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)

(I) ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020
(II) AMENDMENT OF DIVIDEND POLICY

FINANCIAL SUMMARY

	For the year ended 31 December		
	2020	2019	Change
Revenue *(RMB'000)*	**203,445**	230,228	–11.6%
Gross profit *(RMB'000)*	**71,225**	77,576	–8.2%
Gross profit margin	**35.0%**	33.7%	1.3 percentage points
Net profit *(RMB'000)*	**28,326**	23,713	19.5%
Net profit margin	**13.9%**	10.3%	3.6 percentage points
Adjusted net profit *(RMB'000)*[Note 1]	**28,326**	38,313	–26.1%
Adjusted net profit margin[Note 1]	**13.9%**	16.6%	–2.7 percentage points
Basic earnings per share *(RMB cents)*	**4.3**	4.1	4.9%
Proposed final dividend per share *(HK cents)*	**0.371**	0.612[Note 2]	–39.4%
Proposed total dividend *(HKD million)*	**2.4**	4.0[Note 2]	–40.0%

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 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 Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

2. The final dividend of RMB0.562 cents per share (equivalent to approximately HK0.612 cents per share, amounting to approximately HK$4.0 million) for the year ended 31 December 2019 was paid by the Company on 17 July 2020 to shareholders whose names appear on the register of members of the Company on 5 June 2020.

RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December **2020** *RMB'000*	2019 *RMB'000*
REVENUE	*5*	**203,445**	230,228
Cost of sales		**(132,220)**	(152,652)
Gross profit		**71,225**	77,576
Other income and gains, net		**3,621**	1,992
Selling and distribution expenses		**(6,501)**	(8,136)
General and administrative expenses		**(33,420)**	(38,946)
Finance costs		**(838)**	(1,104)
PROFIT BEFORE TAX	*6*	**34,087**	31,382
Income tax expense	*7*	**(5,761)**	(7,669)
PROFIT FOR THE YEAR		**28,326**	23,713
Attributable to:			
Owners of the Company		**28,347**	23,713
Non-controlling interests		**(21)**	–
		28,326	23,713
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		**11**	(84)
Translation differences:			
Currency translation differences		**(3,150)**	1,622
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(3,139)**	1,538
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**25,187**	25,251
Attributable to:			
Owners of the Company		**25,208**	25,251
Non-controlling interests		**(21)**	–
		25,187	25,251
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (in RMB cent per share)	*8*	**4.3**	4.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**73,995**	62,912
Right-of-use assets		**17,495**	15,670
Intangible assets		**2,015**	3,162
Prepayments, other receivables and other assets		**526**	–
Deferred tax assets		**3,645**	1,785
Net investments in subleases		**–**	380
Total non-current assets		**97,676**	83,909
CURRENT ASSETS			
Inventories		**185,584**	138,419
Trade and notes receivables	*10*	**84,504**	103,395
Prepayments, other receivables and other assets		**1,625**	1,478
Net investments in subleases		**380**	362
Time deposit		**10,000**	–
Cash and cash equivalents		**95,918**	86,904
Total current assets		**378,011**	330,558
CURRENT LIABILITIES			
Trade and notes payables	*11*	**43,804**	50,174
Other payables and accruals		**15,790**	14,440
Government grants		**519**	454
Contract liabilities		**108,324**	65,942
Other borrowings		**922**	–
Income tax payable		**2,709**	3,136
Lease liabilities		**4,631**	3,333
Total current liabilities		**176,699**	137,479
NET CURRENT ASSETS		**201,312**	193,079
TOTAL ASSETS LESS CURRENT LIABILITIES		**298,988**	276,988

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT LIABILITIES			
Government grants		**2,235**	1,937
Deferred tax liabilities		**252**	412
Lease liabilities		**12,043**	11,959
Total non-current liabilities		**14,530**	14,308
Net assets		**284,458**	262,680
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*12*	**5,806**	5,806
Reserves		**278,373**	256,874
		284,179	262,680
Non-controlling interests		**279**	–
Total equity		**284,458**	262,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Company and its subsidiaries (collectively the "**Group**") are involved in the provision of comprehensive moulding services and solutions, covering product analysis, mould design and development, mould fabrication, assembling, testing and adjustment, trial production and aftersales services.

