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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL SUMMARY

	For the year ended 31 December		
	2019	2018	Change
Revenue *(RMB'000)*	**230,228**	217,216	6.0%
Gross profit *(RMB'000)*	**77,576**	72,913	6.4%
Gross profit margin	**33.7%**	33.6%	0.1 percentage points
Net profit *(RMB'000)*	**23,713**	31,351	–24.4%
Net profit margin	**10.3%**	14.4%	–4.1 percentage points
Adjusted net profit *(RMB'000)* *Note 1*	**38,313**	38,266	0.1%
Adjusted net profit margin *Note 1*	**16.6%**	17.6%	–1.0 percentage points
Basic earnings per share *(RMB cents)*	**4.1**	N/A *Note 2*	N/A
Proposed final dividend per share *(RMB cents)*	**0.562**		
Proposed total dividend *(RMB'000)*	**3,709**		

Notes:

1. Adjusted net profit and adjusted net profit margin are calculated based on the net profit for the year before listing expenses for the listing (the "**Listing**") of the shares (the "**Shares**") of Shinelong Automotive Lightweight Application Limited (the "**Company**") on the Main Board of the The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

2. No earnings per share was presented for the year ended 31 December 2018 as it was not considered meaningful due to the reorganisation of the Company together with its subsidiaries (collectively, the "**Group**") for the Listing.

RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
REVENUE	3	**230,228**	217,216
Cost of sales		**(152,652)**	(144,303)
Gross profit		**77,576**	72,913
Other income and gains, net		**1,992**	898
Selling and distribution expenses		**(8,136)**	(8,324)
General and administrative expenses		**(38,946)**	(26,693)
Finance costs		**(1,104)**	(723)
PROFIT BEFORE TAX	4	**31,382**	38,071
Income tax expense	5	**(7,669)**	(6,720)
PROFIT FOR THE YEAR		**23,713**	31,351
Attributable to:			
Owners of the Company		**23,713**	31,351
OTHER COMPREHENSIVE INCOME			
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		**(84)**	59
Currency translation differences		**1,622**	16
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,538**	75
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**25,251**	31,426
Attributable to:			
Owners of the Company		**25,251**	31,426
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (in RMB cent per share)	7	**4.1**	Not applicable

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**62,912**	67,110
Right-of-use assets		**15,670**	–
Prepaid land lease payments		**–**	800
Intangible assets		**3,162**	3,625
Prepayments		**–**	60
Deferred tax assets		**3,894**	1,474
Net investments in subleases		**362**	–
Total non-current assets		**86,000**	73,069
CURRENT ASSETS			
Inventories		**138,419**	138,952
Trade and notes receivables	*9*	**103,395**	75,442
Prepayments, other receivables and other assets		**1,478**	4,021
Net investments in subleases		**380**	–
Amount due from a related party		**–**	312
Cash and cash equivalents		**86,904**	14,112
Total current assets		**330,576**	232,839
CURRENT LIABILITIES			
Trade and notes payables	*10*	**50,174**	66,434
Other payables and accruals		**14,440**	16,673
Government grants		**454**	234
Contract liabilities		**65,942**	81,154
Dividends payable	*6*	**–**	367
Amounts due to related parties		**–**	6,956
Income tax payable		**3,136**	1,536
Lease liabilities		**3,333**	–
Total current liabilities		**137,479**	173,354
NET CURRENT ASSETS		**193,097**	59,485
TOTAL ASSETS LESS CURRENT LIABILITIES		**279,097**	132,554

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT LIABILITIES			
Government grants		**1,937**	1,235
Deferred tax liabilities		**2,521**	–
Lease liabilities		**11,959**	–
Total non-current liabilities		**16,417**	1,235
Net assets		**262,680**	131,319
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*11*	**5,806**	–*
Reserves		**256,874**	131,319
Total equity		**262,680**	131,319

* The amount is less than RMB1,000, which is RMB87.62.

1. GENERAL INFORMATION

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

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

The Company and its subsidiaries now comprising the Group underwent a reorganisation (the "**Reorganization**") in preparation for the Listing through the incorporation of the Company, acquisition of Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("**Shinelong (Suzhou)**") and Kunshan Longjun Management Consulting Company Limited by the Company, further allotment of ordinary shares and capitalization issue. The Shares have been listed on the Main Board of the Hong Kong Stock Exchange since 28 June 2019.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Renminbi ("**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 2019. 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).

