

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)

Stock Code : 1930

# GLOBAL OFFERING

Sole Sponsor

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FULBRIGHT SECURITIES

  
中天證券有限公司  
CHINA SKY SECURITIES LIMITED

 首盛資本集團  
Alpha Financial Group

## IMPORTANT

**IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.**

# 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)

### GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 165,000,000 Shares (subject to the Over-allotment Option)  
Number of Hong Kong Offer Shares : 16,500,000 Shares (subject to reallocation)  
Number of International Placing Shares : 148,500,000 Shares (subject to reallocation and the Over-allotment Option)  
Offer Price : Not more than HK\$0.88 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK\$0.80 per Offer Share  
Nominal Value : HK\$0.01 per Share  
Stock Code : 1930

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners, on behalf of the Underwriters, and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 20 June 2019 and, in any event, not later than 5:00 p.m. on Friday, 21 June 2019. The Offer Price will be not more than HK\$0.88 and is currently expected to be not less than HK\$0.80 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.88 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$0.88.

The Joint Bookrunners, on behalf of the Underwriters may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$0.80 to HK\$0.88 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners, on behalf of the Underwriters and our Company, the Global Offering (including the Hong Kong Public Offer) will lapse and will not proceed. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants to subscribe for, the Hong Kong Offer Shares, are subject to termination by the Joint Bookrunners (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in "Underwriting — Hong Kong Public Offer Underwriting Arrangements and Expenses — Grounds for termination" in this prospectus. It is important that you refer to that section for details.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section "Risk Factors" in this prospectus.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold in the United States.

17 June 2019

## EXPECTED TIMETABLE

We will issue an announcement in Hong Kong on our website ([www.shinlone.com.cn](http://www.shinlone.com.cn)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) if there is any change in the following expected timetable of the Hong Kong Public Offering:

**2019** *(Note 1)*

Hong Kong Public Offer commences and <b>WHITE</b> and <b>YELLOW</b> Application Forms available from .....	9:00 a.m. on Monday, 17 June 2019
Latest time to complete electronic applications under <b>HK eIPO White Form</b> service through the designated website <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> <i>(Note 2)</i> .....	11:30 a.m. on Thursday, 20 June 2019
Application lists open <i>(Note 3)</i> .....	11:45 a.m. on Thursday, 20 June 2019
Latest time to complete payment of <b>HK eIPO White Form</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) .....	12:00 noon on Thursday, 20 June 2019
Latest time to give <b>electronic application instructions</b> to HKSCC <i>(Note 4)</i> .....	12:00 noon on Thursday, 20 June 2019
Latest time to lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms .....	12:00 noon on Thursday, 20 June 2019
Application lists close .....	12:00 noon on Thursday, 20 June 2019
Expected Price Determination Date <i>(Note 5)</i> .....	on or around Thursday, 20 June 2019
Announcement of the final Offer Price, indication of the levels of interest in the International Placing, the basis of allotment and the results of applications in the Hong Kong Public Offer to be published on our website ( <a href="http://www.shinlone.com.cn">www.shinlone.com.cn</a> ) and the Stock Exchange's website ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ) on or before .....	Thursday, 27 June 2019

## EXPECTED TIMETABLE

2019 (Note 1)

Announcement of results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at [www.shinlone.com.cn](http://www.shinlone.com.cn) and the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) (for details, please see "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus) from . . . . . Thursday, 27 June 2019

Results of allocations in the Hong Kong Public Offer will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) (or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult)) with a "search by ID Number/Business Registration Number" function . . . . . Thursday, 27 June 2019

Despatch/Collection of White Form e-Auto Refund payment instructions/ refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before <sup>(Notes 6 to 8)</sup> . . . . . Thursday, 27 June 2019

Despatch/Collection of Share certificates on or before . . . . . Thursday, 27 June 2019

Dealings in the Shares on the Stock Exchange expected to commence on . . . . . 9:00 a.m. on Friday, 28 June 2019

### Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section "Structure of the Global Offering".
2. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 20 June 2019, the application lists will not open on that day. For details, please see the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists".
4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to section headed "How to apply for Hong Kong Offer Shares — 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS".
5. The Price Determination Date is expected to be on or around Thursday, 20 June 2019. If, for any reason, the Offer Price is not agreed by 5:00 p.m. on Friday, 21 June 2019 between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

## EXPECTED TIMETABLE

6. Share certificates for the Offer Shares are expected to be issued on or before Thursday, 27 June 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 28 June 2019 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
7. Applicants for 1,000,000 or more Hong Kong Offer Shares who have provided all information required on **WHITE** Application Forms may collect their refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 27 June 2019 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Auto Refund payment instructions; Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies".

8. Refund cheques/e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.88.

For details of the structure and conditions of the Global Offering, applicants should refer to the section headed "Structure of the Global Offering".

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We 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. We seek to offer comprehensive moulding services and solutions to our 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, we 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 we started the production of such moulds in 2009, our hot-pressing moulds cater for the automotive lightweight application. For FY2016, FY2017 and FY2018, sales of hot-pressing moulds contributed to 85.3%, 83.5% and 80.9% of our revenue from automotive moulds. According to the Frost & Sullivan Report, hot-pressing is a critical light weight technology, as it reduces the weight of the automotive parts to enable energy and cost saving without compromising safety or performance.

Since 2003, we have supplied automotive and electrical appliance moulds including hot-pressing moulds, hydroforming moulds and plastic injection moulds under the tradename of "Shinelong". With over 16 years of operating history, we believe we have developed significant technical expertise and become specialised and efficient in terms of time and cost in the production processes for different types of moulds. For FY2016, FY2017 and FY2018, sales of automotive moulds contributed to 53.1%, 56.1% and 57.0% of our revenue, and sales of electrical appliance moulds contributed to 37.0%, 32.1% and 31.7% of our revenue, respectively. In terms of revenue generated from automotive mould manufacturing in 2018, we had a market share of 0.8% in the PRC, while the top five industry players accounted for 25.5% of the market share in the PRC. In terms of revenue generated from television mould manufacturing in 2018, we had a market share of 2.6% in the PRC, while the top five industry players accounted for 37.1% of the market share in the PRC.

Our production plants are located in Kunshan and Qingdao in the PRC. We utilise technologically advanced processes and equipment in the production of our moulds. For instance, we deploy CNC machines for mould fabrication and coordinate measuring machines and optical measuring machines for mould testing. 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 our 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. Our development of hot-pressing moulds and the production processes is supported by our research and development team which includes engineers specialised in the field. Our production quality and capability are accredited with the IATF16949:2016 certification relating to our innovation, orientation to customer and ability to meet customer specific requirements, and ISO9001:2015 certification relating to the quality of manufacturing precision cavity moulds, automotive moulds and mechanical parts.



## SUMMARY

We are committed to improve our moulds and production process through research and development. We believe the design and quality of our moulds are of crucial importance for the accuracy and efficiency of our customers' manufacturing processes and product quality. With our product analysis capability, we can analyse our customers' product designs and specifications and recommend possible improvements to enhance their products' efficiency, safety and function. As at the Latest Practicable Date, we had registered 19 invention patents, 44 utility model patents, including utility model patents that improve the product quality and life span of hot-pressing moulds, and 1 design patent in the PRC. We have also developed a mould for the front cover of high brightness curved television for which the Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) has granted a High and New Technology Product Certificate (高新技術產品證書) in December 2017.

With our technical expertise and efficient production capability, we have established long-term and stable business relationship with our major customers, which include leading companies in the automotive parts and electrical appliance manufacturing industries. Our major customers include Gestamp Group, a globally renowned automotive part provider, and Hisense Group, a leading television and electrical appliance producer in the PRC. Our close relationship with such major customers demonstrates our strengths in terms of technical capabilities, trustworthy services and product qualities.

Leveraging on our technical capability and immense experience, we believe we are well-positioned to capture growth opportunities in the PRC automobile and electrical appliance manufacturing industries, in particular the hot-pressing automotive mould industry. According to the Frost & Sullivan Report, the automotive mould market of the PRC grew at a CAGR of 5.2% from 2013 to 2018. 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 mould is expected to grow at a CAGR of 5.0% from 2018 to 2023. In particular, as a relatively new product with a relatively low trade volume in 2013, 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.

Our revenue grew steadily during the Track Record Period. For FY2016, FY2017 and FY2018, our revenue was RMB130.7 million, RMB178.5 million and RMB217.2 million, respectively. Excluding the listing expenses for the Listing and our previous A-Share Listing Application and cash subsidies granted by the local government in relation to our A-Share Listing Application, our adjusted net profit for FY2016, FY2017 and FY2018 were approximately RMB26.4 million, RMB34.6 million and RMB38.3 million, respectively.

### OUR STRENGTHS

We believe our success is attributable to the following competitive strengths: (i) our efficient mould production capability and strong technical expertise in hot-pressing mould production; (ii) our extensive industry experience and ability to provide customised and comprehensive moulding services; (iii) we are well-positioned to capture opportunities in the PRC automotive mould industry; (iv) our commitment to strengthen our mould design and development capability to enhance our production process; (v) our well-established business relationship with our major customers; and (vi) our dedicated management which is supported by experienced and well-trained staff.

## SUMMARY

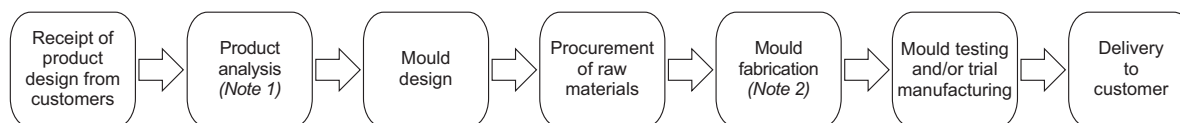
### OUR STRATEGIES

In order to achieve our goal to be the leading supplier of lightweight automotive moulds and electrical appliance moulds in the PRC, we plan to pursue the following strategies: (i) expand our production facilities and capabilities; (ii) expand our customer base and enhance our customer service; and (iii) expand our research and development capabilities.

### BUSINESS MODEL

We design, develop and manufacture customised moulds for our customers, which are mainly in the automobile and electrical appliance manufacturing industries, according to their specifications. Depending on the complexity of the fabrication and our production capacity, we may outsource certain less technically complicated mould fabrication process to third party contractors from time to time. We also provide parts processing services to our customers. We generally market and sell our products directly to our customers. During the Track Record Period, we did not sell our products through any distributor.

The following diagram illustrates our business processes:



Notes:

- (1) Upon receipt of product design from a customer, we may be engaged by our customers to analyse their product design and specifications and suggest possible improvements where applicable.
- (2) Depending on the complexity of the fabrication and our production capacity, we may outsource certain less technically complicated mould fabrication process to third-party contractors.

The table below sets forth a breakdown of our revenue by category of products and services for the years indicated:

	FY2016		FY2017		FY2018	
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Sales of moulds</b>						
Automotive moulds	69,399	53.1	100,120	56.1	123,869	57.0
Electrical appliances moulds	48,327	37.0	57,306	32.1	68,909	31.7
Other moulds (Note 1)	<u>1,002</u>	<u>0.8</u>	<u>2,809</u>	<u>1.6</u>	<u>1,472</u>	<u>0.7</u>
Sub-total	118,728	90.9	160,235	89.8	194,250	89.4
<b>Parts processing services</b>	10,649	8.1	15,372	8.6	20,802	9.6
<b>Other sundry income (Note 2)</b>	<u>1,328</u>	<u>1.0</u>	<u>2,843</u>	<u>1.6</u>	<u>2,164</u>	<u>1.0</u>
<b>Total</b>	<u>130,705</u>	<u>100.0</u>	<u>178,450</u>	<u>100.0</u>	<u>217,216</u>	<u>100.0</u>

Notes:

- (1) The major types of these moulds include scanner moulds, explosion-proof robots moulds, and transformer moulds.
- (2) Our other sundry income principally include disposal of scrap metals and waste products to recycling company and service charges for small-scale trial production.

## SUMMARY

The table below sets out the sales volume and selling price range by automotive moulds and electrical appliance moulds during the Track Record Period:

	FY2016		FY2017		FY2018	
	Sales	Average	Sales	Average	Sales	Average
	volume	selling	volume	selling	volume	selling
	Units	price	Units	price	Units	price
		RMB		RMB		RMB
Automotive moulds	93	746,000	138	726,000	160	774,000
Electrical appliance moulds	113	428,000	138	415,000	150	459,000

Our average selling price of automotive moulds decreased in FY2017 mainly due to the fact that we charged a higher unit price for the moulds we sold to Gestamp Group in FY2016 for some special projects which involved manufacturing of moulds of greater size and higher complexity. Our average selling price of electrical appliance moulds decreased in FY2017 mainly due to the fact that we charged a lower unit price for the moulds we sold to one of our Nanjing customers in FY2017 as the moulds were of smaller size.

The selling price range of our moulds may fluctuate as our moulds are highly customised and different moulds involve different specifications and requirements by our customers. In general, we price our moulds based on the technical complexity of the moulds, estimated amount of production labour needed and cost of raw materials involved.

The following table sets forth our gross profit and gross profit margins by our business segments during the Track Record Period:

	FY2016		FY2017		FY2018	
	Gross	Gross	Gross	Gross	Gross	Gross
	profit	profit	profit	profit	profit	profit
	RMB'000	margin	RMB'000	margin	RMB'000	margin
		%		%		%
Sales of automotive moulds	34,520	49.7	43,016	43.0	42,978	34.7
Sales of electrical appliance moulds	11,821	24.5	16,293	28.4	18,100	26.3
Sales of other moulds	35	3.5	361	12.9	486	33.0
Parts processing services	4,785	44.9	5,380	35.0	10,101	48.6
Other sundry income	314	23.6	1,185	41.7	1,248	57.7
<b>Total</b>	<b>51,475</b>	<b>39.4</b>	<b>66,235</b>	<b>37.1</b>	<b>72,913</b>	<b>33.6</b>

Our gross profit margin for sales of automotive moulds decreased from 49.7% for FY2016 to 43.0% for FY2017 and further decreased to 34.7% for FY2018. The decrease in gross profit margin for sales of automotive moulds from FY2016 to FY2017 was mainly due to the decrease in gross profit margin for sales to Gestamp Group as we offered more competitive pricing to Gestamp Group. The decrease in gross profit margin for sales of automotive moulds from FY2017 to FY2018 was mainly due to the further decrease in gross profit margin for sales to Gestamp Group and the relatively low gross profit margin for sales to Changchun CECK Auto Parts Company Limited (長春捷科汽車部件有限公司) and a new customer which is an automotive parts manufacturer. We offered competitive pricing to these customers in order to attract new businesses and establish long-term business relationships with them.

## SUMMARY

### PRODUCTION FACILITIES

During the Track Record Period, we conducted our mould manufacturing operations at our three factories in Kunshan and Qingdao of the PRC with a total area of approximately 17,829 square meters. We source our production equipments mainly from manufacturers in Germany and Taiwan. For FY2016, FY2017 and FY2018, our CNC machines, being the machines used in a critical process in the production of all of our mould, operated at near full capacity with utilisation rate of 90.9%, 91.2% and 86.3%, respectively. Please see the sub-section headed “Business — Production Facilities” for details on our production facilities.

### CUSTOMERS AND PRICING

#### Customers

We have established long-term and stable business relationship with our major customers, which include leading companies in the automotive parts and electrical appliance manufacturing industries. We have business relationship of more than five years with most of our top five customers during the Track Record Period. Our long-term and stable relationship with Gestamp Group, a globally renowned automotive part provider using hot-pressing techniques, and Hisense Group, a leading television and electrical appliance producer in the PRC, demonstrates our strength in terms of technical capabilities, trustworthy services and product qualities. We have established business relationship with Gestamp Group since 2009, and during the Track Record Period, we were the sole supplier of hot-pressing automotive moulds to Gestamp Group in the PRC.

For FY2016, FY2017 and FY2018, sales to our top five customers, in aggregate, accounted for 78.7%, 71.8% and 69.7%, respectively, of our revenue. Sales to our single largest customer for FY2016, FY2017 and FY2018 accounted for 43.7%, 44.3% and 36.7%, respectively, of our revenue. Please see the sub-sections headed “Business — Sales and Customers” and “Risk Factors — Risks Relating to Our Businesses — We derive a significant portion of our revenue from our top five customers and any decrease or termination in our sales to any one of them may have a material adverse effect on our business and financial condition”. There was a slowdown in the growth of passenger vehicle sales volume in the PRC in 2018, which may adversely affect our sales of automotive moulds. Please see the section “Risk Factors — Our business is dependent on the performance of our customers’ business. If the demand for our products from our customers drops or becomes volatile, or there is a downturn in the downstream industries or macroeconomic conditions, our business, results of operations, financial condition and prospects may be materially and adversely affected” for details.

#### Pricing Policy

When devising the price of our products, we take into account our cost of production and target margin percentage. We determine our target margin percentages taking into account factors such as technical complexity, market competition and customer relationship.

### SUPPLIERS

The principal raw materials for our business include steel, die set, hot runner and other components of moulds. We have more than eight years of business relationship with most of our top five suppliers during the Track Record Period. For FY2016, FY2017 and FY2018, purchases from our top five suppliers represented 23.7%, 35.2% and 30.2% of our total purchases, respectively, and purchases from our largest supplier represented 9.3%, 13.5% and 9.5%, respectively, of our total purchases for the corresponding periods.

## SUMMARY

### SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

#### Summary of Results of Operations

The following is a summary of the consolidated statements of profit or loss of our Group prepared on the basis set out in the Accountants' Report of our Group in Appendix I:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	130,705	178,450	217,216
Cost of sales	<u>(79,230)</u>	<u>(112,215)</u>	<u>(144,303)</u>
Gross profit	51,475	66,235	72,913
Other income and gains	613	5,028	898
Selling and distribution expenses	(6,066)	(7,806)	(8,324)
Administrative expenses	(15,821)	(18,546)	(19,778)
Listing expenses	(5,508)	(1,038)	(6,915)
Finance costs	<u>(206)</u>	<u>(503)</u>	<u>(723)</u>
<b>Profit before income tax</b>	24,487	43,370	38,071
Income tax expense	<u>(3,565)</u>	<u>(5,798)</u>	<u>(6,720)</u>
<b>Profit for the year</b>	<u><u>20,922</u></u>	<u><u>37,572</u></u>	<u><u>31,351</u></u>

#### Non-IFRS Measures

In addition to the IFRS measures in our consolidated financial statements, we also use the non-IFRS financial measure of adjusted profit for the year, adjusted return on equity and adjusted return on total assets to evaluate our operating performance. We believe that these non-IFRS measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results of our operation across accounting periods.

The following table sets forth our unaudited adjusted profit for the year after excluding the effect of the listing expenses for the Listing and our previous A-Share Listing Application and the cash subsidies granted by the local government in relation to our A-Share Listing Application:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b>	20,922	37,572	31,351
<i>Add: Expenses for our previous A-Share Listing Application</i>	5,508	1,038	—
<i>Add: Expenses for the Listing</i>	—	—	6,915
<i>Minus: Cash subsidies granted by the local government in relation to our previous A-Share Listing Application</i>	<u>—</u>	<u>(4,000)</u>	<u>—</u>
<b>Adjusted profit for the year (Note)</b>	<u><u>26,430</u></u>	<u><u>34,610</u></u>	<u><u>38,266</u></u>

*Note:* Adjusted profit for the year is not a financial measure under the IFRS and is presented to provide information for evaluation and comparison of our financial results during the Track Record Period.

## SUMMARY

### Selected Consolidated Statements of Financial Position

The following is the selected consolidated statements of financial position of our Group as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>	48,438	62,530	73,069
<b>Current assets</b>	133,619	207,852	232,839
<b>Current liabilities</b>	112,150	162,926	173,354
<b>Net current assets</b>	21,469	44,926	59,485
<b>Non-current liabilities</b>	538	770	1,235
<b>Net assets</b>	<u>69,369</u>	<u>106,686</u>	<u>131,319</u>

### Selected Consolidated Statements of Cash Flows

The following table sets forth our selected consolidated statements of cash flows for the periods indicated:

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	33,322	34,333	26,369
Net cash used in investing activities	(10,310)	(20,362)	(20,462)
Net cash (used in)/generated from financing activities	<u>(11,458)</u>	<u>383</u>	<u>(25,475)</u>
Net increase/(decrease) in cash and cash equivalents	11,554	14,354	(19,568)
Cash and cash equivalents at beginning of year	7,696	19,381	33,631
Effect of foreign exchange rate changes, net	<u>131</u>	<u>(104)</u>	<u>49</u>
Cash and cash equivalents at end of the year	<u>19,381</u>	<u>33,631</u>	<u>14,112</u>

Please see the section “Financial Information” for details of our financial performance during the Track Record Period.

