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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of Shinelong Automotive Lightweight Application Limited (the "**Company**", and together with its subsidiaries, the "**Group**") hereby announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 (the "**1H2023**"). The interim results of the Group have been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The interim results of the Group have also been reviewed by the Company's audit committee (the "**Audit Committee**").

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

	For the six months ended 30 June		
	2023	2022	Change
Revenue *(RMB'000)*	**106,783**	82,340	29.7%
Gross profit *(RMB'000)*	**30,022**	20,212	48.5%
Gross profit margin	**28.1%**	24.5%	3.6 percentage points
Net profit attributable to owners of the Company *(RMB'000)*	**13,771**	7,778	77.1%
Net profit margin	**12.9%**	9.4%	3.5 percentage points
Basic earnings per share *(RMB cents)*	**2.1**	1.2	75.0%
Diluted earnings per share *(RMB cents)*	**2.1**	1.2	75.0%

SUMMARY OF THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2023	As at 31 December 2022	Change
Total assets *(RMB'000)*	**597,770**	566,799	5.5%
Cash and cash equivalents *(RMB'000)*	**49,410**	54,449	–9.3%
Total liabilities *(RMB'000)*	**261,726**	244,289	7.1%
Total equity *(RMB'000)*	**336,044**	322,510	4.2%
Return on equity *(Note)*	**4.1%**	2.5%	1.6 percentage points
Return on total assets *(Note)*	**2.3%**	1.5%	0.8 percentage points

Note: Return on equity and return on total assets are compared between this reporting period and the corresponding period of last year.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	4	**106,783**	82,340
Cost of sales		**(76,761)**	(62,128)
Gross profit		**30,022**	20,212
Other income and gains, net		**1,817**	1,817
Selling and distribution expenses		**(3,074)**	(3,088)
General and administrative expenses		**(11,502)**	(9,507)
Finance costs		**(261)**	(380)
PROFIT BEFORE TAX	5	**17,002**	9,054
Income tax expense	6	**(2,576)**	(1,352)
PROFIT FOR THE PERIOD		**14,426**	7,702
Attributable to:			
Owners of the Company		**13,771**	7,778
Non-controlling interests		**655**	(76)
		14,426	7,702
OTHER COMPREHENSIVE INCOME			
Changes in fair value of debt investments at fair value through other comprehensive income		**45**	158
Exchange differences on translation of foreign operations		**370**	1,829
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**415**	1,987
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**14,841**	9,689

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Attributable to:			
Owners of the Company		**14,186**	9,765
Non-controlling interests		**655**	(76)
		14,841	9,689
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY (in RMB cents per share)	*8*		
Basic			
— For profit for the period		**2.1**	1.2
Diluted			
— For profit for the period		**2.1**	1.2

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 (Unaudited)** ***RMB'000***	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**133,174**	115,954
Right-of-use assets		**19,070**	19,357
Intangible assets		**1,296**	1,640
Prepayments, other receivables and other assets		**14,335**	8,883
Deferred tax assets		**944**	1,500
Net investments in subleases		**–**	202
Restricted bank deposits	*12*	**2,085**	2,085
Total non-current assets		**170,904**	149,621
CURRENT ASSETS			
Inventories	*10*	**271,161**	246,433
Trade and notes receivables	*11*	**99,971**	110,588
Prepayments, other receivables and other assets		**4,774**	5,246
Net investments in subleases		**410**	396
Restricted bank deposits	*12*	**1,140**	66
Cash and cash equivalents	*12*	**49,410**	54,449
Total current assets		**426,866**	417,178
CURRENT LIABILITIES			
Trade and bills payables	*13*	**55,334**	62,601
Other payables and accruals		**39,638**	37,009
Government grants		**1,019**	1,906
Contract liabilities	*14*	**136,016**	116,630
Interest-bearing bank and other borrowings		**7,000**	10,938
Dividends payable	*7*	**1,386**	–
Lease liabilities		**4,090**	3,369
Income tax payable		**730**	–

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2023

	Notes	**30 June 2023 (Unaudited)** *RMB'000*	31 December 2022 (Audited) *RMB'000*
Total current liabilities		**245,213**	232,453
NET CURRENT ASSETS		**181,653**	184,725
TOTAL ASSETS LESS CURRENT LIABILITIES		**352,557**	334,346
NON-CURRENT LIABILITIES			
Government grants		**2,115**	2,248
Interest-bearing bank borrowings		**6,870**	2,000
Deferred tax liabilities		**104**	155
Lease liabilities		**7,424**	7,433
Total non-current liabilities		**16,513**	11,836
Net assets		**336,044**	322,510
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*15*	**5,806**	5,806
Treasury shares		**(101)**	(101)
Reserves		**328,769**	315,890
		334,474	321,595
Non-controlling interests		**1,570**	915
Total equity		**336,044**	322,510

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

The holding company of the Company is Shine Art International Limited, a company incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Company is Mr. Lin Wan-Yi.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") since 28 June 2019.