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. 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 derecognizes (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 recognizes (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 recognized 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 new and revised IFRSs for the first time for the current year's financial statements.

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

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

Adoption of IFRS 16

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognize and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

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

New definition of a lease

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

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for factories and venues, parking lots and a parcel of land in its operation. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognizing rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognizes depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

As a lessee — Leases previously classified as operating leases

Impacts on transition

Lease liabilities at 1 January 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Group elected to present the lease liabilities separately in the statement of financial position.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

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

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	17,662
Decrease in prepaid land lease payments	(825)
Decrease in prepayments, other receivables and other assets	(252)
Increase in total assets	16,585
Liabilities	
Increase in lease liabilities	16,585

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

	RMB'000
Operating lease commitments as at 31 December 2018	20,673
Weighted average incremental borrowing rate as at 1 January 2019	6.31%
Discounted operating lease commitments as at 1 January 2019	16,585
Lease liabilities as at 1 January 2019	16,585

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 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

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.

3. REVENUE

3.1 Disaggregated revenue information

An analysis of revenue is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Sales of moulds		
Automotive moulds	**162,102**	123,869
Electrical appliance moulds	**55,235**	68,909
Other moulds	**1,254**	1,472
Parts processing services	**9,328**	20,802
Others	**2,309**	2,164
	230,228	217,216
Represented by:		
Goods and services transferred at a point in time	**230,228**	217,216
Represented by:		
Geographic markets		
The PRC	**227,607**	209,185
Overseas	**2,621**	8,031
	230,228	217,216

Set below is the amounts of revenue recognized in the current reporting period that were included in contract liabilities at the beginning of the reporting period:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Sales of moulds		
Automotive moulds	**65,568**	57,652
Electrical appliance moulds	**6,673**	8,844
Other moulds	**118**	610
Parts processing services	**41**	1,246
Others	**–**	109
	72,400	68,461

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	
	2019	2018
	RMB'000	*RMB'000*
Customer 1	**140,713**	79,627
Customer 2	**33,007**	38,448
	173,720	118,075

3.2 Performance obligations

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

Sales of moulds

The performance obligation is satisfied upon the customers' issue of final acceptance report. Generally, customers are required to pay approximately 30% of the total fee as 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 a 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 recognized 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	
	2019	2018
	RMB'000	*RMB'000*
Amounts expected to be recognized as revenue:		
Within one year	**175,775**	200,825
After one year	**80,783**	46,375
	256,558	247,200

The amounts of transaction prices related to the performance obligations which are expected to be recognized 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 recognized within one year. The amounts disclosed above do not include variable consideration which is constrained.

4. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Raw materials consumed	**83,737**	76,723
Direct labor cost	**19,672**	16,780
Subcontracting expenses	**22,238**	26,971
Depreciation of property, plant and equipment	**8,930**	8,211
Depreciation of right-of-use assets (2018: amortization of land lease payments)	**2,538**	24
Amortization of intangible assets	**1,256**	1,177
Research and development costs	**7,674**	7,164
Minimum lease payments under operating leases	**–**	2,292
Lease payments not included in the measurement of lease liabilities	**56**	–
Interest on lease liabilities	**904**	–
Listing expenses	**14,600**	6,915
Auditor's remuneration	**1,419**	–
Employee benefit expenses (including directors' and chief executive's remuneration)		
Salaries and bonuses	**14,051**	11,397
Pension scheme contributions	**4,605**	3,603
	18,656	15,000
Impairment losses for trade and notes receivables, net	**30**	80
Provision for warranty	**2,238**	2,975
Write-down of inventories to net realizable value	**2,517**	1,086
Foreign exchange differences, net	**(257)**	365

5. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands. Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax rate of 25%. During the reporting period, Shinelong (Suzhou) was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate of 15% (2018: 15%). Qingdao Xunzhan Molding Technology Company Limited ("**Xunzhan**") was certified as a small and micro-sized enterprise ("**SME**") and enjoyed a 75% reduction in taxable income and the preferential income tax rate of 20% for the year ended 31 December 2019 as its taxable income is below RMB1 million (2018: 25%).

