Shinelong Automotive Lightweight Application Limited
勛龍汽車輕量化應用有限公司

(Incorporated in Cayman Islands with limited liability)

Stock Code : 1930

Annual Report 2022

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lin Wan-Yi *(Chairman)*
Mr. Yung Chia-Pu
Mr. Cheng Ching-Long
Mr. Lu Jen-Chieh

Non-executive Director

Ms. Hsieh Pei-Chen

Independent Non-executive Directors

Mr. So George Siu Ming
Mr. Lin Lien-Hsing
Mr. Fan Chi Chiu

BOARD COMMITTEES

Audit Committee

Mr. So George Siu Ming *(Committee chairman)*
Mr. Lin Lien-Hsing
Mr. Fan Chi Chiu

Remuneration Committee

Mr. Lin Lien-Hsing *(Committee chairman)*
Mr. Lin Wan-Yi
Mr. Fan Chi Chiu

Nomination Committee

Mr. Lin Wan-Yi *(Committee chairman)*
Mr. So George Siu Ming
Mr. Lin Lien-Hsing

Environmental, Social and Governance Committee

Mr. Cheng Ching-Long *(Committee chairman)*
Mr. Fan Chi Chiu
Mr. Lu Jen-Chieh

COMPANY SECRETARIES

Ms. Shen Xuejuan
Ms. Lam Nim Chi
(resigned with effect from 28 June 2022)

AUTHORISED REPRESENTATIVES

Mr. Lin Wan-Yi
Ms. Shen Xuejuan
(appointed with effect from 28 June 2022)
Ms. Lam Nim Chi
(resigned with effect from 28 June 2022)

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111 Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

2 Middle Yangguang Road
Zhangpu Town, Kunshan City
Jiangsu Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road, Kowloon
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

INVESTOR RELATIONS

Ms. Shen Xuejuan
Email: sophia@shinlone.com.cn
Telephone: (+86) 512-3683 2657

WEBSITE

www.shinlone.com.cn

STOCK CODE

1930

Corporate Information

LISTING INFORMATION

Equity Securities

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

Financial Calendar

2022 annual results announcement	:	Monday, 27 March 2023
2022 annual general meeting (the "**2022 AGM**")	:	Thursday, 1 June 2023

Closure of Register of Members and other Key Dates

The Company's register of members will be closed during the following periods:

— To determine the shareholders of the Company (the "**Shareholders**") who are entitled to attend and vote at the 2022 AGM

Latest time for lodging transfer documents of shares	:	4:30 p.m. on Thursday, 25 May 2023
Period of closure of register of members	:	Monday, 29 May 2023 to Thursday 1 June 2023 (both days inclusive)

— To determine the Shareholders' entitlement to the final dividend (the "**Final Dividend**")

Latest time for lodging transfer documents of shares	:	4:30 p.m. on Tuesday, 6 June 2023
Period of closure of register of members	:	Wednesday, 7 June 2023 to Thursday, 8 June 2023 (both days inclusive)
Record date	:	Thursday, 8 June 2023

To qualify for attending and voting at the 2022 AGM and entitlement to the Final Dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than the above latest time for lodging transfer documents of shares.

Subject to the approval by the Shareholders in the 2022 AGM, the proposed Final Dividend will be paid on Wednesday, 19 July 2023 to Shareholders whose names appear on the register of members of the Company on Thursday, 8 June 2023.

Corporate Information

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Thursday, 1 June 2023. Notice of the 2022 AGM will be set out in the Company's circular dated Tuesday, 25 April 2023 and will be despatched together with this annual report to the Shareholders. Notice of the 2022 AGM and the proxy form will also be published on the Company's website (www.shinlone.com.cn) and the Hong Kong Stock Exchange's website (www.hkex.com.hk).

DESPATCH OF CORPORATE COMMUNICATIONS

This annual report (both Chinese and English versions) will be delivered to Shareholders. This annual report is also published on the Company's website (www.shinlone.com.cn) and the Hong Kong Stock Exchange's website (www.hkex.com.hk).

For environmental protection reasons, the Company encourages the Shareholders to view this annual report posted on the aforesaid websites where possible.

Financial Summary

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

	For the year ended 31 December		
	2022	2021	Change
Revenue (RMB'000)	**198,543**	222,209	-10.7%
Gross profit (RMB'000)	**44,558**	48,613	-8.3%
Gross profit margin	**22.4%**	21.9%	0.5 percentage points
Net profit attributable to owners of the Company (RMB'000)	**17,312**	21,195	-18.3%
Net profit margin	**8.7%**	9.5%	-0.8 percentage points
Basic earnings per share (RMB cents)	**2.6**	3.2	-18.8%
Diluted earnings per share (RMB cents)	**2.6**	3.2	-18.8%

SUMMARY OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2022	2021	Change
Total assets (RMB'000)	**566,799**	491,607	15.3%
Cash and cash equivalents (RMB'000)	**54,449**	98,071	-44.5%
Total liabilities (RMB'000)	**244,289**	189,548	28.9%
Total equity (RMB'000)	**322,510**	302,059	6.8%
Return on equity	**5.4%**	7.0%	-1.6 percentage points
Return on total assets	**3.1%**	4.3%	-1.2 percentage points

Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present to the Shareholders the annual results of the Company together with its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**FY2022**").

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.

BUSINESS REVIEW

In 2022, spread of new variants of the novel coronavirus, the turbulent international geopolitical situation, the economic "de-globalization" and high global inflation resulted in an increasing in downside risks of world economy. China's economy has been impacted by multiple factors such as international situation and the domestic pandemic situation. As a result, the economic development was under great pressure, and the growth rate was slowed down.

China's automobile industry was also affected by frequent occurrence of COVID-19 pandemic in various areas, the shortage of chip supply, high raw material prices and other adverse factors. The Chinese government has adopted a series of policies such as preferential purchase tax to stabilize growth and boost consumption. In 2022, production and sales of automobiles in the PRC increased by 3.4% and 2.1% year-on-year, respectively. The new energy vehicle market sustained explosive growth and the market share of new energy vehicle increased to 25.6%.

In 2022, the household electrical appliance industry was affected by volatile international situation, the sluggish domestic real estate market, the recurrence of epidemic situation, the tendency of conservative consumption attitudes and other factors. As a result, the retail sales of household electrical appliance fell significantly.

It has been the Group's intention to expand and consolidate the Group's operation. In 2021, the Group acquired a piece of land (the "**Land**") through online public listing-for-trading activities. In 2022, the Group completed the tender process for selection of contractor in relation to the construction of the Land and construction of the new plant has commenced. At present, the construction of various main works is in full swing.

During March and April 2022, the outbreak of COVID-19 pandemic in Shanghai, the PRC was particularly severe. The principal subsidiary of the Group, which is located in area neighboring Shanghai, was also affected by lockdown measures and disrupted logistics in short term due to COVID-19 pandemic situations. The Group has put in place measures to reduce the adverse impact arising from COVID-19 pandemic. With the rapid development of the new energy vehicle market in the PRC, the Group actively adjusts its market strategy and strives to explore the market of automotive moulds. In order to provide better services to our customers, improve the comprehensive competitiveness of the Group and customer stickiness, the Group has purchased several hydraulic press used for hot forming, die spotting and testing during the year. In 2022, the amount of orders for automotive moulds received by the Group increased as compared with that in 2021. Due to the impacts of COVID-19 pandemic, the decline in consumer demands in the household electrical appliance market and other factors, the amount of orders for electrical appliance moulds received by the Group in 2022 was decreased as compared with that in 2021.

Chairman's Statement

In 2022, Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("**Shinelong (Suzhou)**"), a principal wholly-owned subsidiary of the Group, has taken various measures to optimize the organizational structure of each department, so as to enhance the staff enthusiasm and improve efficiency.

The revenue of the Group for FY2022 amounted to approximately RMB198.5 million, representing a decrease of approximately RMB23.7 million or 10.7% as compared with that of RMB222.2 million for the year ended 31 December 2021 (the "**FY2021**"). Such decrease was mainly due to the decrease in revenue generated from sales of electrical appliance moulds, which was impacted by the sluggish demand and fierce competition in electrical appliance and electrical appliance moulds markets. In response to the market environment of electrical appliance moulds and the rapid development of the new energy vehicle market, the Group adjusts its strategy to focus on the development of automotive moulds, resulting in an increase in orders for automotive moulds while orders for electrical appliance moulds decreased. However, the production and examination period for automotive moulds is relatively lengthy, and as such, the increase in revenue of automotive moulds in FY2022 was unable to fully offset the decline in revenue from electrical appliance moulds. The profit attributable to owners of the Company for FY2022 amounted to approximately RMB17.3 million, representing a decrease of 18.3% as compared with that of approximately RMB21.2 million for FY2021. Such decrease was mainly due to a combination of (i) the decrease in revenue of the electrical appliance moulds segment for FY2022; (ii) a decrease in other income and gains arising from the disposal of plant and land; (iii) a decrease in income tax expenses due to the fact that Shinelong(Suzhou), a principal wholly-owned subsidiary of the Group, was qualified as a high and new technology enterprise, and could enjoy a preferential policy of one-time deduction before corporate income tax and 100% additional deduction for certain equipment and appliances purchased in the fourth quarter of 2022; and (iv) a decrease in general and administrative expenses.

OUTLOOK

Due to the impact of multiple factors such as intensifying geopolitical conflicts, high global inflation and climate change, the uncertainty of the world economy will become more prominent in 2023. The market remains under pressure due to the uncertainty of world economic development, and the Chinese government will continue to actively implement the strategy of expanding domestic demand, strive to boost market confidence and further stimulate the vitality of market entities and consumers. With the optimization of COVID-19 prevention and control measures in the PRC and the expectation that the shortage of chip supply and other problems will be greatly alleviated in 2023, it is expected the domestic automobile market will continue to develop steadily, which will bring chances for automotive moulds market. On the other hand, the market competition has become more fierce, the automobile and automotive moulds markets also face challenges.

In 2023, while the domestic market demand for traditional household electrical appliances is expected to be released slowly and the demand of consumers for large-size and high-end products is increasing, market competition is fierce. Overseas market will face great challenges due to the possibility of economic recession in some countries. All of these will intensify the competition and bring uncertainty to the household electrical appliance mould market.

Chairman's Statement

The construction of the Group's new plant, which is located in Kunshan City, Jiangsu province, is expected to be completed by the end of 2023. Shinelong (Suzhou), a subsidiary of the Group, will relocate to the new plant. The Group will be able to plan the layout of production lines more efficiently and purchase more advanced and efficient production equipment according to business requirements. It is expected that the new plant will enable the Group to centralise the management of the production process, save logistics costs and improve efficiency. The new plant may provide favorable conditions for the Group to secure new business opportunities. In 2023, the Group will actively address the challenges brought by changes in global political, economic and pandemic situations, and pay close attention to changes in the market and business environment. While preventing and controlling operational risks, the Group will continue to further penetrate into the mould market, strengthen our competitiveness, seize market opportunities, and strive to expand market share.

DIVIDEND

Taking into account the Group's business development needs, capital demand for new plant construction and the Shareholder's investment returns, the Board proposed a Final Dividend of HK0.241 cents (equivalent to RMB0.210 cents) per share for FY2022.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude to all of our employees and management team for their effort and contribution, and also thank our Shareholders and business partners for their trust and support. Going forward, the Group will strive to achieve a stable growth and create higher value for our Shareholders.

Lin Wan-Yi
Chairman and executive Director
Hong Kong, 27 March 2023

FINANCIAL REVIEW

Revenue

The revenue of the Group amounted to approximately RMB198.5 million for FY2022, representing a decrease of approximately RMB23.7 million or 10.7% as compared with that of approximately RMB222.2 million for FY2021.

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

	For the year ended 31 December		
	2022	2021	Change
	RMB'000	RMB'000	%
Sales of moulds			
Automotive moulds	**137,328**	133,884	2.6
Electrical appliance moulds	**40,442**	65,802	-38.5
Other moulds	**5,670**	3,007	88.6
Sub-total	**183,440**	202,693	-9.5
Parts processing services	**13,963**	17,625	-20.8
Other sundry income	**1,140**	1,891	-39.7
Total	**198,543**	222,209	-10.7

(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 other parts. Sales of moulds accounted for 92% of the Group's revenue for FY2022.

The revenue generated from sales of automotive moulds for FY2022 amounted to approximately RMB137.3 million, representing an increase of approximately RMB3.4 million or 2.6% as compared with that of approximately RMB133.9 million for FY2021.

The revenue generated from sales of electrical appliance moulds for FY2022 amounted to approximately RMB40.4 million, representing a decrease of approximately RMB25.4 million or 38.5% as compared with that of approximately RMB65.8 million for FY2021. Due to the sluggish demand and fierce competition in electrical appliance and electrical appliance moulds markets, and the rapid development of the new energy vehicle market, the Group adjusts its strategy to focus on the development of automotive moulds. As a result, the amount and proportion of orders for automotive moulds received by the Group increased, while the amount and proportion of orders for electrical appliance moulds decreased, which resulted in a decreased in revenue generated from sales of electrical appliance moulds.

(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 FY2022 amounted to approximately RMB14.0 million, representing a decrease of approximately RMB3.6 million or 20.8% as compared with that of approximately RMB17.6 million for FY2021. Such decrease was primarily due to the decrease in revenue from parts processing services for electrical appliance moulds provided by the Group.

Cost of sales

The Group's cost of sales primarily consists of direct materials, direct labour, manufacturing overhead and subcontracting expenses. The major raw materials used by the Group in the production of moulds include, among others, mould steel, mould parts, hot runner and mould base.

The cost of sales of the Group for FY2022 amounted to approximately RMB154.0 million, representing a decrease of approximately RMB19.6 million or 11.3% as compared with that of approximately RMB173.6 million for FY2021. Such decrease was mainly due to the decrease in revenue generated from electrical appliance moulds, and the cost of sales decreased accordingly.

Gross profit and gross profit margin

The gross profit of the Group for FY2022 amounted to approximately RMB44.6 million, representing a decrease of approximately RMB4.0 million or 8.3% as compared with that of approximately RMB48.6 million for FY2021. The gross profit margin increased from 21.9% for FY2021 to 22.4% for FY2022, which was mainly due to the decrease in revenue generated from sales of electrical appliance moulds with low gross profit margin during the reporting period.

Other income and gains

The other income and gains of the Group mainly consisted of government grants, interest income, gain on disposal of assets and foreign exchange differences. The amount decreased from approximately RMB11.5 million for FY2021 to RMB3.8 million for FY2022, which was mainly due to the decrease of gains on disposal of assets for FY2022. The gains from the disposal of assets for FY2021 was mainly attributable to the disposal of the plant and land, located in 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, owned by Shinelong (Suzhou), a wholly-owned subsidiary of the Company.

Selling and distribution expenses

The selling and distribution expenses of the Group mainly consisted of staff costs for sales staff and provision for warranty. The amount remained relatively stable at approximately RMB6.0 million for FY2021 and approximately RMB5.9 million for FY2022.

General and administrative expenses

The general and administrative expenses of the Group for FY2022 amounted to approximately RMB23.2 million, representing a decrease of approximately RMB4.5 million or 16.5% as compared with that of approximately RMB27.7 million for FY2021. Such decrease was mainly due to the net effects of (i) the decrease of approximately RMB2.1 million in impairment losses for trade and notes receivables due to the timely settlement of trade receivables by the Group's customers; (ii) a decrease of approximately RMB1.2 million in welfare funds, approximately RMB1.3 million in consulting fees, approximately RMB1.1 million in taxes; and (iii) an increase of approximately RMB0.9 million in depreciation.

Finance costs

The finance costs of the Group mainly consisted of interest expenses on lease liabilities and discounted notes receivable. The amount remained relatively stable at approximately RMB0.7 million for FY2021 and approximately RMB0.6 million for FY2022.

Income tax expenses and effective tax rate

The income tax expenses of the Group decreased from approximately RMB4.6 million for FY2021 to approximately RMB1.0 million for FY2022. The effective tax rate, representing income tax expense divided by profit before taxation, were 17.8% and 5.4% for FY2021 and FY2022, respectively, which was primarily due to the fact that Shinelong (Suzhou), a principal wholly-owned subsidiary of the Group, was qualified as a high and new technology enterprise, and could enjoy a preferential policy of one-time deduction before corporate income tax and 100% additional deduction for certain equipment and appliances purchased in the fourth quarter of 2022, resulting in a decrease in income tax expenditure.

Net profit and net profit margin

The Group recorded net profit attributable to owners of the Company of approximately RMB21.2 million and RMB17.3 million for FY2021 and FY2022, with a net profit margin of 9.5% and 8.7%, respectively. This was mainly due to the combined effects of the decrease in revenue generated from sales of electrical appliance moulds, other income and gains, general and administrative expenses and income tax expenses for FY2022.

Capital expenditure and commitments

The Group's capital expenditure in FY2022 primarily comprised expenditure on acquisition of plant and equipment, intangible assets and right-of-use assets and amounted to a total of approximately RMB53.8 million (FY2021: approximately RMB8.7 million).

As at 31 December 2022, the Group had capital commitments of approximately RMB72.3 million (31 December 2021: approximately RMB13.9 million).

Liquidity and financial resources

The Group's operations were primarily financed through its operating activities for FY2022. 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 31 December 2022, the Group's total current assets and current liabilities were approximately RMB417.2 million (31 December 2021: approximately RMB386.3 million) and approximately RMB232.5 million (31 December 2021: approximately RMB175.7 million), respectively, while the current ratio was approximately 1.8 times (31 December 2021: approximately 2.2 times). The increase in total current assets as at 31 December 2022 was mainly due to the combined effects of (i) the increase in inventory of approximately RMB64.2 million. Since FY2021, the amount and proportion of orders for automotive moulds received by the Group increased, while the amount and proportion of orders for electrical appliance moulds decreased, and the production and examination period of automotive moulds is relatively lengthy as compared with that of electrical appliance moulds, which resulted in an increase in inventory; (ii) the decrease in cash and cash equivalents of approximately RMB43.6 million due to acquisition of plant, equipment and an increase in inventory in FY2022. The increase in total current liabilities as at 31 December 2022 was mainly attributable to the increase in contract liabilities, other payables and accruals, interest-bearing bank and other borrowings.