The Interim Financial Information comprises the condensed consolidated statement of financial position as at 30 June 2023, the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "**Interim Financial Information**").

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

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

2. BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

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

a. Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

b. Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

c. Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. While the adoption of some of the revised HKASs may result in changes in accounting policies, none of these IASs is expected to have a significant impact on the Group's results of operations and financial position.

d. Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sales of moulds		
Automotive moulds	**78,298**	61,009
Electrical appliance moulds	**19,144**	10,550
Other moulds	**332**	1,321
Sub-total	**97,774**	72,880
Parts processing services	**7,305**	8,979
Others	**1,704**	481
Total	**106,783**	82,340
Represented by:		
Goods and services transferred at a point in time	**106,783**	82,340
Represented by:		
Geographic markets		
The PRC	**103,398**	74,960
Overseas	**3,385**	7,380
	106,783	82,340

5. PROFIT BEFORE TAX

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Raw materials consumed	**34,069**	28,835
Direct labor cost	**12,191**	10,745
Subcontracting expenses	**16,920**	9,044
Depreciation of property, plant and equipment	**5,505**	5,269
Depreciation of right-of-use assets	**3,037**	2,871
Amortization of intangible assets	**344**	574
Research and development costs	**3,553**	3,045
Interest on lease liabilities	**261**	302
Auditor's remuneration	**600**	600
Employee benefit expenses (including directors' and chief executive's remuneration)		
Salaries and bonuses	**9,286**	7,774
Equity-settled share reward expense	**79**	271
Pension scheme contributions	**2,970**	2,153
	12,335	10,198
Impairment/(write-back of) losses for trade and notes receivables, net	**75**	(1,420)
Provision for warranty	**635**	239
Write-down of inventories to net realizable value	**1,081**	3,433
Foreign exchange differences, net	**11**	(288)

6. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands. Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax rate of 25%. During the six months ended 30 June 2023 and 2022, Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("**Shinelong (Suzhou)**") was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate of 15%. Qingdao Xunzhan Molding Technology Company Limited, Xunhou Laser Technology (Suzhou) Company Limited, and Kunshan Longjun Management Consulting Company Limited were certified as small and micro-sized enterprises ("**SME**") and enjoyed an 75% reduction in taxable income and the preferential income tax rate of 20% for the period ended 30 June 2023 (2022:87.5% reduction in taxable income and preferential income tax rate of 20%).

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current — PRC	**1,916**	1,490
Deferred — PRC	**660**	(138)
Total tax charge for the period	**2,576**	1,352

7. DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
At beginning of the period	**–**	–
Final declared		
— RMB0.210 cents (2022: 0.233 cents) per ordinary share	**1,386**	1,538
At end of the period	**1,386**	1,538

On 27 March 2023, the directors proposed a final dividend of RMB0.210 cents per ordinary share totalling approximately RMB1,386,000 for the year ended 31 December 2022, which was approved by the Company's shareholders at the annual general meeting on 1 June 2023.

The directors did not recommend the payment of an interim dividend for the six months ended 30 June 2023 and 2022.

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

The calculation of the basic earnings per share amount is based on the profit for six months ended 30 June 2023 attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 659,624,800 (six months ended 30 June 2022: 657,174,400) in issue during the period.