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current — PRC	**7,568**	5,405
Deferred — PRC	**101**	1,315
Total tax charge for the year	**7,669**	6,720

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 rates is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**31,382**	38,071
Statutory tax rate	**25%**	25%
Tax at the statutory tax rate	**7,846**	9,518
Lower tax rates enacted by local authority	**(4,731)**	(4,054)
Change of lower tax rates enacted by local authority *(Note)*	**262**	–
Non-deductible expenses	**92**	70
Tax loss attributed to the Company	**4,269**	1,468
Adjustments in respect of current tax of previous periods	**(12)**	–
Additional deductible allowance for research and development expenses	**(469)**	(282)
Effect of withholding tax at 10% on earnings anticipated to be remitted by the Group's PRC subsidiaries	**412**	–
Total tax charge for the year	**7,669**	6,720

Note: As at 31 December 2019, the Group estimated that taxable income of Xunzhan will not exceed RMB1,000,000 and it will remain as a SME in subsequent years. Accordingly, Xunzhan will continue to enjoy a 75% reduction in taxable income and the preferential income tax rate of 20%. The Group, therefore, applied a tax rate of 5% in determining the deferred income tax expense of Xunzhan for the year ended 31 December 2019 (2018: 25%).

6. DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Proposed final dividend — RMB0.562 cents (2018: N/A) per ordinary share	**3,709**	Not applicable

On 26 March 2020, the Directors proposed a final dividend of RMB0.562 cents per ordinary share totalling approximately RMB3,709,000 for the year ended 31 December 2019, which is subject to the approval of the Company's shareholders (the "**Shareholders**") at the forthcoming annual general meeting.

The dividend for the year ended 31 December 2018 was declared and paid by the Company's subsidiary to its then shareholders.

7. 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 2019 attributable to ordinary equity holders of the Company of approximately RMB23,713,000 and the weighted average number of ordinary shares of 579,313,187 (2018: N/A) in issue during the year, as adjusted to reflect the capitalization issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019.

No earnings per share information is presented for the year ended 31 December 2018, as its inclusion is not considered meaningful due to the Reorganization as disclosed in Note 1 to the financial statements.

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Machinery**	**Furniture, fixtures and equipment**	**Leasehold improvements**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2018	6,259	80,445	3,289	2,853	1,590	94,436
Additions	–	19,987	781	55	76	20,899
Disposal	–	(1,649)	(146)	–	(26)	(1,821)
At 31 December 2018	6,259	98,783	3,924	2,908	1,640	113,514
Additions	–	4,211	464	–	143	4,818
Disposal	–	(69)	(176)	–	(165)	(410)
At 31 December 2019	6,259	102,925	4,212	2,908	1,618	117,922
Accumulated depreciation						
At 1 January 2018	3,330	31,091	1,787	2,346	1,030	39,584
Depreciation charges for the year	282	7,036	445	238	210	8,211
Disposals	–	(1,237)	(131)	–	(23)	(1,391)
At 31 December 2018	3,612	36,890	2,101	2,584	1,217	46,404
Depreciation charges for the year	282	7,815	492	223	118	8,930
Disposal	–	(48)	(156)	–	(120)	(324)
At 31 December 2019	3,894	44,657	2,437	2,807	1,215	55,010
Net carrying amount						
At 31 December 2018	2,647	61,893	1,823	324	423	67,110
At 31 December 2019	2,365	58,268	1,775	101	403	62,912

9. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**60,527**	54,994
Notes receivable	**42,979**	20,529
Impairment	**(111)**	(81)
	103,395	75,442

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 minimize credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade and notes receivable balances. Trade and notes receivables are non-interest-bearing.

An aging 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	
	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**22,755**	15,063
31–60 days	**4,257**	10,014
61–90 days	**5,462**	9,504
91–180 days	**8,922**	8,086
181–365 days	**14,322**	8,510
Over 365 days	**4,698**	3,736
	60,416	54,913

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of year	**81**	1
Impairment losses, net	**30**	80
At the end of year	**111**	81

There are no significant changes in the loss allowance for impairment of trade and notes receivables in 2019 and 2018.