## SUMMARY

### Key Financial Ratios

The following table sets forth our key financial ratios for the years and as at the dates indicated:

	FY2016	FY2017	FY2018
Return on equity (%)	30.2	35.2	23.9
Return on total assets (%)	11.5	13.9	10.2
Adjusted return on equity (%) <sup>(Note 2 and 4)</sup>	38.1	32.4	29.1
Adjusted return on total assets (%) <sup>(Note 3 and 4)</sup>	14.5	12.8	12.5
	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Net debt to equity ratio (%)	N/A	N/A	N/A
Gearing ratio (%) <sup>(Note 1)</sup>	5.5	25.5	4.9
Current ratio (times)	1.2	1.3	1.3
Quick ratio (times)	0.5	0.5	0.5

*Notes:*

- (1) Gearing ratio is calculated based on our bank borrowings and amounts due to Shine Art and Friendly Holdings divided by total equity as at the end of each year and multiplied by 100%.
- (2) Adjusted return on equity is calculated based on our net profit attributable to our Shareholders (before listing expenses for the Listing and our previous A-Share Listing Application and cash subsidies granted by the local government in relation to our A-Share Listing Application) for each reporting year divided by equity attributable to our Shareholders as at the end of that reporting year and multiplied by 100%.
- (3) Adjusted return on total assets is calculated based on our net profit attributable to Shareholders (before listing expenses for the Listing and our previous A-Share Listing Application and cash subsidies granted by the local government in relation to our A-Share Listing Application) for each reporting year divided by total assets as at the end of that reporting year and multiplied by 100%.
- (4) The terms of adjusted return on equity and adjusted return on total assets are not defined under IFRS. We believe that these non-IFRS measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results of our operations across accounting periods.

Please see the section “Financial Information — Key Financial Ratios” for details on the above key financial ratios.

### RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering, Shine Art will hold 49.125% of the issued share capital of our Company, and hence it will be one of our Controlling Shareholders. Shine Art is owned as to 58.312% by Mr. Lin, 15.424% by Mr. Yung Chia-Pu (雍嘉樸), 14.936% by Mr. Cheng Ching-Long (鄭景隆), 3.598% by Mr. Hsieh Chi-Hung (謝奇宏), 3.292% by Mr. Liu Ying-Han (劉英漢), 1.688% by Mr. Leng Chi-Ching (冷繼青), 0.934% by Mr. Lu Jen-Chieh (盧仁傑), 0.908% by Ms. Hsieh Pei-Chen (謝佩真) and 0.908% by Mr. Chang Jui-Chun (張瑞君). Mr. Lin, Mr. Yung Chia-Pu, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh are the executive Directors of our Company; Ms. Hsieh Pei-Chen is a non-executive Director of our Company and Mr. Hsieh Chi-Hung, Mr. Liu Ying-Han, Mr. Leng Chi-Ching and Mr. Chang Jui-Chun have no relationship with the Company other than being a Controlling

## SUMMARY

Shareholder. Apart from the fact that Mr. Hsieh Chi-Hung (謝奇宏) and Ms. Hsieh Pei-Chen (謝佩真) are brother and sister, all the shareholders of Shine Art are independent of each other. Each of the shareholders of Shine Art will be regarded as a Controlling Shareholder. Please see the sections “History and Development” and “Relationship with Controlling Shareholders” for details.

### APPLICATION FOR LISTING OF A SHARES

On 23 December 2016, Shinelong (Suzhou) filed with the CSRC an application for listing of its shares on the Shanghai Stock Exchange, which was sponsored by a sponsor institution duly licensed in the PRC. The CSRC formally accepted the A-Share Listing Application for review on 30 December 2016. During the review process of the A-Share Listing Application, considering that the approval process of the CSRC was longer than expected, Shinelong (Suzhou) and the A-Share Sponsor voluntarily withdrew the A-Share Listing Application on 15 January 2018. On 22 January 2018, the CSRC issued a notification to Shinelong (Suzhou) to terminate the review process of the A-Share Listing Application. To the best knowledge of our Directors, there was not any findings by the CSRC of any material non-compliance or operation irregularity during the review process of the A-Share Listing Application.

### RECENT DEVELOPMENT

Our business model has remained unchanged and our revenue and cost structure has remained stable since 31 December 2018 and up to the date of this prospectus. During the Track Record Period, our gross profit margin from sales of automotive moulds decreased from 49.7% for FY2016 to 34.7% for FY2018. We currently estimate that our gross profit margin from sales of automotive moulds for 2019 will continue to be affected by the increasing competition among market players in the industry. We also expect that our results of operations for 2019 will be adversely affected by the non-recurring Listing expenses to be charged as administrative expenses to our profit and loss accounts, as set out below. Save for the above, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 December 2018 and up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely since 31 December 2018 and up to the date of this prospectus.

### LISTING EXPENSES

Assuming that the Over-allotment Option is not exercised, the total Listing expenses in relation to the Global Offering (based on an Offer Price of HK\$0.84, the mid-point of the Offer Price Range) mainly comprising fees paid or payable to professional parties and underwriting fees and commission, are expected to be approximately HK\$46.0 million, of which, (i) HK\$7.9 million was recognised in our consolidated statements of profit or loss for FY2018; (ii) approximately HK\$17.6 million is expected to be recognised as expenses in our consolidated statements of profit or loss for FY2019; and (iii) approximately HK\$20.5 million is expected to be charged against equity upon completion of the Global Offering.



## SUMMARY

### STATISTICS OF THE GLOBAL OFFERING

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	<b>Based on the low-end Offer Price of HK\$0.80</b>	<b>Based on the high-end Offer Price of HK\$0.88</b>
Market capitalisation of our Shares <sup>(Note 1)</sup>	HK\$528.0 million	HK\$580.8 million
Unaudited pro forma adjusted net tangible assets attributable to owners of our Company per Share <sup>(Note 2)</sup>	HK\$0.37	HK\$0.38

*Notes:*

- (1) The calculation of market capitalisation is based on the 660,000,000 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalisation Issue.
- (2) The unaudited pro forma adjusted net tangible assets attributable to owners of our Company per Share has been arrived at after adjustments referred to the section "Appendix II — Unaudited Pro Forma Financial Information — (A) Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" and on the basis of 660,000,000 Shares in issue at the indicative offer prices of HK\$0.80 and HK\$0.88 immediately following completion of the Global Offering and the Capitalisation Issue.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$0.84, being the mid-point of the indicative Offer Price Range, we estimate that we will receive net proceeds ("**Net Proceeds**") of approximately HK\$92.6 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering, if the Over-allotment Option is not exercised. We intend to use the Net Proceeds for the following purposes:

- (i) approximately HK\$3.7 million, representing approximately 4.0% of the Net Proceeds, for leasing the premises for a new factory in Kunshan;
- (ii) approximately HK\$3.0 million, representing approximately 3.2% of the Net Proceeds, for general set up costs of the new factory;
- (iii) approximately HK\$70.7 million, representing approximately 76.3% of the Net Proceeds, for purchasing new production equipment, including CNC machines, electrical discharge machines, plastic injection machines and testing machines;
- (iv) approximately HK\$6.0 million, representing approximately 6.5% of the Net Proceeds, for purchasing softwares for product analysis and mould design; and
- (v) approximately HK\$9.2 million, representing approximately 10.0% of the Net Proceeds, as supplement to our working capital.

## SUMMARY

### REASONS FOR THE LISTING AND GLOBAL OFFERING

Our reasons for the Listing and Global Offering include: (i) to obtain additional funding for our operations and capital requirements; (ii) to facilitate the implementation of our business strategies and expansion; (iii) to establish an efficient and sustainable fund-raising platform; (iv) to diversify our shareholder base and enhance liquidity in trading of our Shares; and (v) to enhance employees' performance through equity-based incentive scheme and attracting new staff. Please see the section "Future Plans and Use of Proceeds — Reasons for the Listing and Global Offering" for details.

### DIVIDEND POLICY

We did not declare any dividend in FY2016 and FY2017. In FY2018, we declared dividend of RMB6.8 million, of which RMB6.4 million was paid in cash in November 2018 and RMB0.4 million was settled in February 2019.

We currently plan to pay a total dividend in respect of each year of not less than 40% of our consolidated profit attributable to Shareholders for 2020 and the years thereafter. When proposing a dividend, we will take into account, among other things, our future operations and earnings, our business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as our Directors consider appropriate. There is no requirement or assurance that we will declare and pay any dividends. Any declaration and payment as well as the amount of dividends will be subject to the Articles and the Cayman Companies Law. Any declaration of final dividends will also require the approval of our Shareholders in general meeting. No dividend shall be declared or paid except out of our distributable profit and lawfully available for distribution under the Cayman Companies Law.

### RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an investment in the Offer Shares. We believe that the following are some of the major risks that may have a material effect on us:

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

You should read the entire "Risk Factors" section carefully.

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

“A-Share Listing Application”	the A-share listing application filed by Shinelong (Suzhou) with the CSRC on 23 December 2016 and voluntarily withdrawn on 15 January 2018. Please see the section “History and Development — Application for Listing of A Shares” for details.
“Application Form(s)”	the <b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 6 June 2019 and effective on the Listing Date, as amended or supplemented from time to time
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section “History and Development — Reorganisation — Capitalisation Issue”
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

## DEFINITIONS

“Chairman”	the chairman of our Board
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company” or “our Company”	Shinelong Automotive Lightweight Application Limited (勛龍汽車輕量化應用有限公司), a company incorporated in the Cayman Islands with limited liability on 2 October 2018
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	shall have the meaning given to it under the Listing Rules and unless the context otherwise requires, refers to Shine Art and each of its shareholders, as set out in the section “History and Development — Corporate and Shareholding Structure immediately following the completion of the Global Offering and Capitalisation Issue”
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	a deed of indemnity dated 6 June 2019 entered into between our Controlling Shareholders and our Company in respect of certain indemnities, particulars of which are set out in the sub-section “E. Other Information — 2. Tax and other indemnities” in Appendix IV
“Deed of Non-competition”	a deed of non-competition dated 6 June 2019 entered into between our Controlling Shareholders and our Company
“Digital Link”	Digital Link Overseas Co., Ltd, an international company established on 15 July 2010 under the laws of Samoa and is directly and wholly owned by Mr. Lo Ter Chong (羅德重), an Independent Third Party
“Directors” or “our Directors”	the directors of our Company
“EIT Law”	Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法), as amended or supplemented from time to time

## DEFINITIONS

“Friendly Holdings”	Friendly Holdings (HK) Co., Limited, a limited liability company established on 13 February 2009 under the laws of Hong Kong, wholly owned by Mr. Liu Fang Jung (劉芳榮), holding an interest of 18.40% in our Company as at the Latest Practicable Date. Friendly Holdings is a Substantial Shareholder of our Company
“Frost & Sullivan”	Frost & Sullivan International Limited, a consulting firm that provides market research and analysis
“Frost & Sullivan Report”	the report prepared by Frost & Sullivan, certain information of which is set out in the section “Industry Overview”
“Fulagai Consulting”	Fulagai Consulting (Shanghai) Company Limited. (富拉凱諮詢(上海)有限公司), a limited liability company established on 2 February 2000 under the laws of the PRC and is directly and wholly owned by Friendly Holdings
“FY2016”	financial year ended 31 December 2016
“FY2017”	financial year ended 31 December 2017
“FY2018”	financial year ended 31 December 2018
“FY2019”	financial year ending 31 December 2019
“FY2020”	financial year ending 31 December 2020
“FY2021”	financial year ending 31 December 2021
“Gestamp Group”	Gestamp Automocion, S.A., a company listed on the Bolsa de Madrid Stock Exchange (stock code: GEST), the Germany Stock Exchanges (stock code: 7GA), the London Stock Exchange (stock code: OROM) and the Mexico Stock Exchange (stock code: GESTN); Gestamp (China) Holding Company Limited (海斯坦普(中國)投資有限公司), and their subsidiaries and associates from time to time
“Global Offering”	the Hong Kong Public Offer and the International Placing
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider, designated by our Company
“Group”, “we”, “our” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

## DEFINITIONS

“High Chance”	High Chance Limited, an international company established on 21 September 2015 under the laws of Samoa and is directly and wholly owned by Mr. Wu Chieh Te (吳皆得), an Independent Third Party
“Hisense Group”	Qingdao Hisense, and its subsidiaries and associates from time to time
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HK eIPO White Form”	the application for the Hong Kong Offer Shares to be issued in applicant’s own name by submitting applications online through the designated website at <b>www.hkeipo.hk</b>
“HK eIPO White Form Service Provider”	The <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website at <b>www.hkeipo.hk</b>
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	16,500,000 new Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offer
“Hong Kong Public Offer”	the offer by us of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as described in the section “Structure of the Global Offering”
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters listed in the section “Underwriting — Underwriters”, being the underwriters of the Hong Kong Public Offer
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 14 June 2019 relating to the Hong Kong Public Offer entered into by our Company, our Controlling Shareholders, our executive Directors, Friendly Holdings, Digital Link, High Chance, Talent Chain, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as described in the section “Underwriting”

## DEFINITIONS

“IFRS”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board
“Independent Third Party(ies)”	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a Connected Person of our Company
“International Placing Shares”	148,500,000 new Shares being initially offered by us for subscription pursuant to the International Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“International Placing”	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of our Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as described in the section “Structure of the Global Offering”
“International Underwriters”	the underwriters listed in the section “Underwriting — Underwriters”, being the underwriters of the International Placing
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing expected to be entered into by, among others, our Company, the Sole Sponsor and the International Underwriters on or before the Price Determination Date, as described in the section “Underwriting”
“Joint Bookrunners”	Nobleseed Securities Limited and Ballas Capital Limited
“Joint Lead Managers”	Nobleseed Securities Limited, Ballas Capital Limited, CSC Securities (HK) Limited, Grand View Securities Limited, Fulbright Securities Limited, China Sky Securities Limited and Alpha Financial Group Limited
“Kunshan Bozhan”	Kunshan Bozhan Management Consulting Company Limited (昆山博展管理諮詢有限公司), a limited liability company established on 21 October 2015 under the laws of the PRC and is directly and wholly owned by Mr. Chen Chun Guang (陳春光), an Independent Third Party

## DEFINITIONS

“Kunshan Longjun”	Kunshan Longjun Management Consulting Company Limited (昆山龍駿管理諮詢有限公司), a limited liability company established on 5 November 2015 under the laws of the PRC and a wholly owned subsidiary of our Company
“Latest Practicable Date”	9 June 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or around Friday, 28 June 2019, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, as amended or supplemented from time to time
“Mr. Lin”	Mr. Lin Wan-Yi (林萬益), our Chairman, an executive Director, the chief executive officer of our Company and a Controlling Shareholder
“NPC Standing Committee”	the Standing Committee of the National People’s Congress
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not less than HK\$0.80 and expected to be not more than HK\$0.88, such price to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date
“Offer Price Range”	HK\$0.80 to HK\$0.88 per Offer Share
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares



## DEFINITIONS

“Over-allotment Option”	the options expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable by the Joint Bookrunners (for themselves and on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to 24,750,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations in the International Placing, if any, as described in the section “Structure of the Global Offering”
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Price Determination Date”	the date expected to be on or around 20 June 2019, but no later than 21 June 2019, on which our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) determine the Offer Price for the purpose of the Global Offering
“Qingdao Hisense”	Qingdao Hisense Electronics Company Limited (青島海信電器股份有限公司), a limited liability company established on 17 April 1997 under the laws of the PRC, a company listed on the Shanghai Stock Exchange (stock code: 600060). It is one of our major customers and an Independent Third Party
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Persons”	the Sole Sponsor, any of its or our Company’s respective directors, officers or representatives or any other person involved in the Listing
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section “History and Development — Reorganisation”
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
“SAT”	State Administration of Taxation of the PRC* (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong

## DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 6 June 2019, particulars of which are set out in the section “D. Share Option Scheme” in Appendix IV
“Shine Art”	SHINE ART INTERNATIONAL LIMITED, a company incorporated in the BVI with limited liability on 19 July 2001 and is owned as to 58.312% by Mr. Lin, 15.424% by Mr. Yung Chia-Pu (雍嘉樸), 14.936% by Mr. Cheng Ching-Long (鄭景隆), 3.598% by Mr. Hsieh Chi-Hung (謝奇宏), 3.292% by Mr. Liu Ying-Han (劉英漢), 1.688% by Mr. Leng Chi-Ching (冷繼青), 0.934% by Mr. Lu Jen-Chieh (盧仁傑), 0.908% by Ms. Hsieh Pei-Chen (謝佩真) and 0.908% by Mr. Chang Jui-Chun (張瑞君). Mr. Lin, Mr. Yung Chia-Pu, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh are the executive Directors of our Company; Ms. Hsieh Pei-Chen is a non-executive Director of our Company and Mr. Hsieh Chi-Hung, Mr. Liu Ying-Han, Mr. Leng Chi-Ching and Mr. Chang Jui-Chun have no relationship with the Company other than being a Controlling Shareholder.
“Shinelong (Suzhou)”	Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited (勳龍智造精密應用材料(蘇州)股份有限公司), which was established on 8 January 2002 under the name of Shinlone Precision Moulds (Kunshan) Company Limited (勳龍精密模具(昆山)有限公司) as a limited liability company under the laws of the PRC, which was converted to a company limited by shares on 29 March 2016 and renamed Shinlone Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited (勳龍智造精密應用材料(蘇州)股份有限公司), which was renamed as Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited (勳龍智造精密應用材料(蘇州)股份有限公司) on 28 December 2018. Shinelong (Suzhou) is a wholly owned subsidiary of our Company

## DEFINITIONS

“Sole Sponsor”	Ballas Capital Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Listing
“Stabilising Manager”	Nobleseed Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Shine Art and the Stabilising Manager
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
“Talent Chain”	Talent Chain Limited, a limited liability company established on 16 September 2015 under the laws of Samoa and is directly and wholly owned by Mr. Yu Yu Shuan (余昱暄), an Independent Third Party
“Talent Trading”	Talent Trading (Shanghai) Limited Company (能全貿易(上海)有限公司), a limited liability company established on 2 December 2015 under the laws of the PRC and is directly and wholly owned by Talent Chain, an Independent Third Party
“Track Record Period”	FY2016, FY2017 and FY2018
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“U.S. Securities Act”	the United States Securities Act 1933, as amended or supplemented from time to time
“ <b>WHITE</b> Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own name

## DEFINITIONS

“Xunwei”	Xunwei Precision Mould & Plastic (Kunshan) Company Limited (勳威精密模塑(昆山)有限公司), a limited liability company established on 3 November 2015 under the laws of the PRC and was an indirectly and wholly owned subsidiary of our Company. Xunwei was deregistered on 17 June 2016
“Xunzhan”	Qingdao Xunzhan Molding Technology Company Limited (青島勳展模塑科技有限公司), a limited liability company established on 2 December 2014 under the laws of the PRC and is an indirectly and wholly owned subsidiary of our Company
“ <b>YELLOW</b> Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent

*In this prospectus, unless the context otherwise requires, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “controlling shareholder”, “core connected person”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules.*

*Unless otherwise specified, all references to any shareholding in our Company assume no exercise of the Over-allotment Option and do not taking into account any Share which may be allotted and issued upon the exercise of any options granted or which may be granted under the Share Option Scheme.*

*For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.*

## GLOSSARY OF TECHNICAL TERMS

*In this prospectus, the following expressions shall have the meanings set out below unless the context otherwise requires.*

“CAD”	computer aided design
“CAE”	computer aided engineering
“CAM”	computer aided manufacturing
“CNC”	computerised numerical control
“die set”	a specialised tool to cut or shape a material
“electrical discharge machining”	a manufacturing process whereby a desired shape is obtained using electrical discharges
“hot-pressing mould”	a kind of mould that is used in a process that steel is heated up to a high temperature, formed and cooled in a controlled process
“hot-runner”	an assembly of heated components used in plastic injection moulds to inject molten plastic into the cavities of the mould
“hydroforming mould”	a kind of mould that uses liquid instead of solid as force transfer medium
“ISO”	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001:2015”	the requirements set by ISO for quality management system where an organisation needs to demonstrate its ability to provide products that fulfill customer and applicable regulatory requirements and aim to enhance customer satisfaction
“plastic injection mould”	a kind of mould that is used to give plastic products configuration and size
“wire-cut”	a process of electrical discharge machining typically for precision cuts

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. These forward-looking statements include statements relating to:

- our business prospects and strategies and our operating and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities; and
- our dividend policy.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialize or may change. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors, including the risk factors set out in the section “Risk Factors” and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, market and business conditions in Hong Kong and the PRC, including the sustainability of the economic growth in the Hong Kong and the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices;
- general political and global economic conditions, especially those related to the PRC; and
- other factors beyond our control.

## **FORWARD-LOOKING STATEMENTS**

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risk factors set out in the section “Risk Factors”.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

## RISK FACTORS

*An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares.*

*The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.*

### RISKS RELATING TO OUR BUSINESS

**We derive a significant portion of our revenue from our top five customers and any decrease or termination of our sales to any one of them may have a material adverse effect on our business and financial condition.**

There was notable concentration in our customer base during the Track Record Period. Revenue attributable to our five largest customers represented 78.7%, 71.8% and 69.7% of our revenue for FY2016, FY2017 and FY2018, respectively. In particular, sales to Gestamp Group, our largest customer for FY2016, FY2017 and FY2018, represented 43.7%, 44.3% and 36.7% of our revenue; and sales to Hisense Group, our second largest customer during the Track Record Period, represented 21.1%, 18.5% and 17.7% of our revenue in the corresponding periods. These customers are expected to continue to account for a significant portion of our revenue in the future.