The Company and its subsidiaries now comprising the Group underwent a reorganisation (the "**Reorganization**") in preparation for an IPO through the incorporation of the Company, acquisition of Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("**Shinelong (Suzhou)**") and Kunshan Longjun Management Consulting Company Limited by the Company, further allotment of ordinary shares and capitalization issue. The Company's 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. 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 2020. 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 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* are described below:

Conceptual Framework for Financial Reporting 2018 (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

Other than as explained below regarding the impact of Amendment to IFRS 16 *COVID-19-Related Rent Concessions*, the revised standards are not relevant to the preparation of the Group's financial statements. The nature and impact of Amendment to IFRS 16 *COVID-19-Related Rent Concessions* are described below:

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's factories and venues have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB67,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

4. 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	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[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*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Disclosures of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018–2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
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.

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.

5. REVENUE

5.1 Disaggregated revenue information

An analysis of revenue is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Sales of moulds		
Automotive moulds	**78,361**	162,102
Electrical appliance moulds	**65,278**	55,235
Health protective appliance moulds	**40,823**	–
Other moulds	**3,573**	1,254
Parts processing services	**14,319**	9,328
Others	**1,091**	2,309
	203,445	230,228
Represented by:		
Goods and services transferred at a point in time	**203,445**	230,228
Represented by:		
Geographic markets		
The PRC	**194,836**	227,607
Overseas	**8,609**	2,621
	203,445	230,228

Set below is 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	
	2020	2019
	RMB'000	*RMB'000*
Sales of moulds		
Automotive moulds	**40,525**	65,568
Electrical appliance moulds	**6,604**	6,673
Other moulds	**1,029**	118
Parts processing services	**132**	41
	48,290	72,400

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	
	2020	2019
	RMB'000	*RMB'000*
Customer 1	**60,482**	140,713
Customer 2	**26,675**	33,007
	87,157	173,720

5.2 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	
	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**206,577**	175,775
After one year	**108,951**	80,783
	315,528	256,558

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.

6. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Raw materials consumed	**63,588**	83,737
Direct labor cost	**16,905**	19,672
Subcontracting expenses	**29,256**	22,238
Depreciation of property, plant and equipment	**9,135**	8,930
Depreciation of right-of-use assets	**3,559**	2,538
Amortization of intangible assets	**1,465**	1,256
Research and development costs	**8,060**	7,674
Lease payments not included in the measurement of lease liabilities	**54**	56
Interest on lease liabilities	**836**	904
Listing expenses	**–**	14,600
Auditor's remuneration	**1,433**	1,419
Employee benefit expenses (including directors' and chief executive's remuneration)		
Salaries and bonuses	**15,841**	14,051
Pension scheme contributions	**2,267**	4,605
	18,108	18,656
Impairment losses for trade and notes receivables, net	**9,019**	30
Provision for warranty	**305**	2,238
Write-down of inventories to net realizable value	**4,486**	2,517
Foreign exchange differences, net	**285**	(257)

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands. Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax 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% (2019: 15%). Qingdao Xunzhan Molding Technology Company Limited was certified as a small and micro-sized enterprise and enjoyed a 75% reduction in taxable income and the preferential income tax rate of 20% for the year ended 31 December 2020 as its taxable income is below RMB1 million (2019: 75% reduction in taxable income and preferential income tax rate of 20%).

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current — PRC	**7,369**	7,568
Deferred — PRC	**(1,608)**	101
Total tax charge for the year	**5,761**	7,669

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	
	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**34,087**	31,382
Statutory tax rate	**25%**	25%
Tax at the statutory tax rate	**8,522**	7,846
Lower tax rates enacted by local authority	**(3,716)**	(4,731)
Change of lower tax rates enacted by local authority	**–**	262
Non-deductible expenses	**84**	92
Adjustments in respect of current tax of previous periods	**60**	(12)
Additional deductible allowance for research and development expenses	**(409)**	(469)
Effect of withholding tax at 10% on earnings anticipated to be remitted by the Group's PRC subsidiaries	**252**	412
Tax losses not recognised	**968**	4,269
Total tax charge for the year	**5,761**	7,669