10. TRADE AND NOTES PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables	**46,159**	66,434
Notes payable	**4,015**	–
	50,174	66,434

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**23,724**	20,772
31–60 days	**9,242**	11,727
61–90 days	**8,990**	10,141
91–120 days	**1,094**	10,073
Over 120 days	**7,124**	13,721
	50,174	66,434

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

11. SHARE CAPITAL

	31 December 2019	
	HK$'000	***RMB'000***
Issued and fully paid/credited as fully paid:		
660,000,000 ordinary shares of HK$0.01 each	**6,600**	**5,806**

	31 December 2018	
	HK$	*RMB*
Issued and allotted		
10,000 ordinary shares of HK$0.01 each	100	87.62

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

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

A summary of movements in the Company' share capital is as follows:

	Number of shares in issue	Share capital *RMB'000*
At 2 October 2018 (Date of incorporation)	–	–
Issue of shares	10,000	–*
At 31 December 2018 and 1 January 2019	10,000	–
Issue of shares for IPO *(Note (a))*	165,000,000	1,452
Capitalization issue *(Note (b))*	494,990,000	4,354
At 31 December 2019	660,000,000	5,806

* *The amount is less than RMB1,000, which is RMB87.62.*

Notes:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was successfully listed on the Main Board of the Hong Kong Stock Exchange on 28 June 2019. 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. With over 17 years of experience in the mould manufacturing market, the Group will continue to offer comprehensive moulding services and solutions to the customers, covering product analysis, mould design and development; mould fabrication, assembling, testing and adjustment; trial production and aftersales services.

The revenue of the Group for the year ended 31 December 2019 (the "**FY2019**") amounted to RMB230.2 million, representing an increase of 6.0% as compared with that of RMB217.2 million for the year ended 31 December 2018 (the "**FY2018**"). Such increase was mainly due to the increase in revenue generated from the sales of automotive moulds. Profit attributable to the owners of the Company for FY2019 amounted to RMB23.7 million, representing a decrease of 24.4% as compared with that of RMB31.4 million for FY2018. Such decrease was mainly due to the listing expenses incurred in FY2019, the increase in compliance costs after listing and the increase in employee benefit expenses as a result of the increase in headcount and annual salary increment. Excluding the listing expenses, profit attributable to the owners of the Company remained relatively stable at RMB38.3 million for FY2018 and FY2019.

OUTLOOK

During the period from 2018 to 2019, global economy was affected by the uncertainties arising from the Sino-US trade frictions. In addition, labour and operation costs increased as the Chinese government tightened the regulations on environmental protection and safety. To cope with the situation, the Group has adopted various internal measures, including strict cost control, strengthening professional training of employees and reinforcing the existing high-quality customer services. Externally, the Group has proactively explored the oversea customers by establishing business relationships and securing orders with various customers in Turkey, India and Russia.

At the time the Group announces its annual results, China is suffering from a pneumonia pandemic. Further, the growth of China's economy is slowing down and the prospect of global economy is also full of uncertainty. Facing the challenges ahead, the Group will always remain cautious, striving to minimise risks and ensuring a stable development.

As the Group mainly focuses on moulds for the production of automotive parts which cater for the growing trend of automotive lightweight application, as well as electrical appliance parts, the development in the automotive and electrical appliance industry will have certain impact on the Group's business.

In 2019, the automotive sale in China remained its world leading position in spite of the decline in domestic demand. Automotive mould belongs to customised product with a majority of customers as automotive parts provider. In addition, new vehicle models are rapidly introduced to the automotive industry in China while existing models are constantly upgrading. Given that the overall automotive market has been developing into a high-end consumption, together with the growing trend of lightweight application in energy-saving and environmentally friendly automotive and the rise of new energy vehicles, upstream mould manufacturers are required to develop corresponding moulds to cope with such changes in product structure and consumption demand. Hence, the automotive mould market presents both challenges and opportunities.

While the electrical appliance market faces fierce competition, electrical appliance products are developing towards a trend of personalisation, customisation, and intelligentisation. With the advance of the 5G industry, there will be challenges and new development opportunities for both upstream and downstream industries.

The State Council of China issued the "Opinion on Further Improving Employment Stability" in December 2019, which proposed to "encourage the renewal consumption of automotive, electrical appliance and consumer electronics, promote the retirement and replacement of old automotive in an effective and orderly manner, and encourage cities that restricted automotive purchase to refine their management measures". The Group expects the PRC Government will launch more measures to stimulate the economy, help stabilise employment and boost consumer confidence.