There are risks associated with having a small number of major customers contributing to a significant portion of our revenue. We cannot assure you that we will be able to maintain or improve our relationships with our major customers, and we cannot assure you that we will be able to continue to supply products and services to them at current levels on similar terms, or at all. In addition, our business is materially affected by the businesses of our major customers, which depend to a significant extent on their continuing ability to sell to their own customers. Any deterioration in the businesses of our major customers could lead to a decline in their purchase from us or a change in our business relationships with our major customers. Our use of resources and management attention to continue our business relationships with our major customers and meet their purchase orders may also reduce resources devoted to our other customers. Even if we manage to secure other customers, it would take time and resources for us to develop our relationship with new customers, e.g. adapting the systems and procedures to meet the requirements of new customers. If we cannot secure other customers, our business performance and financial condition may be adversely affected. If any of our major customers substantially reduces its purchase orders with us or terminates its business relationship with us, we may not be able to obtain orders from other existing customers or new customers to timely replace such lost sales on comparable terms, or at all, in which case our business, results of operations, financial condition and prospects may be materially and adversely affected.



## RISK FACTORS

**We do not enter into long-term purchase contracts with our customers, and any disruption of our business relationships with our customers or fluctuations in their demand for our products may have material adverse effect on our business, results of operations, financial condition and prospects.**

We do not maintain long-term purchase contracts with our customers obliging them to place orders with us that would secure future revenue for us. Instead, we sell our products based on their purchase orders. If our customers decide not to purchase our products, change their suppliers or propose new terms of sales unacceptable to us or otherwise, our sales may decline if we are unable to find new customers in a timely manner. In such event, our business, financial condition, results of operations and prospects may be materially and adversely affected. For details on our customers, please see the section "Business — Sales and Customers".

**Our financial performance may be affected by fluctuations in raw material prices, as we may not always be able to pass on the increase in raw material costs to our customers.**

Our business and profitability may be affected by fluctuations in the prices of raw materials. Our costs of direct materials accounted for 52.2%, 52.6% and 53.2% of our cost of sales for FY2016, FY2017 and FY2018, respectively.

Although our products are generally priced based on a cost-plus model, as our quotations generally do not specify any provision for us to revise the price where there is a significant fluctuation in raw material price, if we fail to timely respond to the change of raw material prices, we may not be able to pass on all or part of the increase in the prices of raw materials to our customers in a timely manner or at all. Any increase in raw material prices that we are unable to pass to our customers may materially and adversely affect our profit margin. In any such event, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**The long examination period of our moulds by our customers may affect our revenue recognition, cash flow position, and results of our operation, and may cause material fluctuation in our revenue in the future.**

During the Track Record Period, we generally recognised revenue after our moulds have passed inspection and examination, and were accepted by, our customers. The examination and acceptance of our moulds depend on our customers' completion of the required inspection and examination processes, which typically take 10 to 16 months for automotive moulds and 2 to 7 months for electrical appliance moulds after product delivery and may be further delayed for reasons beyond our control. Therefore, we had experienced time lag between the recognition of contract liabilities and revenue during the Track Record Period. Any delay in inspection and examination of our moulds may result in delay in the timing of our recognition of contract liabilities as revenue and may adversely affect our operational performance, financial results and cash flow position.

## RISK FACTORS

**We are exposed to risks of obsolete and slow-moving inventory which may adversely impact our cash flow and liquidity.**

For FY2016, FY2017 and FY2018, the total amount of our inventories were RMB79.5 million, RMB119.6 million and RMB139.0 million, respectively. As at 31 December 2016, 2017 and 2018, our finished goods represented 74.0%, 74.5% and 69.6% of our inventories, respectively. During the Track Record Period, we generally recognised revenue when our moulds have passed inspection and examination by our customers, and were accepted by our customers. The examination and acceptance of our moulds depend on our customers' completion of the required inspection and examination processes, which typically take 10 to 16 months for automotive moulds and 2 to 7 months for electrical appliance moulds after product delivery and may be further delayed for reasons beyond our control. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected. Excessive inventory may also increase our risk of inventory obsolescence, which could have a material adverse effect on our business, financial condition and results of operations.

**We are exposed to credit risk of our customers.**

Our trade and notes receivables as at 31 December 2016, 2017, and 2018 amounted to RMB32.3 million, RMB53.7 million and RMB75.5 million, respectively, which were on an increasing trend. If the credit worthiness of our customers deteriorate or if a significant number of our customers fail to settle with us for such trade and notes receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers after their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and notes receivables from our customers or that they will settle our trade and notes receivables in a timely manner. In the event the settlements from our customers are not made on a timely manner, our financial position, profitability and cash flow position may be materially and adversely affected.

**Any labour shortages, increased labour costs or other factors affecting labour supply for our production could adversely affect our business, financial condition, results of operations and prospects.**

We rely on our employees to carry out production and other operating activities. For FY2016, FY2017 and FY2018, our direct labour costs accounted for 11.2%, 11.1% and 11.6% of our cost of sales, respectively. There is no guarantee that our supply of labour and labour cost will continue to be stable. If we fail to retain our existing employees and/or recruit sufficient employees in a timely manner, we may not be able to accommodate our customers' demand or sudden increases in demand for our products. If we are not able to manufacture and deliver our products on schedule, our business, financial condition, results of operations and prospects would be materially and adversely affected. Furthermore, if there is a significant increase in labour cost, the cost of our business operation would increase and our profitability may be

## RISK FACTORS

materially and adversely affected. Any failure to identify and recruit replacement workers immediately following an unexpected loss of skilled workers could reduce our competitiveness and have an adverse effect on our business and operations.

**If we are unable to adequately protect our proprietary technology and intellectual property rights, our business may be materially and adversely affected.**

The success of our business depends to certain extent on our intellectual property rights, including our inventions and trademarks, trade secrets, technologies, know-how, processes and other intellectual property rights developed by us. To protect our intellectual property rights, we have registered certain of our inventions as patents in the PRC. However, we cannot assure you that our efforts to protect our intellectual property rights will be sufficient and that our intellectual property rights will not be misappropriated or otherwise infringed by third parties in the future. In addition, the intellectual property laws in the PRC, where our business is carried out, are still developing and may not protect intellectual property rights to the same extent as similar laws of other countries do. If we are unable to adequately protect our know-how and intellectual property rights, our business and operating results could be adversely affected.

**We may face disruptions in our production.**

Our business is dependent on the continued operation of our production facilities. Our production process is subject to operational risks beyond our control, including fire, breakdown, failure or substandard performance of our equipment and machinery, power shortage, labour strikes, natural disasters and any similar interruption in our operations. Frequent or prolonged occurrence of any of the aforesaid events may have a material adverse effect on our business, financial condition and results of operation. Should there be any damage to our production facilities, we may not be able to remedy such situations in a timely manner, and our production and our ability to provide our products in a timely manner could be materially and adversely affected. Any breakdown or malfunction of our equipment could cause a material disruption of our operations. Any such disruption in our operations could cause us to reduce or halt our operation, and hence adversely affect our business reputation, increase our costs of production and may require us to make unplanned capital expenditures; any one of which could materially and adversely affect our business, financial condition, results of operations and prospects.

**If we fail to respond to technological changes in a timely manner, we may not be able to effectively compete with our competitors.**

Industries related to our products and services and, in particular, the automobile and electrical appliance industries in which our moulds are applied are subject to technological changes. There can be no assurance that we will be successful in responding to these changes. New products or technologies may render our existing technologies less competitive. If we fail to adapt to technological changes in a timely manner, we may not be able to continue to effectively serve our customers' needs or maintain or expand our sales, and our business, financial condition and results of operations may be materially and adversely affected.

## RISK FACTORS

**Unsatisfactory performance of, or defects in, our products may give rise to liability claim and additional expenses, damage to our reputation and decline in our sales.**

Our products may contain defects that are not detected until they are discovered by our customers. Defects in our products could cause significant disruption to our customers' production and the quality of their products, give rise to liability claims, damage to our market reputation and reduce our product sales and market share. If we deliver products with defects, or if there is a perception that our products are of sub-standard quality, we may incur substantial additional costs associated with product warranty or replacements of our products, our credibility and market reputation could be harmed and our sales and business may be materially and adversely affected.

**We may not grow at a rate comparable to our growth rate in the past.**

We have experienced a period of growth and expansion. For FY2016, FY2017 and FY2018, we recorded revenue of RMB130.7 million, RMB178.5 million and RMB217.2 million, respectively, and net profit of RMB20.9 million, RMB37.6 million and RMB31.4 million, respectively. The sustainability of our growth depends on a number of factors, including the prospects of our downstream industries, implementation of our strategies and the competitive landscape as well as general economic and political conditions in the PRC. We cannot assure you that our growth rate can be maintained at any particular level. Should there be any changes which adversely affect our operations, our growth, profitability and prospects could be materially and adversely affected.

**Our reliance on key management personnel may impose risks on our Group.**

We believe that our historical growth is, to a large extent, attributable to the extensive industry knowledge and experience of our management team. Mr. Lin, our chairman, executive Director and chief executive officer, has more than 30 years of experience in moulding industry and has been responsible for the overall management strategic development and major decision-making of our Group. Our other executive Directors also have ample experience in relevant industries. For details regarding the experience of our management team, please refer to the section headed "Directors and Senior Management" in this prospectus.

Our continued growth is dependent, to a large extent, on our ability to retain the services of the key management team. We believe that an experienced management team as well as dedicated members of staff will contribute significantly to our future growth. However, competition for senior management and key personnel in our industry may become more intense and the pool of qualified candidates may be limited. We may not be able to retain the services of our executive Directors, members of senior management or other key personnel, or attract and retain high-quality personnel in the future. If any of our key management personnel departs from us, and we are not able to hire a suitable replacement with comparable experience and qualifications on a timely basis, our business, operations and financial condition may be materially and adversely affected.

## RISK FACTORS

### **We may not be able to implement our business strategies and future plans successfully.**

Our business strategies and future plans are set out in the sections “Business — Our Strategies” and “Future Plans and Use of Proceeds”. The successful implementation of these strategies and plans depends on a number of factors including changes in the market, the availability of funds, competition, government policy and our ability to obtain any requisite governmental permits and licences. Some of these factors are beyond our control and are subject to uncertainty. There is no assurance that our business strategies and future plans can be implemented successfully and according to our intended schedules. Any failure or delay in the implementation of any or all of these strategies and plans may have a material adverse effect on our profitability and prospects.

### **Increased depreciation charge from additional capital expenditure associated with our expansion plan could adversely affect our financial performance.**

Under our expansion plan set out in the section “Business — Our Strategies — Expand our Production Facilities and Capabilities”, we intend to expand our production capabilities by purchasing new production equipment including CNC machines, electrical discharge machines, plastic injection machines and testing machines. We expect the capital expenditures for the purchase of new production equipment, software and general set-up costs to be approximately HK\$10.9 million, HK\$39.5 million and HK\$29.3 million for FY2019, FY2020 and FY2021, respectively. Arising from these additional expenditures, the estimated increased depreciation charge would be approximately HK\$0.2 million, HK\$2.5 million and HK\$6.2 million for FY2019, FY2020 and FY2021, respectively. The increased depreciation charge from additional capital expenditure could adversely affect our future financial performance.

### **Our insurance coverage may be insufficient to cover all the risks related to our operations.**

Our operations are subject to various operational risks beyond our control that could result in material disruptions and adversely affect our results of operations, including:

- production interruptions caused by operational errors, electricity outage, raw material shortages, the failure of equipment and other production risks;
- operating limitations imposed by environmental or other regulatory requirements;
- social, political and labour unrest;
- environmental or industrial accidents; and
- catastrophic events such as wars, riots, power outage, public disorder, civil commotion, fire, earthquakes, flood and other natural calamities, epidemics, terrorism, whether locally or nationwide, or incidents such as industrial accidents, strikes or other labour disputes and disruptions of public infrastructure.

## RISK FACTORS

We maintain insurance policies in relation to our machineries and equipment, our motor vehicles and employees. We cannot assure you that casualties or accidents will not occur or that our insurance coverage would be sufficient to cover all our potential losses associated with major accidents. For details on the insurance policies we maintain, please see the section “Business — Insurance”. In the event that our insurance policies cannot sufficiently compensate for our losses sustained as a result of damage to items covered or howsoever incurred, we would have to pay for the difference and our cash flow, liquidity and financial positions could be adversely affected. In addition, we do not maintain product liability insurance. If any of these events for which we have not maintained insurance occur, any uninsured losses and liabilities incurred by us may cause significant cost and our business, financial condition and results of operations may be adversely affected.

**There is no assurance that we will be able to continue to enjoy certain preferential enterprise income tax rates.**

Our results of operations will be affected by changes in tax rates, particularly the applicable tax rates in the PRC, where we carry out all of our operations. We enjoyed certain preferential enterprise income tax rates during the Track Record Period as a result of government policies to encourage high and new technology enterprises and small scale enterprises. We will enjoy the preferential enterprise income tax rates up to 2020 when our current preferential tax qualifications expire. Although we will continue to apply for the qualification of high and new technology enterprises in the future, we cannot assure you that we will be able to continue to enjoy the tax benefits if there are any changes of government policies. If we are not able to continue to enjoy the tax benefits we currently enjoying, our business, results of operations and financial condition will be materially and adversely affected.

### RISKS RELATING TO OUR INDUSTRY

**Our business is dependent on the performance of our customers’ business. If the demand for our products from our customers drops or becomes volatile, or there is a downturn in the downstream industries or macroeconomic conditions, our business, results of operations, financial condition and prospects may be materially and adversely affected.**

Our products are designed for use in the manufacturing process of our customers. Accordingly, our results of operations and financial performance are dependent upon the performance or prospects of our downstream industries and changes in the macroeconomic conditions.

If the growth of our customers sales volume slows down such as the slowdown in the growth of passenger vehicle sales volume in 2018, our customers’ demand for our products may decrease in case of any decrease in the demand for our customers’ products. In the event that the growth of our downstream industries is not sustained or there are adverse changes to the macroeconomic conditions, our business, results of operations, financial condition and prospects may be materially and adversely affected. Please see the section “Industry Overview” for a market analysis on industries relevant to our business.

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**We operate in a highly competitive industry and failure to compete efficiently could materially and adversely affect our business.**

We operate in a highly competitive industry as competition among mould manufacturers in the PRC is intense. For details on the competition landscape of the automotive mould industry and electrical appliance mould industry, please see the section “Industry Overview”. We expect that market competition will continue to be intense. Some of our competitors may be more reputable, have greater access to capital, longer operating histories, longer or more established relationships with their customers, and greater marketing and other resources than we do. Furthermore, some of our competitors may be able to adapt to changes in the industry more quickly than we can by adopting more aggressive pricing policies or by developing technology and services that gain wider market acceptance. Additional competitors with significant financial resources may enter our industry, and thereby intensify the competition. Increased competition from existing and potential competitors could result in price reductions in the products we sell or a decrease in our market share. In such event, if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and prospects may be materially and adversely affected.

### **RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

**The PRC economic, political and social conditions as well as government policies could affect our business**

Our business and operations are located in the PRC. As a result, our business, financial condition, results of operations and prospects may be affected by the economic, political and social conditions as well as government policies in the PRC.

While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy for more than three decades, a substantial part of the PRC economy is still being operated under various controls by the government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. Any adverse change in the PRC economic, political and social conditions may materially and adversely impact our business, financial condition, results of operations and prospects.

**The PRC legal system is in the process of continuous development and has inherent uncertainties that could limit the legal protections available to us in respect of our operations and to our Shareholders**

The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Since the late 1970s, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade with a view to developing a comprehensive

## RISK FACTORS

system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of the PRC laws and regulations may not be definitive. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated laws and regulations.

In addition, different laws, rules, regulations and policies apply in different provinces in the PRC and there may be different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations.

The PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of a violation of these policies and rules until some time after the violation. Failure to comply with applicable rules and regulations may result in fines, restrictions on our activities or, in extreme cases, suspension or revocation of our business licences. There may be uncertainties regarding the interpretation and application of new laws, rules and regulations.

The interpretation and enforcement of certain the PRC laws which govern a portion of our operations involve uncertainties, which could limit the legal protections available to us. In particular, agreements which are governed by the PRC laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for us to obtain effective enforcement in the PRC of an arbitral award obtained in that jurisdiction.

**Our Company is a holding company that relies on dividend payments from our subsidiaries for funding and payment of dividends from our PRC subsidiaries are subject to restrictions under the PRC laws and the PRC withholding tax.**

The PRC laws require dividends to be paid out of net profit calculated according to the PRC accounting principles, which, in many aspects, differ from the generally accepted accounting principles in other jurisdictions. Foreign-invested enterprises, such as our PRC subsidiaries, are also required to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. In addition, such dividends are also subject to the PRC withholding tax.

Our Company is a holding company registered in the Cayman Islands and our business and operations are conducted through our PRC subsidiaries. The availability of funds to pay distributions to Shareholders depends on dividends received from these subsidiaries. If our PRC subsidiaries incur any debts or losses or otherwise and there are insufficient retained after-tax profits after deducting statutory reserves, the amount of dividends that our PRC subsidiaries can declare will be limited and as a result, our ability to pay dividends and other distributions to Shareholders will be restricted.



## RISK FACTORS

**The PRC regulation of loans and direct investment by offshore holding companies to the PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.**

In utilising the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, our Company may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to the PRC regulations and approvals. For example, loans by us to our wholly owned the PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by the Ministry of Commerce of the PRC (中華人民共和國商務部) or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of the Global Offering may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

**We may be treated as a resident enterprise for the PRC tax purposes and be subject to the PRC taxation on our worldwide income, which could result in unfavourable tax consequences to us and our non PRC Shareholders.**

Our Company is registered under the laws of the Cayman Islands but our operations are in the PRC. Under the EIT Law, an enterprise incorporated in a foreign country or region may be classified as either a “non-resident enterprise” or a “resident enterprise”. If an enterprise incorporated in a foreign country or region has its “de facto management bodies” located within the PRC, such enterprise will be considered a PRC tax resident enterprise and will normally be subject to the enterprise income tax of 25% on its worldwide income. Please see the section “Regulatory Overview — Tax Laws and Regulations — Law of Enterprise Income Tax”.

It is unclear how the PRC tax authorities will determine whether an offshore entity is a non-PRC resident enterprise. We cannot assure you that the PRC tax authorities will not consider us to be a “resident enterprise”. If the PRC tax authorities subsequently determine that our Company or our offshore holding companies are deemed to be or should be classified as “resident enterprises”, such entity or entities may be subject to enterprise income tax at a rate of 25% on their worldwide income, which could have an impact on our effective tax rate and materially and adversely affect our financial condition and results of operations.

In addition, under the EIT Law, to the extent dividends from earnings derived since 1 January 2008 are sourced within the PRC and if our Company were considered a “resident enterprise” in the PRC, the PRC income tax at the rate of 10% (or a lower rate pursuant to an applicable tax treaty) may be required to be withheld from dividends on our Shares payable by our Company to investors that are “non-resident enterprises” so long as such “non-resident enterprise” investors do not have an establishment or place of business in the PRC or if, despite the existence of such establishment or place of business in the PRC, the relevant income is not effectively connected with such establishment or place of business in the PRC. Furthermore, any

## RISK FACTORS

gains realised on the transfer of our Shares by such “non-resident enterprise” investors would be subject to the PRC income tax at a rate of 10% if such gains were deemed income derived from sources within the PRC and if our Company were considered a “resident enterprise” in the PRC. It is unclear whether, if our Company are considered a PRC “resident enterprise”, holders of our Shares may be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or areas. If our Company are required under the EIT Law or other related regulations to withhold the PRC income tax on dividends payable to foreign holders of our Shares which are “non-resident enterprises”, or if our Shareholders are required to pay the PRC income tax on the transfer of our Shares under the PRC tax laws, the value of an investment in our Shares may be materially and adversely affected.

**There are uncertainties with respect to indirect transfers of assets (including equity interests) of our PRC subsidiaries.**

In February 2015, the SAT issued the Announcement on Certain Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) or Circular 7, which abolished certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (《關於加強非中國居民企業股權轉讓所得企業所得稅管理的通知》), or Circular 698, which was previously issued by the SAT in December 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and also heightens the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a the PRC resident enterprise (“**PRC Taxable Assets**”).

Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of the PRC Taxable Assets when a non-resident enterprise transfers the PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such the PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of the PRC Taxable Assets if such transfer is deemed to have been conducted for the purposes of avoiding the PRC enterprise income taxes and without any other reasonable commercial purpose. Although Circular 7 contains certain exemptions, it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares on a public market by our non-resident enterprise Shareholders or to any future acquisition by us outside of the PRC involving the PRC Taxable Assets. Please see the section “Regulatory Overview — Tax laws and regulations” for details. As a result, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving the PRC Taxable Assets to be subject to the foregoing regulations, which may subject our Shareholders or us to additional the PRC tax reporting obligations or tax liabilities.

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**It may be difficult to effect service of process, enforce foreign judgments and arbitral awards or bring original actions in the PRC against us or our Directors and senior management.**

Our Company is registered under the laws of the Cayman Islands, but our operations and assets and our Directors and senior management are located in the PRC. It may be difficult or impossible for investors to effect service of process on us or those persons in the PRC. Moreover, the PRC does not have treaties with most of the other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in the PRC of the judgment of a non PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Final judgments for civil and commercial cases and arbitral awards obtained in a recognised Hong Kong court or Hong Kong arbitral tribunal may be enforced in the PRC, provided that certain conditions are satisfied. However, there are uncertainties as to the outcome of any applications to recognise and enforce such judgments and arbitral awards in the PRC.

Furthermore, an original action may be brought in the PRC against us or our Directors and senior management only if the actions are not required to be arbitrated by the PRC law and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, it is uncertain whether investors will be able to bring an original action in the PRC in this manner.

