>	1,081
Employee benefit expenses (including directors' remuneration)		
Salaries and bonuses	<b>7,630</b>	7,034
Pension scheme contributions	<b>1,205</b>	2,192
	<b>8,835</b>	9,226
Impairment losses for trade and notes receivables, net	<b>7,836</b>	182
Reversal of warranty (Note 18)	<b>(128)</b>	(165)
Write-down of inventories to net realizable value	<b>4,441</b>	8,132
Foreign exchange differences, net	<b>1,474</b>	(95)

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

30 June 2020

## 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 2020 and 2019, 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 2020 and 2019 as its estimated annual taxable income is below RMB1 million.

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current — PRC	5,485	4,000
Deferred — PRC	(1,400)	(146)
Total tax charge for the period	4,085	3,854

## 7. DIVIDENDS

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
At beginning of the period	—	367
Final declared — RMB0.562 cents (2019: nil) per ordinary share	3,709	—
Settlement	—	(367)
At end of the period	3,709	—

On 26 March 2020, the directors proposed a final dividend of RMB0.562 cents per ordinary share totalling approximately RMB3,709,000 for the year ended 31 December 2019, which is approved by the Company's shareholders at the annual general meeting on 29 May 2020.

The directors did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

30 June 2020

## 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 2020 attributable to ordinary equity holders of the Company of approximately RMB17,875,000 (six months ended 30 June 2019: RMB1,539,000) and the weighted average number of ordinary shares of 660,000,000 (six months ended 30 June 2019: 496,833,333) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

## 9. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>							
At 1 January 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
<b>Accumulated depreciation</b>							
At 1 January 2020	3,894	44,657	2,437	2,807	1,215	-	55,010
Depreciation charges for the period	141	3,999	249	18	58	-	4,465
Disposals	-	(1)	(25)	-	-	-	(26)
At 30 June 2020	4,035	48,655	2,661	2,825	1,273	-	59,449
<b>Net carrying amount</b>							
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 2020

## 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	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
Disposals	–	(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 2020

## 10. RIGHT-OF-USE ASSETS

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

	Factories and venues RMB'000	Parking lots RMB'000	Leasehold land RMB'000	Total RMB'000
At 1 January 2019	15,870	535	825	17,230
Depreciation charges for the period	(1,248)	(32)	(12)	(1,292)
Modification	720	(6)	–	714
At 30 June 2019 (unaudited)	15,342	497	813	16,652

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 2020

## 11. INTANGIBLE ASSETS

	Software RMB'000
<b>Cost</b>	
At 1 January 2020	7,851
Additions	310
At 30 June 2020	8,161
<b>Accumulated amortization</b>	
At 1 January 2020	4,689
Amortization charges for the period	721
At 30 June 2020	5,410
<b>Net carrying amount</b>	
At 30 June 2020 (unaudited)	2,751
<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

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

30 June 2020

## 12. INVENTORIES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Finished goods	94,192	92,873
Work in progress	79,537	44,161
Raw materials and low value consumables	1,297	1,385
	<b>175,026</b>	138,419

## 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 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 30 days	18,193	33,240
31–60 days	13,062	6,669
61–90 days	7,033	13,126
91–180 days	21,671	27,329
181–365 days	16,454	18,333
over 365 days	6,347	4,698
	<b>82,760</b>	103,395

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

30 June 2020

## 14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>Non-current</b>		
Prepayments for purchases of items of property, plant and equipment	4,749	–
<b>Current</b>		
Deposits and other receivables	658	818
Prepayments	628	427
Annual listing fee	–	130
Input value added tax (“VAT”) to be deducted	–	103
	<b>1,286</b>	1,478

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Wealth management product		
— with principal guaranteed but interests non-guaranteed	5,008	–
Structured deposits (Note)	15,544	–
	<b>20,552</b>	–

Note: The term of the structured deposits is within one year and the floating interest rates range from 1.05% to 7.4% per annum.