In 2020, the Group will formulate the development strategies based on the current situation of the global automotive and electrical appliance markets, striving to expand the domestic and overseas markets. The Group will continue to implement the strategies and expansion plans as set out in its prospectus dated 17 June 2019 (the "**Prospectus**"). In response to the market demand of new energy vehicles and the trend of lightweight application in energy-saving automotive, the Group will install its second hot-pressing moulds debugging line as planned, so as to comprehensively enhance the overall competitiveness and increase customer stickiness. With expanded factory scale, the Group will continue to improve the production efficiency and reduce operating costs in order to maintain the competitive advantage. The Group will continue to invest in technology research and development, as well as enhance the product quality, so as to strengthen the customers' recognition and confidence in the Group's products.

FINANCIAL REVIEW

Revenue

The revenue of the Group amounted to RMB230.2 million for FY2019, representing an increase of RMB13.0 million or 6.0% as compared with that of RMB217.2 million for FY2018.

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

	For the year ended 31 December		
	2019	2018	Change
	RMB'000	*RMB'000*	%
Sales of moulds			
Automotive moulds	**162,102**	123,869	30.9
Electrical appliance moulds	**55,235**	68,909	–19.8
Other moulds	**1,254**	1,472	–14.8
Sub-total	**218,591**	194,250	12.5
Parts processing services	**9,328**	20,802	–55.2
Other sundry income	**2,309**	2,164	6.7
Total	**230,228**	217,216	6.0

(i) Sales of moulds

The Group principally engages in the design, develop, 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, develop, manufacture and sales of customised plastic injection moulds for the production of electrical appliance. Sales of moulds accounted for over 94% of the Group's revenue for FY2019.

The revenue generated from sales of automotive moulds for FY2019 amounted to RMB162.1 million, representing an increase of RMB38.2 million or 30.9% as compared with that of RMB123.9 million for FY2018. Such increase was primary due to the increase in revenue generated from one of the Group's major customers, which was attributable by the confirmed orders received from such customer in 2018 which both the contract value per mould and the number of automotive moulds placed from such customer increased. The Directors believe that this customer increased its business with the Group as a result of (a) the more frequent introduction of new passenger vehicle models to meet the changing taste and needs of customers; and (b) increased adoption of lightweight technology by this customer and hence increased demand for the Group's hot-pressing automotive moulds.

The revenue generated from sales of electrical appliance moulds for FY2019 amounted to RMB55.2 million, representing a decrease of RMB13.7 million or 19.8% as compared with that of RMB68.9 million for FY2018. Such decrease was mainly caused by a drop in revenue generated from two of the Group's customers, largely due to the lower average selling price per electrical appliance moulds and the decrease in orders placed.

(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 FY2019 amounted to RMB9.3 million, representing a decrease of RMB11.5 million or 55.2% as compared with that of RMB20.8 million for FY2018. Such decrease was primarily due to the decrease in demand of processing services of auto machine parts.

Cost of sales

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

The cost of sales of the Group for FY2019 amounted to RMB152.7 million, representing an increase of RMB8.3 million or 5.8% as compared with that of RMB144.3 million for FY2018. Such increase was primary due to the increase in direct materials resulting from the increase in the Group's sales volume of moulds.

Gross profit and gross profit margin

The gross profit of the Group for FY2019 amounted to RMB77.6 million, representing an increase of RMB4.7 million or 6.4% as compared with that of RMB72.9 million for FY2018. The overall percentage increase in the Group's gross profit was in line with that for the revenue. The gross profit margin remained stable at 33.6% for FY2018 and 33.7% for FY2019.

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

	For the year ended 31 December				
	2019		2018		
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Sales of automotive moulds	**60,438**	**37.3**	42,978	34.7	40.6
Sales of electrical appliance moulds	**11,669**	**21.1**	18,100	26.3	–35.5
Sales of other moulds	**173**	**13.8**	486	33.0	–64.4
Parts processing services	**4,012**	**43.0**	10,101	48.6	–60.3
Other sundry income	**1,284**	**55.6**	1,248	57.7	2.9
	77,576	**33.7**	72,913	33.6	6.4

The gross profit margin from sales of automotive moulds increased from 34.7% for FY2018 to 37.3% for FY2019, which was mainly due to the fact that the Group had received a larger proportion of acceptance reports from one of the Group's major customers which had a relatively higher gross profit margin when comparing to other customers.