As at 31 December 2022, the Group had cash and bank balances of approximately RMB56.6 million (31 December 2021: approximately RMB100.9 million), among which restricted bank deposits were approximately RMB2.2 million (31 December 2021: approximately RMB2.8 million).

As at 31 December 2022, the Group's balance of interest-bearing bank and other borrowings were approximately RMB12.9 million (31 December 2021: Nil). The interest-bearing bank borrowings bear interest at a fixed interest rate. As at 31 December 2022, the Group's gearing ratio was 7.4% (31 December 2021: 4.6%), which was calculated based on interest-bearing liabilities divided by total equity.

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

Reserves and capital structure

As at 31 December 2022, the Group's total equity was approximately RMB322.5 million (31 December 2021: approximately RMB302.1 million), which represented share capital of approximately RMB5.8 million (31 December 2021: approximately RMB5.8 million), reserves of approximately RMB315.9 million (31 December 2021: approximately RMB296.7 million), treasury shares approximately RMB0.1 million (31 December 2021: approximately RMB0.7 million) and non-controlling interests of approximately RMB0.9 million (31 December 2021: approximately RMB0.3 million). The increase in total equity was primarily due to the net profit recorded for FY2022.

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 31 December 2022, the Group's property, plant and equipment amounted to approximately RMB116.0 million (31 December 2021: approximately RMB70.9 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 31 December 2022, the Group's inventories amounted to approximately RMB246.4 million (31 December 2021: approximately RMB182.2 million). Such increase was mainly due to the increase in orders for automotive mould received by the Group since the second half of 2021 and during the reporting period.

Trade and notes receivables

The Group's trade and notes receivables represented amounts receivable from the customers in relation to the sales of moulds and provision of parts processing services. The Group's notes receivable 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 31 December 2022, the Group's trade and notes receivables amounted to approximately RMB110.6 million (31 December 2021: approximately RMB95.7 million). Such increase was mainly due to the increase in the Group's notes receivable issued by customers during the reporting period.

Since the outbreak of COVID-19 in the first half of 2020, the Group has strengthened the internal control measures on its assessment of expected credit losses on trade receivables, reviewed the trade receivables ageing regularly and assessed the customers individually for provision for expected credit loss allowance which take into account the historical settlement pattern, communications with the customers, and evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers.

Trade payables

The Group's trade 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 31 December 2022, the Group's trade payables amounted to approximately RMB62.6 million (31 December 2021: approximately RMB59.8 million).

Contract liabilities

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

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

As at 31 December 2022, the Group's contract liabilities amounted to approximately RMB116.6 million (31 December 2021: approximately RMB92.5 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 31 December 2022, the Group had 383 employees (31 December 2021: 353 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. 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 retirement insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing funds. The Company also maintains a share option scheme and a share award scheme, which aims to providing incentives to employees to contribute to the Group's development.

The total staff cost including remuneration, other employee benefits, equity-settled share reward expenses and contributions to retirement schemes for the Directors and other staff of the Group for FY2022 amounted to approximately RMB44.1 million (FY2021: approximately RMB48.9 million). The decrease in staff cost was mainly due to the decrease in direct labor cost.

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2022, the Group had no material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

In May 2022, Shinelong (Suzhou) entered into the purchase agreement with Dees Hydraulic Industrial (Kunshan) Co., Ltd.* (迪斯油壓工業(昆山)有限公司) ("**Dees (Kunshan)**") for the purchase of the equipment at a consideration of approximately RMB8.5 million. For further details, please refer to the announcement of the Company dated 6 May 2022 and the supplemental announcement of the Company dated 10 May 2022, respectively.

In July 2022, Shinelong (Suzhou) entered into the construction contract for the construction work of new plant with Jiangsu Yongtai Construction Engineering Co.,Ltd.* (江蘇永泰建造工程有限公司), as the contractor, at the consideration of approximately RMB77.0 million, subject to the adjustment on the raw materials price difference; design change issued by the designer; and/or valid on-site permit approved by Shinelong (Suzhou) (if any). For further details, please refer to the announcement of the Company dated 11 July 2022 and the circular of the Company dated 10 August 2022, respectively.

In July 2022, Shinelong (Suzhou) entered into the purchase agreement with Dees (Kunshan) for the purchase of the equipment at a consideration of approximately RMB19.3 million. For further details, please refer to the announcement of the Company dated 22 July 2022.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities (as at 31 December 2021: Nil).

* *For identification purpose only*

PLEDGES OVER GROUP'S ASSETS

In October 2022, the Group entered into a ten-year general facility agreement with a maximum credit limit of RMB80.0 million with Jiangsu Kunshan Rural Commercial Bank Co., Ltd. Zhangpu Sub-branch, which is secured by the mortgages over the Group's leasehold land with a net carrying value at the end of the reporting period of approximately RMB6.9 million, together with the new plant under construction on the leasehold land with a net carrying value at the end of the reporting period of approximately RMB34.8 million. As at 31 December 2022, the Group had a bank borrowing of RMB6.0 million under the general facility agreement for the construction of new plant, which bears interest at a rate of 3.90% per annum and is repayable in three equal instalments in September 2023, December 2023 and June 2024, respectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Shinelong (Suzhou), a principal wholly-owned subsidiary of the Company, was established in 2002, and began its operation in the plant which was located at 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, since 2003. With the development of business, Shinelong (Suzhou) has successively leased serval plants, which are located in Zhangpu Town, Kunshan city, for mould production from third parties. The operation sites are relatively scattered, which is not optimal for effective production management. It has been the Group's intention to expand and consolidate the Group's operation. As disclosed in the announcement of the Company dated 12 November 2021, Shinelong (Suzhou) successfully bid the land use right of a piece of state-owned industrial construction land located in Zhangpu Town, Kunshan City. On 11 July 2022, the Group engaged the contractor to carry out the construction works of a new plant on the Land, which include construction works of research and development workshop, assembly workshop, CNC workshop, research and development and office building, and hazardous waste warehouse etc. ("**Construction Works**") at the consideration of approximately RMB77.0 million, subject to the adjustment on the raw materials price difference; design change issued by the designer; and/or valid on-site permit approved by Shinelong (Suzhou). The consideration will be funded by the internal resources and banking facilities of the Group. It is expected that the Construction Works will be completed in 2023. For further details, please refer to the announcement of the Company dated 11 July 2022 and the circular of the Company dated 10 August 2022, respectively.

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

On 23 February 2023, Shinelong (Suzhou) entered into the purchase agreement with Dees (Kunshan) for the purchase of the equipment at a consideration of approximately RMB5.6 million. For further details, please refer to the announcement of the Company dated 23 February 2023.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 December 2022.

FOREIGN CURRENCY EXPOSURE

Since the Group generated most of the revenue and incurred most of the costs in Renminbi for FY2022, 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 of the Company dated 17 June 2019 (the "**Prospectus**").

The following table sets out the utilisation of the Net Proceeds as at 31 December 2022:

	Percentage of Net Proceeds	Net Proceeds from the Global offering HK$' million	Utilised up to 31 December 2022 HK$' million	Unutilised as at 31 December 2022 HK$' million	Expected timeline for full utilisation
Lease the premises for new factory	4.0%	3.8	3.8	–	–
General set up costs of the factory	3.2%	3.1	2.4	0.7	By the end of 2023
Purchase new production equipment	76.3%	72.9	59.8	13.1	By the end of 2023
Purchase softwares	6.5%	6.2	4.8	1.4	By the end of 2023
Supplement working capital	10.0%	9.6	9.6	–	–
		95.6	80.4	15.2	

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 in the use of proceeds.

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

As at 31 December 2022, the unutilised Net Proceeds of approximately HK$15.2 million have been placed as interest bearing deposits with licensed bank in Hong Kong.

COMPARISON OF EXPANSION PLANS WITH ACTUAL PROGRESS

An analysis comparing the expansion plans of the Group as set out in the Prospectus with the Group's actual business progress as at 31 December 2022 is set out below:

Expansion plans	Implementation plans	Actual business progress
Setting up a new factory	— Lease and set up a new factory	— The Group has leased a factory with a gross floor area of approximately 1,800 sq.m. in Kunshan in September 2019.
		— The Group has leased a factory and office premises with a gross floor area of approximately 1,407 sq.m. in Kunshan in August and October 2020.
	— General set up costs of the factory	— The Group has utilised an aggregate of HK$2.4 million on the construction of the foundation for the automatic thermoforming press line and the electrical distribution works.
Expanding the production facilities and capabilities	— Purchase new production equipment	— The Group has utilised an aggregate of HK$59.8 million to acquire one coordinate measuring machine, eleven computerised numerical control machines, a set of automatic thermoforming press lines, a set of hydraulic press used for hot forming, die spotting and testing and a set of heating furnace, a set of hydraulic press (including automatic handling system, heating furnace and heating control system) used for mould production and debugging.
	— Purchase softwares	— The Group has utilised an aggregate of HK$4.8 million to acquire computer softwares for product analysis and mould design.

EXECUTIVE DIRECTORS

Mr. Lin Wan-Yi (林萬益), aged 62, is an executive Director, Chairman and chief executive officer of the Company, who founded the Group in January 2002. He is the chairman of the Nomination Committee and a member of the Remuneration Committee of the Board. Mr. Lin was appointed as a Director of the Company on 2 October 2018, and was re-designated as an executive Director, Chairman and chief executive officer of the Company since then. Mr. Lin is also a director of certain subsidiaries of the Company. He is primarily responsible for supervising the operations and planning the business and marketing strategies of the Group. Mr. Lin is the controlling Shareholder of the Company (within the meaning of Part XV of the Securities and Future Ordinance (the "**SFO**")).

Mr. Lin has more than 32 years of experience in moulding industry. From November 1991 to December 2015, he served as a director of Shin Lone Industrial Company Limited (勳龍工業股份有限公司) ("**Shin Lone Taiwan**"). Shin Lone Taiwan was a mould manufacturer in Taiwan until it ceased to operate and was dissolved on 31 December 2015. Shin Lone Taiwan was solvent at the time it was dissolved on 31 December 2015.

Mr. Lin obtained a master degree in business administration from Fudan University in the PRC in January 2016.

Mr. Yung Chia-Pu (雍嘉樸), aged 61, is an executive Director of the Company, who joined the Group in January 2002. Mr. Yung was appointed as a Director of the Company on 15 February 2019, and was re-designated as an executive Director of the Company. Mr. Yung is also a director of a subsidiary of the Company. He is primarily responsible for overseeing the overall operation and development of the Group.

Mr. Yung has more than 26 years of experience in the moulding industry. From July 1981 to June 1988, Mr. Yung worked as a technician of the Arsenal of the Taiwan Combined Logistics Command (台灣聯勤兵工廠). From October 1988 to October 1990, Mr. Yung worked as a technician of Jet-Shine Machinery Company Limited (振興機械股份有限公司). From October 1990 to October 1991, Mr. Yung worked as a technician of Shang Ming Machinery Industry Company Limited (上銘機械工業股份有限公司). From November 1991 to December 2015, Mr. Yung worked as a director of Shin Lone Taiwan.

Mr. Yung obtained an associate degree in mechanical engineering from Lee-Ming Institute of Technology (黎明技術學院) in Taiwan in June 1989.

Mr. Cheng Ching-Long (鄭景隆), aged 47, is an executive Director and vice president of operation of the Company, who joined the Group in February 2008. He is the chairman of the Environmental, Social and Governance Committee of the Board. Mr. Cheng was appointed as a Director of the Company on 15 February 2019, and was re-designated as an executive Director of the Company. Mr. Cheng is also a director of certain subsidiaries of the Company. He is primarily responsible for overseeing the daily operations of the Group and planning the overall operation and development of the Group.

Mr. Cheng has more than 16 years of experience in moulding industry. From March 1997 to September 2002, Mr. Cheng worked as a fitter in Titan Mold Corporation (冠譽股份有限公司). From October 2002 to June 2007, Mr. Cheng worked as a factory director of Kunshan Jiateng Photoelectric Plastic Company Limited (昆山佳騰光電塑膠有限公司).

Mr. Cheng obtained a diploma in human resources management from Beijing Institute of Technology (北京理工大學) in the PRC in January 2018.

Mr. Lu Jen-Chieh (盧仁傑), aged 51, is an executive Director of the Company, who joined the Group in June 2015. He is a member of the Environmental, Social and Governance Committee of the Board. Mr. Lu was appointed as a Director of the Company on 15 February 2019, and was re-designated as an executive Director of the Company. Mr. Lu is also a director of a subsidiary of the Company. He is primarily responsible for overseeing the daily operations of the Group and the operation of CNC machines in the production processes.

Mr. Lu has more than 27 years of experience in moulding industry. From 1993 to 1996, Mr. Lu worked as a technician of Shin Lone Taiwan. From 1996 to 2001, Mr. Lu worked as an engineer of Yang Iron Works Company Limited (楊鐵工廠股份有限公司). From 2002 to 2015, Mr. Lu returned to Shin Lone Taiwan and worked as a technician. He was also responsible for management during that period.

Mr. Lu obtained a diploma in industrial engineering and management from China Institute of Technology (currently known as China University of Science and Technology) Affiliated Junior College of Continuing Education (中華技術學院附設專科進修學校) in Taiwan in June 2002.

NON-EXECUTIVE DIRECTOR

Ms. Hsieh Pei-Chen (謝佩真), aged 49, was appointed as a Director of the Company on 26 April 2019 and was re-designated as a non-executive Director of the Company. She is primarily responsible for advising on finance, accounting and corporate governance matters of the Group. Ms. Hsieh is a shareholder of Shine Art International Limited ("**Shine Art**") and is regarded as a controlling Shareholder of the Company.

Ms. Hsieh has more than 21 years of accounting experience with mould manufacturers. From October 1999 to November 2015, Ms. Hsieh worked as an accounting officer of Shin Lone Taiwan. Since December 2015, Ms. Hsieh has worked as an accounting officer of Hung Shuen Industrial Co., Ltd. (鴻順工業股份有限公司).

Ms. Hsieh obtained a diploma in industrial engineering and management (工業工程與管理) from Oriental Institute of Technology (亞東工業專科學校), currently known as Asia Eastern University of Science and Technology (亞東科技大學), in Taiwan in June 1994.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. So George Siu Ming (蘇少明), aged 64, was appointed as an independent non-executive Director of the Company on 6 June 2019. He is the chairman of the Audit Committee and a member of the Nomination Committee of the Board. He is primarily responsible for providing independent views on the management of the Group and does not participate in the day-to-day management of the business operations.

Mr. So has more than 35 years of experience in auditing, accounting and finance areas. Mr. So had worked as, among others, an executive director, chief operating officer, chief financial officer and company secretary in a company listed on the Main Board of Hong Kong Stock Exchange from May 2007 to August 2010. Mr. So had worked as an independent non-executive director, the chairman of the remuneration and nomination committee and a member of the audit committee in a company listed on the GEM of the Hong Kong Stock Exchange from December 2011 to July 2013. From March 2007 to May 2011, Mr. So was employed at Asset Managers (Asia) Company Limited (亞盛(亞洲)有限公司), where he served as chief financial officer from March 2007 to May 2011 and chief operating officer from December 2008 to May 2011.

Mr. So obtained a bachelor degree in arts from the University of Toronto in Canada in June 1983 and a master degree in science from the Chinese University of Hong Kong in December 2005. Mr. So was admitted as a certified public accountant and a fellow of Hong Kong Institute of Certified Public Accountants in July 1993 and December 2005, respectively. Mr. So was also granted the designation of Chartered Professional Accountant by, and admitted as a member of, the Institute of Chartered Accountants of Ontario in November 2012 and April 2014, respectively.

Mr. Lin Lien-Hsing (林連興), aged 53, was appointed as an independent non-executive Director of the Company on 6 June 2019. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Board. He is primarily responsible for providing independent views on the management of the Group and does not participate in the day-to-day management of the business operations.

From August 1996 to September 1999, Mr. Lin was a member of the financial department at Yang Ming Marine Transport Corporation (陽明海運股份有限公司). From September 1999 to February 2008, Mr. Lin was a finance manager of Data Systems Consulting Company Limited (鼎新電腦股份有限公司). From April 2010 to March 2015, Mr. Lin was employed at Digiwin Software Company Limited (鼎捷軟件股份有限公司) (stock code: 300378), a company listed on the Shenzhen Stock Exchange, during which he served the respective roles of secretary of the board of directors, finance manager and director. Mr. Lin was a partner of Strait Capital Investment Group (海峽資本管理顧問股份有限公司) from April 2015 to July 2019 and served as consultant from August 2019 to June 2021. Mr. Lin is currently an independent director of Aethertek Technology Co., Ltd (倚強科技股份有限公司) (stock code: 3219), a company listed on The Taiwan Stock Exchange Corporation (the "**Taiwan Stock Exchange**"). Mr. Lin is currently an independent director of L&K Engineering (Suzhou) Co., Ltd. (亞翔系統集成科技(蘇州)股份有限公司) (stock code: 603929), a company listed on the Shanghai Stock Exchange. Mr. Lin has been appointed as an independent director of Shanghai Karon Eco-Valve Manufacturing Co., Ltd. (上海冠龍閥門節能設備股份有限公司) (stock code: 301151), a company listed on the Shenzhen Stock Exchange in April 2022.

Mr. Lin obtained a bachelor degree in management from the National Taiwan University in Taiwan in 1992. Mr. Lin obtained a secretary to board of directors qualification from the Shenzhen Stock Exchange in 2018.