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

The calculation of the basic earnings per share amount is based on the profit for the year ended 31 December 2020 attributable to ordinary equity holders of the Company of approximately RMB28,347,000 and the weighted average number of ordinary shares of 660,000,000 (2019: 579,313,187) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2019	6,259	98,783	3,924	2,908	1,640	–	113,514
Additions	–	4,211	464	–	143	–	4,818
Disposals	–	(69)	(176)	–	(165)	–	(410)
At 31 December 2019	6,259	102,925	4,212	2,908	1,618	–	117,922
Additions	–	8,778	600	–	–	11,358	20,736
Transfers	–	(983)	–	–	–	364	(619)
Disposals	–	(5,046)	(50)	–	–	–	(5,096)
At 31 December 2020	6,259	105,674	4,762	2,908	1,618	11,722	132,943
Accumulated depreciation							
At 1 January 2019	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
Disposals	–	(48)	(156)	–	(120)	–	(324)
At 31 December 2019	3,894	44,657	2,437	2,807	1,215	–	55,010
Depreciation charges for the year	282	8,182	518	36	117	–	9,135
Transfers	–	(619)	–	–	–	–	(619)
Disposals	–	(4,539)	(39)	–	–	–	(4,578)
At 31 December 2020	4,176	47,681	2,916	2,843	1,332	–	58,948
Net carrying amount							
As at 31 December 2019	2,365	58,268	1,775	101	403	–	62,912
As at 31 December 2020	2,083	57,993	1,846	65	286	11,722	73,995

As at 31 December 2020, the gross carrying amount of fully depreciated property, plant and equipment of the Group that were still in use was approximately RMB15,309,000 (2019: RMB16,498,000).

10. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**64,053**	60,527
Notes receivable	**29,581**	42,979
Impairment	**(9,130)**	(111)
	84,504	103,395

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.

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	
	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**12,259**	22,755
31–60 days	**12,443**	4,257
61–90 days	**2,757**	5,462
91–180 days	**9,842**	8,922
181–365 days	**7,377**	14,322
Over 365 days	**10,245**	4,698
	54,923	60,416

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
At the beginning of year	**111**	81
Impairment losses, net	**9,019**	30
At the end of year	**9,130**	111

The Group has applied the simplified approach to providing for expected credit losses ("**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.

Generally, trade receivables are written off when there is no reasonable expectation of recovering additional cash. Indicators that there is no reasonable expectation of recovery, 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 RMB8,133,000 (2019: Nil) and the loss allowance for these trade receivables is RMB8,033,000 (2019: Nil). 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	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020					
Gross carrying amount	**44,970**	**10,541**	**409**	**–**	**55,920**
Expected credit loss rate	**0.30%–0.50%**	**3.00%–5.00%**	**3.00%–5.00%**	**N/A**	
Expected credit losses	**293**	**647**	**157**	**–**	**1,097**
31 December 2019					
Gross carrying amount	55,778	4,749	–	–	60,527
Expected credit loss rate	0.10%–0.11%	1.00%–1.09%	N/A	N/A	
Expected credit losses	60	51	–	–	111

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 and there has been a significant increase in credit risk when contractual payments are more than 180 days past due.

11. TRADE AND NOTES PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade payables	**43,804**	46,159
Notes payable	**–**	4,015
	43,804	50,174

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**21,010**	23,724
31–60 days	**10,028**	9,242
61–90 days	**7,092**	8,990
91–120 days	**5,089**	1,094
Over 120 days	**585**	7,124
	43,804	50,174

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

12. SHARE CAPITAL

	31 December 2019 and 2020	
	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

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

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

On 28 June 2019, upon its Listing, 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.

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.

There was no change to the share capital of the Company for the year ended 31 December 2020.