The gross profit margin from sales of electrical appliance moulds decreased from 26.3% for FY2018 to 21.1% for FY2019, which was mainly due to the decrease in gross profit margin for sales to three of the Group's customers as (i) the Group charged a lower mark-up to these customers to remain competitive in the tendering process; and (ii) the moulds produced to these customers in FY2019 were relatively less complex and hence the margin was lower than that for FY2018.

The gross profit margin from parts processing services decreased from 48.6% for FY2018 to 43.0% for FY2019, which was mainly due to the relatively low gross profit margin from some of the Group's new customers as the Group offered competitive pricing to these new customers in order to attract new businesses.

Other income and gains

The other income and gains of the Group mainly consisted of government grants, interest income and foreign exchange differences. The amount increased from RMB0.9 million for FY2018 to RMB2.0 million for FY2019 which was mainly due to the increase in interest income and the recognition of foreign exchange gains for the year.

Selling and distribution expenses

The selling and distribution expenses of the Group mainly consist of staff costs for sales staff, provision for warranty and logistics expenses for delivery of moulds to customers. The amount remained relatively stable at RMB8.3 million for FY2018 and RMB8.1 million for FY2019.

General and administrative expenses

The general and administrative expenses of the Group for FY2019 amounted to RMB38.9 million, representing an increase of RMB12.2 million or 45.9% as compared with that of RMB26.7 million for FY2018. The listing expenses in relation to the Listing recognised for FY2018 and FY2019 were RMB6.9 million and RMB14.6 million, respectively. Excluding the listing expenses, the general and administrative expenses for FY2019 amounted to RMB24.3 million, representing an increase of RMB4.5 million or 23.1% as compared with that of RMB19.8 million for FY2018. Such increase was mainly due to the increase in compliance costs after listing and the increase in employee benefit expenses as a result of the increase in headcount and annual salary increment.

Finance costs

The finance costs of the Group mainly consisted of interest expenses on lease liabilities and discounted notes receivable. The amount increased from RMB0.7 million for FY2018 to RMB1.1 million for FY2019 which was mainly due to the increase in interest expenses on lease liabilities pursuant to the adoption of IFRS 16 Leases from 1 January 2019.

Income tax expenses and effective tax rate

The income tax expenses of the Group increased from RMB6.7 million for FY2018 to RMB7.7 million for FY2019. The effective tax rate, representing income tax expense divided by profit before taxation, was 17.7% and 24.4% for FY2018 and FY2019, respectively. Excluding the listing expenses, the effective tax rate would have increased from 14.9% for FY2018 to 16.7% for FY2019, which was mainly due to the increase in the non-deductible tax losses attributable to the Company for FY2019.

Net profit and net profit margin

The Group recorded net profit of RMB31.4 million and RMB23.7 million for FY2018 and FY2019, with a net profit margin of 14.4% and 10.3%, respectively. Excluding the listing expenses, the adjusted net profit margin of the Group would have decreased from 17.6% for FY2018 to 16.6% for FY2019, which was mainly due to the increase in general and administrative expenses as mentioned above.

Capital Expenditure and Commitments

The Group's capital expenditure in FY2019 primarily comprised expenditure on machinery and furniture, fixtures and equipment and amounted to a total of RMB4.8 million (31 December 2018: RMB20.9 million).

As at 31 December 2019, the Group had no capital commitments (31 December 2018: no capital commitments).

Liquidity and Financial Resources

The Group's operations were primarily financed through its operating activities. The Group derived its cash inflow from operating activities primarily through the receipt of payments from the customers in relation to the sales of moulds and parts processing services. The Group's cash outflows from operating activities primarily comprised payments for purchases of raw materials, direct labour costs, subcontracting fees to third-party contractors and operating expenses such as staff costs.

As at 31 December 2019, the Group's total current assets and current liabilities were RMB330.6 million (31 December 2018: RMB232.8 million) and RMB137.5 million (31 December 2018: RMB173.4 million), respectively, while the current ratio was 2.4 times (31 December 2018: 1.3 times). The increase in total current assets as at 31 December 2019 was mainly attributable to the increase in cash and cash equivalents in relation to the net proceeds from the Listing and the increase in trade and notes receivables. As at 31 December 2019, the Group had a cash and bank balance amounted to RMB86.9 million (31 December 2018: RMB14.1 million).