### **RISKS RELATING TO THE GLOBAL OFFERING**

**There is no existing public market for our Shares and their liquidity and market price may fluctuate.**

Prior to the Global Offering, there has not been a public market for our Shares. We have applied for the listing of and dealing in our Shares on the Stock Exchange. However, even if approved, we cannot assure you that an active and liquid public trading market for our Shares will develop following the Global Offering, or, if it does develop, it will be sustained. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our Shares will not fluctuate.

The Offer Price range for our Shares and the Offer Price will be agreed by us and the Joint Bookrunners, on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market after the Global Offering. Therefore, our Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares purchased in the Global Offering.

## RISK FACTORS

**As the Offer Price is higher than the net tangible book value per Share, our Shareholders will experience an immediate dilution in the book value of their Shares purchased in the Global Offering and may experience further dilution if we issue additional Shares in the future.**

The Offer Price of our Shares is higher than the net tangible assets value per Share immediately prior to the Global Offering. Therefore, our Shareholders will experience an immediate dilution in pro forma net tangible assets value.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Our Shareholders may experience further dilution in the net tangible assets book value per Share if we issue additional Shares at a price lower than the net tangible assets book value per Share at the time of their issue.

**Since there will be a gap of several days between pricing and trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall during the period before trading of the Offer Shares begins.**

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be a few business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of Shares are subject to the risk that the price of their Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the time trading begins.

**Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our public Shareholders.**

Immediately following the Global Offering, our Controlling Shareholders will own 49.1% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may not always align with our Company or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders may be disadvantaged as a result.

## RISK FACTORS

**Future sales or issuances or perceived sales or issuances of our Shares could have a material adverse effect on the prevailing market price of our Shares and our ability to raise additional capital.**

The market price of our Shares could decline as a result of future sales or issuances of a substantial number of our Shares or other securities in the public market, or the perception that such sales or issuances may occur. Moreover, such future sales or issuances or perceived sales or issuances may also adversely affect the prevailing market price of our Shares and our ability to raise capital in the future at a favorable time and price.

**There can be no assurance if and when we will pay dividends in the future.**

Distribution of dividends based on our dividend policy as set out in the section “Financial Information — Dividends and Dividend Policy” will be subject to our Articles and the Cayman Companies Law, among others. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. Please see the section “Financial Information — Dividends and Dividend Policy” for details of our dividend policy.

**You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry and the Global Offering.**

There may be press, media, and/or research analyst coverage regarding us, our business, our industry and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

## RISK FACTORS

**We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus.**

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Joint Bookrunners, the Sole Sponsor, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange to have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are located in the PRC and will continue to be based in the PRC, our executive Directors (apart from Mr. Yung Chia-Pu) and members of the senior management are and will continue to be based in the PRC. At present, none of our executive Directors is ordinarily resident in Hong Kong. We have applied to the Stock Exchange for, and obtained, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) Pursuant to Rules 2.11 and 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives who will act as the principal channel of communication with the Stock Exchange. Our authorised representatives are Mr. Lin and Mr. Sit Man Pan, one of the joint company secretaries and a permanent resident in Hong Kong. Our authorised representatives will be available to meet with the Stock Exchange on reasonable notice as and when required and will be readily available by telephone, email and facsimile to promptly address the Stock Exchange's enquiries. Their contact details (including mobile, residential and office phone numbers, facsimile numbers and email addresses) have also been provided to the Stock Exchange. We will inform the Stock Exchange in the event of any changes in the authorised representatives and/or their alternate(s);
- (b) Each of our authorised representatives is duly authorised to communicate on our Company's behalf with the Stock Exchange. Our authorised representatives will be able to contact our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. Each of our Directors is in turn authorised to communicate on our Company's behalf with the Stock Exchange;
- (c) All of our Directors have provided their contact details including residential address, phone number and email address to the Stock Exchange. For our Directors' contact details that were provided to the Stock Exchange, see the section headed "Directors and Parties Involved in the Global Offering". In the event that a Director expects to travel or is out of office, he/she will provide the phone number of the place of accommodation or offer means of communications to the authorised representatives;
- (d) All of our Directors (including independent non-executive Directors) possess valid travel documents that allow them to travel to Hong Kong to meet with the Stock Exchange within a reasonable period of time;

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (e) Pursuant to Rule 3A.19 of the Listing Rules, we have appointed Ballas Capital Limited as the compliance advisor who will, in addition to the authorised representatives, act as an additional channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year after the Listing. The compliance advisor will advise our Company on on-going compliance requirements on the Stock Exchange and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong and have full access at all times to our authorised representatives and Directors to ensure that it is in a position to provide prompt response to any queries or requests from the Stock Exchange;
- (f) Meetings between our Directors and the Stock Exchange can be arranged through our authorised representatives and/or compliance advisor, or directly with our Directors upon reasonable notice; and
- (g) We will retain professional advisers (including legal advisers and accountants) to advise on the on-going compliance obligations on the Stock Exchange and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing.

### JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that our company secretary must be a person who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of the Hong Kong Institute of Chartered Secretaries,
- (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)), and
- (iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the following of the individual:

- (i) length of employment with the issuer and other issuers and the roles he or she has played,



## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (ii) familiarity with the Listing Rules and other relevant laws and regulations including the Hong Kong Securities and Futures Ordinance, the Hong Kong Companies Ordinance, the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Takeovers Code,
- (iii) relevant training taken and/or to be taken in addition to be the minimum requirement under Rule 3.29 of the Listing Rules, and
- (iv) professional qualifications in other jurisdictions.

We have appointed Ms. Shen Xuejuan (“**Ms. Shen**”) as one of our joint company secretaries. For Ms. Shen’s experiences and qualifications, please see the paragraph headed “Directors and Senior Management — Joint Company Secretaries”. Ms. Shen has been the secretary of the board of directors of Shinelong (Suzhou) from 2016 to 2018 and the head of the audit department of Shinelong (Suzhou) since 2018, and she has been handling our corporate secretarial matters as well as compliance matters with applicable laws and regulations in the PRC. However, she does not possess the requisite qualifications required under Rule 3.28 of the Listing Rules. We have accordingly appointed Mr. Sit Man Pan, who is a Hong Kong resident and a member of the Hong Kong Institute of Chartered Secretaries, as a joint company secretary from 15 February 2019 to work closely with Ms. Shen on compliance matters for the Listing as well as other Hong Kong regulatory requirements and in the discharge of Ms. Shen’s duties and responsibilities as a joint company secretary of our Company for a period of three years commencing from the Listing Date. Please see the section “Directors and Senior Management — Joint Company Secretaries” for Mr. Sit Man Pan’s experiences and qualifications.

Accordingly, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for an initial period of three years commencing from the Listing Date. This waiver is subject to the following conditions:

- (i) We will ensure that we will at least have one joint company secretary who possesses the requirements of a company secretary as provided under Rules 3.28 and 8.17 of the Listing Rules at all times.
- (ii) The waiver is granted for a period of three years commencing from the Listing Date. Also, if Mr. Sit Man Pan ceases to provide assistance to Ms. Shen, the waiver will be revoked by the Stock Exchange with immediate effect.
- (iii) Prior to the end of the three-year period of the waiver, the Stock Exchange will reconsider the situation. We should then demonstrate to the Stock Exchange’s satisfaction that Ms. Shen, having had the benefit of Mr. Sit Man Pan’s assistance for three years, would then have acquired the “relevant experience” within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this prospectus or any statement herein misleading.

### **THIS HONG KONG PUBLIC OFFER AND THIS PROSPECTUS**

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer. Please see the section "How to Apply for Hong Kong Offer Shares" and the Application Forms for details of the procedures for applying for the Hong Kong Offer Shares.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, Joint Bookrunners, the Underwriters, any of our or their affiliates or any of our or their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as at any subsequent time.

### **STRUCTURE OF THE GLOBAL OFFERING AND UNDERWRITING**

Please see the section "Structure of the Global Offering" for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or before the Price Determination Date, subject to agreement on the Offer Price between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us. The Global Offering is managed by the Joint Bookrunners. If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. Please see the section "Underwriting" for a list of the Underwriters and the underwriting arrangements.

## **RESTRICTIONS ON OFFER OF THE OFFER SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

## **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme. Dealings in the Shares on the Stock Exchange are expected to commence on 28 June 2019.

No part of our share capital or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

## **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and we complying with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

### **HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY**

All Shares issued by us pursuant to applications made in the Hong Kong Public Offer will be registered on our register of members to be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars at a specified rate. Unless we indicate otherwise, the translations of RMB into Hong Kong dollars and vice versa have been made at the rate of RMB1.00 to HK\$1.17 in this prospectus.

No representation is made that any amount in RMB or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

### **LANGUAGE**

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

**ROUNDING**

Amounts and percentage figures, including share ownership, operating and financial data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in millions, amounts of less than one hundred thousand have been rounded to the nearest hundred thousand, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, total of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

### DIRECTORS

Name	Address	Nationality/Region
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#### *Executive Directors*

Mr. Lin Wan-Yi (林萬益)	2 Middle Yangguang Road Zhangpu Town, Kunshan City Jiangsu Province the PRC	Taiwanese
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Mr. Yung Chia-Pu (雍嘉樸)	4/F, No. 28, Lane 29, Yangming Street Banqiao District, New Taipei City Taiwan	Taiwanese
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Mr. Cheng Ching-Long (鄭景隆)	2–2102, Huamin Family Garden Kunshan City Jiangsu Province the PRC	Taiwanese
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Mr. Lu Jen-Chieh (盧仁傑)	2 Middle Yangguang Road Zhangpu Town, Kunshan City Jiangsu Province the PRC	Taiwanese
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#### *Non-executive Director*

Ms. Hsieh Pei-Chen (謝佩真)	2/F, No. 4-1, Minben Street Xinzhuang District New Taipei City Taiwan	Taiwanese
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#### *Independent non-executive Directors*

Mr. So George Siu Ming (蘇少明)	Flat A2, 4/F, Cloudview Mansion 5 Lok Fung Path, Shatin New Territories, Hong Kong	Canadian
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Mr. Lin Lien-Hsing (林連興)	9/F, No. 225 Zhongxing Road Section 2 Xindian District, New Taipei City, Taiwan	Taiwanese
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Mr. Fan Chi Chiu (范智超)	Flat A, 8/F Ngar Lan Mansion Westlands Court 9 Westlands Road Hong Kong	Chinese
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For details on our Directors and senior management, please see the section “Directors and Senior Management”.

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### Sole Sponsor

#### **Ballas Capital Limited**

Unit 1802  
18/F, 1 Duddell Street  
Central  
Hong Kong

#### Joint Bookrunners and Joint Lead Managers

#### **Nobleseed Securities Limited**

*A corporation licensed by the SFC to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO*

Unit 802 8/F Sun Hung Kai Center  
30 Harbour Road  
Wanchai  
Hong Kong

#### **Ballas Capital Limited**

Unit 1802  
18/F, 1 Duddell Street  
Central  
Hong Kong

#### Joint Lead Managers

#### **CSC Securities (HK) Limited**

*A corporation licensed by the SFC to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 2 (dealing in futures contracts) and Type 9 (Asset management) regulated activities under the SFO*

32/F Units 3204–07  
Cosco Tower  
Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

#### **Grand View Securities Limited**

*A corporation licensed by the SFC to carry on Type 1 (dealing in securities) regulated activities under the SFO*

Suite 3303, 33/F  
The Center  
99 Queen's Road Central  
Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

### **Fulbright Securities Limited**

*A corporation licensed by the SFC to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO*

33/F Cosco Tower  
Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

### **China Sky Securities Limited**

*A corporation licensed by the SFC to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO*

Unit 1803-04, West Tower  
Shun Tak Centre  
200 Connaught Road Central  
Hong Kong

### **Alpha Financial Group Limited**

*A corporation licensed by the SFC to carry on Type 1 (dealing in securities) regulated activities under the SFO*

Room A, 17/F, Fortune House  
61 Connaught Road Central  
Central  
Hong Kong

### **Legal advisers to our Company**

*As to Hong Kong law:*

#### **Deacons**

5th Floor, Alexandra House  
18 Chater Road Central  
Hong Kong

*As to the PRC law:*

#### **Hai Run Law Firm**

13&17/F, Broadcasting Tower  
No.14A, Jianwai Avenue  
Chaoyang District, Beijing  
P.R. China

*As to Cayman Islands law:*

#### **Conyers Dill & Pearman**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands



## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<b>Legal advisers to the Sole Sponsor and the Underwriters</b>	<p><i>As to Hong Kong law:</i> <b>H.M. Chan &amp; Co in association with Taylor Wessing</b> 21/F, No. 8 Queen's Road Central Hong Kong</p> <p><i>As to the PRC law:</i> <b>Allbright Law Offices</b> 9, 11, 12/F, Shanghai Tower No. 501, Yincheng Middle Road Pudong New Area, Shanghai 200120 P.R. China</p>
<b>Auditors and reporting accountants</b>	<p><b>Ernst &amp; Young</b> 22/F, Citic Tower 1 Tim Mei Avenue Central Hong Kong</p>
<b>Industry Consultant</b>	<p><b>Frost of Sullivan International Limited</b> 1706, One Exchange Square 8 Connaught Place Central, Hong Kong</p>
<b>Receiving bank</b>	<p><b>Bank of China (Hong Kong) Limited</b> 1 Garden Road Hong Kong</p>

## CORPORATE INFORMATION

<b>Registered office</b>	Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111 Cayman Islands
<b>Principal place of business in the PRC</b>	2 Middle Yangguang Road Zhangpu Town, Kunshan City Jiangsu Province the PRC
<b>Principal place of business in Hong Kong</b>	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Company's website address</b>	www.shinlone.com.cn ( <i>information on this website does not form part of this prospectus</i> )
<b>Joint Company Secretaries</b>	Ms. Shen Xuejuan (沈雪娟) 4-303, Qianxiyuan Yushan Town, Kunshan City Jiangsu Province The PRC  Mr. Sit Man Pan (HKICS, ICSA) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Audit committee</b>	Mr. So George Siu Ming (蘇少明) ( <i>Chairman</i> ) Mr. Lin Lien-Hsing (林連興) Mr. Fan Chi Chiu (范智超)
<b>Remuneration committee</b>	Mr. Lin Lien-Hsing (林連興) ( <i>Chairman</i> ) Mr. Lin Wan-Yi (林萬益) Mr. Fan Chi Chiu (范智超)
<b>Nomination committee</b>	Mr. Lin Wan-Yi (林萬益) ( <i>Chairman</i> ) Mr. So George Siu Ming (蘇少明) Mr. Lin Lien-Hsing (林連興)
<b>Authorised representatives</b>	Mr. Lin Wan-Yi (林萬益) 2 Middle Yangguang Road Zhangpu Town, Kunshan City Jiangsu Province the PRC  Mr. Sit Man Pan (薛文彬) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Compliance adviser</b>	Ballas Capital Limited

## CORPORATE INFORMATION

**Principal bankers**

**China CITIC Bank**

1188 Qianjin East Road  
Kunshan City, Jiangsu Province  
the PRC

**Kunshan Rural Commercial Bank**

122 Cha Feng Jie, Zhangpu Town  
Kunshan City, Jiangsu Province  
the PRC

**Principal share registrar and  
transfer office in Cayman  
Islands**

**Conyers Trust Company (Cayman) Limited**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**Hong Kong Branch Share  
Registrar**

**Tricor Investor Services Limited**

Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## INDUSTRY OVERVIEW

*The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an adverse impact on the quality of information in the section. The information has not been independently verified by us, the Sole Sponsor or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering nor is any representation given as to its accuracy or completeness. Except as otherwise noted, all the data and forecast in this section are derived from the Frost & Sullivan Report.*

### SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting firm, to conduct an analysis of, and to prepare a report on, automotive and electrical appliance mould market in China and other economic data for the period from 2013 to 2023. We have agreed to pay a fee of RMB500,000 for the Frost & Sullivan Report, which we believe reflects market rates for reports of this type. Frost & Sullivan is an independent global market research and consulting firm founded in 1961 and based in the United States. It offers industry research and market strategies and provides growth consulting and corporate training.

The Frost & Sullivan Report includes both historical and forecast information on automotive and electrical appliance mould market in China and other economic data. To prepare the Frost & Sullivan Report, Frost & Sullivan undertook both primary and secondary independent research through various resources within automotive and electrical appliance mould market in the PRC. Primary research includes interviewing industry insiders, competitors, downstream customers and recognized third-party industry associations. Secondary research includes reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades. Frost & Sullivan has adopted the following primary assumptions while compiling and preparing the Frost & Sullivan Report: (i) the global social, economic and political conditions will remain stable during the forecast period; (ii) government policies on automotive and electrical appliance and mould industry in China will remain unchanged during the forecast period. Frost & Sullivan has also obtained the figures for the estimated total market size from historical data analysis plotted against the macroeconomic data as well as the industry key drivers. Our Directors confirm that, after making reasonable enquiries, there have not been any material adverse changes to the market information set out in the Frost & Sullivan Report since the date of such report which may qualify, contradict or have an impact on the information contained in this section.

# INDUSTRY OVERVIEW

## ANALYSIS OF AUTOMOTIVE MOULD MARKET IN CHINA

### Lightweight Technology in Automobile Industry

The purpose of lightweight technology of automobiles is to lower the weight of the vehicles without compromising the structural strength and safety. Automotive lightweight is important for both internal combustion engine vehicles and new energy vehicles (“NEV”). (1) For internal combustion engine vehicles, the energy saving and emission reduction of automobiles are increasingly valued by the government and society. According to The Technology Roadmap for Energy Saving and New Energy Vehicles (“節能和新能源汽車技術路線圖”) published by the Society of Automotive Engineers of China, the average fuel consumption of passenger vehicles is targeted to be reduced to less than 5.0 liters/100 kilometers. Every 10% reduction in vehicle weight can save up to 8% of fuel, so automobile lightweight technology will become the most efficient solution for energy saving and emission reduction. (2) For NEVs, at present, one of the main problems holding back their development is the short driving mileage, and the heavy weight of NEVs is one of the main reasons for its low mileage. Therefore, lightweight technology is one of the main approaches for NEVs to increase their mileage.

There are mainly two technical approaches to lightweight technology of automobiles, namely the adoption of lightweight materials and improvement of manufacturing process.

### The Technical Approaches of Lightweight Technology

#### Adoption of Lightweight Materials

- Using aluminum alloy to replace steel: Aluminum alloy material density is 33% of that of steel, and the recyclability and corrosion resistance of aluminum are good. Aluminum is extensively applied in the production of engine and transmission casing.
- Using plastic material to replace metallic material: Compared with metallic materials, plastic materials have the advantages of low density, sound and heat insulation. They are widely used in automobile industry as lightweight materials.

#### Improvement of Manufacturing Process

- Hot-pressing forming: Hot-pressing refers to the process that steel blanks are heated up to a high temperature (930 degrees), formed and cooled in a carefully controlled process. The finished part achieves ultra-high strength and lightweight.
- Hydroforming: Components with complex geometry, which consists of several parts and needs to be welded together in the past can be produced in one step with hydroforming. Through effective structure design, hydroforming can effectively reduce the wall thickness and component weight.

Source: Frost & Sullivan

Hot-pressing is a critical lightweight technology. The advantages of hot-pressing include (1) **Improvement of automotive part performance**: (i) **high tensile strength** — Hot-pressing is capable to yield steel parts with much higher tensile strength than traditional high-strength steel; (ii) **no springback** — Hot-pressing prevents the problem of springback, which is common in cold pressing of high-strength steel; (iii) **complex geometrics** — Hot-pressing allows for manufacture of complex-shaped automotive part with high stability in a single hit, where as in traditional production process, the complex shape may not be attainable; and (2) **Streamlined production process**: (i) **avoid multi-component assemblies** — Hot-pressing enables redesign

## INDUSTRY OVERVIEW

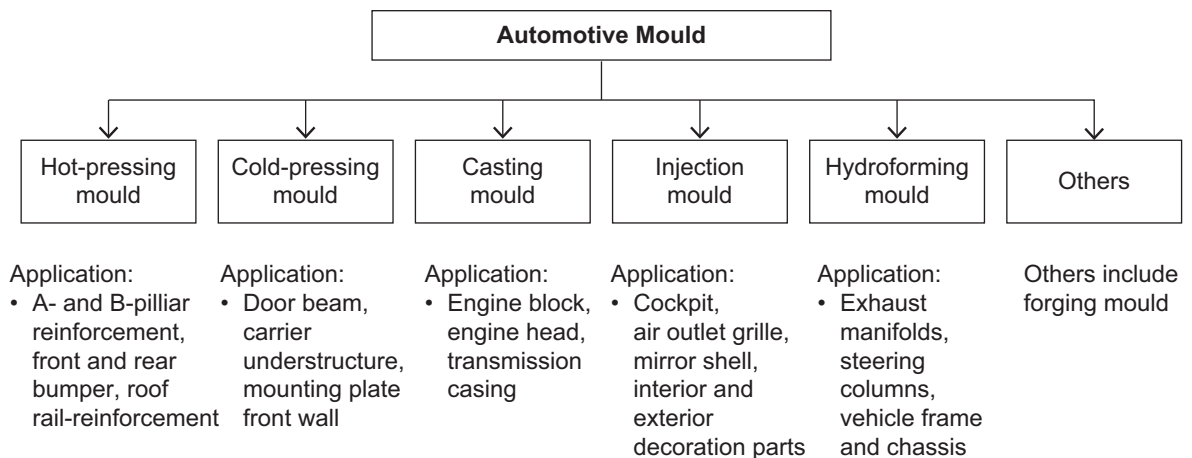
of several parts into one single component, without the need of welding process; (ii) **reduction of additional parts** — Use of hot-pressing components can reduce the use of additional reinforcement parts which are required to meet safety standards; and (iii) **achieve repeat accuracy and quick production** — Hot-pressing provides high repeat accuracy in mass production and save time from assembly process, which is valuable to the automobile industry.