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

30 June 2020

## 16. CASH AND CASH EQUIVALENTS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Cash on hand and at banks	94,656	86,904

At 30 June 2020 and 31 December 2019, the Group's cash and bank balances denominated in RMB and held in Mainland China amounted to RMB24,440,000 and RMB12,649,000, 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 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 30 days	28,469	23,724
31-60 days	14,940	9,242
61-90 days	14,324	8,990
91-120 days	6,398	1,094
over 120 days	278	7,124
	64,409	50,174

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

30 June 2020

## 18. OTHER PAYABLES AND ACCRUALS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Staff cost and welfare accruals	6,261	8,348
Provision for warranty (Note)	3,484	4,328
Other tax payables	3,153	208
Professional service fee payables	606	714
Other payables	794	842
	<b>14,298</b>	14,440

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

Note:

### Provision for warranty

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
At the beginning of period	4,328	3,669
Reversal	(128)	(165)
Payment	(716)	(603)
At the end of period	<b>3,484</b>	2,901

## 19. CONTRACT LIABILITIES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contract liabilities	<b>83,247</b>	65,942

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

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

30 June 2020

## 20. LEASE LIABILITIES

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

	30 June 2019 (Unaudited) RMB'000
Carrying amount at 1 January 2019	16,149
Accretion of interest recognized during the period	372
Modification	714
Payments	(2,034)
Carrying amount at 30 June 2019 (unaudited)	15,201
Analyzed into:	
Current portion	2,911
Non-current portion	12,290



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

30 June 2020

## 21. GOVERNMENT GRANTS

	For the six months ended	
	30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
At the beginning of period	2,391	1,469
Received during the period	–	960
Released to the statement of profit or loss	(237)	(182)
At the end of period	2,154	2,247
Current portion	(463)	(272)
Non-current portion	1,691	1,975

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 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Issued and fully paid/credited as fully paid 660,000,000 ordinary shares of HK\$0.01 each	5,806	5,806

## 23. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Shine Art International Limited	Controlling Shareholder
Friendly Holdings (HK) Co., Limited ("Friendly Holdings")	Shareholder
Digital Link Overseas Co., Ltd.	Shareholder
High Chance Limited	Shareholder
Talent Chain Limited ("Talent Chain")	Shareholder
Lin Wan-Yi	Ultimate controlling shareholder, Chairman, Executive Director and chief executive officer
Talent Trading (Shanghai) Limited Company ("Talent Trading")	Controlled by a shareholder
Fulagai Consulting (Shanghai) Co., Limited	Controlled by Friendly Holdings

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

30 June 2020

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

(b) The Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Loan from a related party (received and repaid): Shine Art	–	8,500
Payment on behalf of the Company: Friendly Holdings	–	6,408

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

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Fees	84	84
Salaries, allowances, and benefits in kind	1,056	1,000
Performance related bonuses	206	223
Total compensation paid to key management personnel	1,346	1,307

The key management personnel of the Group for the six months ended 30 June 2020 included three (six months ended 30 June 2019: three) directors of the Company whose total compensation was RMB941,000 (six months ended 30 June 2019: RMB913,000).

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

30 June 2020

## 24. COMMITMENTS

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted, but not provided for:		
Machinery	19,056	–
Furniture, fixtures and equipment	228	–
	<b>19,284</b>	–

## 25. 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
FINANCIAL ASSETS				
Notes receivable	31,182	43,293	30,951	42,979
Financial assets at fair value through profit or loss	20,500	–	20,552	–
	<b>51,682</b>	43,293	<b>51,503</b>	42,979

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, 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 analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation.

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

30 June 2020

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

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.

Financial assets at fair value through profit or loss represent the Group's investment in wealth management products issued by banks in Mainland China. The directors have estimated the fair value of these investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

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 2020

	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	–	30,951	–	30,951
Financial assets at fair value through profit or loss	–	20,552	–	20,552
	–	51,503	–	51,503

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

30 June 2020

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

### Fair value hierarchy *(Continued)*

As at 31 December 2019

	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	–	42,979	–	42,979

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Nil).

## 26. 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 2020.

## 27. COMPARATIVE AMOUNTS

Certain comparative amounts were reclassified in the unaudited Interim Financial Information to conform to the current period presentation.

## 28. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The unaudited Interim Financial Information was approved and authorized for issue by the board of directors on 26 August 2020.