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

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**13,771**	7,778

	Number of shares For the six months ended 30 June	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**659,624,800**	657,174,400
Effect of dilution — weighted average number of ordinary shares		
Awarded shares	**801,276**	1,688,154
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**660,426,076**	658,862,554

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost							
At 1 January 2023	**1,503**	**130,487**	**6,377**	**2,908**	**2,112**	**42,329**	**185,716**
Additions	**–**	**1,127**	**314**	**790**	**23**	**20,991**	**23,245**
Transfer	**–**	**8,206**	**–**	**–**	**–**	**(8,206)**	**–**
Disposals	**–**	**(624)**	**(94)**	**–**	**–**	**–**	**(718)**
At 30 June 2023	**1,503**	**139,196**	**6,597**	**3,698**	**2,135**	**55,114**	**208,243**
Accumulated depreciation							
At 1 January 2023	**548**	**60,775**	**4,099**	**2,897**	**1,443**	**–**	**69,762**
Depreciation charges for the period	**34**	**5,016**	**308**	**130**	**17**	**–**	**5,505**
Disposals	**–**	**(113)**	**(85)**	**–**	**–**	**–**	**(198)**
At 30 June 2023	**582**	**65,678**	**4,322**	**3,027**	**1,460**	**–**	**75,069**
Net carrying amount							
At 30 June 2023 (unaudited)	**921**	**73,518**	**2,275**	**671**	**675**	**55,114**	**133,174**

	Buildings *RMB'000*	Machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost							
At 1 January 2022	1,503	122,897	5,700	2,908	1,876	–	134,884
Additions	–	730	228	–	295	500	1,753
Disposals	–	(2,665)	(11)	–	(146)	–	(2,822)
At 30 June 2022	1,503	120,962	5,917	2,908	2,025	500	133,815
Accumulated depreciation							
At 1 January 2022	480	55,717	3,489	2,878	1,380	–	63,944
Depreciation charges for the period	34	4,847	311	12	65	–	5,269
Disposals	–	(2,252)	(7)	–	(74)	–	(2,333)
At 30 June 2022	514	58,312	3,793	2,890	1,371	–	66,880
Net carrying amount							
At 30 June 2022 (unaudited)	989	62,650	2,124	18	654	500	66,935

10. INVENTORIES

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Finished goods	**189,807**	155,715
Work in progress	**80,256**	89,363
Raw materials and low value consumables	**1,098**	1,355
	271,161	246,433

11. TRADE AND NOTES RECEIVABLES

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

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 30 days	**33,126**	33,137
31–60 days	**3,019**	12,578
61–90 days	**7,529**	9,030
91–180 days	**18,480**	24,281
181–365 days	**31,302**	20,553
Over 365 days	**6,515**	11,009
	99,971	110,588

12. CASH AND CASH EQUIVALENTS

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Cash and bank balances	**52,635**	56,600
Less: Restricted bank deposits *(Note)*	**(3,225)**	(2,151)
Cash and cash equivalents	**49,410**	54,449

Note:

As at 30 June 2023, the Group has placed restricted bank deposits in a bank with an aggregate amount of approximately RMB3,225,000 (2022: RMB2,151,000), among which approximately RMB2,085,000 (2022: RMB2,085,000) is in relation to the performance guarantees issued by the bank to Zhangpu Town People's Government of Kunshan Municipality for the acquisition of the leasehold land. Approximately RMB66,000 (2022: RMB66,000) is in relation to the quality guarantees issued by the bank to a customer of the Group for the sale of moulds. Approximately RMB1,074,000 (2022: Nil) is in relation to the performance guarantees issued to the bank for the settlement of the bills payable.

As at 30 June 2023 and 31 December 2022, the Group's cash and bank balances denominated in RMB and held in Mainland China amounted to RMB31,555,000 and RMB34,795,000, respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

13. TRADE AND BILLS PAYABLES

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

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Within 30 days	**20,570**	28,272
31–60 days	**17,796**	13,283
61–90 days	**11,253**	13,542
91–120 days	**2,234**	6,553
Over 120 days	**3,481**	951
	55,334	62,601

14. CONTRACT LIABILITIES

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Contract liabilities	**136,016**	116,630

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

15. SHARE CAPITAL

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Issued and fully paid/credited as fully paid 660,000,000 ordinary shares of HK$0.01 each	**5,806**	5,806

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 the first half of 2023, with the optimization of epidemic prevention and control measures in the PRC, China's economy has entered a period of post-epidemic recovery. The automobile market in the PRC was still in a slow recovery stage and the operation of the automobile industry was still under great pressure. In the first half of 2023, the production and sales of automobiles in the PRC increased by 9.3% and 9.8% year-on-year, respectively, among which the proportion of new energy vehicles increased to 28.3%.