Using hot-pressing automotive parts can enhance the safety performance, reduce the thickness of automobile body and lower the vehicle weight, which helps lowering fuel consumption and carbon dioxide emission, and is able to achieve lightweight without significant rise in costs compared to the use of lighter materials such as aluminum alloy and carbon fiber or other advanced manufacturing techniques such as laser welding.

### Definition and Classification of Mould

Mould refers to the tool that makes metal or non-metal billets into parts of specific shapes and sizes under the action of external forces. It is an essential equipment in manufacturing industry. Due to the customized nature of automotive moulds, the price of final products produced by different automotive moulds could vary significantly.

### Classification and Application of Automotive Mould



*Source: Frost & Sullivan*

### Market Size of Automotive Mould

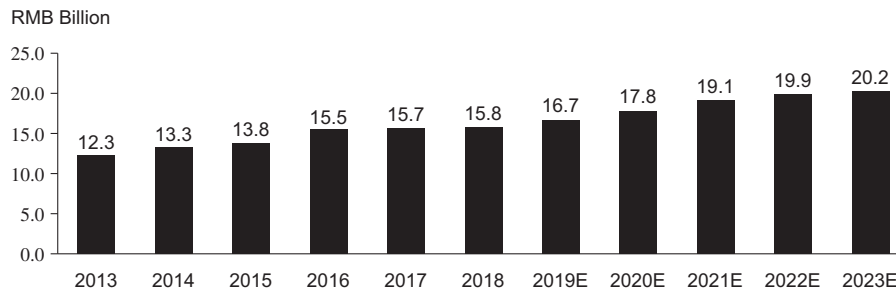
The automotive mould market of China experienced a stable growth from RMB12.3 billion in 2013 to RMB15.8 billion in 2018 with a CAGR of 5.2%. China saw a stable growth of both passenger and commercial vehicle market between 2013 and 2017, which drove the development of up-stream automotive mould market.

## INDUSTRY OVERVIEW

Although the growth of passenger vehicle sales volume in China slowed down in 2018, the development and launch of new vehicle models, especially new energy vehicles, is expected to generate demand for automotive mould development and production, and the total market size of automotive mould is expected to reach RMB20.2 billion in 2023 representing a CAGR of 5.0% from 2018 to 2023.

The number of new passenger vehicle models launched in China grew from approximately 1,300 in 2016 to approximately 1,700 in 2017 and further to approximately 1,900 in 2018, representing a CAGR of approximately 20.9%.

### Market Size of Automotive Mould (by Sales Value)\*, China, 2013–2023E



\* The market size includes mould for external sales only. Import is excluded and export is included in the market size.

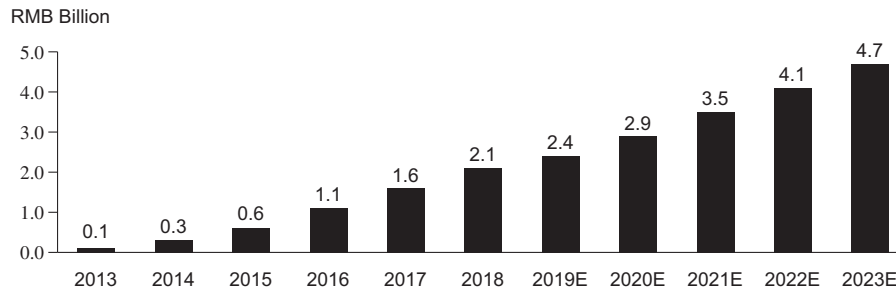
Source: Frost & Sullivan

The hot-pressing automotive mould market size in China increased significantly from RMB0.1 billion in 2013 to RMB2.1 billion in 2018, representing a CAGR of 83.1%. The technology and manufacturing requirement for hot-pressing automotive mould is relatively higher than that for other types of mould such as cold-pressing mould and injection mould. Domestic automobile manufacturers used to rely heavily on imported hot-pressing mould, especially for high-end mould products. As the technology and manufacturing process matured, an increasing number of domestic players are capable of producing hot-pressing mould with high quality and competitive price, which contributed to the market growth.

The lightweight technology is increasingly applied in the automotive industry, and the demand for hot-pressing mould is expected to grow since hot-pressing automotive parts have high surface strength and lighter weight. Meanwhile, imported hot-pressing mould market is expected to decline as domestic technology matures. The total market size is expected to reach RMB4.7 billion in 2023 with a CAGR of 18.1% from 2018 to 2023.

## INDUSTRY OVERVIEW

### Market Size of Hot-pressing Automotive Mould (by Sales Value)\*, China, 2013–2023E



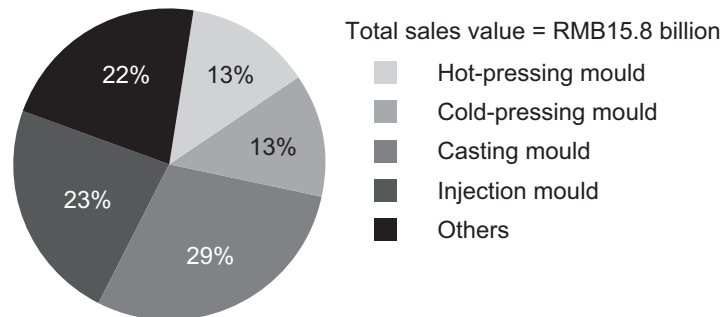
\* The market size only takes into account moulds for external sales. Import is excluded and export is included in the market size.

Source: Frost & Sullivan

### Breakdown of Automotive Mould Market

The automotive mould types mainly consist of hot-pressing mould, cold-pressing mould, casting mould and injection mould. Together, hot-pressing and cold-pressing moulds accounted for close to 30% of total automotive mould sales value in China in 2018, and hot-pressing moulds accounted for 13% of total automotive mould sales value in China in 2018. The percentage of hot-pressing moulds produced for automobile industry in China increased significantly since 2013 as an increasing number of domestic mould manufacturers have the capability of hot-pressing mould production to replace imported products.

### Breakdown of Automotive Mould by Sales Value, China, 2018



Source: Frost & Sullivan

### Market Drivers of Automotive Mould Market

**New model development of new energy vehicles.** The NEV market is experiencing a rapid growth in China, and both new emerging automobile makers and traditional internal combustion engine automobile manufacturers are actively investing in NEV research and development. The sales volume of NEV was approximately 1.3 million units in 2018 with a CAGR of over 130% from 2013 to 2018. Some new emerging automobile manufacturers are establishing self-owned manufacturing plants for mass production, and other players that are relying on existing manufacturing facilities need to alter and upgrade the moulds for the



## INDUSTRY OVERVIEW

production of new vehicle types. Compared with conventional vehicles, NEV adopt more lightweight hot-pressing parts, which are favorable for lower power consumption. Therefore, the down-stream NEV market growth is expected to drive the growth of the automotive moulds, particularly hot-pressing moulds, production industry in China.

**Domestic moulds replacing imported moulds.** Due to the complexity of high-end automotive mould developing and manufacturing, domestic automobile manufacturers used to rely heavily on imported high-end automotive moulds, especially for hot-pressing moulds. As the research and development capability and product quality of domestic automotive mould manufacturers keep improving, an increasing number of domestic automotive moulds are replacing imported moulds, and this is expected to drive the growth of the domestic mould manufacturing industry.

**Rising premium automobile segment.** As the income level and living standards of Chinese consumers keep increasing, the premium automobile market is experiencing a rapid growth in China and the demand and consumption of premium automobiles are growing rapidly. The premium automobile segment has witnessed a double-digit growth in 2018. Premium automobiles typically have higher lightweight and surface strength requirements, which are the key features of hot-pressing parts. Therefore, the hot-pressing parts are widely used in the premium automobile. In this context, the emerging premium automobile market will drive the growth of hot-pressing mould industry in China.

**Improving mould development and production technology.** The technology of mould development and production has been improving in China, especially for hot-pressing mould, and an increasing number of domestic players possess the capability of developing and manufacturing qualified hot-pressing mould to replace imported products. As a result of increased maturity and lowered costs, hot-pressing becomes economically feasible for more entry and medium car models.

### Market Trends of Automotive Mould Market

**Acceleration of automotive lightweight progress.** The automotive lightweight progress is accelerating in China as energy saving and environmental protection become important concerns for automobile original equipment manufacturers. The hot-pressing mould parts can reduce energy consumption and improve passenger comfort, without compromising safety. The current penetration rate of hot-pressing mould is relatively low in China, however, it is expected that the penetration rate and demand of hot-pressing mould will increase as the automotive lightweight progress accelerates and technology becomes mature.

**Declining mould import.** Automobile and electrical appliance manufacturers in China used to rely heavily on imported mould, especially for high-end precision mould products such as hot-pressing mould. As the mould technology and manufacturing process has improved significantly in China, there are more and more manufacturers that have the capability of producing high-end mould products meeting the required standards to replace imported moulds, which will boost the domestic production of automotive moulds.

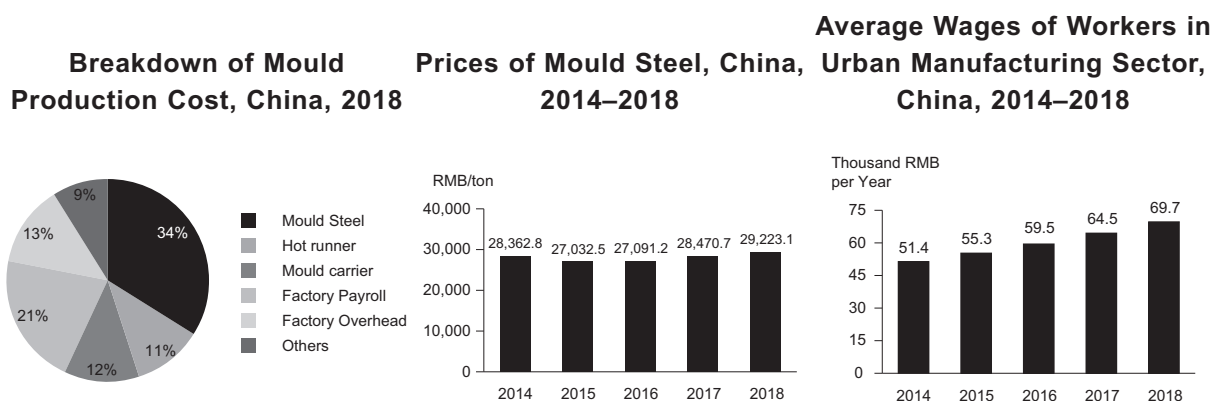
## INDUSTRY OVERVIEW

**Broader application of aluminum hot-pressing technology.** Automotive cover parts have features of large size, high surface quality and high requirements of precision and stability. Currently, the automotive cover parts are mainly produced using sheet metal pressing technology. However, aluminum hot-pressing technology produces safe cover parts with light weight and high strength, which increases the demand for hot-pressing moulds and makes the application broader in automobile manufacturing industry.

**Adoption of advanced equipment.** Due to the fierce competition in the automotive industry, new car models have been launched more frequently and the part quality has been largely improved. Clients of mould manufacturers set increasingly high requirements on the mould production precision and efficiency. To cope with these requirements, mould manufacturers need to constantly upgrade their production equipment. For example, by purchasing advanced testing machine, mould manufacturers can more efficiently detect mould product defect and achieve better mould product precision.

### Trends of Raw Material Price and Wages in China

Mould steel is the most important raw material for the production of moulds, which accounts for 34% of the total cost of mould production in China in 2018. The price of mould steel in China has been declining since 2014 and bottomed out in 2015, due to the overcapacity and oversupply in steel industry. Since 2016, with elimination of heavy-pollution and high energy consumption steel factories and recovering downstream demand, the steel price rebounded and reached the highest level in the last five years up to 2018. The average annual wages of workers in urban manufacturing sector in China have constantly increased from RMB51.4 thousand in 2014 to RMB69.7 thousand in 2018.



*Source: National Bureau of Statistics, Frost & Sullivan*

### Entry Barriers

**Experience barrier.** Mould manufacturing requires extensive industry experience, and the moulds are highly customised with high accuracy requirement. Good production management experience and capability enable the mould manufacturers to improve the product quality and reduce the cost for mould repair and discard of sub-standard product during the mould development and production process. Therefore, companies need to possess sufficient manufacturing experience, and it would be very difficult for new entrants to accumulate such experience in a short time period.

## INDUSTRY OVERVIEW

**Technical requirement barrier.** To produce moulds that are able to meet high technology and customisation requirements, the mould manufacturers need to have competitive and high-quality research and development staff, experienced technical staff and skilled workers to fulfill the development and manufacturing process. For new entrants, it would be difficult to recruit sufficient qualified technological and manufacturing staff, and to guarantee the required quality and requirements of the customers.

**Reputation barrier.** Since the majority of moulds are customised, downstream customers tend to choose stable suppliers with reputation, and pay great attention to the industry reputation and track record of mould suppliers and consider good reputation of mould manufacturers as a strong indication of qualified production capacity and delivery ability. It would be difficult for new entrants without a well-established market reputation to enter the market.

**Capital barrier.** The development cycle of large, precise or compound moulds is relatively long and the cost of manufacturing machine is high, especially for imported precision machine. Therefore, the capital requirement for mould manufacturing is high, and it would be very difficult for new entrants without sufficient funding to start operation.

### ANALYSIS OF ELECTRICAL APPLIANCE MOULD MARKET IN THE PRC

#### Size of the PRC Electrical Appliance Mould Market by Sales Value

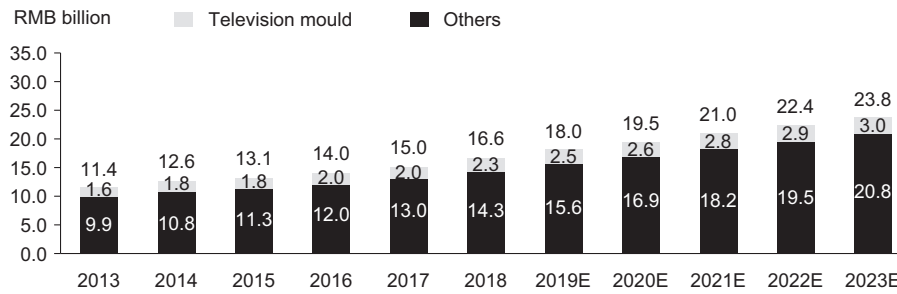
The PRC electrical appliance mould market sales value experienced a stable increase from RMB11.4 billion in 2013 to RMB16.6 billion in 2018, representing a CAGR of 7.8%. Sales value of the PRC television mould market increased from RMB1.6 billion in 2013 to RMB2.3 billion in 2018, mainly driven by the growth of television sales volume in China. Air conditioners, washing machines and refrigerators are the other major electrical appliance mould application in China.

The total electrical appliance sales value in the PRC is expected to continue growing and reach RMB23.8 billion in 2023, representing a CAGR of 7.5% from 2018 to 2023. It is expected that the demand for new types of electrical appliances, such as dishwashing machines, water purifiers and air purifiers will increase in the next five years, which will contribute to the growth of the electrical appliance mould market in China.

Additionally, sales value of the television mould market in the PRC is expected to keep growing and reach RMB3.0 billion in 2023, with a CAGR of 5.5% from 2018 to 2023.

## INDUSTRY OVERVIEW

### Market Size of Electrical Appliance Mould (by Sales Value), China, 2013–2023E



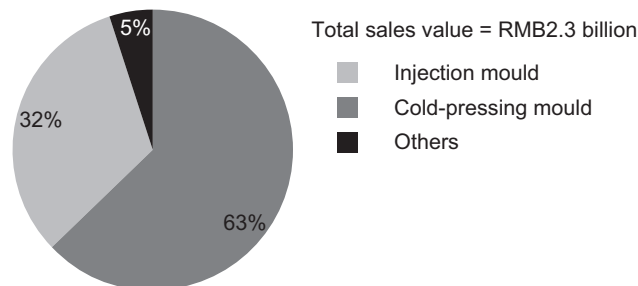
\* The market size includes mould for external sales only. Import is excluded and export is included in the market size.

Source: Frost & Sullivan

### Breakdown of Electrical Appliance Mould Market in the PRC

There are mainly two types of moulds used in television production, namely injection mould and cold-pressing mould. The injection mould accounts for 63% of the total PRC television mould sales value in 2018, while cold-pressing moulds account for 32% of the total market share in 2018. Injection mould is mainly used for the production of front and back covers of television sets, and the cold-pressing moulds are mainly used to produce the television backplanes. Other moulds used in television production include glass moulds and line moulds.

### Breakdown of Television Mould by Sales Value, China, 2018



Source: Frost & Sullivan

### Market Drivers of Electrical Appliance Mould Market in China

**Emerging demand for new types of electrical appliance.** Television, air conditioner, washing machine, and refrigerator are the major electrical appliance applications of mould in China, and electrical appliances such as dishwashing machine, water purifier and air purifier account for limited market share. As domestic consumer income and living standards keep growing, the demand for new types of electrical appliances such as dish-washing machines, water purifiers and air purifiers will grow rapidly, and drive the growth of the corresponding mould production industry.

## INDUSTRY OVERVIEW

**Increasingly mature technology and higher production efficiency.** As the production efficiency and product quality of domestic electrical appliance mould manufacturers keep improving, the electrical appliance moulds exported from China are becoming increasingly competitive. With improving product quality and competitive market price, countries such as Japan and South Korea are expected to import more Chinese electrical appliance moulds.

**Increasing complexity of electrical appliance design and function.** Due to higher living standards and customer requirements, the design and functions of electrical appliance have become more complicated. Therefore, the demand for new mould development and mould consumption per unit of electrical appliance is expected to increase and drive the market of electrical appliance mould in China.

**Continuous upgrade and update of products.** In order to thrive in the increasingly competitive market, electrical appliance manufacturers made efforts to improve product quality and design, add new functions and produce new categories of electrical appliance such as intelligent household appliances, energy-saving and environmentally friendly electrical appliances, which attract consumers to spend more on electrical appliances. In addition, shorter gap between launch of new generation of products induces customers to purchase and update their electrical appliances more frequently. Consistent with the industry trend, the number of new television models launched by Hisense Group in China grew from 30 in 2016 to 41 in 2018, representing a CAGR of approximately 16.9%.

### Market Trends of Electrical Appliance Mould Market

**Extended business scope of mould manufacturers.** Mould manufacturers have relatively deeper understanding of market demand, selling channel, raw material and cost structure of mould components and parts, and therefore they are able to enter the downstream market with lower investment risks and costs. Many mould manufacturers begin to extend their business scope by producing downstream parts based on existing mould production business, transforming from mould manufacturers to “moulds and parts” production companies.

**Higher quality requirement due to production automation.** China is seeing a rapid development of electrical appliance production automation to improve manufacturing efficiency. Automated manufacturing has higher quality requirements for mould due to high production precision, and therefore electrical appliance mould suppliers with advanced technology and mature production process are expected to gain larger market share in the future.

## INDUSTRY OVERVIEW

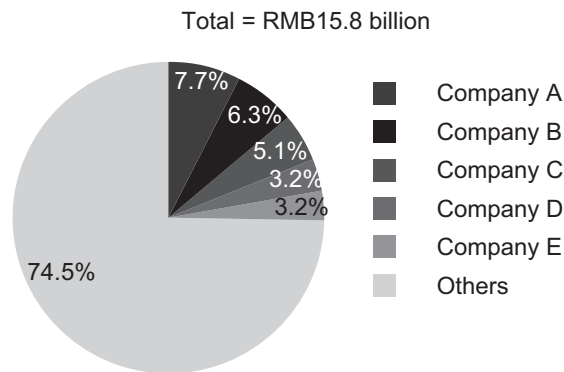
**Increasing export of electrical appliance mould.** As the technology and production efficiency continue improving, domestic electrical appliance moulds become more and more competitive in global markets with assured quality and relatively low price. Therefore, the export value and overall demand for domestic electrical appliance moulds in China is expected to rise in the future.

### COMPETITIVE LANDSCAPE OF AUTOMOTIVE AND ELECTRICAL APPLIANCE MOULD MARKET IN THE PRC

#### Competitive Landscape of Automotive Mould Market in the PRC

The automotive mould market in the PRC is highly fragmented, with numerous market players with diversified product categories, including pressing moulds, casting moulds, injection moulds, cold rolling moulds and glass moulds. There are around 300 automotive mould manufacturers in the market in 2018. The top five players accounted for 25.5% of the market in terms of revenue in 2018. Our Company achieved RMB123.9 million of automotive mould sales, representing 0.8% of total market share in 2018.