Mr. Fan Chi Chiu (范智超), aged 37, was appointed as an independent non-executive Director of the Company on 6 June 2019. He is a member of the Audit Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Board. He is primarily responsible for providing independent views on the management of the Group and does not participate in the day-to-day management of the business operations.

Mr. Fan has more than 15 years of working experience in the auditing and financial management industry. From October 2007 to June 2011, he worked at PricewaterhouseCoopers, with his last position as a senior associate. From July 2011 to February 2014, he worked at Barclays Investment Bank, with his last position as analyst. From April 2014 to March 2015, Mr. Fan worked as a finance director at Vantasia Holdings (H.K.) Limited. Mr. Fan was the chief financial officer of the ELL Environmental Holdings Limited (stock code: 1395), a company listed on the Main Board of the Hong Kong Stock Exchange, from April 2015 to September 2021. Mr. Fan was an executive director of Grace Wine Holdings Limited (stock code: 8146), a company listed on the GEM of the Hong Kong Stock Exchange, from July 2017 to September 2021. He has been an independent non-executive director of Hevol Service Group Co. Limited (stock code: 6093), a company listed on the Main Board of the Hong Kong Stock Exchange, since June 2019 and an independent non-executive director of Weihai City Commercial Bank Co., Ltd. (stock code: 9677), a company listed on the Main Board of the Hong Kong Stock Exchange, since June 2020. Mr. Fan has also been the chief investment officer of AB Builders Group Limited (stock code: 1615), a company listed on the Main Board of the Hong Kong Stock Exchange, since November 2021.

Mr. Fan obtained a bachelor degree in professional accountancy from the Chinese University of Hong Kong in Hong Kong in December 2007. Mr. Fan is a member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. Lin Wan-Yi (林萬益) is the chief executive officer of the Company. For the biographies of Mr. Lin, please see the sub-section "Biographies of Directors and Senior Management — Executive Directors" above.

Mr. Cheng Ching-Long (鄭景隆) is the vice president of operation of the Company. For the biographies of Mr. Cheng, please see the sub-section "Biographies of Directors and Senior Management — Executive Directors" above.

Mr. Lu Jen-Chieh (盧仁傑) is the equipment and technical vice president of the operation centre of the Company. For the biographies of Mr. Lu, please see the sub-section "Biographies of Directors and Senior Management — Executive Directors" above.

Mr. Chen Ming-Chih (陳明志), aged 40, was the chief technology officer of the Company from February 2019 to March 2023, who joined the Group in March 2017. He was primarily responsible for supervising the daily operations, research and development. Mr. Chen has more than 12 years of experience in the moulding industry. Prior to joining the Group, from January to June 2007, Mr. Chen was the mould engineer of Lee Chi Enterprises Co. Ltd. (利奇機械工業股份有限公司) (stock code: 1517), a company listed on the Taiwan Stock Exchange. From September 2010 to March 2016, Mr. Chen was the engineer, assistant manager and manager of the department of technology of Shanghai Kunyi Precise Metal Molding Products Company Limited (上海坤億精密金屬成型製品有限公司). From June 2016 to March 2017, Mr. Chen was the automobile parts technology manager of Aritex Products Company Limited (緯航企業有限公司).

Mr. Chen obtained a master degree in mechanical engineering from National Taiwan University (國立台灣大學) in Taiwan in June 2010.

Ms. Wang Jinxin (王進新), aged 38, joined the Group in April 2005 and is the finance manager of Shinelong (Suzhou), a principal subsidiary of the Company. Ms. Wang was appointed as the Chief Financial Officer of the Company since June 2020. Ms. Wang has more than 17 years of experience in accounting and financial management.

Ms. Wang obtained an undergraduate diploma in accounting from Nanjing University of Finance & Economics (南京財經大學) in July 2015. Ms. Wang obtained the qualification for primary level accounting approved and issued by Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) in May 2007. Ms. Wang obtained the qualification for medium level accounting approved and issued by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) and the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in September 2019. Ms. Wang obtained the qualification of Intermediate Management Accountant issued by China Association of Chief Financial Officers (中國總會計師協會) in March 2020.

COMPANY SECRETARY

Ms. Shen Xuejuan (沈雪娟), aged 44, is the company secretary of the Company, who joined the Group in March 2014. Ms. Shen was appointed as the joint company secretary of the Company in February 2019, and she was appointed as the sole company secretary of the Company in June 2022. Ms. Shen has more than 19 years of experience in operation and secretarial matters. Prior to joining the Group, from April 2004 to June 2006, Ms. Shen was a sales assistant of Kunshan New China Biotech Company Limited (昆山新華聯合生物科技有限公司). From December 2006 to May 2013, Ms. Shen was an operation officer of Solid-State (Kunshan) Precision Industries Company Limited (碩利特(昆山)精密工業有限公司). From June 2013 to January 2014, Ms. Shen was a clerk at Kunshan Henry Metal Technology Company Limited (昆山亨利金屬科技有限公司).

Ms. Shen obtained a diploma in public relation and secretary from Huainan Union University (淮南聯合大學) in the PRC in July 2001. Ms. Shen also obtained a bachelor's degree in law (online course) from Beijing Institute of Technology (北京理工大學) in the PRC in September 2021.

CORPORATE CULTURE

Mission:	To contribute China become intelligent manufacturing power in world
Vision:	To be a world-renowned automotive lightweight application provider
Values:	To help customers and employees succeed

The Group focus on long-term, stable and sustainable development strategies in business development. A healthy corporate culture across the Group is crucial for the Group to realize its vision, mission and long-term sustainable development. The Board lead the Group to shape a health corporate culture to guide the behaviours of its employees and by example, and ensure that the Group's vision, values and business strategies are aligned to it. The Group is committed to maintain high standards of business ethics and corporate governance across our operations, and continually reinforce the concept of acting lawfully, ethically and responsibly across all levels of the Group, and continue to improve corporate governance practices. The relevant norms are set out in various policies such as the Group's handbook, the whistleblowing policy, anti-fraud and anti-corruption policy of the Group, and conduct training from time to time.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders of the Company, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the year ended 31 December 2022 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 C.2.1 and F.2.2 as set out below.

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and chief executive officer and Mr. Lin Wan-Yi currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Given that (i) all material decisions are approved by the Board, which currently comprised of 4 executive Directors (including Mr. Lin Wan-Yi), 1 non-executive Director and 3 independent non-executive Directors; and (ii) the Directors proactively participate in all the board meetings and the relevant board committee meetings, and the chairman cum chief executive officer ensures all the Directors are duly informed of all the matters to be approved at the meetings, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Pursuant to code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The chairman of the Board should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. Mr. Lin Lien-Hsing, chairman of the Remuneration Committee was unable to attend the annual general meeting (the "**AGM**") of the Company held on 22 June 2022 due to his other work commitment while the other members of the Remuneration Committee have attended the AGM.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code for the year ended 31 December 2022 and up to the date of this report.

The Company has also adopted the 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 for the year ended 31 December 2022 and up to the date of this report.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has established Board independence evaluation mechanisms to ensure independent views are available to the Board, and a summary of which is set out below:

(i) Composition

The Company shall always strive to maintain a balanced composition of executive and non-executive directors (including independent non-executive Directors) on the Board, and ensure the appointment of at least three independent non-executive Directors and maintain a ratio of at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time). Independent non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

(ii) Independence

The Nomination Committee must adhere to the director nomination policy of the Company and the independence assessment criteria as set out in the Listing Rules with regard to the nomination, appointment and re-appointment of independent non-executive Directors, and assess the independence of all independent non-executive Directors on an annual basis to ensure that they can continue to exercise independent judgement.

(iii) Compensation

No equity-based remuneration (e.g. share options or grants) with performance-related elements will be granted to independent non-executive Directors so as to maintain their objectivity and independence within the Board.

(iv) Board Decision Making

The Company is committed to ensuring that all Directors (including independent non-executive Directors) will be given equal opportunity and channels to communicate and express their independent views and inputs to the Board and the Board committees.

All Directors (including independent non-executive Directors) may seek further information and documentation from the management on the matters to be discussed at Board meetings. They may also seek assistance from the company secretary of the Company and, where appropriate, independent advice from external professional advisers at the Company's expense.

Directors (including independent non-executive Directors) shall not vote or be counted in the quorum on any Board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and annually reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The Board reviewed the implementation and effectiveness of the Board independence evaluation mechanisms and the results were satisfactory.

Board Composition

The Board currently comprises the following Directors:

Executive Directors

Mr. Lin Wan-Yi *(chairman and chief executive officer)*
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

The biographical details of each Director are set out in the section headed "Biographies of Directors and Senior Management" on pages 18 to 22 of this annual report. The Directors have no financial, business, family or other material/relevant relationship with each other.

Board Meetings and Directors' Attendance Records

Pursuant to code provision C.5.1 of the CG Code, regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. Six Board meetings were held for the year ended 31 December 2022.

Directors may participate in meetings either in person or through electronic means of communication. All Directors are given not less than fourteen days' notice for regular Board meetings. For other Board and Board committee meetings, reasonable notice will be given.

The company secretary of the Company (the "**Company Secretary**") assists the chairman in preparing the agenda of regular Board meetings and circulates the draft Board meeting agenda to all Directors for their perusal and comment. Directors are invited to include any matters in the agenda which they think appropriate. The Board meeting agenda will be issued by the Company Secretary after incorporating all the comments of Directors (if any). Relevant meeting materials are provided to the Directors at least three days before the meetings to ensure that they are given sufficient review time and are adequately prepared for the meetings.

The minutes of the Board meetings and Board committees meetings are drafted and kept by the Company Secretary. All meeting minutes will set out in detail the matters discussed and considered at the meetings, including, among others, any queries made or views expressed by the Directors. The Company Secretary will distribute the draft meeting minutes to all Directors for their comment and final version of the meeting minutes to all Directors for their record within reasonable time after holding of the meetings.

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors for the year ended 31 December 2022.

One general meeting of the Company was held in the year ended 31 December 2022. Independent non-executive Directors (excluding Mr. Lin Lien-Hsing) have attended the general meeting to gain and develop a balanced understanding of the view of Shareholders.

A summary of the attendance records of the Directors at the Board meetings and general meeting held is set out below:

Name of Directors	Attendance at Board meetings	Attendance at general meeting
Executive Directors		
Mr. Lin Wan-Yi	6/6	1/1
Mr. Yung Chia-Pu	6/6	1/1
Mr. Cheng Ching-Long	6/6	1/1
Mr. Lu Jen-Chieh	6/6	1/1
Non-executive Director		
Ms. Hsieh Pei-Chen	5/6	1/1
Independent Non-executive Directors		
Mr. So George Siu Ming	6/6	1/1
Mr. Lin Lien-Hsing	6/6	0/1
Mr. Fan Chi Chiu	6/6	1/1

Chairman and Chief Executive Officer

The chairman and chief executive officer of the Company are held by Mr. Lin Wan-Yi who is the founder of the Company and has extensive experience in the industry.

The chairman provides leadership for the Board and ensures the effectiveness of the Board in fulfilling its roles and responsibilities and the establishment of sound corporate governance practices and procedures for the Company. The chairman is also responsible for formulating the overall strategies and policies of the Company and monitoring their implementation. Meanwhile, the chairman, acting as chief executive officer, shall be delegated the authority by the Board to lead the senior management of the Company for the daily operation and business management of the Group in accordance with the objectives, directions, and risk management and internal control policies laid down by the Board.

The Board believes that Mr. Lin Wan-Yi can provide the Company with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies and vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management.

Independent Non-executive Directors

Independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decisions. They are experienced professionals in areas such as financial accounting and financial management. Their extensive experiences significantly contribute to enhancing the decision-making of the Board and achieving a sustainable and balanced development of the Group. In particular, they bring impartial views and opinions on issues of the Company's strategy, performance and control, and take the lead in solution where potential conflicts of interests arise. The Board believes that its culture of openness and debate facilitates the effective contribution of executive Directors, non-executive Director and independent non-executive Directors in particular, to the Board and ensures constructive relationship among executive Directors, non-executive Director and independent non-executive Directors.

During the year ended 31 December 2022, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the executive Directors has entered into service agreements with the Company for a fixed term of three years commencing from the Listing, which has been renewed for a further term of one year from 28 June 2022, and will be automatically renewable for successive terms of one year upon the expiry of each term. It is subject to termination in certain circumstances as stipulated in the relevant service agreements or by not less than three months' notice in writing sent by either party to the other.

Each of the non-executive Director and independent non-executive Directors has accepted her or his appointment with the Company with an initial term of three years commencing from the Listing, which has been renewed for a further term of one year from 25 August 2022, and will be automatically renewable for successive terms of one year upon the expiry of each term. It is subject to termination in certain circumstances as stipulated in the relevant service contract or by not less than one month's notice in writing sent by either party to the other.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association and the nomination policy of the Company. The Nomination Committee is responsible for reviewing the Board composition, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

All Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

All Directors have kept abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors have participated in appropriate continuous professional development to develop and refresh their knowledge and skills. During the year ended 31 December 2022, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2022 are summarised as follows:

Directors	Type of Training [Note]
Executive Directors	
Mr. Lin Wan-Yi	A and B
Mr. Yung Chia-Pu	B
Mr. Cheng Ching-Long	A and B
Mr. Lu Jen-Chieh	A and B
Non-executive Director	
Ms. Hsieh Pei-Chen	B
Independent Non-executive Directors	
Mr. So George Siu Ming	A
Mr. Lin Lien-Hsing	A and B
Mr. Fan Chi Chiu	A

Notes:

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established four committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Environmental, Social and Governance Committee (collectively, the "**Board Committees**"). All Board Committees are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

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. Mr. So George Siu Ming is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Audit Committee are to (i) make recommendations to the Board on the appointment, re-appointment and dismissal of the external auditor; (ii) review the financial information of the Company; (iii) oversee the Company's financial reporting system, risk management and internal control system; and (iv) establish a whistleblowing policy and system for employees and those who deal with the Company or its subsidiaries to raise concerns.

For the year ended 31 December 2022, the Audit Committee held two meetings. A summary of work of the Audit Committee during the year is set out below:

- reviewed the annual financial results and report, interim financial results and reports and significant issues on the financial reporting;

- reviewed the operational and compliance controls, and the effectiveness of the risk management and internal control systems;

- monitored the external auditor's independence and objectivity, and effectiveness of the audit process in accordance with applicable standard, and discussed with the independent auditor before the audit commenced, the nature and scope of the audit and the reporting obligation contained in them;

- provided recommendations to the Board for the proposal for re-appointment of the external auditor and approval of the remuneration and terms of engagement of the external auditor;

- reviewed procedures for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditor twice without the presence of the executive Directors during the year ended 31 December 2022 to discuss matters relating to its audit fees, any issue arising from the audit and any other matters the auditor may wish to raise. The Board has not taken any different view from that of the Audit Committee regarding the re-appointment of the external auditor.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. So George Siu Ming *(Committee chairman)*	2/2
Mr. Lin Lien-Hsing	2/2
Mr. Fan Chi Chiu	2/2

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Lin Lien-Hsing, Mr. Lin Wan-Yi and Mr. Fan Chi Chiu. Mr. Lin Lien-Hsing is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Remuneration Committee are to (i) make recommendations to the Board on the overall remuneration policy and the structure for all Directors and senior management of the Group; (ii) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Group; (iii) review performance-based remuneration; and (iv) ensure that no Directors or any of their associates are involved in deciding their own remuneration.

The Company has adopted a share option scheme and a share award scheme as incentives to eligible persons, details of which are set out in the paragraphs "Share Option Scheme" and "Share Award Scheme" under the section "Report of the Directors" in this annual report.

In the year ended 31 December 2022, the Remuneration Committee held two meetings to consider the relevant matters regarding/to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management, and to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

The Group's remuneration policy is structured to attract and retain high quality staff and to enable smooth operation. The Group offered competitive remuneration packages which considered factors such as corporate result, individual capability and performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions. The remuneration packages are subject to review on a regular basis. Details of the remuneration of the senior management by band are set out in Note 8 to the Financial Statements for the year ended 31 December 2022.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Lin Lien-Hsing *(Committee chairman)*	2/2
Mr. Lin Wan-Yi	2/2
Mr. Fan Chi Chiu	2/2

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Lin Wan-Yi, Mr. So George Siu Ming and Mr. Lin Lien-Hsing. Mr. Lin Wan-Yi is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Nomination Committee are to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; (ii) identify individuals suitably qualified as potential Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular that of the chairman and the chief executive officer.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy as stated below. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy as stated below that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

In the year ended 31 December 2022, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Mr. Lin Wan-Yi *(Committee chairman)*	1/1
Mr. So George Siu Ming	1/1
Mr. Lin Lien-Hsing	1/1

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee of the Board is committed to diversity at all levels and will consider a number of aspects, including but not limited to knowledge, skills, professional experience, gender, age, cultural and educational background, ethnicity, length of service and any other factors that the Board may consider appropriate from time to time taking into account the Company's business model and specific needs.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

As at the date of this report, the Board comprises 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors, and the Directors have different experience, skills and knowledge. In the aspect of gender diversity, one of the Directors is female. The Company is conscious of gender diversity when considering potential successors to the Board to enhance the gender diversity among the Board members.

At present, the Nomination Committee considered that the Board is sufficiently diverse. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender	Age Group
Male: 7 Directors Female: 1 Director	31–40: 1 Director 41–50: 2 Directors 51–60: 2 Directors 61–70: 3 Directors

Designation	Business Experience
Executive Directors: 4 Directors Non-executive Directors: 1 Director Independent Non-executive Directors: 3 Directors	Accounting & Finance: 4 Directors Experience related to the Company's business: 4 Directors

Details on the gender ratio of the Group at workforce levels (including senior management) together with relevant data can be found in the Environmental, Social and Governance Report which will be published separately at the same time as the publication of this annual report.