In the first half of 2023, the consumption recovery of durable consumables such as household electrical appliances relatively lagged behind, and needed to wait for the full recovery of the economy. In overseas markets, the global economy is still in a tightening phase caused by the tightening of monetary policies in some developed economies, with high uncertainties in economic growth and pressure in exports.

The revenue of the Group for the six months ended 30 June 2023 (the "**1H2023**") amounted to approximately RMB106.8 million, representing an increase of approximately RMB24.5 million or 29.7% as compared with that of approximately RMB82.3 million for the six months ended 30 June 2022 (the "**1H2022**"). Such increase was mainly due to the increase in the revenue generated from the sales of automotive moulds and electrical appliance moulds of the Group. Profit attributable to owners of the Company for 1H2023 amounted to approximately RMB13.8 million, representing an increase of approximately 77.1% as compared with that of approximately RMB7.8 million for 1H2022. Such increase was mainly due to the combined effects of (i) the increase in revenue generated from sales of automotive moulds; (ii) the decrease in the inventory impairment allowances for work-in-progress of automotive moulds as compared with the corresponding period of last year; and (iii) the increase in the general and administrative expenses and income tax expenses.

OUTLOOK

Due to the impact of multiple factors such as geopolitical conflicts, continued inflation and climate change, the uncertainty of the world economy will become more prominent in 2023. The Chinese government will continue to actively implement the strategy of expanding domestic demand, strive to boost market confidence and further stimulate the vitality of market entities and consumers. With the strong support of the Chinese government for the application and promotion of new energy vehicles, the penetration rate of new energy vehicles is expected to continue to grow, thus driving the expansion of demand for the whole industrial chain. The continued household consumption upgrading is expected to stimulate the demand for the automobile market, and the acceleration of technological iteration in the automobile industry may also bring new market opportunities. On the other hand, competition in the automobile industry has increased dramatically, and the automobile and automotive moulds markets also face many challenges.

With the optimization of epidemic prevention and control measures, the improvement of residents' income expectations and the relaxation of China's real estate policies, the consumption of domestic household electrical appliance will also recover to a certain extent. In terms of overseas markets, household electrical appliance exports are still under pressure. The household electrical appliance mould market is expected to remain highly competitive.

The construction of the Group's new plant, which is located in Kunshan City, Jiangsu province, is expected to be completed by the end of 2023. Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited* (勛龍智造精密應用材料(蘇州)股份有限公司) ("**Shinelong (Suzhou)**", a principal wholly-owned subsidiary of the Company), will relocate to the new plant. The Group will be able to plan the layout of production lines more efficiently, centralise the management of the production process, save logistics costs and strive to reduce costs and increase efficiency. The new plant may provide favorable conditions for the Group to secure new business opportunities.

In the second half of 2023, the Group will actively address the challenges brought by changes in global political and economic situations, pay close attention to the development changes in the market and industry environment, and formulate business strategies accordingly to achieve sustainable business development.

FINANCIAL REVIEW

Revenue

The revenue of the Group amounted to approximately RMB106.8 million for 1H2023, representing an increase of approximately RMB24.5 million or 29.7% as compared with that of approximately RMB82.3 million for 1H2022.

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

	For the six months ended 30 June		
	2023	2022	Change
	RMB'000	*RMB'000*	*%*
Sales of moulds			
Automotive moulds	**78,298**	61,009	28.3
Electrical appliance moulds	**19,144**	10,550	81.5
Other moulds	**332**	1,321	–74.9
Sub-total	**97,774**	72,880	34.2
Parts processing services	**7,305**	8,979	–18.6
Others	**1,704**	481	254.3
Total	**106,783**	82,340	29.7

(i) Sales of moulds

The Group principally engages in the design, development, manufacture and sales of customised hot-pressing moulds, hydroforming moulds and injection moulds which are used in auto manufacturing. Apart from automotive moulds, the Group also engages in the design, development, manufacture and sales of customised plastic moulds for the production of electrical appliance parts. Sales of moulds accounted for approximately 91.6% of the Group's revenue for 1H2023.

The revenue generated from sales of automotive moulds for 1H2023 amounted to approximately RMB78.3 million, representing an increase of approximately RMB17.3 million or 28.3% as compared with that of approximately RMB61.0 million for 1H2022. Such increase was primarily due to an increase of amounts in the final acceptance reports received from one of the Group's major customers as compared with the corresponding period of last year.