#### Market Share of Top Players in Automotive Mould Market (by Revenue), China, 2018



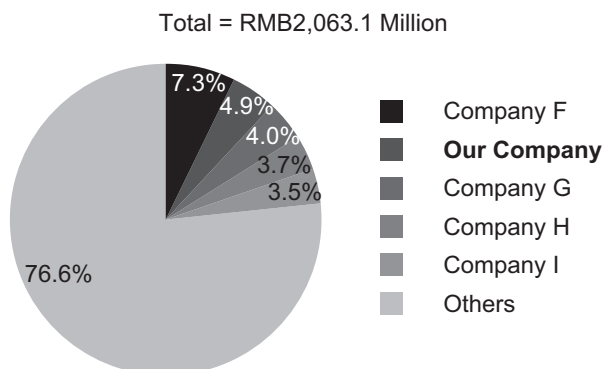
Source: Frost & Sullivan

Company A is a publicly listed company. Its headquarter is located in Tianjin, and its business scope includes automotive mould design and manufacturing and automotive parts manufacturing. Company B is a publicly listed company. Its headquarter is located in Shenzhen, Guangdong, and its business scope includes automotive tooling and equipment, automotive parts, smart manufacturing services. Company C's headquarter is located in Guangzhou, Guangdong, and its business scope includes automotive, motor and lift parts manufacturing and mould manufacturing. Company D's headquarter is located in Botou, Hebei, and its business scope includes pressed components and mould manufacturing. Company E's headquarter is located in Ningbo, Zhejiang, and its business scope includes designing, developing and manufacturing large scale, precision and complex mould.

In the hot-pressing automotive mould market in the PRC, the top five players accounted for 23.4% of the total market in 2018. With revenue generated from hot-pressing automotive moulds of RMB100.2 million in 2018, we ranked second with a market share of 4.9% in terms of revenue in 2018.

## INDUSTRY OVERVIEW

### Market Share of Top Players in Hot-Pressing Automotive Mould Market (by Revenue), China, 2018



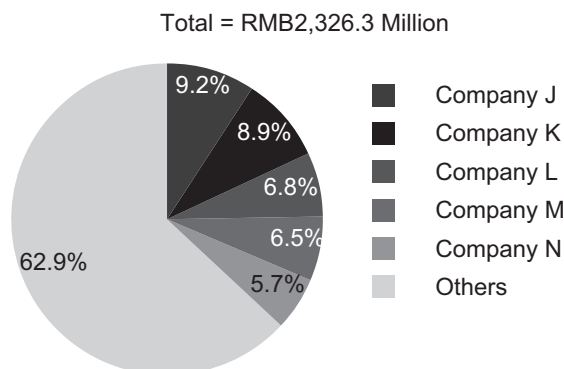
Source: Frost & Sullivan

Company F's holding company is a publicly listed company. Its headquarter is located in Shanghai, and its business scope includes automotive mould manufacturing, hot-forming and aluminum parts manufacturing. Company G's headquarter is located in Wuxi, Jiangsu, and its business scope includes manufacturing of automobile lightweight mould and parts. Company H's headquarter is located in Suzhou, Jiangsu, and its business scope includes auto hot-pressing moulds research, design and manufacturing. Company I's headquarter is located in Dongguan, Guangdong, and its business scope includes design and manufacturing of progressive tooling, transfer tooling, and hot-pressing mould.

### Competitive Landscape of Television Mould Market in China

As for television mould industry in China, market share is much more concentrated on several companies owned by the major large-scale television producers, due to the limited categories of television mould (mainly are injection mould and screen mould) and the market dominate position of the television producers. In terms of television mould sales, the top five players accounted for 37.1% of the total market. We generated RMB61.0 million of television mould sales, representing around 2.6% of total market share in 2018.

### Market Share of Top Players in Television Mould Market (by Revenue), China, 2018



Source: Frost & Sullivan

## INDUSTRY OVERVIEW

Company J is a publicly listed company. Its headquarter is located in Guangzhou, Guangdong, and its business scope includes television mould design and manufacturing. Company K, an affiliate of a publicly listed PRC home appliance manufacturer, its headquarter is located in Shenzhen, Guangdong, and its business scope includes precision and large mould design and manufacturing, high-end plastic and metal parts forming. Company L, an affiliate of a PRC home appliance manufacturer, its headquarter is located in Shenzhen, Guangdong, and its business scope includes production and management of moulds and parts, processing and sales of injection moulding materials. Company M's headquarter is located in Xiamen, Fujian, and its business scope includes precise high quality plastic injection mould design and manufacturing. Company N, an affiliate of a publicly listed PRC home appliance manufacturer, its headquarter is located in Qingdao, Shandong, and its business scope includes injection mould and plastic mould design and manufacturing.



# REGULATORY OVERVIEW

## OVERVIEW

Our business is operated in the PRC and we are subject to certain laws and regulations in the PRC, which are summarised in this section. The summary contained in this section should not be construed as a comprehensive coverage or detailed analysis of laws and regulations applicable to our business and operations.

## LAWS AND REGULATIONS IN CHINA

### Main Regulatory Bodies

Our Company operates in the mould industry, which is a relatively competitive one. The industry is regulated by the Ministry of Industry and Information Technology of the PRC and guided and managed by the National Development and Reform Commission. The China Die and Mould Industry Association (CDMIA), member of which are companies, die and mould enterprises, die and mould-related enterprises, research institutes, universities and colleges, and social organisations. The main responsibilities of CDMIA include: studying the status and development direction of the die and mould industry, and drafting development plan; proposing policy suggestions to the government to ensure the healthy development of the industry.

### Industrial Policies, Laws and Regulations

CDMIA passed the 13th Five-Year Development Plan for the Die and Mould Industry at the fourth executive meeting of the Sixth Council, the main development trends of the die and mould industry mentioned in which include: die and mould products tend to be larger, more precise, more complex, longer in service life, high-tech, developing towards the direction of high-tech die and mould products equipped with high-efficiency and high-precision production equipment; die and mould production tends to develop towards management informatisation, technology integration, equipment precision, manufacturing digitalisation, refinement, high-speed processing, automation, intelligent control and green manufacturing; business operation tends to be branded and internationalised; the industry developing towards the direction of informatisation, green manufacturing and sustainability.

In accordance with the Provisions on Guiding the Orientation of Foreign Investment (Decree 346 of the State Council) which was promulgated by the State Council on 11 February 2002 and came into force on 1 April 2002, all foreign-invested projects are classified as those encouraged, permitted, restricted and prohibited. Foreign-invested projects that are encouraged, restricted or prohibited are included in the Catalogue of Industries for Guiding Foreign Investment. Foreign-invested projects that are not encouraged, restricted or prohibited are generally permitted, excluding those prohibited or restricted in writing pursuant to other free trade area agreements or investment-related agreements between China and other countries or regions. Foreign-invested projects that are encouraged are set out in the Catalogue of Industries for Guiding Foreign Investment (Decree 4 [2017]) which was jointly promulgated by the Ministry of Commerce and the National Development and Reform Commission (“**NDRC**”) on 28 June 2017, and came into force on 28 July 2017; the foreign-invested projects that are restricted and prohibited are set forth in the Special Administrative Measures for Foreign Investment Access (Negative List) (Decree 18 [2018]) (外商投資准入特別管理措施(負面清單) (發改委、商務部令[2018]第18號)) which was promulgated by the Ministry of Commerce and the NDRC on 28

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June 2018 and came into force on 28 July 2018. The industry in which we operate, namely, the design and manufacturing of moulds, is categorised in the Catalogue of Industries for Guiding Foreign Investment (Revision 2017) as encouraged industries.

The main laws, regulations and policies applicable to the die and mould industry are as follows:

No.	Time	Policies and regulations	Main content
1	2012	12th Five-Year Development Plan for National Strategic Emerging Industries 《「十二五」國家戰略性新興產業發展規劃》	To accelerate the cultivation and development of strategic emerging industries of energy saving and environmental protection, new-generation information technology, biology, high-end equipment manufacturing, new energy, new materials, new energy vehicles, etc.
2	2013	Catalogue of Imported Goods Not Exempted from Tax for Domestic Investment Projects 《國內投資項目不予免稅的進口商品目錄》	Including some of the imported moulds in the Catalogue of Imported Goods Not Exempted from Tax, which provides a more favorable competitive environment for domestic moulds and is beneficial to the upgrade and technological advance of the die and mould industry.
3	2015	Made in China 2025 《中國製造2025》	By 2020, China will basically realise the industrialisation, further consolidate the status as a manufacturing power, and greatly improve the informatisation level of the manufacturing industry.

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No.	Time	Policies and regulations	Main content
4	2016	Industrial Green Development Plan (2016–2020) 《工業綠色發展規劃 (2016–2020年)》	To accelerate the construction of a green manufacturing system featuring high technology content, low resource consumption, reduction on environmental pollution; promotion of industrial green development; improvement on international green competitiveness; and the promotion of harmony between industrial civilisation and ecological civilisation.
5	2016	13th Five-Year Plan (2016–2020) 《「十三五」規劃 (2016–2020年)》	To achieve middle to high-end development of the industry, significantly strengthen agricultural modernisation, further improve the level of industrialisation and informatisation, accelerate the development of advanced manufacturing industry and strategic emerging industries, realise continuous growth of new industries and new formats, and further increase the proportion of service industry.
6	2016	The 13th Five-Year Development Plan for the Die & Mould Industry 《模具行業「十三五」發展規劃》	The die and mould products tend to be larger, more precise, more complex, longer in service life, high tech, while developing towards the direction of high-tech die and mould products equipped with high-efficiency and high-precision production equipment.

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No.	Time	Policies and regulations	Main content
7	2017	Catalogue of Industries for Guiding Foreign Investment (Revision 2017) 《外商投資產業指導目錄(2017修訂)》	The industries engaged in design and manufacturing of metal dies and moulds (pipe, rod, profile extrusion dies and moulds made of copper, aluminum, titanium and zirconium), stamping dies and moulds for automobile body covering parts, large injection moulds for automobile dashboards and bumpers, automobile and motorcycle fixtures and checking tools, precision dies and moulds (stamping die and mould accuracy of more than 0.02 mm; cavity die and mould accuracy of more than 0.05 mm), as well as non-metal dies and moulds, which are included in the Catalogue of Industries for Guiding Foreign Investment as encouraged industries.

### Laws and Regulations on Product Liability

#### *The Law of Product Quality*

On 22 February 1993, the National People’s Congress (“NPC”) Standing Committee promulgated the Law of the People’s Republic of China on Product Quality (中華人民共和國產品質量法) (which came into force on 1 September 1993 and was revised on 8 July 2000, 27 August 2009, and 29 December 2018), which stipulates that producers shall be liable for the quality of their products. The products shall meet the following quality requirements: (i) being free from unreasonable dangers threatening the safety of human life and property, and conforming to the national standards or trade standards safeguarding the health or safety of human life and property where there are such standards; (ii) possessing the properties and functions that ought to be possessed, except for those with instructions stating their functional defects; (iii) conforming to the product standards marked on the products or the packages thereof, and to the state of quality indicated by way of product descriptions, samples, etc. Producers shall be liable for compensation for any damages caused by defects of their products. Any producer who violates the Law of the People’s Republic of China on Product Quality may be fined and ordered to stop producing illegally manufactured products, and its illegal profits may be confiscated. Where the situation is serious, the business license shall be revoked. Where a criminal offence is committed, the producer will be held criminally liable. In addition, China has established and applied the enterprise quality certification system and product quality certification system. An enterprise may voluntarily apply for the relevant certificate from the certification organisation approved or authorised by the product quality supervision department under the State Council of China.

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### *Tort Law of the People's Republic of China*

On 26 December 2009, the NPC Standing Committee promulgated the Tort Law of the People's Republic of China (中華人民共和國侵權責任法) (which came into force on 1 July 2010), which stipulates that producers shall be liable for compensation for any damages caused by defects of their products. Where the seller fails to indicate the producer or supplier of the defective product(s), the seller shall be liable for tort. Where the defective product harms the personal safety or property security of others, the victim(s) may be entitled to claim compensation from the producer or the seller. Where the seller has already compensated for the defective product (the producer shall be liable for the defect), the seller shall have the right to request the producer to repay the relevant compensation. Where the product defect is caused by any fault of the third party (such as the transporter or warehouse), the producer or the seller who has paid relevant compensation arising therefrom shall be entitled to claim compensation from the third party. Where any defect of the product is discovered after it has been sold, the producer or the seller shall take remedial measures as appropriate, such as product warning and recalling. The producer and the seller shall be liable for tort where any damage is caused by any improper or invalid remedy. Where the producer or the seller is fully aware that the product is defective but still produces or sells, which results in the death or serious health damage of others, the victim(s) shall be entitled to claim the corresponding punitive damages from the producer or the seller.

### *Laws and regulations on safe production*

On 29 June 2002, the NPC Standing Committee promulgated the Law of the People's Republic of China on Work Safety (中華人民共和國安全生產法) (which came into force on 1 November 2002 and was revised on 27 August 2009, 31 August 2014, respectively), which stipulates that the production and business units shall have the conditions in line with the relevant work safety laws and regulations, and shall have formulated relevant work safety rules to ensure the safety of production. Any enterprise in violation of the work safety regulations shall not engage in any production or business activities. In addition, an enterprise shall train its employees on work safety. Where there are more than one hundred employees in a production and business unit, a safety production management department shall be set up to improve the safety of production facilities or full-time safety production management personnel shall be allocated. Any enterprise that fails to abide by the relevant work safety regulations may be fined and ordered to stop production. Where it constitutes a criminal offence, the enterprise will be held criminally liable.

### **Laws and Regulations on Environmental Protection**

In accordance with the Environmental Protection Law (中華人民共和國環境保護法) of the People's Republic of China promulgated by the NPC Standing Committee on 26 December 1989 and revised on 24 April 2014 (the latest version came into force on 1 January 2015), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) promulgated by the Standing Committee of the National People's Congress on 11 May 1984 (which came into force on 1 November 1984 and was revised on 15 May 1996, 28 February 2008 and 27 June 2017 respectively; the latest version came into force on 1 January 2018), the Law of the People's Republic of China on the Prevention and Control of Atmospheric

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Pollution (中華人民共和國大氣污染防治法) promulgated by the NPC Standing Committee on 5 September 1987, (which came into force on 1 June 1988 and was revised on 29 August 1995, 29 April 2000, 29 August 2015 and 26 October 2018 respectively), the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) promulgated by the NPC Standing Committee on 29 October 1996 and revised on 29 December 2018, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法) promulgated by the NPC Standing Committee on 30 October 1995 (which came into force on 1 April 1996 and was revised on 29 December 2004, 29 June 2013, 24 April 2015 and 7 November 2016 respectively), and the Measures for the Administration of Pollution Discharge Permits (Trial) (Decree 48 of the Ministry of Environmental Protection, implemented as from the date of promulgation) (排污許可管理辦法(試行)(環境保護部令第48號)) adopted by the Ministry of Environmental Protection on 6 November 2017 and issued on 10 January 2018, any enterprises that discharge pollutants (such as waste gas, waste water, solid waste and noise) shall take effective measures to control or even avoid pollution and other damages caused by the relevant pollutants, and shall pay pollutant discharge fees pursuant to relevant laws and regulations. Any enterprises without pollutant discharge permits shall not discharge pollutants or discharge in strict accordance with the pollutant discharge licensing provisions. The environmental protection facilities and main operating units shall be designed, constructed and put into operation at the same time. Where an enterprise fails to meet the relevant environmental protection regulations, its competent authority may issue a warning, fine, or even order it to stop production. Where it constitutes a criminal offence, the person in charge of the enterprise may be subject to criminal liability.

In accordance with the Regulations on the Administration of Construction Project Environmental Protection (Decree 682 of the State Council) (建設項目環境保護管理條例)(國務院令第682號) that was promulgated and came into force on 29 November 1998 and was revised on 16 July 2017 (the latest revision came into force on 1 October 2017), the Environmental Impact Assessment Law of the People's Republic of China (中華人民共和國環境影響評價法) that was promulgated on 28 October 2002, came into force on 1 September 2003, and was revised on 29 December 2018 (the latest revision came into force on 29 December 2018), the Measures for Environmental Impact Registration and Management of Construction Projects (建設項目環境影響登記表備案管理方法(環境保護部令第41號)) which was promulgated on 16 November 2016 and came into force on 1 January 2017 (Decree 41 of the Ministry of Environmental Protection), and the Administrative Measures for Environmental Protection Acceptance of Completed Construction Projects (Decree 13 of the Ministry of Environmental Protection) (建設項目竣工環境保護驗收管理方法(國家環境保護局(現環境保護部)令第13號)) which was promulgated on 27 December 2001 and revised on 22 December 2010 (the latest revision came into force on 22 December 2010), China has implemented the system for environmental impact assessment of construction projects. In accordance with the degree of environmental impact, the construction unit shall prepare an environmental impact report, an environmental impact report form or an environmental impact registration form. The relevant report and report form shall be approved by the competent environmental protection authority prior to the commencement of construction, and the registration form shall be managed through filing. Moreover, pursuant to the rules and procedures stipulated by the environmental protection department of the State Council, the construction unit shall, upon completion of the construction project (the environmental impact report or the environmental impact report form has been prepared), organise acceptance check

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of supporting environmental protection facilities that have been constructed and prepare the acceptance report, and relevant environmental protection facilities shall be put into operation or used together with the main works.

In accordance with the Measures for the Supervision and Administration of Construction Projects in Environmental Protection (Trial) (HF [2015] No. 163) (建設項目環境保護事中事後監督管理辦法(試行)(環發[2015]163號)) that was promulgated and came into force on 10 December 2015, the construction unit shall fully disclose environmental information, including the environmental impact assessment document. Where the construction unit fails to meet the requirements as stipulated in the approved environmental impact assessment documents and the approval documents in the process of project construction, which causes ecological damage, the construction unit shall be held legally responsible accordingly. Where the construction unit fails to disclose or truthfully disclose the environmental information of the project, the environmental protection department shall order it to disclose, impose a fine, and make an announcement.

### **Laws and Regulations Concerning Foreign Investment**

The Law of the People's Republic of China on Chinese-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法) promulgated by the NPC Standing Committee on 8 July 1979, and revised on 4 April 1990, 15 March 2001, and 3 September 2016 respectively (the latest revision came into force on 1 October 2016), and the Regulations for the Implementation of the Law of the People's Republic of China on Chinese-foreign Equity Joint Ventures promulgated by the State Council on 20 September 1983, and revised on 15 January 1986, 21 December 1987, 22 July 2001, 8 January 2011, 19 February 2014 and 2 March 2019 respectively (the latest revision came into force on 1 March 2014), stipulate the establishment procedures, approval registration procedures, registered capital requirements, foreign exchange matters, finance and accounting, taxation and labor, and other issues concerning Chinese-foreign joint ventures.

The organisation and conduct of Chinese companies are regulated by the Company Law of the People's Republic of China (中華人民共和國公司法) that was promulgated by the NPC Standing Committee on 29 December 1993, and revised on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. (the latest revision came into force on 26 October 2018.) The Company Law of the People's Republic of China governs two types of companies established in China: limited liability companies and companies limited by shares, both of which have the legal person qualification. The shareholders of a limited liability company shall be liable to the company according to the capital contributions they have subscribed; the shareholders of a company limited by shares shall be liable to the company according to the shares they have held. The Company Law of the People's Republic of China also applies to foreign-invested enterprises in China.

The Law of the People's Republic of China on Foreign-Capital Enterprises promulgated by the National People's Congress (NPC) on 12 April 1986 and revised on 31 October 2000 and 3 September 2016 (the latest revision came into force on 1 October 2016), the Rules for Implementation of the Law of the People's Republic of China on Foreign-Capital Enterprises (Decree 648 of the State Council) (中華人民共和國外資企業法實施細則(國務院令第648號)) that was promulgated by the Ministry of Foreign Economic Relations and Trade (now merged into the

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Ministry of Commerce) and came into force on 12 December 1990, and revised by the State Council on 12 April 2001 and 19 February 2014 (the latest revision came into force on 1 March 2014), and the Interim Measures for Administration of Establishment and Modification Registration of Foreign-Funded Enterprises (Decree 6 of the Ministry of Commerce [2018]) (外商投資企業設立及變更備案管理暫行辦法(商務部令[2018]第6號)) that was promulgated and came into force on 8 October 2016, and revised on 30 July 2017 and 29 June 2018 (the latest revision came into force on 30 June 2018), stipulate the establishment procedures, approval procedures, registration and registered capital requirements, foreign exchange matters, accounting practices, taxation and labor matters concerning the wholly foreign-owned enterprises.

The Interim Measures for Administration of Establishment and Modification Registration of Foreign-Funded Enterprises (Decree 6 of the Ministry of Commerce [2018]) promulgated by the Ministry of Commerce on 8 October 2016 and revised on 30 July 2017 and 29 June 2018 (the latest revision came into force on 30 June 2018) applies to the establishment and change of foreign-invested enterprises, provided that they are not included in the Catalogue of Industries for Guiding Foreign Investment. The scope of Special Administrative Measures for Foreign Investment Access is subject to the equity requirements and senior management requirements for the foreign-invested enterprises that are restricted, prohibited or encouraged. Any foreign-invested enterprise subject to registration management shall go through the formalities for modification registration online within thirty (30) days in case of one of the following changes: (i) changes in basic information of the enterprise; (ii) changes in basic information of its investors; (iii) changes in basic information of mergers and acquisitions, and establishment of a foreign-invested enterprise; (iv) changes in equity (shares) and cooperative interests; (v) merger, division, termination; (vi) mortgage and transfer of property rights and interests of a foreign-funded enterprise; (vii) recovery investment ahead of time by foreign partners of a Chinese-foreign cooperative enterprise; and (viii) entrusted operation and management by a Chinese-foreign cooperative enterprise. Where the changes of foreign-invested enterprises subject to the registration management are subject to the Special Administrative Measures for Foreign Investment Access, the examination and approval procedures shall be handled in accordance with the relevant laws and regulations on foreign investment.