13. DIVIDENDS

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Proposed final dividend		
— RMB0.309 cents (2019: RMB0.562 cents) per ordinary share	**2,039**	3,709

The Directors proposed a final dividend of RMB0.309 cents (equivalent to HK0.371 cents) per ordinary share totalling approximately RMB2,039,400 (equivalent to HK$2,449,000) for the year ended 31 December 2020, 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 2019 was paid by the Company to its shareholders on 17 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a developer and major supplier of customised moulds in the People's Republic of China (the "**PRC**"), with a focus on moulds for the production of automotive parts which cater for the growing trend of automotive lightweight application, as well as electrical appliance parts and other parts. The Group seeks to offer comprehensive moulding services and solutions to the customers, covering product analysis, mould design and development; mould fabrication, assembling, testing and adjustment; trial production and aftersales services.

In early 2020, due to the global outbreak of the novel coronavirus disease 2019 ("**COVID-19**"), business and economic activities in the PRC and other countries have been severely affected. Domestic automobile production and sales in the PRC in the first half of 2020 decreased by 16.8% and 16.9% year-on-year, respectively. In the second half of 2020, with the gradual control of the domestic epidemic situation, production and operations resumed in an orderly manner. Driven by local policies to promote automobile consumption, the overall automotive market recovered gradually, with the sales volume of new energy vehicles growing rapidly. The Company also actively pursued in-depth development of automotive moulds for new energy vehicles. The annual domestic automobile production and sales in the PRC for 2020 decreased by 2% and 1.9% year-on-year, respectively. As the development of new vehicle models and the demand for automotive parts remained subdued and sluggish, the sales of automotive hot-pressing moulds, which have been the Group's focus, were adversely affected.

The electrical appliance market also experienced a similar situation as compared to that in the automobile manufacturing market. The outbreak of epidemic severely impacted the electrical appliance market in the first half of 2020, and yet the demand for electrical appliances recovered gradually in the second half of the year as the epidemic was gradually brought under control and various consumption policies were implemented.

On the other hand, against the backdrop of the epidemic outbreak, the demand for moulds for production of health protective appliances, such as masks, increased significantly in a short period of time. In view of this, the Group took an active move to develop relevant health protective appliances moulds. In the first half of 2020, the Group's revenue from the sales of health protective appliances moulds largely offset the decrease in revenue from the sales of automotive moulds. With the global shortage of masks supply gradually alleviated in the second half of 2020, demand for health protective appliances moulds of the Group declined significantly.

The revenue of the Group for the year ended 31 December 2020 (the "**FY2020**") amounted to RMB203.4 million, representing a decrease of RMB26.8 million or 11.6% as compared with that of RMB230.2 million for the year ended 31 December 2019 (the "**FY2019**"). Such decrease was mainly due to the net effect of the decrease in revenue generated from the sales of automotive moulds and the increase in revenue generated from the sales of health protective appliance moulds. Profit attributable to the owners of the Company for FY2020 amounted to RMB28.3 million, representing an increase of 19.5% as compared with that of RMB23.7 million for FY2019. Such increase was mainly due to the listing expenses incurred in FY2019. Excluding the listing expenses, profit attributable to the owners of the Company for FY2020 amounted to RMB28.3 million, representing a decrease of 26.0% as compared with that of RMB38.3 million for FY2019. Such decrease was mainly due to the combined effects of the decrease in revenue, and the increase in administrative expenses during FY2020.

OUTLOOK

In 2021, with uncertainties surrounding the changes in the outbreak and unclear prospects for global trade, it is expected the external environment will remain complex and changing. While the epidemic has been effectively contained in the PRC and the Chinese economy has recovered steadily at present, the impact of the epidemic continues and there are still many challenges for economic development.

The Group expects the implementation of measures to relax restriction of automotive purchase and promote consumption of new energy vehicles across the PRC, as well as the acceleration of the replacement of old vehicles and the promotion of localised manufacturing of automotive parts, will further help the recovery of automotive market in the PRC, and bring opportunities to the automotive mould industry.

With a high retention rate of traditional electrical appliances in the PRC, there is limited new demand and competition in the electrical appliance market is fierce. On the other hand, consumption upgrades, rising demand of health related electrical appliances and increase in overseas demand are expected to be new drivers of growth in the upstream and downstream electrical appliance industry.