Director Nomination Policy

The ultimate responsibility for selection and appointment of Directors rests with the Board.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- whether the individual's educational background and qualification, skills and experience are relevant to the Company's business model and specific needs;
- the individual's character and reputation for integrity;
- whether the individual would be able to devote sufficient time to the Board;
- (in respect of appointment and re-appointment of independent non-executive Directors) independence of the individual with reference to the independence criteria set out in Rule 3.13 of the Listing Rules;

- how the individual would be able to contribute to the diversity of the Board with reference to the factors set out in the Board Diversity Policy of the Company from time to time in force; and

- Board succession planning considerations.

The Nomination Committee of the Board will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee consists of three members, namely Mr. Cheng Ching-Long, Mr. Fan Chi Chiu and Mr. Lu Jen-Chieh. Mr. Cheng Ching-Long is the chairman of the Environmental, Social and Governance Committee.

The main duties of the Environmental, Social and Governance Committee are to (i) formulate the vision, goals and strategies of environmental, social and governance matters of the Group and make recommendations to the Board; (ii) monitor and review the process of implementation of environmental, social and governance related policies; (iii) identify environmental, social and governance risks and opportunities, and assess the efficiency and sufficiency of the framework of environmental, social and governance structure of the Group; and (iv) review the Environmental, Social and Governance Report of the Company pursuant to the requirements of the Listing Rules.

For the year ended to 31 December 2022, the Environmental, Social and Governance Committee held one meeting to consider and approve the Environmental, Social and Governance Report for the year ended 31 December 2021.

The attendance records of the members of the Environmental, Social and Governance Committee are as follows:

Name of Members of Environmental, Social and Governance Committee	Attendance
Mr. Cheng Ching-Long *(Committee chairman)*	1/1
Mr. Fan Chi Chiu	1/1
Mr. Lu Jen-Chieh	1/1

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee of the Board assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Group has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales, financial reporting, human resources and information technology.

The Group's risk management and internal control systems have been developed with the following principles, features and processes:

The Board will cautiously review any material risk related to significant business decisions before making or approving such decisions.

Department heads and senior management of the Group monitor daily operations and any associated operational risks of the Group. They are also responsible for identifying and assessing potential market risks related to changes in macroeconomic environment and movements in market variables and report irregularities in connection with operational and market risks to the executive Directors for formulating policies to mitigate these risks.

The financial management center will closely monitor and track the ageing of trade receivables, and regularly update the status of outstanding/unpaid payments due to the Group to ensure that timely and necessary measures are taken to recover outstanding receivables.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, through the Audit Committee, has continuously monitored and annually reviewed the adequacy and effectiveness of the Group's risk management and internal control systems.

The Group has appointed Ballas Capital Limited as adviser of the Company to provide general advice on the Listing Rules and appointed a PRC legal adviser to advise us on PRC laws and regulations related to the Group's business operations.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls and considered that such systems for the year ended 31 December 2022 are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Group and those who deal with the Group (e.g. customers, suppliers) to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business. The Group have adopted an anti-fraud and anti-corruption policy, and strictly prohibits all forms of fraud and corruption, the anti-fraud and anti-corruption policy has been prepared as a guide to all employees of the Group.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

— the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

— the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

— the Group has strictly prohibited unauthorised use of confidential or inside information; and

— the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Company Secretaries and investor relations officers are authorised to communicate with parties outside the Group.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2022.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 62 to 66.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services for the year ended 31 December 2022 amounted to RMB1.4 million. An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	Amount (RMB'000)
Audit Services	1,414
Non-audit Services	105
Total	1,519

COMPANY SECRETARY

Ms. Shen Xuejuan ("**Ms. Shen**") has been appointed as the Company Secretary. The biographical details of Ms. Shen is set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

All Directors have access to the advice and services of the Company Secretary on corporate governance and board practices and matters.

For the year ended 31 December 2022, Ms. Shen has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

Pursuant to Article 58 of the Company's Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal with his/her detailed contact information at the Company's principal place of business in Hong Kong.

The request will be verified with the Company's Branch Share Registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the proposal in the agenda for the general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, Shareholders can contact Tricor Investor Services Limited, the Branch Share Registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC
(For the attention of the Company Secretary)

Telephone: (+86) 512-3683 2657

Email: sophia@shinlone.com.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the year ended 31 December 2022, the Company has not made any changes to its Articles of Association. A copy of the Company's Articles of Association is also available on the Company's website and the Hong Kong Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a "Shareholder Communication Policy". The Company is committed to maintaining effective and timely dissemination of the Company's information to its shareholders and the market.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Shareholders' meetings

(i) The annual general meetings and other general meetings of the Company are the primary forum for communication between the Company and its Shareholders;

(ii) The Company encourages and supports shareholder participation in general meetings. Shareholders are encouraged to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings;

(iii) Chairman of the Board, appropriate members of the Board committees and the external auditor of the Company will attend the annual general meetings to answer questions from the shareholders.

(b) Company's website

(i) Corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.shinlone.com.cn);

(ii) The Company will place on its website the Company's announcements and other information in compliance with the applicable laws, rules and regulations;

(iii) Other corporate information about the Company's business, corporate governance will also be available on the Company's website.

(c) Shareholders' Enquiries

(i) Shareholders should direct their questions about their shareholdings to the Company's share registrar;

(ii) Shareholders and the public may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders may direct their queries to the Company's secretary;

(iii) The Company will respond promptly to shareholder queries and concerns.

The Board reviewed the implementation and effectiveness of the Shareholder Communication Policy and considered it to be effective.

The Company has adopted its dividend policy, the Company will not set any pre-determined dividend pay-out ratio. When proposing a dividend, the Company will take into account, among other things, the future operations and earnings, the business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as the Directors consider appropriate. There is no requirement or assurance that the Company will declare and pay any dividends. Any declaration and payment as well as the amount of dividends will be subject to the Articles of Association of the Company and the Cayman Companies Acts. Any declaration of final dividends will also require the approval of the Shareholders in general meeting. No dividend shall be declared or paid except out of distributable profit and lawfully available for distribution under the Cayman Companies Acts.

Report of the Directors

The Board presents their report together with the audited financial statements of the Group for the year ended 31 December 2022.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Cayman Companies Acts as an exempted company with limited liability on 2 October 2018. The principal place of business of the Company in the PRC is located at 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC. The principal place of business of the Company in Hong Kong is located at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

The Company's Shares were first listed on the Main Board of the Hong Kong Stock Exchange on 28 June 2019.

PRINCIPAL ACTIVITIES

The Group is a developer and major supplier of customised moulds in the PRC, with a focus on moulds for the production of automotive parts which cater for the growing trend of automotive lightweight application, as well as electrical appliance parts and other parts.

GEOGRAPHICAL ANALYSIS OF OPERATIONS

An analysis of the Group's revenue from operations by geographical locations of customers for the year ended 31 December 2022 is set out in Note 4 to the Financial Statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report.

BUSINESS REVIEW

The business review of the Group during the year and a discussion of the Group's future business development are set out in the section headed "Chairman's Statement" on pages 6 to 8 of this annual report. An analysis of the Group's performance during 2022 based on the financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 9 to 17 of this annual report, which forms part of this Report of Directors.

Major Risks and Uncertainties

There are certain risks and uncertainties involved in the Group's operations, some of which are beyond the Directors' control. In addition to these risks disclosed in Note 35 to the Financial Statements of this annual report, the major risks and uncertainties the Group faces during the year are set out below:

(i) the Group derives a significant portion of the revenue from its top five customers and any decrease or termination of the sales to any one of them may have a material adverse effect on the business and financial condition of the Group;

(ii) the Group does not enter into long-term purchase contracts with its customers, and any disruption of the business relationships with its customers or fluctuations in their demand for the Group's products may have material adverse effect on the business, results of operations, financial condition and prospects of the Group;

(iii) the financial performance may be affected by fluctuations in raw material prices, as the Group may not always be able to pass on the increase in raw material costs to its customers;

(iv) the long examination period of the moulds by the Group's customers may affect the revenue recognition, cash flow position, and results of the operation, and may cause material fluctuation in the revenue in the future;

(v) the Group is exposed to risks of obsolete and slow-moving inventory which may adversely impact the cash flow and liquidity;

(vi) the Group is exposed to credit risk of its customers;

(vii) any labour shortages, increased labour costs or other factors affecting labour supply for the production could adversely affect the business, financial condition, results of operations and prospects of the Group;

(viii) if the Group is unable to adequately protect its proprietary technology and intellectual property rights, the business may be materially and adversely affected;

(ix) if the Group fails to respond to technological changes in a timely manner, the Group may not be able to effectively compete with its competitors;

(x) unsatisfactory performance of, or defects in, the Group's products may give rise to liability claim and additional expenses, damage to the reputation and decline in the sales of the Group;

(xi) the Group may not be able to implement the business strategies and future plans successfully, which may have a material adverse effect on the profitability and prospects;

(xii) there is no assurance that the Group will be able to continue to enjoy certain preferential enterprise income tax rates when the current preferential tax qualifications expire; and

(xiii) the Group's business, operation and group structure may be affected by changes to regulatory requirements in the PRC.

To properly manage these risks, the Group has established the following risk management structures and measures:

— the Board is responsible and has the general power to manage the direction of the Company, and is in charge of the overall risk control of the Group. Any significant business decision involving material risks, such as decisions to expand into new businesses or geographic regions or construction of facilities are reviewed, analysed and approved by the Board to ensure a thorough examination of the associated risks at the Group's highest corporate governance body; and

— the Group maintains insurance coverage which is believed to be in line with the customary practice in the PRC moulding industry.

The above is not an exhaustive list. For further details of risk management and internal control of the Group, please refer to the section headed "Risk Management and Internal Control" on pages 37 to 38 in this annual report. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENTAL, HEALTH AND SAFETY AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business is subject to certain health, work safety, social and environmental laws and regulations in the PRC. The Group believes that sustainable development is crucial to the development of a corporate and actively implements the concept of sustainable development at every level of the operation so as to create a better future for the community and the corporate. The Company will issue separately an Environmental, Social and Governance Report under the Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Listing Rules.

During the year, the Group has not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection and has not encountered any fatal accidents involving the Group's employees or products.

So far as the Board and the Company's management are aware of, the Group is in compliance with the relevant laws and regulations that have a significant impact on the Group's businesses and operations in all material aspects. There was no material violation of or non-compliance with applicable laws and regulations by the Group during the year.

RELATIONSHIP WITH KEY STAKEHOLDERS

Employees

The Group believes that employees are valuable assets. Training and retaining good employees are always at top priorities. Besides on-the-job trainings and funding for continuous learning, the Group provides a competitive remuneration package to attract and motivate employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group is also passionately committed to developing staff and provides employees with rewarding career paths and a friendly working environment.

Customers

Keeping strong relationship with the customers is critical to maintain the competitiveness of the Group. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the Group's products and services so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner. In addition, the Group engages in market research and business development activities by attending product exhibitions and industry conferences from time to time to explore market trends and discover business opportunities with potential customers.

Suppliers

The Group maintains a list of approved suppliers and sub-contractors which are selected based on a number of factors including their product quality, price and ability to accommodate the production schedule. Some of the customers may require the Group to purchase particular raw materials that are only supplied by particular suppliers. In procuring raw materials, the Group usually obtains quotations from three approved suppliers and makes the decision on suppliers according to their product quality, price, delivery time, reputation and the customers' specifications. To ensure quality and timely delivery, the Group reinforces business partnerships with suppliers and sub-contractors by ongoing communication in a proactive and effective manner.

FINAL DIVIDEND

As compared with that for FY2021, the Group's revenue decreased by approximately 10.7% and its net profit attributable to owners of the Company decreased by approximately 18.3% for FY2022. Given the uncertainty of the world economic conditions, as well as considering the capital requirements for the plant construction, in order to maintain a stable financial condition and reserve working capital to tackle any unpredicted events, the Board recommends the payment of Final Dividend of HK0.241 cents (equivalent to RMB0.210 cents) per Share totalling approximately HK$1.6 million (equivalent to approximately RMB1.4 million) for the year ended 31 December 2022. The proposed Final Dividend is subject to the approval of the Shareholders at the 2022 AGM to be held on Thursday, 1 June 2023 and is expected to be paid by cash on Wednesday, 19 July 2023.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2022 AGM

The 2022 AGM will be held on Thursday, 1 June 2023 and for the purpose of determining the Shareholders' eligibility to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023, both days inclusive, during which period no transfer of the Shares will be registered. To qualify for attending and voting at the 2022 AGM, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 25 May 2023. Shareholders whose names appear on the register of members of the Company on Thursday, 1 June 2023 will be entitled to attend and vote at the 2022 AGM.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

Upon obtaining approval of the Shareholders at the forthcoming 2022 AGM, for the purpose of determining the Shareholders' entitlement to the Final Dividend, the register of members of the Company will be closed from Wednesday, 7 June 2023 to Thursday, 8 June 2023, both days inclusive, during which period no transfer of the Shares will be registered. To qualify for the proposed Final Dividend, all properly completed share transfer forms together with the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 June 2023. Shareholders whose names appear on the register of members of the Company on Thursday, 8 June 2023 will be entitled to receive the Final Dividend (subject to the approval by the Shareholders at the 2022 AGM).

DONATION

Charitable and other donations made by the Group during the year amounted to RMB140,000 (2021: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in Note 13 to the Financial Statements.

SHARE CAPITAL

There was no change to the share capital of the Company for the year ended 31 December 2022. Further details of the share capital of the Company are set out in Note 26 to the Financial Statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and of the Company for the year ended 31 December 2022 are set out in the Consolidated Statement of Changes in Equity on pages 70 to 71 of this annual report and Note 27 and Note 37 to the Financial Statements.

As of 31 December 2022, the Company's aggregate amount of reserve available for distribution to Shareholders amounted to RMB350.6 million.

EQUITY LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option Scheme" and "Share Award Scheme" below, no equity linked agreement was entered into or renewed by the Company during the year or subsisted as at 31 December 2022.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or applicable laws of the Cayman Islands where the Company is incorporated.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the most recent five years is set out in the section headed "Five-Year Financial Summary" on page 150 of this annual report.

TAX RELIEF AND EXEMPTION OF HOLDER OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to Shareholders by reason of their holding of the Company's securities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares during FY2022 and up to the date of this annual report.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme on 6 June 2019 (the "**Share Option Scheme**"). The following is a summary of the principal terms of the Share Option Scheme:

(i) Purpose of the scheme

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.

(ii) Who may join

(a) any employee of the Company, any of the subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest;

(b) any non-executive Directors (including independent non-executive Directors) of the Company, any of the subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

(iii) Maximum number of the Shares

(a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time;

(b) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue (i.e. not exceeding 66,000,000 Shares) on the date of the Listing.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being.

(v) Grant of options to the Directors, chief executive or Substantial Shareholders of the Company or their respective associates

Any grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the proposed grantee of the options).

Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates must be approved by the Shareholders in general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Hong Kong Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

The remaining life of the Share Option Scheme is approximately 6 years.

As of 1 January 2022 and 31 December 2022, the number of Share Options available to be granted under the Share Option Scheme were 56,752,000 Shares and 57,832,000 Shares, respectively.

As of the date of this report, the number of Share Options available to be granted under the Share Option Scheme is 58,324,000 shares, which includes the 492,000 options that lapsed due to the resignation of Mr. Chen Ming-Chih. This represents approximately 8.84% of the total number of issued Shares.

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

Further information of the Share Options is set out in Note 28 to the Financial Statements and details of the movement of the Share Options during the year are set out in the table as follows:

				Number of share options					
Category of participants	Grant date	Exercise period	Exercise price (Note 2)	Outstanding as at 1 January 2022	Granted during FY2022	Exercised during FY2022	Canceled during FY2022	Lapsed during FY2022	Outstanding as at 31 December 2022
Directors of the Company or its subsidiary									
Mr. Lin Wan-Yi (Note 1)	18 May 2021	18 May 2022–17 May 2026	HK$0.405	832,000	–	–	–	–	832,000
Mr. Cheng Ching-Long	18 May 2021	18 May 2022–17 May 2026	HK$0.405	704,000	–	–	–	–	704,000
Mr. Lu Jen-Chieh	18 May 2021	18 May 2022–17 May 2026	HK$0.405	344,000	–	–	–	–	344,000
Mr. Chen Ming-Chih (Note 4)	18 May 2021	18 May 2022–17 May 2026	HK$0.405	492,000	–	–	–	–	492,000
Subtotal				2,372,000	–	–	–	–	2,372,000
Other employees of the Group	18 May 2021	18 May 2022–17 May 2026	HK$0.405	6,876,000	–	–	–	1,080,000	5,796,000
Total				9,248,000 (Note3)	–	–	–	1,080,000	8,168,000

Notes:

1. Mr. Lin is also the chief executive officer and a substantial shareholder of the Company.

2. The closing price of the Shares immediately before the date of grant (being 18 May 2021) was HK$0.41 per Share.

3. 9,248,000 Share Options were granted on 18 May 2021 under the Share Option Scheme, 1,080,000 Share Options of which lapsed during the year. Subject to the satisfaction of the vesting criteria and conditions, 8,168,000 Share Options will be vested to the grantees in the following manner:

   2,450,400 Share Options shall be vested during the period commencing from 18 May 2022 and ending on 17 May 2023;

   2,450,400 Share Options shall be vested during the period commencing from 18 May 2023 and ending on 17 May 2024; and

   3,267,200 Share Options shall be vested during the period commencing from 18 May 2024 and ending on 17 May 2025.

4. 492,000 options were lapsed following the resignation of Mr. Chen Ming-Chih on 31 March 2023.