### **Laws and Regulations on Foreign Exchange Control**

An important foreign exchange regulation law of China is the Regulations of the People's Republic of China on Foreign Exchange Administration (Decree 532 of the State Council) (中華人民共和國外匯管理條例(國務院令第532號)) ("**Foreign Exchange Regulations**") that was promulgated by the State Council on 29 January 1996, came into force on 1 April 1996, and was revised on 14 January 1997 and 5 August 2008 (the latest revision came into force on 5 August 2008). In accordance with the Foreign Exchange Regulations, RMB can be freely and legally converted into other currencies for payment of current account items such as foreign exchange trading, related services and bonus amount, rather than for capital exports such as overseas direct investment, loans or securities investment, provided that it has been approved by the State Administration of Foreign Exchange or its local authority in advance. The foreign exchange gains from the capital account shall not be retained or sold to the financial institutions engaged in foreign exchange settlement and sales without approval by the foreign exchange administration authority, but those without need of approval in accordance with the state provisions are excluded. In accordance with the provisions of the State Administration of Foreign



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Exchange, any foreign exchange payment through the capital account shall be paid with the foreign exchange fund of the payer together with valid documents or with the foreign exchange fund purchased from the financial institution engaged in foreign exchange settlement and sales. Where the foreign exchange payment needs the approval by the State Administration of Foreign Exchange, the payer shall obtain the relevant approval prior to payment.

In accordance with the Notice of the State Administration of Foreign Exchange on the Reform of Foreign Exchange Capital Settlement Management Ways of Foreign-invested Enterprises (HF [2015] No. 19) (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的<sup>通知</sup>(滙發[2015]19號)) which was promulgated by the State Administration of Foreign Exchange on 30 March 2015 and entered into force on 1 June 2015, and the Notice of the State Administration of Foreign Exchange on the Reform and Regulation of Capital Account Settlement Management Policies (國家外匯管理局關於改革和規範資本項目結匯管理政策的<sup>通知</sup>(滙發[2016]16號)) that was issued by the State Administration of Foreign Exchange on 9 June 2016 and came into force that very day (HF [2016] No. 16), foreign-invested enterprises may settle foreign exchange capital at will. The foreign exchange capital of a foreign-invested enterprise from the foreign exchange capital account whose monetary contribution is confirmed by the relevant foreign exchange bureau (or monetary contribution is registered through the bank) can be settled at the bank according to the actual business needs of the enterprise. The foreign exchange capital willingness settlement ratio of foreign-invested enterprises is temporarily set as 100%. The State Administration of Foreign Exchange may adjust the above ratio according to the international balance of payments when appropriate. In addition, the foreign exchange gains of capital accounts of foreign-invested enterprises and the RMB funds obtained from the settlement of foreign exchange: (i) shall not be directly or indirectly used for the expenditures outside the scope of business or those prohibited by relevant national laws and regulations; (ii) shall not be directly or indirectly used for securities investment or other investment and wealth management other than bank financial products that are principal-guaranteed products unless otherwise expressly stipulated; (iii) shall not be used for loans to non-associated enterprises, excluding the circumstances expressly permitted in the scope of business; and (iv) shall not be used for construction or purchase of non-self-use real estate (except for real estate enterprises).

On 26 January 2017, the State Administration of Foreign Exchange issued the Notice on Further Promoting Foreign Exchange Management Reform to Strengthen the Real Compliance Audit (HF [2017] No. 3) (《關於進一步推進外匯管理改革完善真實合規性審核的<sup>通知</sup>》(滙發[2017]3號)), which stipulates the management of many issues including domestic institutions' remittance of profits to overseas institutions: (i) the bank shall review the profit distribution resolution of the board of directors related to the remittance of profits according to the principle of real transaction (or the profit distribution resolution of the partner), the original tax filing form, and the audited financial statements, stamp on the original tax filing form, and endorse the amount and date of remittance; (ii) prior to the remittance of profits, the domestic institution shall make up for the losses of previous years according to law. In addition, when handling overseas direct investment registration and fund remittance procedures, a domestic institution shall submit relevant audit materials as required, explain the source and use of investment fund to the bank, and provide the resolutions of the board of directors (or the partners), contracts or other true proof materials.

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### Laws and Regulations on Intellectual Property Rights

#### *Patent Law*

In accordance with the Patent Law of the People's Republic of China (中華人民共和國專利法) which was promulgated by the NPC Standing Committee on 12 March 1984, came into force on 1 April 1985, and was revised on 4 September 1992, 25 August 2000, and 27 December 2008 (the latest revision came into force on 1 October 2009), and the Rules for Implementation of the Patent Law (Decree 569 of the State Council) that was promulgated by the State Council on 15 June 2001, came into force on 1 July 2001, and was revised on 28 December 2002 and 9 January 2010 (the latest revision came into force on 1 February 2010), patents are divided into invention patents, design patents, and utility model patents. Each invention patent is valid for 20 years, while each of the design patents or utility model patents is valid for 10 years, starting from the date of application. Any person or entity that uses the relevant patent, counterfeits the patented product, or engages in any patent infringement activity without the consent of the patent owner, shall be liable for compensation to the patentee, and may be fined and even sentenced to criminal punishment. Unless otherwise stipulated, any unit or individual, without the permission of the patentee, shall not use any invention patent or utility model patent of the patentee, that is, shall not manufacture, use, promise to sell, sell or import any patented products for the purpose of production and operation, or shall not produce, use, promise to sell, sell, or import any products made by such patent. Without permission of the holder of design patent, any unit or individual shall not use the patent, that is, shall not manufacture, promise to sell, sell or import any design patent products for the purpose of production and operation. Where it constitutes patent infringement, the infringer shall be ordered to stop the infringement, take remedial actions and compensate.

#### *Trademark Law*

In accordance with the Trademark Law of the People's Republic of China (中華人民共和國商標法) which was promulgated by the NPC Standing Committee on 23 August 1982, came into force on 1 March 1983, and was revised on 22 February 1993, 27 October 2001, and 30 August 2013, and 23 April 2019 (the latest revision will take effect on 1 November 2019), and the Implementing Regulations of the Trademark Law of the People's Republic of China (Decree 651 of the State Council) which was promulgated by the State Council on 3 August 2002, came into force on 15 September 2002 and was revised on 29 April 2014 (the latest revision took effect on 1 May 2014), registered trademarks refer to the trademarks that have been approved and registered at the Trademark Office of National Intellectual Property Administration, including the mark of goods, service mark, group mark and certification mark. Each registered trademark is valid for 10 years, commencing from the date of registration and approval. Any of the following circumstances shall be deemed as infringement upon the exclusive use right of the registered trademark, including: (i) unauthorised application of a trademark the same as or similar to the registered trademark for the same or similar goods; (ii) sale of goods infringing the exclusive use right of the registered trademark; (iii) unauthorised counterfeiting or production of marks of other registered trademarks, or sale of marks of registered trademarks counterfeited or produced without authorisation; (iv) unauthorised alteration of any others' registered trademark, or sale of the goods with the altered trademark; (v) deliberately facilitating the infringement upon the

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exclusive use right of registered trademark of others, or assisting others in infringing the exclusive use right of registered trademark; and (vi) other damages to another person's exclusive use right of registered trademark.

### **Tax Laws and Regulations**

#### *Enterprise Income Tax*

In accordance with the Law of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅) which was promulgated by the NPC Standing Committee on 16 March 2007, came into force on 1 January 2008, and was revised on 24 February 2017 and 29 December 2018 (the latest revision came into force on 29 December 2018), and the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax (Decree 512 of the State Council) which was promulgated by the State Council on 6 December 2007 and came into force on 1 January 2008, the income tax rates for domestic and foreign-invested enterprises are both set as 25.0%. Pursuant to the Law of Enterprise Income Tax, enterprises are classified as resident enterprises and non-resident enterprises. In accordance with the Law of Enterprise Income Tax and its Implementing Regulations, any enterprise incorporated pursuant to the laws of any other country or region and whose "actual management agency" is located in China, shall be regarded as a resident enterprise and generally pay the corporate income tax equivalent to 25.0% of its total incomes obtained worldwide. As defined in the Implementing Regulations, "actual management agency" refers to the organisation that performs substantial and overall management and control of production, operation, employees, accounting and property. Any resident enterprise of China shall pay the corporate income tax equivalent to 25.0% of its total incomes obtained worldwide. In accordance with the Law of Enterprise Income Tax, small meager-profit enterprises shall pay the corporate income tax at the rate of 20.0%; high-tech enterprises under key state support shall pay the corporate income tax at the rate of 15.0%.

#### *VAT*

Pursuant to the Provisional Regulations of the People's Republic of China on Value-Added Tax (Decree 691 of the State Council) (中華人民共和國增值稅暫行條例(國務院令第691號)) which was promulgated by the State Council on 13 December 1993, came into force on 1 January 1994, and was revised on 10 November 2008, 6 February 2016, and 19 November 2017, and the Rules for Implementation of the Provisional Regulations of the People's Republic of China on Value-Added Tax (Decree 65 of the Ministry of Finance) (中華人民共和國增值稅暫行條例實施細則(財政部令第65號)) which was promulgated by the Ministry of Finance and the State Taxation Administration on 18 December 2008, came into force on 1 January 2009 and was revised on 28 October 2011 (the latest revision came into force on 1 November 2011), any unit or individual that sell the goods, processing/repairing/fitting labor services, services, intangible assets, real estate and imported goods in China shall pay the VAT. Pursuant to the Notice on Printing and Distributing the Pilot Plan for Replacing Business Tax with VAT (CS [2011] No. 110) (《營業稅改徵增值稅試點方案》) 的通知(財稅[2011]110號)) which was issued by the Ministry of Finance and the State Taxation Administration on 16 November 2011 and came into force on the same date, the business tax for the pilot business will be converted to the VAT since 1 January 2012, and tax rates of 11.0% and 6.0% will be increased based on the current VAT rate of 17.0%. The tax rate

## REGULATORY OVERVIEW

of 17% is applicable to lease of tangible assets, the tax rate of 11% applies to the transportation, construction and other industries, and the tax rate of 6% applies to other modern service industries. In accordance with the Notice on Comprehensively Carrying out the Pilot Work of Replacing the Business Tax with VAT (CS [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知(財稅[2016]36號)) which was issued by the Ministry of Finance and the State Taxation Administration on 23 March 2016 and came into force on 1 May 2016, the pilot work of replacing business tax with VAT will be carried out nationwide since 1 May 2016, and the taxpayers of construction, real estate, finance, life service and other industries are included in the scope of pilot work. Therefore, any unit or individual that sells services, intangible assets or real estate in China shall pay the VAT to the State Taxation Administration. In accordance with the Notice of the Ministry of Finance and the State Taxation Administration on Adjustment of the VAT Rates (CS [2018] No. 32) (關於調整增值稅稅率的通知(財稅[2018]32號)) which was issued on 4 April 2018 and came into force on 1 May 2018, the VAT rates for the taxpayers that have taxable sales behaviors or import goods will be adjusted to 16% and 10% respectively from the original 17% and 11%. In accordance with the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Policies for Deeping the VAT Reform ([2019] No. 39) which came into force on 1 April 2019, the VAT rates for the taxpayers that have taxable sales behaviors or import goods will be adjusted to 13% and 9% respectively from the original 16% and 10%.

### **Laws and Regulations Concerning Labor Employment**

In accordance with the Labor Law of the People's Republic of China (中華人民共和國勞動法) which was promulgated by the NPC Standing Committee on 5 July 1994, came into force on 1 January 1995, and was revised on 27 August 2009 and 29 December 2018 (the latest revision came into force on 29 December 2018), any employer shall establish and improve the rules and regulations according to law to ensure that the employees enjoy labor rights and perform labor obligations, sign labor contracts with the employees, ensure the safety and sanitation of workplace in accordance with national regulations and provide relevant training services to employees.

In accordance with the Labor Contract Law of the People's Republic of China which was promulgated by the NPC Standing Committee on 29 June 2007, came into force on 1 January 2008, and was revised on 28 December 2012 (the latest revision came into force on 1 July 2013), each employer shall conclude a written employment contract with each employee, shall not directly or indirectly force the employees to work overtime, but shall make compensation for their overtime work, and ensure the salary of each employee shall not be less than the minimum wage according to standard of the place where the employer is located.

### **Laws and Regulations on Social Insurance and Housing Provident Fund**

In accordance with the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) which was promulgated by the NPC Standing Committee on 28 October 2010, came into force on 1 July 2011, and was revised on 29 December 2018 (the latest revision came into force on 29 December 2018), the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (Decree 259 of the State Council) (社會保險費徵繳暫行條例(國務院令第259號)) which was issued by the State Council on 22 January 1999, and came into force on 22 January 1999, and the Regulations on Management of Housing Provident Fund (Decree 350 of the State Council) (住房公積金管理條例(國務院令第350號)) which was promulgated by the State Council on 3 April 1999, and was revised on 24 March 2002 (the latest revision came into force on 24 March 2002), the enterprises and employees (individual contributions) including

## REGULATORY OVERVIEW

state-owned enterprises, urban collective enterprises, foreign-invested enterprises, urban private enterprises, and other urban enterprises, shall pay the social insurance premiums (including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and other welfare) and housing provident funds in full amount in a timely manner. Such contributions shall be paid to the local administrative authorities, and any employer that fails to pay the contributions in a timely manner may be fined and ordered to pay the outstanding contributions. Should the employer fail to make a supplementary payment within the time limit, the relevant competent administrative authority may apply for compulsory execution by the local people's court.

## HISTORY AND DEVELOPMENT

### OUR BUSINESS DEVELOPMENT

We are a major developer and supplier of precision moulds in the PRC, with a focus on customised moulds for the production of lightweight automotive parts which cater for the growing trend of automotive lightweight application, as well as electrical appliance parts. For further information on our business, please see the section “Business”.

Our history can be traced back to 2002 when Mr. Lin, our Chairman, executive Director and our chief executive officer, founded Shinelong (Suzhou). For details on Shinelong (Suzhou), please see the sub-section “Our corporate History — Shinelong (Suzhou)” below. Since 2003, we have been designing and manufacturing automotive moulds and electrical appliance moulds under the trade name of “Shinelong”.

Set out below are our major business milestones and development:

<b>Year</b>	<b>Event</b>
2002	Shinelong (Suzhou), formerly named as Shinelong Precision Moulds (Kunshan) Company Limited (勛龍精密模具(昆山)有限公司), was established
2009	Shinelong (Suzhou) obtained ISO9001:2008 certification
2009	We established business relationship with and started to produce hot-pressing moulds for Gestamp Group
2010	We established business relationship with Hisense Group
2012	Shinelong (Suzhou) was awarded High and New Technology Enterprise Certificate (高新技術企業證書)
2013	Shinelong (Suzhou) owned 21 registered patents on mould design and manufacturing
2014	Xunzhan was established
2015	Shinelong (Suzhou) was awarded the High and New Technology Enterprise Certificate (高新技術企業證書)
2016	Shinelong Precision Moulds (Kunshan) Company Limited (勛龍精密模具(昆山)有限公司) was converted to a company limited by shares and renamed 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)
2017	Shinelong (Suzhou) obtained ISO9001:2015 certification Shinelong (Suzhou) was recognised as Jiangsu High Precision Cold and Hot Die Engineering and Technology Research Centre (江蘇省高精密冷熱模具工程技術研究中心)
2018	Shinelong (Suzhou) owned 64 registered patents on mould design and manufacturing Shinelong (Suzhou) was awarded IATF16949:2016 Shinelong (Suzhou) was again awarded the High and New Technology Enterprise Certificate (高新技術企業證書)

## HISTORY AND DEVELOPMENT

### OUR CORPORATE HISTORY

On 8 January 2002, Mr. Lin founded Shinelong (Suzhou), formerly named as Shinelong Precision Moulds (Kunshan) Company Limited (勳龍精密模具(昆山)有限公司), to engage in the design and manufacturing of automotive and electrical appliance moulds. On 2 December 2014, Xunzhan was incorporated as a wholly owned subsidiary of Shinelong (Suzhou), for operating our new factory at Qingdao and serving customers and potential customers in the region. On 3 November 2015, Xunwei was incorporated as a wholly owned subsidiary of Shinelong (Suzhou), for expanding our operation to manufacture plastic injection product parts. On 17 June 2016, as we had decided to focus on mould manufacturing, Xunwei was deregistered. On 5 November 2015, Kunshan Longjun was incorporated as a company wholly owned by Mr. Lin. In 2016, Shinelong Precision Moulds (Kunshan) Company Limited (勳龍精密模具(昆山)有限公司) was converted to a company limited by shares. As part of the Reorganisation, our Company acquired the entire shareholding of Kunshan Longjun pursuant to an agreement which was entered into on 26 November 2018.

As at the Latest Practicable Date, our Group comprised of our Company, Shinelong (Suzhou), Xunzhan and Kunshan Longjun. Our Company was incorporated as the holding company of our Group, with Shinelong (Suzhou) and Xunzhan conducting our business operations in the PRC. There had been no change to the ultimate shareholding of the companies comprising our Group during the Track Record Period. Details of these companies are as follows:

<b>Name of subsidiary</b>	<b>Principal business activities</b>	<b>Date of incorporation</b>	<b>Place of Incorporation</b>
Shinelong (Suzhou)	Design, manufacturing and sales of moulds	8 January 2002	the PRC
Xunzhan	Design, manufacturing and sales of moulds	2 December 2014	the PRC
Kunshan Longjun	Not yet commenced operation	5 November 2015	the PRC

### Our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 2 October 2018. Our Company is an investment holding company. Upon incorporation, it had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

On 2 October 2018, one Share was allotted and issued to the initial subscriber, being an Independent Third Party, and the said Share was transferred to Shine Art on the same date. On 2 October 2018, nine Shares were allotted and issued to Shine Art.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 21 May 2019. As part of the Reorganisation, it became the ultimate holding company of our Group.

## HISTORY AND DEVELOPMENT

### Shinelong (Suzhou)

Shinelong (Suzhou) was incorporated in the PRC on 8 January 2002 under the name of Shinelong Precision Moulds (Kunshan) Company Limited (勳龍精密模具(昆山)有限公司). As at the date of incorporation, its registered capital was US\$2,100,000 and was wholly owned by Shine Art. On 25 April 2011, its registered capital was increased to US\$2,550,000.

On 18 December 2015, Shine Art transferred 18.30%, 9.64%, 6.00%, 0.26%, 0.1%, 0.1% and 0.1% of its interests in Shinelong (Suzhou) to Friendly Holdings, Digital Link, High Chance, Talent Trading, Kunshan Longjun, Kunshan Bozhan, and Fulagai Consulting, respectively, at an aggregate consideration of RMB15,939,000. The consideration was determined with reference to the net asset value of Shinelong (Suzhou) as at 30 November 2015 of RMB46,532,856.66. The shareholding of Shinelong (Suzhou) immediately after the transfer was as follows:

Shareholders	Shareholding (%)
Shine Art <i>(Note 1)</i>	65.50
Friendly Holdings <i>(Note 2)</i>	18.30
Digital Link <i>(Note 3)</i>	9.64
High Chance <i>(Note 4)</i>	6.00
Talent Trading <i>(Note 5)</i>	0.26
Kunshan Longjun <i>(Note 6)</i>	0.10
Kunshan Bozhan <i>(Note 7)</i>	0.10
Fulagai Consulting <i>(Note 8)</i>	0.10
Total:	100%

*Notes:*

- (1) Shine Art is owned as to 58.312% by Mr. Lin, 15.424% by Mr. Yung Chia-Pu (雍嘉樸), 14.936% by Mr. Cheng Ching-Long (鄭景隆), 3.598% by Mr. Hsieh Chi-Hung (謝奇宏), 3.292% by Mr. Liu Ying-Han (劉英漢), 1.688% by Mr. Leng Chi-Ching (冷繼青), 0.934% by Mr. Lu Jen-Chieh (盧仁傑), 0.908% by Ms. Hsieh Pei-Chen (謝佩真) and 0.908% by Mr. Chang Jui-Chun (張瑞君). Mr. Lin, Mr. Yung Chia-Pu, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh are executive Directors; and Ms. Hsieh Pei-Chen is a non-executive Director and hence they are Connected Persons of our Company. Mr. Hsieh Chi-Hung, Mr. Liu Ying-Han, Mr. Leng Chi-Ching and Mr. Chang Jui-Chun have no relationship with the Company other than being a Controlling Shareholder.
  
- (2) Friendly Holdings is directly and wholly owned by Hammurabi International Limited, which is directly and wholly owned by Mr. Liu Fang Jung (劉芳榮). Friendly Holdings is a Substantial Shareholder and hence, each of Hammurabi International Limited and Mr. Liu is a Connected Person of our Company. Mr. Liu is the managing director of an investment consulting firm in the PRC with knowledge and experience on A-share listing application. Mr. Liu was introduced to Mr. Lin and our Group when Shinelong (Suzhou) was planning the A-Share Listing Application. Mr. Liu became an indirect shareholder of Shinelong (Suzhou) through Friendly Holdings and Fulagai Consulting on 18 December 2015 during the reorganisation of Shinelong (Suzhou) in preparation of the A-Share Listing Application. As part of the Reorganisation, Mr. Liu became an indirect shareholder of our Company.