In 2021, the Group will pay close attention to global economic trends and market changes, and formulate business strategies based on the current status of the automotive, electrical appliances and other mould markets. The Group will actively explore domestic and overseas markets to seize development opportunities. At the same time, the Group will strive to enhance its competitive advantages and strengthen the credit risk assessment of customers in order to meet future challenges. The Group will also continue to implement the strategies and expansion plans as set out in its prospectus dated 17 June 2019 (the "**Prospectus**").

FINANCIAL REVIEW

Revenue

The revenue of the Group amounted to RMB203.4 million for FY2020, representing a decrease of RMB26.8 million or 11.6% as compared with that of RMB230.2 million for FY2019.

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

	For the year ended 31 December		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Sales of moulds			
Automotive moulds	**78,361**	162,102	–51.7
Electrical appliance moulds	**65,278**	55,235	18.2
Health protective appliances moulds	**40,823**	–	–
Other moulds	**3,573**	1,254	184.9
Sub-total	**188,035**	218,591	–14.0
Parts processing services	**14,319**	9,328	53.5
Other sundry income	**1,091**	2,309	–52.8
Total	**203,445**	230,228	–11.6

(a) Sales of moulds

The Group principally engages in the design, development, manufacture and sales of customised hot-pressing moulds, hydroforming moulds and injection moulds which are used in auto manufacturing. Apart from automotive moulds, the Group also engages in the design, development, manufacture and sales of customised plastic moulds for the production of electrical appliance and health protective appliance. Sales of moulds accounted for 92% of the Group's revenue for FY2020.

The revenue generated from sales of automotive moulds for FY2020 amounted to RMB78.4 million, representing a decrease of RMB83.7 million or 51.7% as compared with that of RMB162.1 million for FY2019. Such decrease was primarily due to the decrease in revenue generated from one of the Group's major customers, whose orders had decreased in the second half of 2019. The Directors believe that this customer decreased its business with the Group as a result of the decrease in sales of automobiles and introduction of new passenger vehicle models due to the weakened global economy as well as fierce competition in the industry.

The revenue generated from sales of electrical appliance moulds for FY2020 amounted to RMB65.3 million, representing an increase of RMB10.1 million or 18.2% as compared with that of RMB55.2 million for FY2019. Such increase was mainly attributable to the increase in revenue generated from new customers of the Group.

Due to the outbreak of COVID-19, the Group had developed health protective appliances moulds during the first half of 2020 which were mainly used for the production of masks. The revenue generated from sales of health protective appliances moulds for FY2020 amounted to RMB40.8 million.

(b) *Parts processing services*

Parts processing services principally include services provided to the customers for (i) modification of moulds the Group manufactured and sold; and (ii) processing machine parts that are used in automotive moulds, electrical appliance moulds and health protective appliances moulds. The revenue generated from parts processing services for FY2020 amounted to RMB14.3 million, representing an increase of RMB5.0 million or 53.5% as compared with that of RMB9.3 million for FY2019. Such increase was primarily due to the increase in demand for processing services for automotive parts and parts processing services for health protective appliances moulds from the Group's new customers.

Cost of sales

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

The cost of sales of the Group for FY2020 amounted to RMB132.2 million, representing a decrease of RMB20.5 million or 13.4% as compared with that of RMB152.7 million for FY2019. Such decrease was mainly due to the decrease in the demand of automotive moulds and the cost of production of health protective appliances moulds was relatively lower when comparing to the production of automotive moulds and electrical appliance moulds.

Gross profit and gross profit margin

The gross profit of the Group for FY2020 amounted to RMB71.2 million, representing a decrease of RMB6.4 million or 8.2% as compared with that of RMB77.6 million for FY2019. The gross profit margin increased from 33.7% for FY2019 to 35.0% for FY2020, which was mainly due to (a) the increase in the gross profit margin from sales of automotive moulds mainly due to the fact that the Group had received a larger proportion of acceptance reports from one of the Group's major customers which had a relatively higher gross profit margin when comparing to other customers; and (b) the higher gross profit margin from health protective appliances moulds as the Group was able to charge a higher mark-up in this business segment mainly due to (i) the high demand of masks as a result of the outbreak of COVID-19; (ii) the request of urgent delivery of moulds from the new customers; and (iii) the relatively short production cycle.

