

IPO FACT SHEET
Shinlong Automotive Lightweight Application Limited (1930)
ISSUE STATISTICS

Offer Size:	HK\$132m - HK\$145.2m
Placement Tranche:	165m Shares
Price:	HK\$0.8 - HK\$0.88
Board lot:	4,000
Entry fee:	HK\$3,555.48
Historical PE	14.4x – 15.8x
Net tangible asset per share:	HK\$0.37 - HK\$0.38
Market Cap (post-IPO):	HK\$528m- HK\$ 580.8m
Open:	17 June 2019
Close:	12.00 noon on 20 June 2019
Trading:	28 Jun 2019
Sponsor:	Ballas Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	178,450	36.5%
2018	217,216	21.7%
Profit for the year		
2017	37,572	79.6%
2018	31,351	-16.6%

BACKGROUND

- The Group are 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.
- They seek to offer comprehensive moulding services and solutions to their customers, covering product analysis, mould design and development; mould fabrication, assembling, testing and adjustment; trial production and aftersales services.
- According to the Frost & Sullivan Report, they were the second largest manufacturer of hot-pressing automotive moulds in the PRC, with a market share of 4.9% by revenue in 2018.
- As one of the pioneers in the production of hot-pressing moulds in the PRC when they started the production of such moulds in 2009, their hot-pressing moulds cater for the automotive lightweight application.
- Since 2003, they have supplied automotive and electrical appliance moulds including hotpressing moulds, hydroforming moulds and plastic injection moulds under the tradename of "Shinlong".

BUSINESS STRATEGIES

- Expand their production facilities and capabilities.
- Expand their customer base and enhance their customer service.
- Expand their research and development capabilities.

COMPETITIVE STRENGTHS

- Their efficient mould production capability and strong technical expertise in hot-pressing mould production.
- Their extensive industry experience and ability to provide customised and comprehensive moulding services.
- They are well-positioned to capture opportunities in the PRC automotive mould industry.
- Their commitment to strengthen their mould design and development capability to enhance their production process.
- Their well-established business relationship with their major customers.
- Their dedicated management which is supported by experienced and well-trained staff.

KEY RISKS

- They derive a significant portion of their revenue from their top five customers and any decrease or termination in their sales to any one of them may have a material adverse effect on their business and financial condition.
- They do not enter into long-term purchase contracts with their customers, and any disruption of their business relationships with their customers or fluctuations in their demand for their products may have material adverse effect on their business, results of operations, financial condition and prospects.
- Their financial performance may be affected by fluctuations in raw materials prices, as they may not always be able to pass on the increase in raw material costs to their customer.
- The long examination period of their moulds by their customers may affect their revenue recognition, cash flow position, and results of their operation, and may cause material fluctuation in their revenue in the future.
- Any labour shortages, increased labour costs or other factors affecting labour supply for their production could adversely affect their business, financial condition, results of operations and prospects.
- If they are unable to adequately protect their proprietary technology and intellectual property rights, their business may be materially and adversely affected.

DIVIDEND POLICY

- Plan to pay a total dividend in respect of each year of not less than 40% of their consolidated profit attributable to Shareholders for 2020 and the years thereafter.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Leasing the premises for a new factory in Kunshan.	3.7	4.0%
General set up costs of the new factory.	3.0	3.2%
Purchasing new production equipment, including CNC machines, electrical discharge machines, plastic injection machines and testing machines.	70.7	76.3%
Purchasing softwares for product analysis and mould design	6.0	6.5%
Supplement to their working capital.	9.2	10.0%
Total:	92.6	100.0%

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