The revenue generated from sales of electrical appliance moulds for 1H2023 amounted to approximately RMB19.1 million, representing an increase of approximately RMB8.5 million or 81.5% as compared with that of approximately RMB10.6 million for 1H2022. Such increase was primarily due to the increase in revenue generated from one of the Group's major customers during the reporting period, which was due to the increase in order categories received by the Group from this customer.

(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 1H2023 amounted to approximately RMB7.3 million, representing a decrease of approximately RMB1.7 million or 18.6% as compared with that of approximately RMB9.0 million for 1H2022. Such decrease was primarily due to the decrease in revenue generated from automotive parts processing services of the Group.

Cost of sales

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

The cost of sales of the Group for 1H2023 amounted to approximately RMB76.8 million, representing an increase of approximately RMB14.7 million or 23.6% as compared with that of approximately RMB62.1 million for 1H2022. Such increase was mainly due to the increase in revenue generated from automotive moulds and electrical appliance moulds which resulted in an increase in the cost of sales accordingly.

Gross profit and gross profit margin

The gross profit of the Group for 1H2023 amounted to approximately RMB30.0 million, representing an increase of approximately RMB9.8 million or 48.5% as compared with that of approximately RMB20.2 million for 1H2022. The gross profit margin increased from approximately 24.5% for 1H2022 to approximately 28.1% for 1H2023, which was mainly due to the decrease in the inventory impairment allowances for work-in-progress of automotive moulds in 1H2023 as compared with the corresponding period of last year.

Other income and gains

The other income and gains of the Group mainly consisted of government grants, interest income, gains and losses on disposal of assets and exchange gains and losses. The amount remained relatively stable for 1H2022 and 1H2023.

Selling and distribution expenses

The selling and distribution expenses of the Group mainly consisted of staff costs for sales staff and provision for warranty. The amount remained relatively stable for 1H2022 and 1H2023.

General and administrative expenses

The general and administrative expenses of the Group for 1H2023 amounted to approximately RMB11.5 million, representing an increase of approximately RMB2.0 million or 21.0% as compared with that of approximately RMB9.5 million for 1H2022. The increase was mainly due to (i) the increase in impairment losses for trade and notes receivables of approximately RMB1.5 million; and (ii) the increase in taxes of approximately RMB0.6 million as compared with the corresponding period of last year.

Finance costs

The finance costs of the Group mainly consisted of interest expenses on lease liabilities and discounted note receivable. The amount remained relatively stable for 1H2022 and 1H2023 at approximately RMB0.4 million and RMB0.3 million, respectively.

Income tax expenses and effective tax rate

The income tax expenses of the Group increased from approximately RMB1.4 million for 1H2022 to approximately RMB2.6 million for 1H2023. The effective tax rate, representing income tax expense divided by profit before taxation, were 14.9% and 15.2% for 1H2022 and 1H2023, respectively.

Net profit and net profit margin

The Group recorded net profit attributable to owners of the Company of approximately RMB7.8 million and approximately RMB13.8 million for 1H2022 and 1H2023, with a net profit margin of approximately 9.4% and 12.9%, respectively. The increase in net profit margin for 1H2023 was mainly due to the combined effects of (i) the increase in the revenue generated from sales of automotive moulds; (ii) the decrease in the inventory impairment allowances for work-in-progress of automotive moulds as compared with the corresponding period of last year; and (iii) the increase in the general and administrative expenses and income tax expenses.

Interim dividends

The Company did not declare any interim dividends during 1H2023.

Liquidity and Financial Resources

For 1H2023, the Group's operations were primarily financed through cash generated from its operating activities. The Group derived its cash inflow from operating activities primarily through the receipt of payments from the customers in relation to the sales of moulds and parts processing services. The Group's cash outflows from operating activities primarily comprised payments for purchases of raw materials, direct labour costs, subcontracting fees to third-party contractors and operating expenses such as staff costs.

As at 30 June 2023, the Group's total current assets and current liabilities were approximately RMB426.9 million (31 December 2022: approximately RMB417.2 million) and approximately RMB245.2 million (31 December 2022: approximately RMB232.5 million), respectively, while the current ratio was approximately 1.7 times (31 December 2022: approximately 1.8 times). The increase in total current assets as at 30 June 2023 as compared to that as at 31 December 2022 was mainly due to the net effects of (i) the increase in finished goods which comprised moulds that had only passed the customers' initial inspection for which the Group had not received their final acceptance reports; and (ii) the decrease in trade and notes receivables, cash and cash equivalents. The increase in total current liabilities as at 30 June 2023 as compared to that as at 31 December 2022 was mainly due to the combined effects of (i) the increase in contract liabilities, other payables and accruals; and (ii) the decrease in trade and bills payables, interest-bearing bank and other borrowings.

