

Shinelong Automotive Lightweight Application Limited

勳龍汽車輕量化應用有限公司

(Incorporated in Cayman Islands with limited liability)

For immediate release

Shinelong Announces Proposed Listing on Main Board of SEHK

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Major Automotive Mould Developer Catering for Lightweight Application in China Launches a Global Offering of 165,000,000 Shares at Between HK\$0.80 and HK\$0.88 per Share

Investment Highlights

Automotive moulds:

- Second largest manufacturer of hot-pressing automotive moulds in the PRC, with a market share of 4.9% by revenue in 2018
- 10 years of stable business relationship with, and the sole supplier of hot-pressing automotive moulds to Gestamp Group in China, a globally renowned manufacturer of automotive parts

Electrical appliance moulds:

- A market share of 2.6% in the PRC in terms of revenue generated from television mould manufacturing in 2018
- 8 years of close relationship with Hisense Group, a leading television and electrical appliance manufacturer in the PRC

Competitive advantages:

- High customer satisfaction and retention
- Ability to provide comprehensive moulding services through participation in the whole process
- Core competence in providing hot-pressing automotive moulds, which caters to the lightweight development of the automotive industry
- Technology advantage built on strong research and development; possessing more than 60 patents, including over 40 utility model patents

Financial:

- Growth in revenue and adjusted net profit (after excluding effect of listing expenses for the listing on Main Board and listing expenses and cash subsidies for the previous A-Share listing application) during track record period (FY2016-18)
- Plan to pay a dividend of not less than 40% of consolidated profit attributable to shareholders for 2020 and the years thereafter

Hong Kong, 14 June 2019 – Shinelong Automotive Lightweight Application Limited (“Shinelong” or the “Company”; Stock code: 1930), a developer and major supplier of customised moulds in the People’s Republic of China (the “PRC”), today announced details of its proposed listing on the Main Board of the Stock Exchange of Hong Kong (“SEHK”).

Shinelong will initially offer a total of 165,000,000 shares (subject to the Over-allotment Option). The Global Offering comprises the Hong Kong Public Offer of 16,500,000 shares (subject to reallocation) and the International Placing of 148,500,000 shares (subject to reallocation and the Over-allotment Option). The Offer Price range is set between HK\$0.80 and HK\$0.88 per share. There is an Over-allotment Option of up to 24,750,000 additional shares representing 15% of the Offer Shares.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any of the Company’s securities, nor shall such securities be offered or sold in the United States absent registration or an applicable exemption from registration, nor shall there be any sale of such securities in any state or jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

The Hong Kong Public Offer will open at 9:00 a.m. on Monday, 17 June 2019, and close at 12:00 noon on Thursday, 20 June 2019. Dealing in the shares on the SEHK is expected to commence on Friday, 28 June 2019.

Ballas Capital Limited is the sole sponsor of the Global Offering. Nobleseed Securities Limited and Ballas Capital Limited are the joint bookrunners and the joint lead managers.

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

Since 2003, the Company has supplied automotive and electrical appliance moulds under the tradename of “Shinelong”. The Company seeks to offer comprehensive moulding services and solutions to its customers, covering product analysis, mould design and development; mould fabrication, assembling, testing and adjustment; trial production and after-sales services.

According to the Frost & Sullivan Report, the Company is the second largest manufacturer of hot-pressing automotive moulds in the PRC, with a market share of 4.9% by revenue in 2018. It is one of the pioneers in the production of hot-pressing moulds in the PRC when it started the production of such moulds in 2009. Hot-pressing moulds cater for the automotive lightweight application, as they reduce the weight of automotive parts to enable energy and cost saving without compromising safety or performance. During the track record period, revenue from automotive moulds is predominantly generated from the sales of hot-pressing moulds.

Although the growth of passenger vehicle sales volume slowed down in 2018, the development and launch of new vehicle models, especially new energy vehicles, is expected to generate demand for automotive moulds; and the market size of automotive moulds is expected to grow at a CAGR of 5.0% from 2018 to 2023. The market size of hot-pressing automotive moulds increased significantly at a CAGR of 83.1% from 2013 to 2018. As the lightweight technology is being increasingly applied in the automobile industry, the market size of hot-pressing mould is expected to continue to grow at a CAGR of 18.1% from 2018 to 2023.

The current penetration rate of hot-pressing mould is relatively low in China, but it is expected to increase as the automotive lightweight progress accelerates and technology becomes mature. The trend of declining reliance on imported automotive moulds will also provide a growth opportunity for domestic production.

The Company also produces electrical appliance moulds for the manufacturing of various parts in electrical appliances, including front covers, back covers, bases, stands, and remote controls of television sets; outer shell of water boilers and parts of washing machines. Electrical appliance moulds the Company produced are mainly plastic injection moulds.

Mr. Lin Wan-Yi, Shinelong’s Chairman, Executive Director and Chief Executive Officer, remarked: “The automotive lightweight progress is accelerating in China as energy saving and environmental protection become important concerns. The hot-pressing mould parts can reduce energy consumption and improve passenger comfort, without compromising safety. Leveraging on our strong technical capability and immense experience, we are well-positioned to capture growth opportunities in the PRC automobile and electrical appliance manufacturing industries.”