SHARE AWARD SCHEME

The Company has adopted a share award scheme (the "**Share Award Scheme**") on 18 May 2021 (the "**Adoption Date**"). The following is a summary of the principal terms of the Share Award Scheme:

(i) Purpose of the scheme

(a) to recognise and reward the contributions of certain eligible persons and to give incentives to them in order to retain them for the continual operation and development of the Group; and

(b) to attract suitable personnel for further development of the Group.

(ii) Participants of the scheme

Director(s), senior management and/or employee(s), whether full-time or part-time, of the Group from time to time, excluding any Director(s), senior management and/or employee(s) of the Group who is resident in a place where the award of the awarded shares and/or the vesting and transfer of the awarded shares pursuant to the terms of the Share Award Scheme is not permitted under the laws and regulations of such place or where in the view of the Share Award Administration Committee or the trustee appointed by the Company for serving the trust of the Share Award Scheme (the "**Trustee**") (as the case may be), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such director(s), senior management and/or employee(s).

(iii) Scheme limits

The total number of Shares to be purchased and/or subscribed by the Trustee for the purpose of the Share Award Scheme shall not exceed 10% of the total number of issued Shares of the Company as at the Adoption Date.

(iv) Maximum entitlement of each participant

The maximum number of awarded shares which may be granted to each selected participant under the Share Award Scheme shall not exceed 1% of the total number of issued Shares of the Company as at the Adoption Date.

(v) Duration and termination

The Share Award Scheme shall be valid and effective for 10 years from the Adoption Date unless early terminated by the Board in accordance with the scheme rules. The Board may by resolution terminate earlier the operation of the Share Award Scheme provided that such termination shall not affect any subsisting rights of any selected participant in respect of any award made to him/her prior to such termination.

The remaining life of the Share Award Scheme is approximately 8 years.

(vi) Vesting of awarded shares

The Share Award Administration Committee may, as its sole and absolute discretion, determine any vesting conditions (including without limitation, vesting period and/or performance targets, payment of a certain purchase price to the Company and other criteria, if any, to be satisfied by the Selected Participants) as it deems appropriate. Where any grant of awards is proposed to be made to any selected participant who is a Director and/or senior management, such grant must first be approved by the Remuneration Committee.

(vii) Determining the purchase price of awarded Shares

The purchase price of the awarded Shares may be determined by the Share Award Administration Committee of the Company at a discount to the prevailing average closing market prices of the Shares in the period prior to the award.

Since the Adoption Date and up to the end of the reporting period, the number of Shares that the Trustee purchased was 5,600,000 Shares, among which 5,224,800 awarded shares have been vested. The number of Shares that the Trustee may further purchase from the open market or subscribe for the purpose of the Share Award Scheme as at 31 December 2022 was 60,400,000 Shares, representing approximately 9.15% of the issued Shares as at 31 December 2022.

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

Further information of the awarded shares pursuant to the Share Award Scheme is set out in note 28 to the Financial Statements and details of the movement of the awarded shares during the year are set out in the table as follows:

Category of participants	Grant date	Purchase price per Share (Note 2)	Outstanding as at 1 January 2022	Number of awarded shares Granted during FY2022	Vested during FY2022 (Note 3)	Canceled during FY2022	Lapsed during FY2022	Outstanding as at 31 December 2022 (Note 4)
Director of the Company or its subsidiary								
Mr. Lin Wan-Yi	18 May 2021	HK$0.20	582,400	–	249,600	–	–	332,800
Mr. Cheng Ching-Long	18 May 2021	HK$0.20	492,800	–	211,200	–	–	281,600
Mr. Lu Jen-Chieh	18 May 2021	HK$0.20	240,800	–	103,200	–	–	137,600
Mr. Chen Ming-Chih (Note 5)	18 May 2021	HK$0.20	344,400	–	147,600	–	–	196,800
Subtotal			1,660,400	–	711,600	–	–	948,,800
The other two highest paid individuals during the financial year (Note 1)	18 May 2021	HK$0.20	630,000	–	270,000	–	–	360,000
Other employees of the Group	18 May 2021	HK$0.20	4,183,200	–	1,468,800	–	756,000	1,958,400
Total			6,473,600	–	2,450,400	–	756,000	3,267,200

Notes:

1. The five highest paid individuals during FY2022 include Mr. Lin, Mr. Cheng Ching-Long and Mr. Chen Ming-Chih, details of awarded shares granted to them are set out in the above table.

2. The closing price of the Shares immediately before the date of grant (being 18 May 2021) was HK$0.41 per Share.

3. The closing price of the Shares immediately before the date on which the award shares were vested was HK$0.330.

4. Subject to the satisfaction of the vesting criteria and conditions, the remaining unvested awarded shares will be vested on 18 November 2023.

5. 196,800 awarded shares were lapsed following the resignation of Mr. Chen Ming-Chih on 31 March 2023.

DIRECTORS

The Directors during the year and up to the date of this report are:

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

In accordance with the Company's Articles of Association, Mr. Lin Wan-Yi, Ms. Hsieh Pei-Chen and Mr. Fan Chi Chiu will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Biographical details of Directors and senior management are set out on pages 18 to 22 of this annual report.

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into service agreements with the Company for a fixed term of three years commencing from the Listing, which has been renewed for a further term of one year from 28 June 2022 and thereafter will be renewable automatically for successive terms of one year upon expiry of each term. It is subject to termination in certain circumstances as stipulated in the relevant service agreements or by not less than three months' notice in writing sent by either party to the other.

Each of the non-executive Director and independent non-executive Directors has accepted her or his appointment with the Company with an initial term of three years commencing from the Listing, which has been renewed for a further term of one year from 25 August 2022 and thereafter will be renewable automatically for successive terms of one year upon expiry of each term until terminated by not less than one month's notice in writing thereof by either party to the other or terminated in certain circumstances as stipulated in the relevant service contract.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save for the service contracts entered into between the Company and the Directors, none of the Directors or any entity connected with any of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 31 December 2022 or at any time during the year ended 31 December 2022.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, so far as the Directors are aware, none of the Directors and controlling Shareholders, neither themselves nor their respective close associates, had held any position or had interests in any businesses or companies that were materially competing or might materially compete with the business of the Group, or gave rise to any concern regarding conflict of interest.

DEED OF NON-COMPETITION

Each of the controlling Shareholders of the Company, namely Shine Art, Mr. Lin Wan-Yi, Mr. Yung Chia-Pu, Mr. Cheng Ching-Long, Mr. Liu Ying-Han, Mr. Leng Chi-Ching, Mr. Lu Jen-Chieh, Ms. Hsieh Pei-Chen and Mr. Chang Jui-Chun has declared to the Company that neither it/he/she nor its/his/her respective close associates had owned, invested in, participated in, developed, operated or engaged in any business or company which directly or indirectly competes with the business of the Group for the year ended 31 December 2022 and up to the date of this report. For details of the Deed of Non-Competition, please refer to the section headed "Relationship with Controlling Shareholders — Corporate Governance Measures" in the Prospectus.

The independent non-executive Directors have also reviewed and were satisfied that each of the controlling Shareholders had complied with the terms of the Deed of Non-Competition for the year ended 31 December 2022 and up to the date of this report.

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 31 December 2022, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the 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 were as follows:

(i) Interests in the Company

Name of Director	Nature of interest	Number of ordinary shares held (Note 1)	Approximate percentage of shareholding
Mr. Lin Wan-Yi	Interest in a controlled corporation (Note 2)	324,225,000 (L)	49.125%
Mr. Lin Wan-Yi	Beneficial owner (Note 3)	2,654,000 (L)	0.40%
Mr. Cheng Ching-Long	Beneficial owner (Note 4)	1,408,000 (L)	0.21%
Mr. Lu Jen-Chieh	Beneficial owner (Note 5)	688,000 (L)	0.10%

Notes:

1. The letter "L" denotes the person's long position in the shares.

2. The Company was directly owned as to 49.125% by Shine Art which was directly held as to 58.312% by Mr. Lin Wan-Yi ("**Mr. Lin**"). Accordingly, by virtue of the SFO, Mr. Lin is deemed to be interested in the same number of shares of the Company held by Shine Art.

3. Included 1,489,200 Shares which were directly held by Mr. Lin, 832,000 share options and 332,800 unvested awarded shares. Details of the share options and awarded shares are set out in the section headed "SHARE OPTION SCHEME" and "SHARE AWARD SCHEME" of this annual report, respectively.

4. Included 422,400 Shares which were directly held by Mr. Cheng Ching-Long, 704,000 share options and 281,600 unvested awarded shares. Details of the share options and awarded shares are set out in the section headed "SHARE OPTION SCHEME" and "SHARE AWARD SCHEME" of this annual report, respectively.

5. Included 206,400 Shares which were directly held by Mr. Lu Jen-Chieh, 344,000 share options and 137,600 unvested awarded shares. Details of the share options and awarded shares are set out in the section headed "SHARE OPTION SCHEME" and "SHARE AWARD SCHEME" of this annual report, respectively.

(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 31 December 2022, 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.

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

So far as is known to the Directors, as at 31 December 2022, 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 percentage of shareholding
Shine Art	Beneficial owner	324,225,000 (L)	49.125%
Friendly Holdings (HK) Co., Limited ("**Friendly Holdings**")	Beneficial owner	91,080,000 (L)	13.80%
Mr. Liu Fang Jung ("**Mr. Liu**")	Interest in a controlled corporation (Note 2)	91,080,000 (L)	13.80%
Ms. Su Su-Mei ("**Ms. Su**")	Interest of spouse (Note 3)	326,879,000 (L)	49.52%

Notes:

1. The letter "L" denotes the person's long position in the shares.

2. The Company was directly owned as to 13.80% by Friendly Holdings which was directly held as to 100% by Mr. Liu. Accordingly, by virtue of the SFO, Mr. Liu is deemed to be interested in the same number of shares of the Company held by Friendly Holdings.

3. Ms. Su is the spouse of Mr. Lin. Under the SFO, Ms. Su is deemed to be interested in the same number of shares of the Company in which Mr. Lin is interested.

Save as disclosed above, as at 31 December 2022, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the year ended 31 December 2022 and up to the date of this report have the Directors and the chief executive of the Company and their respective close associates (as defined under the Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and in the sections "Share Option Scheme" and "Share Award Scheme" of this annual report, at no time during the year ended 31 December 2022 and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

UPDATES ON DIRECTORS' INFORMATION

There are no changes in the Directors' biographical details that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the despatch date of the interim report of the Company for the six months ended 30 June 2022 and up to the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the percentage of (i) revenue attributable to the Group's major customers; and (ii) purchases from the Group's major suppliers are set out below:

	Approximate percentage of the Group's	
	Revenue	Cost of service
The largest customer	21.62%	–
Five largest customers in aggregate	56.89%	–
The largest supplier	–	13.45%
Five largest suppliers in aggregate	–	29.17%

None of the Directors or any of their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers as mentioned above.

RETIREMENT BENEFITS PLAN

Details of retirement benefits plan of the Group for the year ended 31 December 2022 are set out in Note 2.4 to the Financial Statements.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the Directors' remuneration and the five highest paid individuals for the year ended 31 December 2022 are set out in Notes 8 and 9 to the Financial Statements.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2022, the Group had not entered into any connected transactions or continuing connected transactions.

DISCLOSURE UNDER RULE 14A.72 OF THE LISTING RULES

For the year ended 31 December 2022, the Group did not have any transaction with related parties, nor any transactions, which constitute connected transactions or continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Directors confirm that the Company maintained sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant subsequent event of the Group are set out in Note 36 to the Financial Statements.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association, the Directors and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

The Company has arranged appropriate insurance covering the potential legal actions against its Directors and senior management arising out of corporate activities.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by Ernst & Young who retire and, being eligible, offer themselves for re-appointment at the 2022 AGM. A resolution will be proposed at the 2022 AGM to re-appoint Ernst & Young as auditor of the Company.

There has been no change of auditor of the Company since the Listing.

On behalf of the Board
Lin Wan-Yi
Chairman and executive Director

Hong Kong, 27 March 2023

Independent Auditor's Report

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To the shareholders of
Shinelong Automotive Lightweight Application Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shinelong Automotive Lightweight Application Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 67 to 149, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of the sale of moulds	
For the year ended 31 December 2022, revenue from the sale of moulds amounted to approximately RMB183,440,000 and accounted for 92% of the total revenue of the Group. The Group produces moulds that are highly customised for particular customers with no alternative use to others and the moulds preliminarily accepted by the customers are subject to examination and testing before final acceptance, which creates complexity in determining the timing of satisfaction of performance obligations. This matter is identified as a key audit matter as the determination of the timing of satisfaction of performance obligations requires judgement, which may have significant impacts on the consolidated financial statements of the Group. The Group's disclosures about revenue recognition of the sale of moulds are included in notes 2.4, 3 and 4 to the consolidated financial statements.	The following procedures were performed, among others, to address the identified key audit matter: • Evaluating the design, implementation, and operating effectiveness of the key internal controls over the revenue recognition of the sale of moulds; • Discussing with management and, on a sample basis, obtaining and reviewing major revenue contracts which were effective during the year ended 31 December 2022 and assessing whether the Group's accounting policy adopted to recognise revenue from the sale of moulds was in accordance with IFRS 15 *Revenue from Contracts with Customers*; • Inspecting, on a sample basis, the supporting documents (including, but not limited to, contracts, acceptance reports, shipment documents and invoices) for the sale of moulds recognised during the year ended 31 December 2022 and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition accounting policy; and • Inspecting the supporting documents (including, but not limited to, contracts, acceptance reports, shipment documents and invoices) for the sale of moulds recognised during a certain period of time before and after 31 December 2022 and assessing whether the related revenue had been recognised in the correct periods.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Notes	Year ended 31 December **2022** **RMB'000**	 2021 RMB'000
REVENUE	4	**198,543**	222,209
Cost of sales		**(153,985)**	(173,596)
Gross profit		**44,558**	48,613
Other income and gains, net	5	**3,792**	11,467
Selling and distribution expenses		**(5,941)**	(6,009)
General and administrative expenses		**(23,162)**	(27,746)
Finance costs	6	**(638)**	(692)
PROFIT BEFORE TAX	7	**18,609**	25,633
Income tax expense	10	**(999)**	(4,550)
PROFIT FOR THE YEAR		**17,610**	21,083
Attributable to:			
Owners of the Company		**17,312**	21,195
Non-controlling interests		**298**	(112)
		17,610	21,083
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent years:			
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax		**35**	103
Other comprehensive income that will not be reclassified to profit or loss in subsequent years:			
Translation differences:			
Currency translation differences of the Company		**3,214**	(1,382)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**3,249**	(1,279)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**20,859**	19,804
Attributable to:			
Owners of the Company		**20,561**	19,916
Non-controlling interests		**298**	(112)
		20,859	19,804
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY (in Renminbi ("RMB") cents per share)			
Basic, for profit for the year	12	**2.6**	3.2
Diluted, for profit for the year	12	**2.6**	3.2

Consolidated Statement of Financial Position

31 December 2022

	Notes	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**115,954**	70,940
Right-of-use assets	15	**19,357**	16,969
Intangible assets	14	**1,640**	1,738
Prepayments, other receivables and other assets	19	**8,883**	10,434
Deferred tax assets	16	**1,500**	2,497
Net investments in subleases	15	**202**	598
Restricted bank deposits	20	**2,085**	2,085
Total non-current assets		**149,621**	105,261
CURRENT ASSETS			
Inventories	17	**246,433**	182,222
Trade and notes receivables	18	**110,588**	95,744
Prepayments, other receivables and other assets	19	**5,246**	9,434
Net investments in subleases	15	**396**	180
Restricted bank deposits	20	**66**	695
Cash and cash equivalents	20	**54,449**	98,071
Total current assets		**417,178**	386,346
CURRENT LIABILITIES			
Trade payables	21	**62,601**	59,822
Other payables and accruals	22	**37,009**	14,962
Government grants	24	**1,906**	2,107
Contract liabilities	23	**116,630**	92,542
Interest-bearing bank and other borrowings	25	**10,938**	–
Income tax payable		**–**	1,770
Lease liabilities	15	**3,369**	4,508
Total current liabilities		**232,453**	175,711
NET CURRENT ASSETS		**184,725**	210,635
TOTAL ASSETS LESS CURRENT LIABILITIES		**334,346**	315,896

	Notes	As at 31 December **2022** **RMB'000**	 2021 RMB'000
NON-CURRENT LIABILITIES			
Government grants	24	**2,248**	4,148
Interest-bearing bank borrowing	25	**2,000**	–
Deferred tax liabilities	16	**155**	171
Lease liabilities	15	**7,433**	9,518
Total non-current liabilities		**11,836**	13,837
Net assets		**322,510**	302,059
EQUITY			
Equity attributable to the owners of the Company			
Share capital	26	**5,806**	5,806
Treasury shares	29	**(101)**	(724)
Reserves	27	**315,890**	296,660
		321,595	301,742
Non-controlling interests		**915**	317
Total equity		**322,510**	302,059

Lin Wan-Yi
Director

Cheng Ching-Long
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to the owners of the Company											
	Share capital RMB'000	Treasury shares RMB'000	Share-based compensation reserve* 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	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2020	5,806	–	–	100,972	52,302	16,947	(303)	(1,512)	109,967	284,179	279	284,458
Profit for the year	–	–	–	–	–	–	–	–	21,195	21,195	(112)	21,083
Other comprehensive income for the year:												
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	103	–	–	103	–	103
Currency translation differences	–	–	–	–	–	–	–	(1,382)	–	(1,382)	–	(1,382)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	103	(1,382)	21,195	19,916	(112)	19,804
Final 2020 dividend (Note 11)	–	–	–	–	–	–	–	–	(2,039)	(2,039)	–	(2,039)
Equity-settled share reward expense (Note 28)	–	–	792	–	–	–	–	–	–	792	–	792
Repurchase of shares for equity-settled share reward	–	(1,560)	–	–	–	–	–	–	–	(1,560)	–	(1,560)
Vesting of awarded shares	–	836	(453)	71	–	–	–	–	–	454	–	454
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	150	150
Profit appropriation to statutory reserve	–	–	–	–	–	2,536	–	–	(2,536)	–	–	–
As at 31 December 2021	5,806	(724)	339	101,043	52,302	19,483	(200)	(2,894)	126,587	301,742	317	302,059