As at 31 December 2019, the Group has aggregate banking facilities of RMB230 million. The Group's gearing ratio was 5.8% as at 31 December 2019 (31 December 2018: 4.9%).

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 2019, the Group's total equity was RMB262.7 million (31 December 2018: RMB131.3 million), which represented share capital of RMB5.8 million (31 December 2018: less than RMB1,000) and reserves of RMB256.9 million (31 December 2018: RMB131.3 million). The increase in total equity was primarily due to the issuance of shares of the Group for the Listing and net profit for the year.

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 2019, the Group's property, plant and equipment amounted to RMB62.9 million (31 December 2018: RMB67.1 million).

Inventories

The Group's inventories comprised (i) raw materials and low value consumables used in production, (ii) work-in-progress for products being manufactured in the production plants, and (iii) finished goods which comprised moulds that have only passed the customers' initial inspection for which the Group had not received their final acceptance reports. As at 31 December 2019, the Group's inventories amounted to RMB138.4 million (31 December 2018: RMB139.0 million).

Trade and notes receivables

The Group's trade and notes receivables represented amounts receivable from the customers in relation to the sales of moulds and the 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 2019, the Group's trade and notes receivables amounted to RMB103.4 million (31 December 2018: RMB75.4 million). Such increase was mainly due to the increase in notes receivable issued by one of the Group's major customers with terms ranging from 2 to 6 months.

Trade and notes payables

The Group's trade and notes payables primarily consisted of payable to the suppliers in relation to the purchase of the raw materials for the manufacture of moulds, and subcontracting fees payable to third-party contractors. As at 31 December 2019, the Group's trade and notes payables amounted to RMB50.2 million (31 December 2018: RMB66.4 million). Such decrease was mainly due to (i) the fact that a part of the trade payables was unsettled as at 31 December 2018 because of the unsatisfactory quality of the raw materials supplied and the amount was subsequently paid in FY2019; and (ii) the amount of raw materials purchased during the fourth quarter of FY2019 was less than that for the same period of FY2018 which was largely attributable to the decrease in confirmed orders received.

Contract liabilities

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

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

As at 31 December 2019, the Group's contract liabilities amounted to RMB65.9 million (31 December 2018: RMB81.2 million), most of which represented payments from the customers for moulds that had passed their initial inspection but for which the Group had not received their final acceptance reports.

Employees, Training and Remuneration Policies

As at 31 December 2019, the Group had 358 employees (31 December 2018: 351 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 of Directors (the "**Board**") from time to time. In addition to basic remuneration, the Group also makes contributions to mandatory social security funds for the benefit of the PRC employees that provide for pension insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing funds.

The total staff cost including remuneration, other employee benefits and contributions to retirement schemes for the Directors and other staff of the Group for FY2019 amounted to RMB38.3 million (FY2018: RMB31.8 million). The increase in staff cost was mainly due to the increase in headcount and annual salary increment.

Material Acquisitions and Disposals

During FY2019, the Group had no acquisitions or disposals of subsidiaries and associated companies.

Contingent Liabilities

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

Charges Over Group's Assets

As at 31 December 2019, the Group pledged notes receivable of RMB4.0 million as security for the issuance of the Group's notes to its suppliers.

Significant Investments Held

The Group did not have any significant investments held as at 31 December 2019.

Foreign Currency Exposure

Since the Group generated most of the revenue and incurred most of the costs in Renminbi for FY2019, there was no significant exposure to foreign exchange rate and the Group did not maintain any hedging policy against foreign exchange risk. The management will consider hedging significant currency exposure should the need arise.

USE OF PROCEEDS

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

The following table sets out the utilisation of the Net Proceeds as at 31 December 2019:

	Percentage of Net Proceeds	Net Proceeds from the global offering	Utilised up to 31 December 2019	Unutilised as at 31 December 2019
		HK$' million	*HK$' million*	*HK$' million*
Lease the premises for new factory	4.0%	3.8	0.5	3.3
General set up costs of the factory	3.2%	3.1	–	3.1
Purchase new production equipment	76.3%	72.9	3.4	69.5
Purchase softwares	6.5%	6.2	1.0	5.2
Supplement working capital	10.0%	9.6	3.8	5.8
		95.6	8.7	86.9

As the 31 December 2019, the unutilised net proceeds of approximately HK$86.9 million have been placed as interest bearing deposits with a licensed bank in the PRC and are intended to be applied in a manner consistent with the proposed allocations in the Prospectus. The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. The Directors currently do not consider any modification of the use of proceeds described in the Prospectus is required.