Other income and gains

The other income and gains of the Group mainly consisted of government grants, interest income, gain on disposal of assets and foreign exchange differences. The amount increased from RMB2.0 million for FY2019 to RMB3.6 million for FY2020 which was mainly due to the increase in government grants and the increase in interest income for the year.

Selling and distribution expenses

The selling and distribution expenses of the Group mainly consisted of staff costs for sales staff, provision for warranty and logistics expenses for delivery of moulds to customers. The amount decreased from RMB8.1 million for FY2019 to RMB6.5 million for FY2020, representing a decrease of RMB1.6 million or 20.1%. Such decrease was mainly due to the decrease in moulds maintenance costs.

General and administrative expenses

The general and administrative expenses of the Group for FY2020 amounted to RMB33.4 million, representing a decrease of RMB5.5 million or 14.2% as compared with that of RMB38.9 million for FY2019. The listing expenses in relation to the Listing recognised for FY2019 was RMB14.6 million. Excluding the listing expenses, the general and administrative expenses of RMB33.4 million for FY2020 would have increased by RMB9.1 million or 37.3% as compared with that of RMB24.3 million for FY2019. Such increase was mainly due to the increase in impairment losses for trade receivables of RMB9.0 million. The increase in impairment loss was mainly attributable to provision relating to one of the Group's customers which was not able to settle its trade receivables with the Group as agreed, and the Group increased the provision for the ECL. As at the date of this announcement, the Group is applying to the court for execution of property for the customer and the Group considered that such trade receivables may or may not be fully collected. However, a full impairment losses for trade receivables was provided for this customer for prudent purpose. The Directors further believe that the COVID-19 pandemic may have negative impact on some of its customers' businesses and/or liquidity. As such, the Group has reviewed and analysed its trade receivables profiles and increased the provision for the expected credit losses as considered appropriate.

Finance costs

The finance costs of the Group mainly consisted of interest expenses on lease liabilities and discounted notes receivable. The amount remained relatively stable at RMB1.1 million for FY2019 and RMB0.8 million for FY2020.

Income tax expenses and effective tax rate

The income tax expenses of the Group decreased from RMB7.7 million for FY2019 to RMB5.8 million for FY2020. The effective tax rate, representing income tax expense divided by profit before taxation, were 24.4% and 16.9% for FY2019 and FY2020, respectively. Excluding the listing expenses, the effective tax rate would have remained relatively stable at 16.7% for FY2019 and 16.9% for FY2020.

Net profit and net profit margin

The Group recorded net profit of RMB23.7 million and RMB28.3 million for FY2019 and FY2020, with a net profit margin of 10.3% and 13.9%, respectively. Excluding the listing expenses, the adjusted net profit margin of the Group would have decreased from 16.6% for FY2019 to 13.9% for FY2020, 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 FY2020 primarily comprised expenditure on machinery and furniture, fixtures and equipment and amounted to a total of RMB20.7 million (31 December 2019: RMB4.8 million).

As at 31 December 2020, the Group had capital commitments of RMB3.8 million (31 December 2019: Nil).

Liquidity and financial resources

The Group's operations were primarily financed through its operating activities for FY2020. 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 2020, the Group's total current assets and current liabilities were RMB378.0 million (31 December 2019: RMB330.6 million) and RMB176.7 million (31 December 2019: RMB137.5 million), respectively, while the current ratio was 2.1 times (31 December 2019: 2.4 times). The increase in total current assets as at 31 December 2020 was mainly attributable to the increase in inventories. The increase in total current liabilities as at 31 December 2020 was mainly attributable to the increase in contract liabilities. As at 31 December 2020, the Group had cash and cash equivalents of RMB95.9 million (31 December 2019: RMB86.9 million).

As at 31 December 2020, the Group's gearing ratio was 6.2% (31 December 2019: 5.8%), 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 2020, the Group's total equity was RMB284.5 million (31 December 2019: RMB262.7 million), which represented share capital of RMB5.8 million (31 December 2019: RMB5.8 million), reserves of RMB278.4 million (31 December 2019: RMB256.9 million) and non-controlling interests of RMB0.3 million (31 December 2019: Nil). The increase in total equity was primarily due to the net profit for the current 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 2020, the Group's property, plant and equipment amounted to RMB74.0 million (31 December 2019: RMB62.9 million).