Year ended 31 December 2022

	Attributable to the owners of the Company											
	Share capital RMB'000	Treasury shares RMB'000	Share-based compensation reserve* 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	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2021	5,806	(724)	339	101,043	52,302	19,483	(200)	(2,894)	126,587	301,742	317	302,059
Profit for the year	–	–	–	–	–	–	–	–	17,312	17,312	298	17,610
Other comprehensive income for the year:												
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	35	–	–	35	–	35
Currency translation differences	–	–	–	–	–	–	–	3,214	–	3,214	–	3,214
Total comprehensive income for the year	–	–	–	–	–	–	35	3,214	17,312	20,561	298	20,859
Final 2021 dividend (Note 11)	–	–	–	–	–	–	–	–	(1,538)	(1,538)	–	(1,538)
Equity-settled share reward expense (Note 28)	–	–	457	–	–	–	–	–	–	457	–	457
Vesting of awarded shares	–	623	(449)	199	–	–	–	–	–	373	–	373
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	300	300
Profit appropriation to statutory reserve	–	–	–	–	–	2,257	–	–	(2,257)	–	–	–
As at 31 December 2022	5,806	(101)	347	101,242	52,302	21,740	(165)	320	140,104	321,595	915	322,510

* These reserve accounts comprise the reserves of approximately RMB315,890,000 (2021: RMB296,660,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**18,609**	25,633
Adjustments for:			
Depreciation of property, plant and equipment	13	**11,619**	10,167
Amortisation of intangible assets	14	**938**	1,125
Write-down of inventories to net realisable value	7	**7,561**	4,705
(Write-back of)/impairment losses for trade and notes receivables, net	18	**(940)**	1,165
Depreciation of right-of-use assets	15	**5,573**	4,701
Net foreign exchange differences		**1,007**	(222)
Equity-settled share reward expense	28	**457**	792
Gain on derecognition of right-of-use assets due to subleases classified as finance leases	15	**–**	(18)
Gain on derecognition of leasehold land due to disposal	5	**–**	(1,760)
Government grants	24	**(2,101)**	(905)
Interest income	5	**(1,499)**	(1,256)
Finance costs	6	**638**	692
Gain on disposal of items of property, plant and equipment	5	**(514)**	(5,512)
		41,348	39,307
Increase in inventories		**(71,772)**	(1,343)
Increase in trade and notes receivables		**(13,869)**	(13,224)
Decrease/(increase) in prepayments, other receivables and other assets		**1,075**	(3,244)
Increase in trade payables		**2,779**	16,018
Increase/(decrease) in other payables and accruals		**4,331**	(828)
Increase/(decrease) in contract liabilities		**24,088**	(15,782)
Cash (used in)/generated from operations		**(12,020)**	20,904
Income tax paid		**(2,844)**	(4,422)
Net cash flows (used in)/generated from operating activities		**(14,864)**	16,482

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(48,164)**	(11,645)
Purchases of items of intangible assets		**(840)**	(848)
Payment for acquisition of leasehold land	15	**(208)**	(6,935)
Proceeds from disposal of items of property, plant and equipment		**8,555**	2,207
Proceeds from disposal of leasehold land		**–**	2,519
Receipt of government grants for property, plant and equipment	24	**–**	1,219
Receipt of the principal portion of finance lease payments arising from the subleases	15	**180**	772
Interest received		**1,499**	1,256
Increase in restricted bank deposits	20	**(66)**	(2,780)
Decrease in restricted bank deposits	20	**695**	–
Receipts from early redemption of a time deposit		**–**	10,000
Net cash flows used in investing activities		**(38,349)**	(4,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term and long-term borrowings	25	**6,000**	2,000
Repayment of short-term borrowing		**–**	(2,000)
Payment of interest on short-term and long-term borrowings		**(9)**	(4)
Proceeds from discounted notes receivable with recourse	25	**6,938**	–
Payment of interest on discounted notes receivable	6	**(78)**	–
Principal portion of lease payments		**(4,042)**	(5,547)
Interest portion of lease payments		**(560)**	(688)
Net proceeds from vesting of awarded shares		**373**	454
Payment for shares repurchased		**–**	(1,560)
Dividends paid		**(1,538)**	(2,039)
Capital contribution from non-controlling shareholders		**300**	450
Net cash flows generated from/(used in) financing activities		**7,384**	(8,934)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(45,829)**	3,313
Cash on hand and at banks at 1 January		**98,071**	95,918
Effect of foreign exchange rate changes, net		**2,207**	(1,160)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**54,449**	98,071

1. GENERAL INFORMATION

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

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

The Company and its subsidiaries now comprising the Group underwent a reorganisation (the "**Reorganization**") in preparation for an Initial Public Offering ("**IPO**") through the incorporation of the Company, the 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 capitalisation issue. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**" or "**HKEX**") since 28 June 2019 (the "**Listing**").

In the opinion of the directors of the Company (the "**Directors**"), the holding company of the Company is Shine Art International Limited ("**Shine Art**"), a company incorporated in the British Virgin Islands, and the ultimate controlling shareholder of the Company is Mr. Lin Wan-Yi.

1. GENERAL INFORMATION *(Continued)*

Information about subsidiaries

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

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

(a) Shinelong (Suzhou) was established on 8 January 2002 under the name of Shinelong Precision Moulds (Kunshan) Company Limited as a limited liability company under the law of the PRC, which was converted into a company limited by shares on 29 March 2016 and renamed as Shinlone Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("**Shinlone (Suzhou)**"). It was further renamed as Shinelong (Suzhou) on 28 December 2018. Shinelong (Suzhou) is a wholly-owned subsidiary of the Company. Pursuant to the resolutions passed by the Board of Directors of Shinelong (Suzhou) on 31 March 2021 and 7 March 2022, Shinelong (Suzhou) converted RMB66,000,000 and RMB65,000,000 of the retained profits to increase its registered share capital to RMB105,000,000 and RMB170,000,000, respectively.

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

(c) Xunhou was established on 7 April 2020 with registered share capital of RMB10,000,000 as a limited liability company under the law of the PRC, which is a 70%-owned subsidiary of Shinelong (Suzhou). The business scope of Xunhou covers the manufacture of medical devices and automotive parts, intelligent control system integration and the provision of technical services. As at 31 December 2022, Xunhou received capital contributions of RMB3,500,000 from Shinelong (Suzhou) and RMB750,000 from the non-controlling shareholder, Yinwei Laser Technology (Kunshan) Company Limited.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for notes receivable measured at fair value through other comprehensive income. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries now comprising the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(b) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(c) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its notes receivable at fair value through other comprehensive income at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of` profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Type	Depreciation rate
Buildings	4.50%
Machinery	9.00%
Furniture, fixtures and equipment	18.00%
Leasehold improvements	Over the shorter of the lease terms and 20.00%
Motor vehicles	18.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets of the Group represent software which is amortised over an estimated useful life of 5 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding four years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). 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.

Factories and venues	2 to 10 years
Parking lots	10 years
Leasehold land	30 years
Vehicle	3 years

(b) 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 lease. 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.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because 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.

The Group's lease liabilities are presented separately in the statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(c) Lease modifications

The Group accounts for a lease modification as a separate lease if:

(i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(ii) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(d) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessor *(Continued)*

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs) and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies for revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest ("**EIR**") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 180 days past due.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals and lease liabilities. The Group's financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, trade payables, financial liabilities included in other payables and accruals and lease liabilities are subsequently measured at amortised cost using EIR method, unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

The Group provides for warranty in relation to the sale of moulds to certain customers for general repairs of defects occurring during the warranty period. Provisions for the assurance-type warranty granted by the Group are recognised based on expected warranty work to be performed for goods under the warranty period and labor changes expected to be incurred. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of industrial products

Revenue from the sale of moulds is recognised at the point in time when control of the asset is transferred to the customer, generally when the customers have issued the final acceptance report.

(b) Rendering of services

The Group provides parts processing services, the control of which is transferred at the point in time when the processed parts are accepted by the customers.

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Defined contribution plans

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. Under the plans, the Group has no further obligation beyond the contributions made. No forfeited contributions may be used by the employer to reduce the existing level of contributions.

Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of each year.

Borrowing costs

All borrowing costs of the Group are expensed in the period in which they are incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements.

Share-based payments

The Company operates equity-settled share-based payment schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Foreign currencies

These financial statements are presented in RMB, which is different from the Company's functional currency, the Hong Kong dollar ("**HK$**"). As the major revenues and assets of the Group are derived from operations in the PRC, RMB is chosen as the presentation currency to present the financial statements. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gains or losses arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gains or losses on change in fair value of the item (i.e., translation difference on the item whose fair value gains or losses is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

As at the end of the reporting period, for entities whose functional currencies are different from the Group's presentation currency, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of these entities, the component of other comprehensive income relating to that particular entity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts to be recognised in the financial statements:

Revenue recognition — the timing of satisfaction of performance obligations

Sales of moulds

Revenue from domestic sales of moulds is recognised at the point in time when control over the moulds is transferred to the customers. Judgement is required to assess whether control is transferred over time or at a point in time. The Group creates moulds that are highly customised for particular customers with no alternative use to others but has no enforceable right to payment for its performance up to date. Judgement is also required to assess whether control is transferred when the customers preliminarily have accepted the moulds or when the customers have issued the final acceptance report after the moulds are examined and tested. The customers will only obtain the legal title of the completed moulds after they have issued the final acceptance report, of which the Group has the present right to the payment and the collection of the consideration is probable. Therefore, the Group concluded that the control over the domestic sales of moulds is transferred at the point in time, instead of over time, when the customers issue the final acceptance report.

For overseas sales of moulds, revenue is recognised at the point in time when the control over the moulds is transferred to the customers, that is when the customers obtain the physical possession or the legal title of the completed moulds based on respective shipping terms and the Group has the present right to payment and the collection of the consideration is probable.

Rendering of services

Revenue from the rendering of parts processing services is recognised when control over the processing services is transferred to the customers. Judgement is required to assess whether control is transferred over time or at a point in time. The customers cannot simultaneously receive and consume the benefits provided by the Group's parts processing services as the Group performs. The Group also has no enforceable right to payment for the processing services performed to date. The Group concluded that the control over the processing services is transferred to the customers at the point in time when the processed parts are accepted by the customers.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Net realisable value of inventories

Net realisable value of inventories is estimated based on the best available facts and circumstances, including but not limited to the inventory own physical conditions, their market selling prices and estimated costs to be incurred for their sales. The assessment is re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in note 17 to the financial statements.

Useful lives of property, plant and equipment

The Group's property, plant and equipment are depreciated on a straight-line basis over their respective useful lives. Management estimates the useful lives of these property, plant and equipment to be between 5 and 20 years. Changes in the expected level of usage and technological developments could impact the estimated useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of these property, plant and equipment at the end of the reporting period is disclosed in note 13 to the financial statements.

Warranty provision

The Group provides warranty to certain customers. The provision for warranty is estimated based on expected warranty work to be performed for goods under the warranty period and labor charges expected to be incurred. As historical maintenance and service record may not resemble the future maintenance and service of the products sold, differences between the actual amount and the estimated amount of this provision may affect future profit or loss. The carrying amount of the Group's warranty provision at the end of the reporting period is disclosed in note 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses incremental borrowing rates ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Share-based payments

Estimating fair value for equity-settled transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the award. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for equity-settled transactions are disclosed in note 28 to the financial statements.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. Accordingly, the Group reassesses the likelihood that the financial performance of the Group and the performance target of each grantee will be achieved. The number of employees who will achieve their targets and remain employed through required service period are also estimated by the Group in order to determine the amount of share-based compensation expenses charged to profit or loss. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based compensation reserve.

4. REVENUE

4.1 Disaggregated revenue information

An analysis of revenue is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Sales of moulds		
Automotive moulds	**137,328**	133,884
Electrical appliance moulds	**40,442**	65,802
Other moulds	**5,670**	3,007
Parts processing services	**13,963**	17,625
Others	**1,140**	1,891
	198,543	222,209
Represented by:		
Goods and services transferred at a point in time	**198,543**	222,209
Represented by:		
Geographic markets		
The PRC	**185,963**	208,859
Overseas	**12,580**	13,350
	198,543	222,209

4. REVENUE *(Continued)*

4.1 Disaggregated revenue information *(Continued)*

Set out below are the amounts of revenue recognised in the current reporting period that were included in contract liabilities at the beginning of the reporting period:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Sales of moulds		
Automotive moulds	**52,952**	52,532
Electrical appliance moulds	**4,844**	15,433
Other moulds	**1,049**	400
Parts processing services	**339**	–
	59,184	68,365

Revenue from major customers which accounted for 10% or more of the Group's revenue during the reporting period is set out below:

	Year ended 31 December 2022 RMB'000
Customer 1	**42,925**
Customer 4	**21,694**
	64,619

	Year ended 31 December 2021 RMB'000
Customer 1	28,107
Customer 2	27,509
Customer 3	22,714
	78,330

4. REVENUE *(Continued)*

4.2 Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of moulds

The performance obligation is satisfied upon the customers' issue of the final acceptance report. Generally, customers are required to pay approximately 30% of the total fee as a deposit upon the signing of the agreements and approximately 40% to 50% of the total fee when the moulds have been fabricated and are ready for delivery to the customers. The remaining balance is generally due within 20 to 180 days from the issue of the final acceptance report.

Parts processing services

The performance obligation is satisfied at the point in time when the processed parts are accepted by the customers and payment is generally due within 20 to 180 days from the acceptance of processed parts, except for certain customers, where payment in advance is required.

There was only one performance obligation in each of the Group's contracts and all revenues were recognised at a point in time during the reporting period. The transaction prices related to the performance obligations in the existing contracts that were unsatisfied as at the end of the reporting period are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**210,734**	247,744
After one year	**206,485**	96,506
	417,219	344,250

The amounts of transaction prices related to the performance obligations which are expected to be recognised after one year mainly relate to the sales of automotive moulds due to the long inspection and examination period before the customers' final acceptance. All other amounts of transaction prices related to the performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. OTHER INCOME AND GAINS, NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Other income, net		
Government grants (Note)	**2,924**	2,574
Interest income	**1,499**	1,256
Others	**(138)**	125
	4,285	3,955
(Loss)/gains, net		
Foreign exchange differences, net	**(1,007)**	222
Gain on disposal of property, plant and equipment	**514**	5,512
Gain on disposal of leasehold land	**–**	1,760
Gain on derecognition of right-of-use assets due to subleases classified as finance leases	**–**	18
	(493)	7,512
	3,792	11,467

Note: Government grants consist of: (a) unconditional grants received from the local government from time to time at the discretion of relevant government authorities. Such grants mainly represent cash subsidies granted by the local government to encourage the development of certain enterprises that are established in local special economic regions or to support general operations of those entities; and (b) government grants received for purchases of certain items of property, plant and equipment, which are recognised initially as a liability in the consolidated statement of financial position and subsequently recognised as other income when the associated costs, for which the grants are intended to compensate, are incurred. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest expenses on:		
Lease liabilities (Note 15)	**560**	688
Discounted notes receivable	**78**	–
Short-term borrowing	**–**	4
	638	692

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials consumed	**68,443**	81,010
Direct labor cost	**25,042**	29,043
Subcontracting expenses	**30,978**	27,364
Depreciation of property, plant and equipment (Note 13)	**11,619**	10,167
Depreciation of right-of-use assets (Note 15)	**5,573**	4,701
Amortisation of intangible assets (Note 14)	**938**	1,125
Research and development costs	**8,198**	8,067
Lease payments not included in the measurement of lease liabilities (Note 15)	**55**	87
Interest on lease liabilities (Note 15)	**560**	688
Auditor's remuneration	**1,519**	1,410
Employee benefit expenses (including directors' and chief executive's remuneration (Note 8)):		
Salaries and bonuses	**16,967**	17,158
Equity-settled share reward expense (Note 28)	**457**	792
Pension scheme contributions	**1,584**	1,866
	19,008	19,816
(Write-back of)/impairment losses for trade and notes receivables, net (Note 18)	**(940)**	1,165
Provision for warranty (Note 22)	**1,176**	502
Write-down of inventories to net realisable value	**7,561**	4,705
Foreign exchange differences, net (Note 5)	**1,007**	(222)

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors' and chief executives' remuneration for the reporting period, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Fees	**873**	849
Other emoluments:		
Salaries, allowances, and benefits in kind	**2,132**	2,031
Performance related bonuses	**372**	407
Equity-settled share reward expense	**177**	254
Pension scheme contributions	**53**	20
	2,734	2,712
	3,607	3,561

During the year, no awarded shares or share options were granted to directors in respect of their services to the Group. The expenses recognised in the financial statements for the current year in relation to the awarded shares and share options granted in the prior year are included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the reporting period were as follows:

	Year ended 31 December 2022 RMB'000	2021 RMB'000
Lin Lien-Hsing	**207**	199
So George Siu Ming	**207**	199
Fan Chi Chiu	**207**	199
	621	597

There were no other emoluments payable to the independent non-executive directors during the reporting period (2021: Nil).