As at 30 June 2023, the Group had cash and bank balances of approximately RMB52.6 million (31 December 2022: approximately RMB56.6 million), among which restricted bank deposits were approximately RMB3.2 million (31 December 2022: approximately RMB2.2 million).

As at 30 June 2023, the Group's balance of interest-bearing bank and other borrowings were approximately RMB13.9 million (31 December 2022: approximately RMB12.9 million). The interest-bearing bank borrowings bear interest at a fixed interest rate. As at 30 June 2023, the Group's gearing ratio was approximately 7.6% (31 December 2022: approximately 7.4%), 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 and cash generated from operations and borrowings.

Reserves and Capital Structure

As at 30 June 2023, the Group's total equity was approximately RMB336.0 million (31 December 2022: approximately RMB322.5 million), which represented share capital of approximately RMB5.8 million (31 December 2022: approximately RMB5.8 million) and reserves of approximately RMB328.8 million (31 December 2022: approximately RMB315.9 million), treasury shares of approximately RMB0.1 million (31 December 2022: approximately RMB0.1 million) and non-controlling interests of approximately RMB1.5 million (31 December 2022: approximately RMB0.9 million). The increase in total equity was primarily due to the net profit recorded for 1H2023.

Capital Expenditure and Commitments

The Group's capital expenditure in 1H2023 primarily comprised expenditure on construction in progress and equipments and amounted to a total of approximately RMB28.1 million (31 December 2022: approximately RMB53.8 million).

As at 30 June 2023, the Group had capital commitments of approximately RMB47.6 million (31 December 2022: approximately RMB72.3 million) which mainly represented purchase of machinery and construction of new plant.

Property, Plant and Equipment

The Group's property, plant and equipment mainly comprised buildings, machinery, furniture, fixtures and equipment, leasehold improvements and motor vehicles. As at 30 June 2023, the Group's property, plant and equipment amounted to approximately RMB133.2 million (31 December 2022: approximately RMB116.0 million).

Inventories

The Group's inventories comprised (i) raw materials and low-value consumables used in production; (ii) work-in-progress for products being manufactured in the production plants; and (iii) finished goods which comprised moulds that had only passed the customers' initial inspection for which the Group had not received their final acceptance reports. As at 30 June 2023, the Group's inventories amounted to approximately RMB271.2 million (31 December 2022: approximately RMB246.4 million). Such increase was mainly due to the increase in orders for automotive moulds received by the Group since the second half of 2021 and during the reporting period.

Trade and notes receivables

The Group's trade and notes receivables represented amounts receivable from customers in relation to the sales of moulds and parts processing services. The Group's notes receivables were issued by the customers with which the Group could receive the amount at a fixed future date, or could readily be discounted into cash at an expense of finance charge. As at 30 June 2023, the Group's trade and notes receivables amounted to approximately RMB100.0 million (31 December 2022: approximately RMB110.6 million). Such decrease was mainly due to the decrease in the Group's notes receivable issued by customers during the reporting period.

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

Trade and bills payables

The Group's trade and bills payables primarily consisted of payable to the suppliers in relation to the purchase of the raw materials for the manufacture of moulds, and subcontracting fees payable to third-party contractors. As at 30 June 2023, the Group's trade and bills payables amounted to approximately RMB55.3 million (31 December 2022: approximately RMB62.6 million). Such decrease was mainly due to the decrease in purchase volume in the second quarter of 2023 as compared with that in the fourth quarter of 2022.

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 30% 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 40% of the total fee as trade receivables.

As at 30 June 2023, the Group's contract liabilities amounted to approximately RMB136.0 million (31 December 2022: approximately RMB116.6 million), most of which represented payments from the customers for moulds that had passed their initial inspection but for which the Group had not received their final acceptance reports.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 379 employees (31 December 2022: 383 employees), all of whom were in the PRC. To promote employees' knowledge and technical expertise, the Group offers training programmes to employees from time to time according to their job duties. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. In addition to basic remuneration, the Group also makes contributions to mandatory social security funds for the benefit of the PRC employees that provide for retirement insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing funds. The Company also maintains a share option scheme and a share award scheme, which aims to providing incentives to employees to contribute to the Group's development.