The Company’s production plants are located in Kunshan and Qingdao in the PRC. It utilises technologically advanced processes and equipment in the production of moulds, including computerised

numerical control (CNC) machines. In particular, the production of hot-pressing moulds requires substantial technical expertise in different production processes, including detailed and complex analysis of mould design by its engineers or technical personnel with computer aided engineering (CAE), which analyses the feasibility and effectiveness of the mould design and specification, and also the use of five-axis CNC machines. The Company's development of hot-pressing moulds and the production processes is supported by its research and development team. Its production quality and capability are accredited under IATF16949:2016 and ISO9001:2015.

As at the latest practicable date, the Company had registered 19 invention patents, 44 utility model patents and 1 design patent in the PRC.

With its technical expertise and efficient production capability, the Company has established long-term and stable business relationship with its major customers, which include leading companies in the automotive parts and electrical appliance manufacturing industries. Its major customers include Gestamp Group, a globally renowned automotive parts manufacturer, and Hisense Group, a leading television and electrical appliance manufacturer in the PRC. The Company is the sole supplier of hot-pressing automotive moulds to Gestamp Group in the PRC.

In order to achieve its goal to be the leading supplier of lightweight automotive moulds and electrical appliance moulds in the PRC, the Group plans to expand its production facilities and capabilities. The Company had a market share of 0.8%, 4.9% and 2.6% in terms of revenue in the PRC automotive mould market, hot-pressing automotive mould market and television mould market, respectively, in 2018. It expects to capture the market growth and also increase its market share through equipment upgrade and capacity expansion.

Assuming a mid-point Offer Price of HK\$0.84 and that Over-allotment Option is not exercised, the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses) will be approximately HK\$92.6 million. Approximately HK\$70.7 million is intended to be used for purchasing new production equipment, including CNC machines, electrical discharge machines, plastic injection machines and testing machines.

About Shinelong Automotive Lightweight Application Limited

Shinelong Automotive Lightweight Application Limited is a developer and major supplier of customised moulds in the PRC, with a focus on moulds for the production of automotive parts which cater for the growing trend of automotive lightweight application, as well as electrical appliance parts. According to the Frost & Sullivan Report, it is the second largest manufacturer of hot-pressing automotive moulds in the PRC in 2018. It currently operates two production plants in Kunshan and one production plant in Qingdao in the PRC.

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Press Enquiries

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Shinelong Automotive Lightweight Application Limited
Global Offering – Factsheet

Offer Statistics

Offer size	: 165,000,000 shares (subject to the Over-allotment Option)
Offering structure	
• Hong Kong Offer	: 16,500,000 shares (subject to reallocation)
• International Placing	: 148,500,000 shares (subject to reallocation and the Over-allotment Option)
Over-allotment Option	: 24,750,000 shares
Offer Price range	: HK\$0.80 to HK\$0.88 per share
Market capitalisation	: HK\$528.0 million (based on Offer Price of HK\$0.80) HK\$580.8 million (based on Offer Price of HK\$0.88)
Stock code	: 1930

Expected Timetable

Public Offer period	: 9:00 a.m., Mon, 17 June 2019 - 12:00 noon, Thu, 20 June 2019
Expected price determination date	: on or around Thu, 20 June 2019
Announcement of final Offer Price and allotment results	: Thu, 27 June 2019
Dealings in shares expected to commence	: Fri, 28 June 2019

Use of Net Proceeds

(i) Leasing the premises for a new factory in Kunshan	HK\$3.7 million
(ii) General set up costs of the new factory	HK\$3.0 million
(iii) Purchasing new production equipment	HK\$70.7 million
(iv) Purchasing softwares for product analysis and mould design	HK\$6.0 million
(v) Supplement to working capital	HK\$9.2 million

Estimated net proceeds (based on a mid-point Offer Price of HK\$0.84) **HK\$92.6 million**

Financial Information during Track Record

	2016 (RMB'000)	2017 (RMB'000)	Year ended 31 December 2018 (RMB'000)
Revenue	130,705	178,450	217,216
Gross profit	51,475	66,235	72,913
Profit for the year	20,922	37,572	31,351

Unaudited adjusted profit for the year after excluding the effect of listing expenses for the listing on Main Board and listing expenses and cash subsidies for the previous A-Share listing application

	2016 (RMB'000)	2017 (RMB'000)	Year ended 31 December 2018 (RMB'000)
Profit for the year	20,922	37,572	31,351
Add: Expenses for previous A-Share listing application	5,508	1,038	-
Add: Expenses for listing on Main Board	-	-	6,915
Minus: Cash subsidies granted in relation to previous A-Share listing application	-	(4,000)	-
Adjusted profit for the year	26,430	34,610	38,266

Revenue by business segment

	Year ended 31 December					
	(RMB'000)	2016 %	(RMB'000)	2017 %	(RMB'000)	2018 %
Sales of moulds						
Automotive moulds	69,399	53.1	100,120	56.1	123,869	57.0
Electrical appliance moulds	48,327	37.0	57,306	32.1	68,909	31.7
Other moulds	1,002	0.8	2,809	1.6	1,472	0.7
Sub-total	118,728	90.9	160,235	89.8	194,250	89.4
Parts processing services	10,649	8.1	15,372	8.6	20,802	9.6
Other sundry income	1,328	1.0	2,843	1.6	2,164	1.0
Total	130,705	100.0	178,450	100.0	217,216	100.0