(b) Executive directors, a non-executive director and chief executives

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share reward expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2022						
Executive directors:						
Lin Wan-Yi	72	722	130	50	–	974
Cheng Ching-Long	48	428	90	43	10	619
Yung Chia-Pu	48	–	–	–	–	48
Lu Jen-Chieh	24	381	55	21	10	491
	192	1,531	275	114	20	2,132
Non-executive director:						
Hsieh Pei-Chen	36	–	–	–	–	36
Chief executives:						
Chen Ming-Chih	24	378	70	30	10	512
Wang Jinxin	–	223	27	33	23	306
	24	601	97	63	33	818
	252	2,132	372	177	53	2,986

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION *(Continued)*

(b) Executive directors, a non-executive director and chief executives *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share reward expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2021						
Executive directors:						
Lin Wan-Yi	72	688	130	73	–	963
Cheng Ching-Long	48	434	120	62	–	664
Yung Chia-Pu	48	–	–	–	–	48
Lu Jen-Chieh	24	323	50	30	–	427
	192	1,445	300	165	–	2,102
Non-executive director:						
Hsieh Pei-Chen	36	–	–	–	–	36
Chief executives:						
Chen Ming-Chih	24	368	80	43	–	515
Wang Jinxin	–	218	27	46	20	311
	24	586	107	89	20	826
	252	2,031	407	254	20	2,964

There was no arrangement under which a director waived or agreed to waive any remuneration during the reporting period.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the reporting period included two directors and one chief executive (2021: two directors and one chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the reporting period of the remaining two (2021: two) highest paid employees who are not a director or a chief executive of the Group are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**462**	893
Equity-settled share reward expense	**54**	31
Performance related bonuses	**899**	220
Pension scheme contributions	**45**	–
	1,460	1,144

The number of non-director and non-chief executive highest paid employees during the reporting period whose remuneration fell within the following band is as follows:

	Year ended 31 December	
	2022	2021
Nil to HK$1,000,000	**2**	2

During the year, no awarded shares or share options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group. The expenses recognised in the financial statements for the current year in relation to the awarded shares and share options granted in the prior year are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. 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 reporting period, Shinelong (Suzhou) was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate of 15% (2021: 15%). Xunzhan, Xunhou, Kunshan Longjun, were certified as small and micro-sized enterprises ("**SME**") and enjoyed an 87.5% reduction in taxable income and the preferential income tax rate of 20% for the year ended 31 December 2022 as its taxable income is below RMB1 million (2021: 87.5% reduction in taxable income and preferential income tax rate of 20%).

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current — PRC	**(153)**	3,231
Deferred — PRC	**1,152**	1,319
Total tax charge for the year	**999**	4,550

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its major operating subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit before tax	**18,609**	25,633
Statutory tax rate	**25%**	25%
Tax at the statutory tax rate	**4,652**	6,408
Lower tax rates enacted by local authority	**(2,385)**	(2,686)
Change of lower tax rates enacted by local authority	**–**	81
Expenses not deductible for income tax purposes	**95**	144
Adjustments in respect of current tax of previous periods	**(262)**	(102)
Additional deductible allowance for research and development expenses	**(899)**	(304)
Effect of withholding tax at 10% on earnings anticipated to be remitted by the Group's PRC subsidiaries	**155**	171
Additional deductible allowance for purchases of property, plant and equipment	**(1,458)**	–
Tax losses not recognised	**1,104**	838
Tax losses utilised from previous periods	**(3)**	–
Total tax charge for the year	**999**	4,550

11. DIVIDENDS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Proposed final dividend — RMB0.210 cents (2021: RMB0.233 cents) per ordinary share	**1,386**	1,538

On 27 March 2023, the directors proposed a final dividend of HK0.241 cents (equivalent to RMB0.210 cents) per ordinary share totalling approximately HK$1,591,000 (equivalent to RMB1,386,000) for the year ended 31 December 2022, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The proposed final dividend for the year ended 31 December 2021 was paid by the Company to its shareholders on 22 July 2022.

12. 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 year ended 31 December 2022 attributable to ordinary equity holders of the Company of approximately RMB17,312,000 (2021: RMB21,195,000), and the weighted average number of ordinary shares of 657,469,791 (2021: 659,296,801) in issue during the year.

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

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	**17,312**	21,195

	Number of shares Year ended 31 December	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**657,469,791**	659,296,801
Effect of dilution — weighted average number of ordinary shares:		
Awarded shares	**410,996**	897,522
	657,880,787	660,194,323

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2021	6,259	105,674	4,762	2,908	1,618	11,722	132,943
Additions	–	7,084	938	–	258	392	8,672
Transfers	–	12,114	–	–	–	(12,114)	–
Disposals	(4,756)	(1,975)	–	–	–	–	(6,731)
At 31 December 2021	1,503	122,897	5,700	2,908	1,876	–	134,884
Additions	–	16,749	697	–	382	42,329	60,157
Disposals	–	(9,159)	(20)	–	(146)	–	(9,325)
At 31 December 2022	1,503	130,487	6,377	2,908	2,112	42,329	185,716
Accumulated depreciation							
At 1 January 2021	4,176	47,681	2,916	2,843	1,332	–	58,948
Depreciation charge for the year	228	9,283	573	35	48	–	10,167
Disposals	(3,924)	(1,247)	–	–	–	–	(5,171)
At 31 December 2021	480	55,717	3,489	2,878	1,380	–	63,944
Depreciation charge for the year	68	10,771	624	19	137	–	11,619
Disposals	–	(5,713)	(14)	–	(74)	–	(5,801)
At 31 December 2022	548	60,775	4,099	2,897	1,443	–	69,762
Net carrying amount							
As at 31 December 2021	1,023	67,180	2,211	30	496	–	70,940
As at 31 December 2022	955	69,712	2,278	11	669	42,329	115,954

As at 31 December 2022, the gross carrying amount of the fully depreciated property, plant and equipment of the Group that were still in use was approximately RMB24,584,000 (2021: RMB18,492,000).

As at 31 December 2022, the Group's new plant under construction with a net carrying amount of approximately RMB34,791,000 (2021: Nil) were mortgaged to secure the general bank facility granted to the Group (Note 25).

14. INTANGIBLE ASSETS

	Software
	RMB'000
Cost	
At 1 January 2021	8,169
Additions	848
At 31 December 2021	9,017
Additions	840
At 31 December 2022	9,857
Accumulated amortisation	
At 1 January 2021	6,154
Amortisation charge for the year	1,125
At 31 December 2021	7,279
Amortisation charge for the year	938
At 31 December 2022	8,217
Net carrying amount	
At 31 December 2021	1,738
At 31 December 2022	1,640

15. LEASES

The Group as a lessee

As at 31 December 2022, the Group has lease contracts for factories and venues, parking lots and a vehicle in its operations. Leases of factories and venues generally have lease terms between 2 and 10 years. Leases of parking lots generally have a lease period of 10 years, while a lease of vehicle has a lease term of 3 years. Office equipment generally is individually of low value.

On 23 November 2021, the Group and Kunshan Natural Resources and Planning Bureau (the "Transferor") entered into an agreement (the "Transfer Agreement") to transfer a piece of state-owned industrial construction leasehold land located in Kunshan, Jiangsu Province, the PRC (the "Leasehold Land") to the Group with a term of 30 years at the consideration of approximately RMB6,935,000 (the "Consideration"). The Consideration prepaid in 2021 and other costs necessarily incurred to bring the Leasehold Land to the condition necessary for its intended use of approximately RMB208,000 were recognised as the cost of the Leasehold Land in 2022. No ongoing payments will be made under the terms of the Leasehold Land.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the reporting period are as follows:

	Factories and venues RMB'000	Parking lots RMB'000	Leasehold land RMB'000	Vehicle RMB'000	Total RMB'000
As at 31 December 2020 and 1 January 2021	15,688	331	775	701	17,495
Additions	5,833	–	–	–	5,833
Modifications	253	–	–	–	253
Subleases	(1,152)	–	–	–	(1,152)
Disposal	–	–	(759)	–	(759)
Depreciation charges	(4,360)	(52)	(16)	(273)	(4,701)
As at 31 December 2021 and 1 January 2022	16,262	279	–	428	16,969
Additions	640	–	7,143	–	7,783
Modifications	178	–	–	–	178
Depreciation charges	(5,031)	(52)	(218)	(272)	(5,573)
As at 31 December 2022	12,049	227	6,925	156	19,357

As at 31 December 2022, the Group's leasehold land with a net carrying amount of approximately RMB6,925,000 (2021: Nil) were mortgaged to secure the general bank facility granted to the Group (Note 25).

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**14,026**	16,674
New leases	**640**	2,646
Accretion of interest recognised during the year	**560**	688
Modifications	**178**	253
Payments	**(4,602)**	(6,235)
Carrying amount at 31 December	**10,802**	14,026
Analysed into:		
Current portion	**3,369**	4,508
Non-current portion	**7,433**	9,518

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases during the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**560**	688
Depreciation charges of right-of-use assets	**5,573**	4,701
Expense relating to leases of low-value assets (mainly included in general and administrative expenses and cost of sales)	**55**	87
Gain on derecognition of right-of-use assets due to subleases classified as finance leases	**–**	(18)
Total amount recognised in profit or loss	**6,188**	5,458

(d) The total cash outflow for leases is disclosed in note 30(c) to the financial statements and future cash outflows relating to leases that have not yet commenced are nil.

15. LEASES *(Continued)*

The Group as an intermediate lessor

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable leases are as follows:

	Undiscounted lease receivables 2022 RMB'000	Present value of lease receivables 2022 RMB'000
Amounts receivable:		
Within one year	**414**	**396**
In the second year	**206**	**202**
Total	**620**	**598**
Future finance income	**22**	
Total net investments in subleases	**598**	
Portion classified as current assets	**396**	
Portion classified as non-current assets	**202**	

15. LEASES *(Continued)*

The Group as an intermediate lessor *(Continued)*

	Undiscounted lease receivables 2021 RMB'000	Present value of lease receivables 2021 RMB'000
Amounts receivable:		
Within one year	208	180
In the second year	414	396
In the third year	206	202
Total	828	778
Future finance income	50	
Total net investments in subleases	778	
Portion classified as current assets	180	
Portion classified as non-current assets	598	

16. DEFERRED TAX

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable income RMB'000	Write-down of inventories to net realisable value RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Asset-related government grants RMB'000	Provision for warranty RMB'000	Lease liabilities RMB'000	Expected credit losses of financial assets RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2022	66	1,042	28	516	362	1,886	371	48	4,319
Deferred tax credited/(charged) to profit or loss during the year (Note 10)	(11)	642	180	(86)	(57)	(384)	(142)	6	148
At 31 December 2022	55	1,684	208	430	305	1,502	229	54	4,467

	Losses available for offsetting against future taxable income RMB'000	Write-down of inventories to net realisable value RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Asset-related government grants RMB'000	Provision for warranty RMB'000	Lease liabilities RMB'000	Expected credit losses of financial assets RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2021	24	1,107	235	412	510	2,411	1,301	32	6,032
Deferred tax credited/(charged) to profit or loss during the year (Note 10)	42	(65)	(207)	104	(148)	(525)	(930)	16	(1,713)
At 31 December 2021	66	1,042	28	516	362	1,886	371	48	4,319

16. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Rights-of-use assets RMB'000	Net investments in subleases RMB'000	Effect of withholding tax at 10% on earnings anticipated to be remitted by the Group's PRC subsidiaries RMB'000	Property, plant and equipment RMB'000	Total RMB'000
At 1 January 2022	**(1,795)**	**(27)**	**(171)**	**–**	**(1,993)**
Deferred tax (charged)/ credited to profit or loss during the year (Note 10)	**294**	**18**	**(155)**	**(1,457)**	**(1,300)**
Payment of withholding tax	**–**	**–**	**171**	**–**	**171**
At 31 December 2022	**(1,501)**	**(9)**	**(155)**	**(1,457)**	**(3,122)**

	Rights-of-use assets RMB'000	Net investments in subleases RMB'000	Effect of withholding tax at 10% on earnings anticipated to be remitted by the Group's PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2021	(2,368)	(19)	(252)	(2,639)
Deferred tax (charged)/credited to profit or loss during the year (Note 10)	573	(8)	(171)	394
Payment of withholding tax	–	–	252	252
At 31 December 2021	(1,795)	(27)	(171)	(1,993)

16. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

For the year ended 31 December 2022, the Group recognised deferred tax liabilities of approximately RMB155,000 (2021: RMB171,000) on earnings anticipated to be remitted by certain PRC subsidiaries in the foreseeable future. No withholding tax had been provided for the current year earnings of approximately RMB20,630,000 (2021: RMB22,675,000) 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, the impact of the COVID-19 pandemic and management's estimation of overseas funding requirements. The aggregate amount of temporary differences associated with these retained profits for which deferred tax liabilities have not been recognised was approximately RMB181,226,000 (2021: RMB160,596,000) as at 31 December 2022.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**1,500**	2,497
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(155)**	(171)
	1,345	2,326

The Group has tax losses arising in the Cayman Islands of Nil (2021: RMB36,225,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB32,000 (2021: RMB247,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Tax losses	**32**	36,472

17. INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Finished goods	**155,715**	99,761
Work in progress	**89,363**	80,977
Raw materials and low value consumables	**1,355**	1,484
	246,433	182,222

18. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	**71,391**	75,014
Notes receivable	**40,722**	23,195
Impairment	**(1,525)**	(2,465)
	110,588	95,744

The Group generally grants a credit period of 20 to 180 days to customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and notes receivables are non-interest-bearing.

Details of the concentration of credit risk arising from the customers are set out in note 35 to the financial statements.

18. TRADE AND NOTES RECEIVABLES *(Continued)*

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 30 days	**22,546**	22,425
31–60 days	**6,423**	12,903
61–90 days	**5,972**	8,040
91–180 days	**10,643**	12,426
181–365 days	**13,273**	9,493
Over 365 days	**11,009**	7,262
	69,866	72,549

Set out below is the movements in loss allowance for impairment of trade and notes receivables:

	2022	2021
	RMB'000	RMB'000
At the beginning of year	**2,465**	9,130
(Write-back)/impairment losses, net	**(940)**	1,165
Amount written off as uncollectible	**–**	(7,830)
At the end of year	**1,525**	2,465

The Group has applied the simplified approach to providing for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days of ageing. If there is objective evidence of impairment existing individually for financial assets that are individually significant, an impairment loss is recognised in the statement of profit or loss. The Group performs a collective assessment for all other trade receivables that are not individually significant or for which impairment has not yet been identified by including the asset in a group of financial assets with similar credit risk characteristics for impairment. The collective provision calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. In response to COVID-19 and the Group's expectations of economic impacts, the forward-looking macroeconomic assumption underpinning the collective provision calculation has been revised. However, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

18. TRADE AND NOTES RECEIVABLES *(Continued)*

Generally, trade receivables are written off when there is no reasonable expectation of recovering additional cash. Indicators include, among others, the bankruptcy of the customer and a failure to make contractual payments for a period of greater than 36 months.

The gross carrying amount of trade receivables individually measured is RMB204,000 (2021: RMB204,000) and the loss allowance for these trade receivables is RMB204,000 (2021: RMB204,000). Set out below is the information about the credit risk exposure on the Group's trade receivables using the collective provision calculation matrix:

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
31 December 2022					
Gross carrying amount	**59,226**	**10,774**	**948**	**239**	**71,187**
Expected credit loss rate	**0.30%–0.62%**	**3.00%–5.86%**	**3.00%–11.06%**	**100%**	
Expected credit losses	**369**	**608**	**105**	**239**	**1,321**
31 December 2021					
Gross carrying amount	66,672	5,176	2,897	65	74,810
Expected credit loss rate	0.30%–0.87%	3.00%–7.81%	3.00%–34.00%	100%	
Expected credit losses	573	638	985	65	2,261

The Group's notes receivable are recognised as debt investments at fair value through other comprehensive income and the Group applies the low credit risk simplification for the assessment of ECLs of notes receivable. At the end of the reporting period, the Group evaluated that the notes receivable are considered to have low credit risk.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current		
Prepayment for acquisition of property, plant and equipment	**8,883**	3,149
Prepayment for the acquisition of leasehold land (Note 15)	**–**	6,935
Deposits	**–**	350
	8,883	10,434
Current		
Deposits and other receivables	**1,993**	1,787
Prepayments	**1,525**	2,430
Prepaid income tax	**1,056**	–
Receivable for the sale of the plant	**348**	4,865
Input value added tax ("**VAT**") to be deducted	**189**	228
HKEx annual subscription fee	**135**	124
	5,246	9,434

Note: None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The Group applies the general approach to provide for expected credit losses of the financial assets measured at amortised cost, for which the Group assesses the impairment individually based on the internal credit rating of these debtors. Based on the assessment, there has been no significant increase in credit risk since initial recognition. No impairment loss has been recognised under the 12-month ECLs based on the information about the exposure to credit risk for these financial assets which are assessed individually as at 31 December 2022.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash and bank balances	**56,600**	100,851
Less:		
Restricted bank deposits (Note)	**(2,151)**	(2,780)
Cash and cash equivalents	**54,449**	98,071

Note: As at 31 December 2022, the Group has placed restricted bank deposits in a bank with an aggregate amount of approximately RMB2,151,000 (2021: RMB2,780,000), among which approximately RMB2,085,000 (2021: RMB2,780,000) is in relation to the performance guarantees issued by the bank to Zhangpu Town People's Government of Kunshan Municipality for the acquisition of the Leasehold Land as disclosed in note 15 to the financial statements and approximately RMB66,000 (2021: Nil), is in relation to the quality guarantees issued by the bank to a customer of the Group for the sale of moulds.

As at 31 December 2022, the Group's cash and bank balances denominated in RMB amounted to RMB34,795,000 (2021: RMB49,057,000). RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchanges 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.

21. TRADE PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	**62,601**	59,822

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 30 days	**28,272**	29,914
31–60 days	**13,283**	11,639
61–90 days	**13,542**	11,234
91–120 days	**6,553**	3,089
Over 120 days	**951**	3,946
	62,601	59,822

The trade payables are non-interest-bearing and are normally settled on 30 to 120-day terms.

22. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Payables for construction of the new plant and purchases of machinery	**17,711**	–
Staff cost and welfare accruals	**9,284**	9,495
Provision for warranty (Note)	**2,033**	2,414
Other payables	**7,981**	3,053
Total	**37,009**	14,962

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

Note:

Provision for warranty

	2022	2021
	RMB'000	RMB'000
At the beginning of year	**2,414**	3,400
Provision	**1,176**	502
Payment	**(1,557)**	(1,488)
At the end of year	**2,033**	2,414

23. CONTRACT LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities	**116,630**	92,542

Contract liabilities include advances received to deliver moulds.

24. GOVERNMENT GRANTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of year	**6,255**	2,754
Received during the year (Note)	**–**	1,219
Addition from the sale and leaseback transaction	**–**	3,187
Released to the statement of profit or loss	**(2,101)**	(905)
At the end of year	**4,154**	6,255
Current portion	**(1,906)**	(2,107)
Non-current portion	**2,248**	4,148

Note: 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.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December					
	2022			2021		
	Effective Interest Rate (%)	**Maturity**	**RMB'000**	Effective Interest Rate (%)	Maturity	RMB'000
Current						
Other borrowings (Note (a))	**1.30**	**2023**	**6,938**	N/A	N/A	–
Current portion of long-term bank borrowing — secured (Note (b))	**3.97**	**2023**	**4,000**	N/A	N/A	–
			10,938			–
Non-current						
Long-term bank borrowing — secured (Note (b))	**3.97**	**2024**	**2,000**	N/A	N/A	–
			12,938			–

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Analysed into:		
Other borrowings repayable:		
Within one year	**6,938**	–
Long-term bank borrowing repayable:		
Within one year	**4,000**	–
In the second year	**2,000**	–
	6,000	–
	12,938	–

Notes:

(a) The Group entered into a note receivable discounting arrangement (the "**Arrangement**") with China CITIC Bank Kunshan Economic and Technological Development Zone Sub-branch (the "**CITIC Kunshan**") in May 2022. Under the Arrangement, the Group was granted with a loan facility up to 98.87% of the two notes receivable being presented to the CITIC Kunshan and the Group retained substantial risks and rewards, including the default risk relating to the two notes receivable. Accordingly, the Group continued to recognise the discounted notes receivable with the amount granted by the third party. The notes receivable discounted under the Arrangement will be settled in April 2023.

(b) In October 2022, the Group entered into a ten-year general facility agreement with a maximum credit limit of RMB80,000,000 with Jiangsu Kunshan Rural Commercial Bank Co., Ltd. Zhangpu Sub-branch, which is secured by the mortgages over the Group's leasehold land with a net carrying value at the end of the reporting period of approximately RMB6,925,000, together with the new plant under construction on the leasehold land with a net carrying value at the end of the reporting period of approximately RMB34,791,000. As at 31 December 2022, the Group had a bank borrowing of RMB6,000,000 under the general facility agreement, which bears interest at a rate of 3.90% per annum and is repayable in three equal instalments in September 2023, December 2023 and June 2024, respectively.

(c) All borrowings are denominated in RMB.

26. SHARE CAPITAL

	31 December 2021 and 2022	
	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

There was no change to the share capital of the Company for the year ended 31 December 2022.

27. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

Share premium

The share premium of the Group represents the reserve arisen pursuant to the Reorganisation and the reserve arisen pursuant to Shinelong (Suzhou)'s conversion as a limited liability company in March 2016 and the amount resulting from the vesting and transfer of awarded shares in November 2021 and November 2022, as further detailed in note 28 to the financial statements.

Share-based compensation reserve

The share-based compensation reserve comprises the fair value of share options and awarded shares granted which are yet to be exercised. The amount will either be transferred to the share premium when the related share options are exercised or the related awarded shares are vested and transferred, or be transferred to retained earnings should the related share options or awarded shares expire or be forfeited.

Merger reserve

There was no change in the merger reserve of the Group, which represents the reserve arisen pursuant to the Reorganisation and the reserve arisen pursuant to Shinelong (Suzhou)'s conversion as a limited liability company in March 2016.

Statutory reserve

The statutory reserve of the Group represents all the appropriation of net profits (after offsetting accumulated losses from prior years) made by the Group's subsidiaries in the PRC. The percentage of appropriation to statutory reserve is 10%. When the balances of the statutory reserve reach 50% of the registered capital, such transfer needs not to be made.

Fair value reserve

The fair value reserve of the Group represents the fair value changes of debt investments measured at fair value through other comprehensive income, which will be reclassified subsequently to profit or loss upon disposal.

27. RESERVES *(Continued)*

Exchange reserve

The exchange reserve of the Group represents all relevant exchange differences arising from the translation of the financial statements of an entity whose functional currency is different from the Group's presentation currency.

28. SHARE-BASED PAYMENTS

Share option scheme

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

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

The following share options were outstanding under the Share Option Scheme during the year:

	2022		2021	
	Weighted average exercise price HK$ per share	**Number of share options '000**	Weighted average exercise price HK$ per share	Number of share options '000
At 1 January	**0.405**	**9,248**	–	–
Granted during the year	**–**	**–**	0.405	9,248
Forfeited during the year	**0.405**	**(1,080)**	–	–
At 31 December	**0.405**	**8,168**	0.405	9,248

No share options were exercised for the years ended 31 December 2022 and 2021.

28. SHARE-BASED PAYMENTS *(Continued)*

Share option scheme *(Continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2022

Number of options '000	Exercise price HK$ per share	Exercise period
2,450	0.405	18-5-22 to 17-5-26
2,450	0.405	18-5-23 to 17-5-26
3,268	0.405	18-5-24 to 17-5-26
8,168	0.405	

2021

Number of options '000	Exercise price HK$ per share	Exercise period
2,774	0.405	18-5-22 to 17-5-26
2,774	0.405	18-5-23 to 17-5-26
3,700	0.405	18-5-24 to 17-5-26
9,248	0.405	

No share-based compensation expense has been recognised under the Share Option Scheme during the year as the Performance Conditions are not expected to be satisfied (2021: Nil).

At the end of the reporting period, the Company had 8,168,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 8,168,000 additional ordinary shares of the Company and additional share capital of HK$82,000 (before issue expenses).

28. SHARE-BASED PAYMENTS *(Continued)*

Share award scheme

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

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

The following awarded shares were outstanding under the Share Award Scheme during the year:

	2022 Number of awarded shares '000	2021 Number of awarded shares '000
At 1 January	**6,474**	–
Granted during the year	**–**	9,248
Vested during the year	**(2,450)**	(2,774)
Forfeited during the year	**(756)**	–
At 31 December	**3,268**	6,474

The fair value of each awarded share was calculated based on the market price of the Company's shares at the grant date.

For the year ended 31 December 2022, the Group recognised RMB457,000 (2021: RMB792,000) of share-based compensation expenses under the Share Award Scheme in profit or loss.

29. TREASURY SHARES

	2022		2021	
	Number of shares	**Amount**	Number of shares	Amount
	'000	**RMB'000**	'000	RMB'000
At 1 January	**2,826**	**724**	–	–
Shares repurchased	**–**	**–**	5,600	1,560
Vesting of awarded shares	**(2,450)**	**(623)**	(2,774)	(836)
At 31 December	**376**	**101**	2,826	724

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

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

No shares were purchased for the Share Award Scheme during the year ended 31 December 2022 (2021: 5,600,000).

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the reporting period, the Group had non-cash additions to other payables and accruals of RMB17,718,000 (2021: Nil) and property, plant and equipment of RMB17,718,000 (2021: Nil) in relation to the construction of the new plant and the purchases of machinery. In addition, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB818,000 (2021: RMB2,899,000) and RMB818,000 (2021: RMB2,899,000), respectively, in respect of lease arrangements for factories and venues.

Other than the items described above, there are no other major non-cash transactions for the year ended 31 December 2022.

(b) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities during the reporting period are as follows:

2022

	As at 1 January 2022 RMB'000	Changes from financing cash flows RMB'000	Interest expense RMB'000	Dividend declared RMB'000	Non-cash Transaction (Note 30(a)) RMB'000	As at 31 December 2022 RMB'000
Interest-bearing bank and other borrowings	–	12,938	–	–	–	12,938
Interest payable	–	–	–	–	7	7
Dividends payable	–	(1,538)	–	1,538	–	–
Lease liabilities	14,026	(4,602)	560	–	818	10,802
	14,026	6,798	560	1,538	825	23,747

2021

	As at 1 January 2021 RMB'000	Changes from financing cash flows RMB'000	Interest expense RMB'000	Dividend declared RMB'000	Non-cash Transaction (Note 30(a)) RMB'000	As at 31 December 2021 RMB'000
Interest-bearing bank and other borrowings	922	–	–	–	(922)	–
Dividends payable	–	(2,039)	–	2,039	–	–
Lease liabilities	16,674	(6,235)	688	–	2,899	14,026
	17,596	(8,274)	688	2,039	1,977	14,026

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Within operating activities	**(55)**	(87)
Within financing activities	**(4,602)**	(6,235)
	(4,657)	(6,322)

31. COMMITMENTS

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Contracted, but not provided for:		
Machinery	**14,065**	12,221
Plant construction	**58,243**	1,684
Total	**72,308**	13,905

32. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Shine Art	Controlling Shareholder
Friendly Holdings (HK) Co., Limited	Shareholder
High Chance Limited	Shareholder
Lin Wan-Yi	Ultimate controlling shareholder, Chairman, executive director and chief executive officer

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

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

The key management personnel of the Group included four directors and two chief executives of the Group (2021: four directors and two chief executives) whose emoluments were disclosed in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Debt investments — notes receivable	**40,722**	23,195
FINANCIAL ASSETS AT AMORTISED COST		
Trade receivables	**69,866**	72,549
Cash and cash equivalents	**54,449**	98,071
Net investments in subleases	**598**	778
Financial assets included in prepayments, other receivables and other assets	**1,732**	1,900
Restricted bank deposits	**2,151**	2,780
	128,796	176,078

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
FINANCIAL LIABILITIES AT AMORTISED COST		
FINANCIAL LIABILITIES		
Trade payables	**62,601**	59,822
Interest-bearing bank and other borrowings	**12,938**	–
Lease liabilities	**10,802**	14,026
Financial liabilities included in other payables and accruals	**20,025**	1,992
	106,366	75,840

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying Amounts		Fair Values	
	31 December 2022 RMB'000	31 December 2021 RMB'000	**31 December 2022 RMB'000**	31 December 2021 RMB'000
FINANCIAL ASSETS				
Notes receivable	**40,722**	23,195	**40,722**	23,195

The Group's financial assets and liabilities primarily consist of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals. Management has assessed that their fair values approximate to their carrying amounts in general due to the short-term maturities of these instruments. The carrying amounts of the Group's non-current bank borrowing approximates to its fair value as the interest rate it bears reflects the current market yield for comparable borrowings.

The Group's finance management center is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance management center 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 statement of financial position, and the related changes in fair values, which are recorded in the consolidated statement of other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

34. 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 31 December 2022

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Notes receivable	**–**	**40,722**	**–**	**40,722**

As at 31 December 2021

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Notes receivable	–	23,195	–	23,195

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the reporting period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below:

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in foreign currency rate	Increase/(decrease) in profit before tax As at 31 December	
		2022	2021
	%	**RMB'000**	RMB'000
If RMB weakens against USD	5	**219**	568
If RMB strengthens against USD	(5)	**(219)**	(568)
If RMB weakens against HKD	5	**(780)**	(1,575)
If RMB strengthens against HKD	(5)	**780**	1,575

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables and deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty. The Group had certain concentrations of credit risk as the trade and notes receivables in terms of the following percentages were due from the five largest customers out of the Group's total trade and notes receivables:

	As at 31 December	
	2022	2021
	%	%
Due from the Group's five largest customers	**50**	58

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022 and 2021. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	–	–	69,866	69,866
Notes receivable	40,722	–	–	–	40,722
Cash and cash equivalents	54,449	–	–	–	54,449
Restricted bank deposits	2,151	–	–	–	2,151
Net investments in subleases	598	–	–	–	598
Financial assets included in prepayments, other receivables and other assets	1,732	–	–	–	1,732
	99,652	–	–	69,866	169,518

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	–	–	72,549	72,549
Notes receivable	23,195	–	–	–	23,195
Cash and cash equivalents	98,071	–	–	–	98,071
Restricted bank deposits	2,780	–	–	–	2,780
Net investments in subleases	778	–	–	–	778
Financial assets included in prepayments, other receivables and other assets	1,900	–	–	–	1,900
	126,724	–	–	72,549	199,273

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables are disclosed in note 18 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or no later than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2022				
Trade payables	**62,601**	**–**	**–**	**62,601**
Interest-bearing bank and other borrowings	**10,938**	**2,000**	**–**	**12,938**
Lease liabilities	**3,809**	**7,945**	**–**	**11,754**
Financial liabilities included in other payables and accruals	**20,025**	**–**	**–**	**20,025**
	97,373	**9,945**	**–**	**107,318**
As at 31 December 2021				
Trade payables	59,822	–	–	59,822
Lease liabilities	5,066	10,387	–	15,453
Financial liabilities included in other payables and accruals	1,992	–	–	1,992
	66,880	10,387	–	77,267

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

36. EVENTS AFTER THE REPORTING PERIOD

In February 2023, the Group entered into a purchase agreement with a vendor for the purchase of equipment at the consideration of approximately RMB5.6 million.

As at the date of approval of these financial statements, apart from the aforementioned event, there is no other significant event subsequent to 31 December 2022.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
ASSETS		
NON-CURRENT ASSETS		
Investments in subsidiaries	**284,653**	203,900
Due from a subsidiary	**54,270**	32,171
Total non-current assets	**338,923**	236,071
CURRENT ASSETS		
Prepayments, other receivables and other assets	**524**	437
Cash and cash equivalents	**17,982**	40,881
Total current assets	**18,506**	41,318
CURRENT LIABILITIES		
Other payables and accruals	**1,137**	1,087
Total current liabilities	**1,137**	1,087
NET CURRENT ASSETS	**17,369**	40,231
TOTAL ASSETS LESS CURRENT LIABILITIES	**356,292**	276,302
Net assets	**356,292**	276,302
EQUITY		
Share capital	**5,806**	5,806
Treasury shares	**(101)**	(724)
Reserves (Note)	**350,587**	271,220
Total equity	**356,292**	276,302

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
As at 1 January 2021	100,972	136,507	–	(1,512)	(26,734)	209,233
Profit for the year	–	–	–	–	64,998	64,998
Other comprehensive loss for the period:	–	–	–	–	–	–
Currency translation differences	–	–	–	(1,382)	–	(1,382)
Total comprehensive income/(loss) for the year	–	–	–	(1,382)	64,998	63,616
Final 2020 dividend	–	–	–	–	(2,039)	(2,039)
Equity-settled share reward expense	–	–	792	–	–	792
Vesting of awarded shares	71	–	(453)	–	–	(382)
As at 31 December 2021 and 1 January 2022	101,043	136,507	339	(2,894)	36,225	271,220
Profit for the year	–	–	–	–	65,679	65,679
Other comprehensive income for the year:						
Currency translation differences	–	–	–	15,019	–	15,019
Total comprehensive income for the year	–	–	–	15,019	65,679	80,698
Final 2021 dividend declared	–	–	–	–	(1,538)	(1,538)
Equity-settled share reward expense	–	–	457	–	–	457
Vesting of awarded shares	199	–	(449)	–	–	(250)
As at 31 December 2022	101,242	136,507	347	12,125	100,366	350,587

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 27 March 2023.

Five-Year Financial Summary

RESULTS

	For the year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**198,543**	222,209	203,445	230,228	217,216
Gross profit	**44,558**	48,613	71,225	77,576	72,913
Profit before tax	**18,609**	25,633	34,087	31,382	38,071
Profit for the year	**17,610**	21,083	28,326	23,713	31,351
Attributable to:					
Owners of the Company	**17,312**	21,195	28,347	23,713	31,351
Non-controlling interests	**298**	(112)	(21)	–	–
Adjusted net profit Note 1	**17,610**	21,083	28,326	38,313	38,266
Basic earnings per share (RMB cents)	**2.6**	3.2	4.3	4.1	N/A Note 2
Diluted earnings per share (RMB cents)	**2.6**	3.2	4.3	4.1	N/A Note 2

PROFITABILITY ANALYSIS

	For the year ended 31 December				
	2022	2021	2020	2019	2018
Gross profit margin	**22.4%**	21.9%	35.0%	33.7%	33.6%
Net profit margin	**8.9%**	9.5%	13.9%	10.3%	14.4%
Net profit margin attribute to owners of the Company	**8.7%**	9.5%	13.9%	10.3%	14.4%
Adjusted net profit margin Note 1	**8.9%**	9.5%	13.9%	16.6%	17.6%

Notes:

1. Adjusted net profit and adjusted net profit margin are not financial measures under IFRS. Adjusted net profit and adjusted net profit margin are calculated based on the net profit for the year after excluding the effect of (i) the listing expenses for the Listing; (ii) the listing expenses for the previous listing application for A-Share filed by the Company's subsidiary on 23 December 2016 ("**A-Share Listing Application**"); and (iii) the cash-subsidies granted by the local government in relation to the A-Share Listing Application.

2. No earnings per share was presented for the years ended 31 December 2018 as it was not considered meaningful due to the reorganisation of the Group for the Listing.

ASSETS AND LIABILITIES

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'00
Total assets	**566,799**	491,607	475,687	414,467	305,908
Cash and cash equivalents	**54,449**	98,071	95,918	86,904	14,112
Total liabilities	**244,289**	189,548	191,229	151,787	174,589
Borrowings	**12,938**	–	922	–	–
Total equity	**322,510**	302,059	284,458	262,680	131,319