Comparison of Business Objectives with Actual Progress

An analysis comparing the business objectives of the Group as set out in the Prospectus with the Group's actual business progress for FY2019 is set out below:

Business objectives	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.
Expanding the production facilities and capabilities	— Purchase new production equipment	— The Group has utilised an aggregate of HK$3.4 million to acquire two sets of computerised numerical control machines for mould production.
		— The Group is in the course of identifying suitable production equipment and has obtained quotations relating thereto from certain suppliers.
	— Purchase softwares	— The Group has utilised an aggregate of HK$1.0 million to acquire computer softwares for product analysis and mould design.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of Coronavirus COVID-19 (the "Coronavirus Outbreak") in early 2020 has affected businesses and economic activities in Mainland China and other countries. While the full impact of the Coronavirus Outbreak is yet to be assessed, the Directors believe that the business operations and financial performance of the Group will be sustainable. The Directors also confirmed that, as at the date of this announcement, there has been no material adverse change in the business operations, financial conditions or trading positions since 31 December 2019, being the date to which the audited consolidated financial information was prepared, and up to the date of this announcement.

As at the date of this announcement, the Group did not have any other significant event after the reporting period.

ANNUAL GENERAL MEETING

The 2019 annual general meeting (the "**2019 AGM**") will be held on Friday, 29 May 2020. Notice of the 2019 AGM will be published on the Company's website (http://www.shinlone.com.cn) and the Hong Kong Stock Exchange's website (http://www.hkex.com.hk) and will be dispatched to the Shareholders within the prescribed time and in such manner as required under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

DIVIDEND

The Board recommends the payment of a final dividend (the "**Final Dividend**") of RMB0.562 cents per share, amounting to a total of RMB3.7 million, for the year ended 31 December 2019. The proposed Final Dividend is subject to the approval of the Shareholders at the 2019 AGM to be held on Friday, 29 May 2020 and is expected to be payable by cash on Friday, 17 July 2020.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2019 AGM

The 2019 AGM will be held on Friday, 29 May 2020 and for the purpose of determining the Shareholders' eligibility to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020, both days inclusive, during the period no transfer of the shares will be registered. To qualify for attending and voting at the 2019 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 25 May 2020. Shareholders whose names appear on the register of members of the Company on Friday, 29 May 2020 will be entitled to attend and vote at the 2019 AGM.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

Upon obtaining approval of the Shareholders at the forthcoming 2019 AGM, for the purpose of determining the Shareholders' entitlement to the Final Dividend, the register of members of the Company will be closed from Thursday, 4 June 2020 to Friday, 5 June 2020, both days inclusive, during the 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 3 June 2020. Shareholders whose names appear on the register of members of the Company on Friday, 5 June 2020 will be entitled to receive the Final Dividend (subject to the approval by the Shareholders at the 2019 AGM.)

REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to be responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit of the Group.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019 and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

The Audit Committee comprises Mr. So George Siu Ming, Mr. Lin Lien-Hsing and Mr. Fan Chi Chiu who are independent non-executive Directors.

REVIEW OF PRELIMINARY ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2019 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for FY2019. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this annual results announcement.

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 since the Listing and up to the date of this announcement.

The Company has also adopted Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Model Code by the employees was noted by the Company since the Listing and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Shares have been listed on the Hong Kong Stock Exchange since 28 June 2019. 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, since the Listing and up to the date of this announcement, the Company has complied with all the code provisions as set out in the CG Code, except for code provisions A.2.1 and A.1.1 as set out below:

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and chief executive officer and Mr. Lin Wan-Yi currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Pursuant to code provision A.1.1 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. As the Company was listed on 28 June 2019, only 2 Board meetings were held since the Listing to 31 December 2019.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares since the period commencing from the Listing and up to the date of this announcement.

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 announcement, the Directors confirm that the Company maintained sufficient public float as required under the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website (http://www.shinlone.com.cn) and the Hong Kong Stock Exchange's website (http://www.hkex.com.hk). The annual report of the Company for the year ended 31 December 2019 containing all the information required under the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

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

Hong Kong, 26 March 2020

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