The total staff cost including remuneration, other benefits, equity-settled share reward expenses and contributions to retirement schemes for the directors of the Company (the "**Directors**") and other staff of the Group for 1H2023 amounted to approximately RMB24.5 million (1H2022: approximately RMB20.9 million). The increase in staff cost was mainly due to the increase in labor cost.

MATERIAL ACQUISITIONS AND DISPOSALS

During 1H2023, the Group had no material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

In February 2023, Shinelong (Suzhou) entered into the purchase agreement with Dees Hydraulic Industrial (Kunshan) Co., Ltd.* (迪斯油壓工業(昆山)有限公司) ("**Dees (Kunshan)**") for the purchase of the equipment at a consideration of approximately RMB5.6 million. For further details, please refer to the announcement of the Company dated 23 February 2023.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no material contingent liabilities (as at 31 December 2022: Nil).

PLEDGES OVER GROUP'S ASSETS

In October 2022, the Group entered into a ten-year general facility agreement with a maximum credit limit of RMB80.0 million with Jiangsu Kunshan Rural Commercial Bank Co., Ltd. Zhangpu Sub-branch, which is secured by the mortgages over the Group's leasehold land with a net carrying value at the end of the reporting period of approximately RMB6.8 million, together with the new plant under construction on the leasehold land with a net carrying value at the end of the reporting period of approximately RMB55.1 million. As at 30 June 2023, the Group had a bank borrowing of RMB13.9 million under the general facility agreement for the construction of new plant, which bears interest at a rate of 3.90% per annum and is to be repaid as to RMB4.0 million in 2023, RMB6.0 million in 2024 and RMB3.9 million in 2025, respectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 30 June 2023.

FOREIGN CURRENCY EXPOSURE

Since the Group generated most of the revenue and incurred most of the costs in Renminbi for 1H2023, 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 (the "**Net Proceeds**") from the global offering and the listing of the Company shares (the "**Listing**"), after deducting the underwriting fees and other related expenses in connection with the Listing, was approximately HK$95.6 million. The Company intends to apply the Net Proceeds in accordance with the proposed application as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 17 June 2019 (the "**Prospectus**").

The following table sets out the utilisation of the Net Proceeds as at 30 June 2023:

	Percentage of Net Proceeds	**Net Proceeds from the global offering** *HK$' million*	**Utilised up to 30 June 2023** *HK$' million*	**Unutilised as at 30 June 2023** *HK$' million*	**Expected timeline for full utilisation**
Lease the premises for new factory	4.0%	3.8	3.8	–	–
General set up costs of the factory	3.2%	3.1	2.4	0.7	By the end of 2023
Purchase new production equipment	76.3%	72.9	65.3	7.6	By the end of 2023
Purchase softwares	6.5%	6.2	4.8	1.4	By the end of 2023
Supplement working capital	10.0%	9.6	9.6	–	–
		95.6	85.9	9.7	

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 objectives 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 the Net Proceeds.

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

As at 30 June 2023, the unutilised Net Proceeds of approximately HK$9.7 million have been placed as interest bearing deposits with a licensed bank in Hong Kong.

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, during 1H2023 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 C.2.1 and C.1.6 as set out below:

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

Pursuant to code provision C.1.6 of the CG Code, independent non-executive Directors and non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders of the Company. Ms. Hsieh Pei-Chen, the non-executive Director, was unable to attend the annual general meeting (the "**AGM**") of the Company held on 1 June 2023 due to other work commitment. All independent non-executive Directors have attended the AGM.

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 LISTED SECURITIES

During 1H2023 and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has an Audit Committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and code provision D.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Mr. So George Siu Ming, Mr. Lin Lien-Hsing and Mr. Fan Chi Chiu. The Group's unaudited consolidated interim results for 1H2023 have been reviewed by the Audit Committee. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

Ernst & Young, the Company's auditor, has reviewed the unaudited consolidated interim results of the Group for 1H2023 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code and specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during 1H2023 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 during 1H2023 and up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for 1H2023 (for 1H2022: Nil).

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

Hong Kong, 28 August 2023

As at the date of this announcement, the executive directors of the Company are Mr. Lin Wan-Yi (Chairman), 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.

* *For identification purpose only*