Inventories

The Group's inventories comprised (i) raw materials and low-value consumables used in production, (ii) work-in-progress for products being manufactured in the production plants, and (iii) finished goods which comprised moulds that had only passed the customers' initial inspection for which the Group had not received their final acceptance reports. As at 31 December 2020, the Group's inventories amounted to RMB185.6 million (31 December 2019: RMB138.4 million). Such increase was mainly due to the fact that some of the Group's customers had delayed the issuance of final acceptance reports for the Group's moulds, mainly finished automotive moulds, as a result of the outbreak of COVID-19.

Trade and notes receivables

The Group's trade and notes receivables represented amounts receivable from the customers in relation to the sales of moulds and provision of parts processing services. The Group's notes receivables were issued by the customers with which the Group could receive the amount at a fixed future date, or could readily be discounted into cash at an expense of finance charge. As at 31 December 2020, the Group's trade and notes receivables amounted to RMB84.5 million (31 December 2019: RMB103.4 million). Such decrease was mainly due to (i) the increase in revenue from sales of health protective appliances moulds which customers in this business segment usually settle their trade receivables in a shorter period of time; and (ii) impairment losses for trade receivables of one of the Group's customers as mentioned in "General and administrative expenses" section above. Due to the outbreak of COVID-19, the Group had strengthened the internal control measures on its assessment of expected credit losses on trade receivables, which include the following:

(i) reviewed the trade receivables ageing regularly and assessed the customers individually for provision for expected credit loss allowance which take into account the historical settlement pattern, correspondence with the customers, and evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers; and

(ii) increased the expected credit losses rates which were determined based on the Group's historical credit loss experience and rates used by the Group's comparable companies, with an adjustment to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

Based on the Group's assessment, the impairment losses for trade and notes receivables increased from RMB0.03 million for FY2019 to RMB9.02 million for FY2020. As at the date of this announcement, other than the legal proceedings against one of the Group's customers as mentioned in "General and administrative expenses" section above, the Group was not aware of any significant financial difficulties in its major debtors or significant doubt on collectability of its material trade receivables.

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 2020, the Group's trade and notes payables amounted to RMB43.8 million (31 December 2019: RMB50.2 million). Such decrease was mainly due to the decrease in purchase volume of raw materials in the fourth quarter of 2020 resulting from the decrease in orders received in the fourth quarter of 2020 compared with the corresponding period.

Contract liabilities

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

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

As at 31 December 2020, the Group's contract liabilities amounted to RMB108.3 million (31 December 2019: RMB65.9 million), most of which represented payments from the customers for moulds that had passed their initial inspection but for which the Group had not received their final acceptance reports.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 345 employees (31 December 2019: 358 employees), all of whom were in the PRC. To promote employees' knowledge and technical expertise, the Group offers training programmes to employees from time to time according to their job duties. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. 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 total staff cost including remuneration, other employee benefits and contributions to retirement schemes for the Directors and other staff of the Group for FY2020 amounted to RMB35.0 million (FY2019: RMB38.3 million). The decrease in staff cost was mainly due to the decrease in direct labor cost and pension scheme contributions.

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2020, the Group had no acquisitions or disposals of subsidiaries and associated companies.

CONTINGENT LIABILITIES

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

PLEDGES OVER GROUP'S ASSETS

As at 31 December 2020, none of the assets of the Group were pledged.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 December 2020.

FOREIGN CURRENCY EXPOSURE

Since the Group generated most of the revenue and incurred most of the costs in Renminbi for FY2020, 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 2020:

	Percentage of Net Proceeds	Net Proceeds from the global offering	Utilised up to 31 December 2020	Unutilised as at 31 December 2020	Expected timeline for full utilisation
		HK$' million	*HK$' million*	*HK$' million*	
Lease the premises for new factory	4.0%	3.8	1.8	2.0	By the end of 2021
General set up costs of the factory	3.2%	3.1	1.5	1.6	By the end of 2021
Purchase new production equipment	76.3%	72.9	25.1	47.8	By the end of 2021
Purchase softwares	6.5%	6.2	1.6	4.6	By the end of 2021
Supplement working capital	10.0%	9.6	9.6	–	–
		95.6	39.6	56.0	

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus, while the Net Proceeds were applied based on the actual development of the Group's business and the industry. The Directors regularly evaluate the Group's business 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 application of the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of the Group's business and the market conditions.

As at 31 December 2020, the unutilised Net Proceeds of approximately HK$56.0 million have been placed as interest bearing deposits with licensed banks in the PRC and Hong Kong.

Comparison of Business Objectives with Actual Proceeds

An analysis comparing the business objectives of the Group as set out in the Prospectus with the Group's actual business progress as at 31 December 2020 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.
		— 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$1.5 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$25.1 million to acquire five sets of computerised numerical control machines and one set of automatic thermoforming press lines for mould production and debugging.
	— Purchase softwares	— The Group has utilised an aggregate of HK$1.6 million to acquire computer softwares for product analysis and mould design.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group did not have any significant event subsequent to 31 December 2020.

ANNUAL GENERAL MEETING

The 2020 annual general meeting (the "**2020 AGM**") will be held on Friday, 28 May 2021. Notice of the 2020 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 of the Company (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**").

FINAL DIVIDEND AND AMENDMENT OF DIVIDEND POLICY

As disclosed in the Prospectus, the Group planned to maintain a dividend payout ratio of not less than 40% of the consolidated profit attributable to owners of the Company subject to, among other things, the Group's operations and earnings, business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as the Directors consider appropriate.

In 2020, due to the global outbreak of COVID-19, business and economic activities in the PRC and other countries have been affected. As a result of this negative impact, the Group's revenue and net profit (before listing expenses) decreased by approximately 11.6% and 26.1% for FY2020, respectively. Given the uncertainty of the development of COVID-19 and economic conditions, in order to maintain a stable financial condition, increase working capital reserves to tackle any unpredicted events, and maintain the competitiveness of the Group, the Board recommends the payment of final dividend (the "**Final Dividend**") of HK0.371 cents (equivalent to RMB0.309 cents) per share totalling approximately HK$2.4 million (equivalent to approximately RMB2.0 million) for the year ended 31 December 2020, which is less than the planned dividend payout ratio of 40% as disclosed in the Prospectus. The proposed Final Dividend is subject to the approval of the Shareholders at the 2020 AGM to be held on Friday, 28 May 2021 and is expected to be payable by cash on Friday, 16 July 2021.

Going forward, given the uncertainty of the business environment and to allow the Group to maintain flexibility in managing its financial resources for future business development, the Board has approved a revised dividend policy on 26 March 2021. Under the revised policy, the Group will not set any pre-determined dividend payout ratio and the Board has the sole discretion as to the declaration and payment of dividends. 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.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2020 AGM

The 2020 AGM will be held on Friday, 28 May 2021 and for the purpose of determining the Shareholders' eligibility to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, during the period no transfer of the shares will be registered. To qualify for attending and voting at the 2020 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, 24 May 2021. Shareholders whose names appear on the register of members of the Company on Friday, 28 May 2021 will be entitled to attend and vote at the 2020 AGM.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

Upon obtaining approval of the Shareholders at the forthcoming 2020 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, 3 June 2021 to Friday, 4 June 2021, 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, 2 June 2021. Shareholders whose names appear on the register of members of the Company on Friday, 4 June 2021 will be entitled to receive the Final Dividend (subject to the approval by the Shareholders at the 2020 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 2020 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 members of the Audit Committee comprise 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 AUDITOR

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 FY2020 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 FY2020. 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 for the year ended 31 December 2020 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 for the year ended 31 December 2020 and up to the date of this announcement.

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 2020 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 provision A.2.1 as set out below.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and chief executive officer and Mr. Lin Wan-Yi currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Given that (i) all material decisions are approved by the Board, which currently 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.

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 during FY2020 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 2020 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 2021

As at the date of this announcement, the executive directors of the Company are Mr. Lin WanYi, 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.