## HISTORY AND DEVELOPMENT

- (3) Digital Link is directly and wholly owned by Mr. Lo Ter Chong (羅德重), an Independent Third Party. To the best of the knowledge of Mr. Lin, who is a personal friend of Mr. Lo, Mr. Lo has business experience from a Taiwanese trading company, and was an investor of Shinelong (Suzhou) during the A-Share Listing Application and became an indirect shareholder of Shinelong (Suzhou) through Digital Link on 18 December 2015 during the reorganisation process of Shinelong (Suzhou) in preparation of the A-Share Listing Application.
- (4) High Chance is directly and wholly owned by Mr. Wu Chieh Te (吳皆得), an Independent Third Party. To the best of the knowledge of Mr. Lin, who is a personal friend of Mr. Wu, Mr. Wu has business experience from a Taiwanese industrial company, and was an investor of Shinelong (Suzhou) during the A-Share Listing Application and became an indirect shareholder of Shinelong (Suzhou) through High Chance on 18 December 2015 during the reorganisation process of Shinelong (Suzhou) in preparation of the A-Share Listing Application.
- (5) Talent Trading is directly and wholly owned by Talent Chain, which is directly and wholly owned by Mr. Yu Yu Shuan (余昱暄), an Independent Third Party. To the best of the knowledge of Mr. Lin, who is a personal friend of Mr. Yu, Mr. Yu has business experience from an industrial company in the PRC and Taiwan, and was an investor of Shinelong (Suzhou) during the A-Share Listing Application and became an indirect shareholder of Shinelong (Suzhou) through Talent Trading on 18 December 2015 during the reorganisation process of Shinelong (Suzhou) in preparation of the A-Share Listing Application.
- (6) Before the Reorganisation, Kunshan Longjun was directly and wholly owned by Mr. Lin. Mr. Lin is an executive Director and a Connected Person of our Company.
- (7) Kunshan Bozhan is directly and wholly owned by Mr. Chen Chun Guang (陳春光), an Independent Third Party.
- (8) Fulagai Consulting is directly and wholly owned by Friendly Holdings, which is directly and wholly owned by Hammurabi International Limited. Hammurabi International Limited is directly and wholly owned by Mr. Liu Fang Jung (劉芳榮). Friendly Holdings is a Substantial Shareholder and hence, each of Hammurabi International Limited and Mr. Liu is a Connected Person of our Company.

On 29 March 2016, Shinelong (Suzhou), then named as Shinelong Precision Moulds (Kunshan) Company Limited (勛龍精密模具(昆山)有限公司), was converted to a company limited by shares and renamed as Shinlone 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), which was further renamed as 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) on 28 December 2018. As at 29 March 2016, the registered share capital of Shinelong (Suzhou) was redistributed according to its net asset value into RMB39 million at RMB1 per share. The shareholding of Shinelong (Suzhou) immediately after the conversion remained unchanged.

Pursuant to agreements which were entered into on 26 November 2018, as part of the Reorganisation, our Company acquired Shinelong (Suzhou) and Kunshan Longjun. Please see the paragraph “Reorganisation — Step 2 Acquisition of Shinelong (Suzhou) and Kunshan Longjun by our Company” in this section for details on the acquisition. Upon completion of the acquisition, Shinelong (Suzhou) became wholly owned by our Company (99.9% directly owned and 0.1% through Kunshan Longjun).

## HISTORY AND DEVELOPMENT

### **Xunzhan**

Xunzhan was incorporated in the PRC on 2 December 2014 with limited liability. As at the date of incorporation, its registered capital was RMB6 million and wholly owned by Shinelong (Suzhou). Following the conversion of Shinelong (Suzhou) to a company limited by shares on 29 March 2016, Xunzhan became wholly owned by Shinelong (Suzhou) and indirectly wholly owned by our Company.

### **Kunshan Longjun**

Kunshan Longjun was incorporated in the PRC on 5 November 2015 with limited liability. As at the date of incorporation, its registered capital was US\$50,000 and wholly owned by Mr. Lin. On 26 November 2018, Mr. Lin entered into an agreement with our Company, pursuant to which he transferred his entire shareholding in Kunshan Longjun to our Company at a consideration of RMB118,543. The consideration was determined with reference to the net asset value of Shinelong (Suzhou) as at 31 August 2018 of RMB118,543,201. Upon completion of the transfer, Kunshan Longjun became wholly owned by our Company.

### **Xunwei**

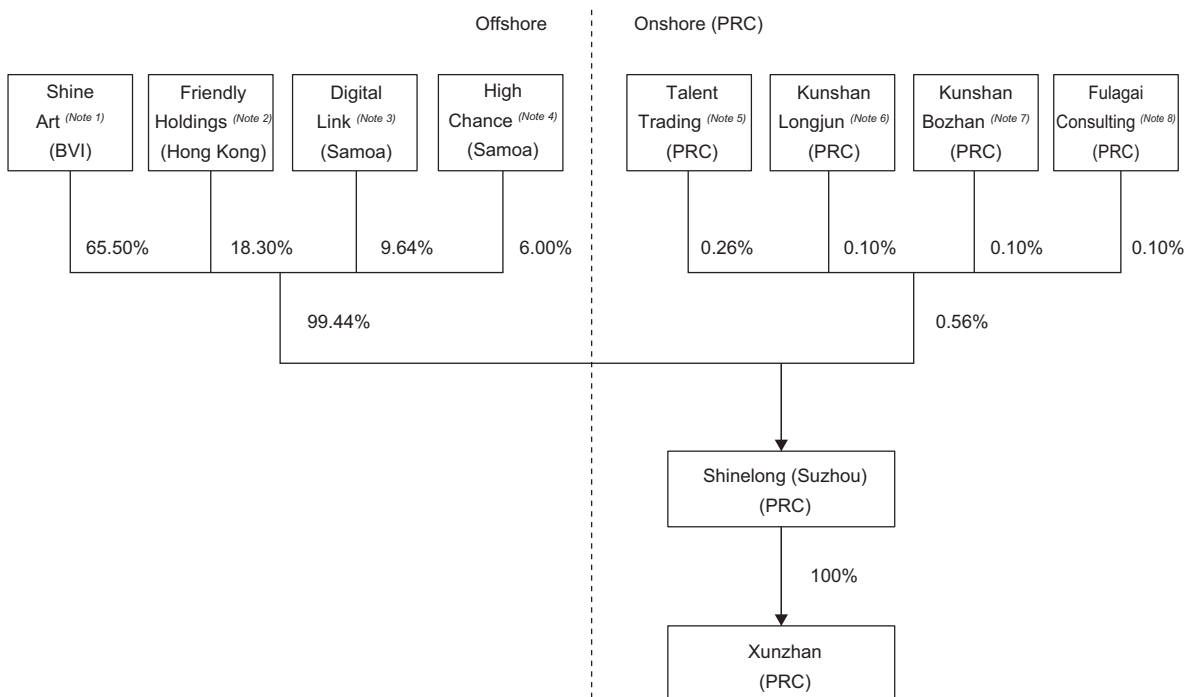
Xunwei was incorporated in the PRC on 3 November 2015 with limited liability. As at the date of incorporation, the registered capital of Xunwei was RMB2,500,000 and was wholly owned by Shinelong (Suzhou). We intended to expand our operation to manufacture plastic injection product parts under Xunwei. On 17 June 2016, due to our decision to focus our resources on mould manufacturing, Xunwei was deregistered.

Our PRC Legal Advisers confirmed that the procedures and steps involved in the establishment, change and deregistration of Xunwei were valid and effective, and were in compliance with the relevant PRC laws and regulations. Our Directors confirm that Xunwei was solvent and was not involved in any pending or unresolved arbitration or legal proceedings prior to its deregistration.

## HISTORY AND DEVELOPMENT

### Structure of our Group immediately before the Reorganisation

The following diagram illustrates our corporate structure immediately before the Reorganisation:



#### Notes:

- (1) Shine Art is owned as to 58.312% by Mr. Lin, 15.424% by Mr. Yung Chia-Pu (雍嘉樸), 14.936% by Mr. Cheng Ching-Long (鄭景隆), 3.598% by Mr. Hsieh Chi-Hung (謝奇宏), 3.292% by Mr. Liu Ying-Han (劉英漢), 1.688% by Mr. Leng Chi-Ching (冷繼青), 0.934% by Mr. Lu Jen-Chieh (盧仁傑), 0.908% by Ms. Hsieh Pei-Chen (謝佩真) and 0.908% by Mr. Chang Jui-Chun (張瑞君). Mr. Lin, Mr. Yung Chia-Pu, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh are executive Directors; and Ms. Hsieh Pei-Chen is a non-executive Director and hence they are Connected Persons of our Company.
- (2) Friendly Holdings is directly and wholly owned by Hammurabi International Limited, which is directly and wholly owned by Mr. Liu Fang Jung (劉芳榮). Friendly Holdings is a Substantial Shareholder and hence, each of Hammurabi International Limited and Mr. Liu is a Connected Person of our Company.
- (3) Digital Link is directly and wholly owned by Mr. Lo Ter Chong (羅德重), an Independent Third Party of our Company.
- (4) High Chance is directly and wholly owned by Mr. Wu Chieh Te (吳皆得), an Independent Third Party of our Company.
- (5) Talent Trading is directly and wholly owned by Talent Chain, which is directly and wholly owned by Mr. Yu Yu Shuan (余昱暄), an Independent Third Party of our Company.
- (6) Before the Reorganisation, Kunshan Longjun was directly and wholly owned by Mr. Lin, an executive Director and a Connected Person of our Company.
- (7) Kunshan Bozhan is directly and wholly owned by Mr. Chen Chun Guang (陳春光), an Independent Third Party of our Company.

## HISTORY AND DEVELOPMENT

- (8) Fulagai Consulting is directly and wholly owned by Friendly Holdings, which is directly and wholly owned by Hammurabi International Limited. Hammurabi International Limited is directly and wholly owned by Mr. Liu Fang Jung (劉芳榮). Friendly Holdings is a Substantial Shareholder and hence, each of Hammurabi International Limited and Mr. Liu is a Connected Person of our Company.

### REORGANISATION

In preparation for the Listing, our Group underwent the Reorganisation. The major steps of the Reorganisation are summarised below:

#### **Step 1 — Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 2 October 2018. Upon incorporation, it had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

On 2 October 2018, one Share was allotted and issued nil-paid to the initial subscriber, being an Independent Third Party, and the said Share was transferred to Shine Art. On 2 October 2018, nine Shares were allotted and issued nil-paid to Shine Art.

#### **Step 2 — Acquisition of Shinelong (Suzhou) and Kunshan Longjun by our Company**

On 26 November 2018, Shine Art (shareholder as to 65.50%), Friendly Holdings (shareholder as to 18.30%), Digital Link (shareholder as to 9.64%) and High Chance (shareholder as to 6.00%) entered into an agreement with our Company, pursuant to which they transferred their shareholdings in Shinelong (Suzhou) to our Company at an aggregate consideration of RMB117,875,566, which was settled on 19 December 2018. The consideration include the share capital of the 10 Shares held by Shine Art at the completion of Step 1 and was determined with reference to the net asset value of Shinelong (Suzhou) as at 31 August 2018 of RMB118,543,201. The consideration was settled by our Company via allotting and issuing 9,934 new Shares, credited as fully paid, to Shine Art (6,540 Shares), Friendly Holdings (1,830 Shares), Digital Link (964 Shares) and High Chance (600 Shares) pursuant to the abovementioned agreement dated 26 November 2018.

On 26 November 2018, Talent Trading, Kunshan Bozhan and Fulagai Consulting entered into an agreement with our Company, pursuant to which each of them transferred their shareholding in Shinelong (Suzhou) to our Company at a consideration of RMB312,006, RMB118,543 and RMB118,543, respectively. The consideration was determined with reference to the net asset value of Shinelong (Suzhou) as at 31 August 2018 of RMB118,543,201.

## HISTORY AND DEVELOPMENT

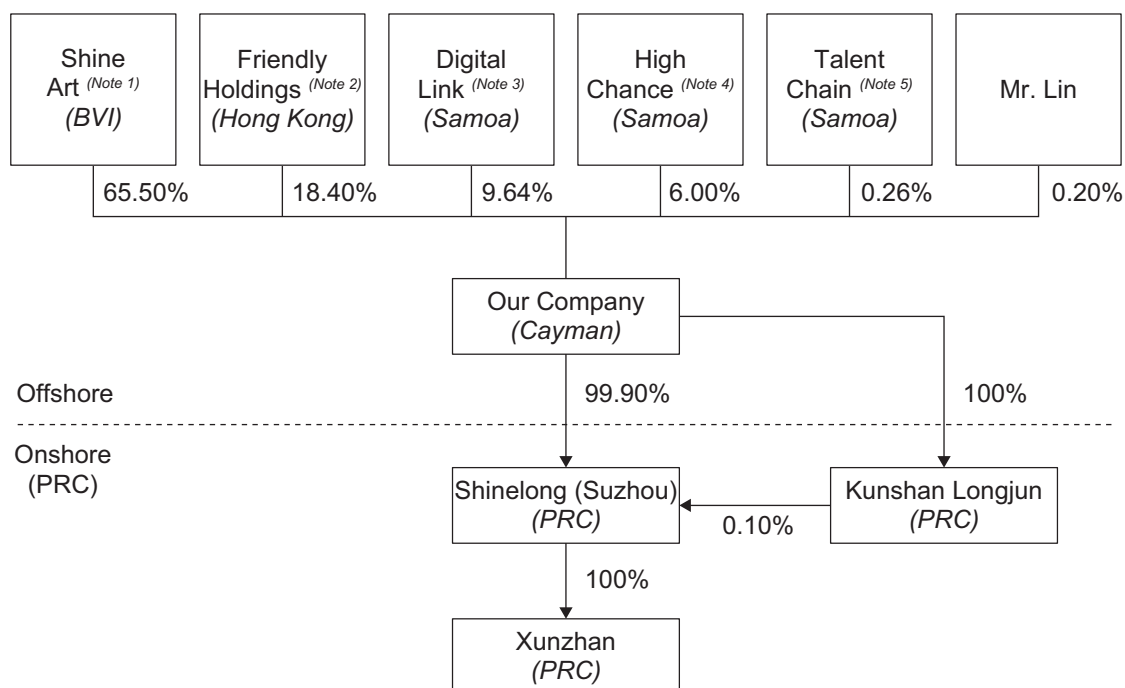
On 26 November 2018, Mr. Lin entered into an agreement with our Company, pursuant to which transferred his shareholding in Kunshan Longjun to our Company at a consideration of RMB118,543, which was settled on 4 January 2019. The consideration was determined with reference to the net asset value of Shinelong (Suzhou) as at 31 August 2018 of RMB118,543,201. Upon completion of the transfers, Shinelong (Suzhou) was wholly owned by our Company (99.9% directly owned and 0.1% through Kunshan Longjun).

### Step 3 — Further allotment of Shares

On 21 December 2018, applications for allotment was received from Talent Chain, Mr. Lin and Friendly Holdings. Talent Chain is the owner of Talent Trading. On 24 December 2018, pursuant to a written resolution of the sole director, our Company allotted and issued 26, 20 and 10 ordinary shares to Talent Chain, Mr. Lin and Friendly Holdings, at consideration of RMB312,006, RMB237,086 and RMB118,543, respectively, which was settled on 3 January 2019, 27 December 2018 and 27 December 2018, respectively. The consideration was determined with reference to the net asset value of Shinelong (Suzhou) as at 31 August 2018 of RMB118,543,201.

Our PRC Legal Advisers advised that each of the steps in our Reorganisation concerning our PRC subsidiaries has been duly completed in accordance with the applicable the PRC laws and regulations and all necessary governmental approvals under the PRC laws and regulations have been obtained.

The following diagram sets forth our corporate and shareholding structure immediately following the aforementioned steps of our Reorganisation:



## HISTORY AND DEVELOPMENT

### Notes:

- (1) Shine Art is owned as to 58.312% by Mr. Lin, 15.424% by Mr. Yung Chia-Pu (雍嘉樸), 14.936% by Mr. Cheng Ching-Long (鄭景隆), 3.598% by Mr. Hsieh Chi-Hung (謝奇宏), 3.292% by Mr. Liu Ying-Han (劉英漢), 1.688% by Mr. Leng Chi-Ching (冷繼青), 0.934% by Mr. Lu Jen-Chieh (盧仁傑), 0.908% by Ms. Hsieh Pei-Chen (謝佩真) and 0.908% by Mr. Chang Jui-Chun (張瑞君). Mr. Lin, Mr. Yung Chia-Pu, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh are executive Directors; and Ms. Hsieh Pei-Chen is a non-executive Director and hence they are Connected Persons of our Company.
- (2) Friendly Holdings is directly and wholly owned by Hammurabi International Limited, which is directly and wholly owned by Mr. Liu Fang Jung (劉芳榮). Friendly Holdings is a Substantial Shareholder and hence, each of Hammurabi International Limited and Mr. Liu is a Connected Person of our Company.
- (3) Digital Link is directly and wholly owned by Mr. Lo Ter Chong (羅德重), an Independent Third Party of our Company.
- (4) High Chance is directly and wholly owned by Mr. Wu Chieh Te (吳皆得), an Independent Third Party of our Company.
- (5) Talent Chain is directly and wholly owned by Mr. Yu Yu Shuan (余昱暄), an Independent Third Party of our Company.

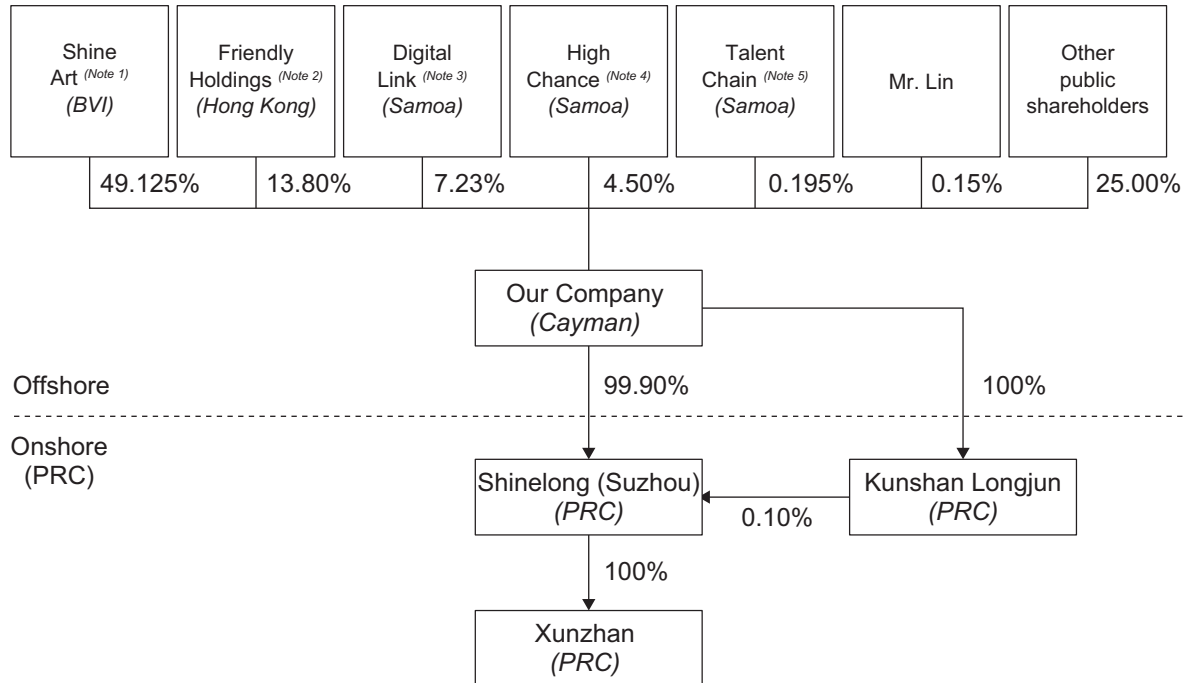
### Capitalisation Issue

Conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize HK\$4,949,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 494,990,000 Shares, such Shares to be allotted and issued on the Listing Date, credited as fully-paid at par to our Shareholder(s) whose name(s) appear on the register of members of our Company at the close of business on 27 June 2019 in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then shareholding in our Company and the Shares to be allotted and issued pursuant to the Capitalization Issue shall carry the same rights in all respects with the then existing issued Shares.

## HISTORY AND DEVELOPMENT

### CORPORATE AND SHAREHOLDING STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE GLOBAL OFFERING AND CAPITALISATION ISSUE

The following diagram sets forth our corporate and shareholding structure immediately following the completion of the Global Offering and the Capitalisation Issue:



*Notes:*

- (1) Shine Art is owned as to 58.312% by Mr. Lin, 15.424% by Mr. Yung Chia-Pu (雍嘉樸), 14.936% by Mr. Cheng Ching-Long (鄭景隆), 3.598% by Mr. Hsieh Chi-Hung (謝奇宏), 3.292% by Mr. Liu Ying-Han (劉英漢), 1.688% by Mr. Leng Chi-Ching (冷繼青), 0.934% by Mr. Lu Jen-Chieh (盧仁傑), 0.908% by Ms. Hsieh Pei-Chen (謝佩真) and 0.908% by Mr. Chang Jui-Chun (張瑞君). Mr. Lin, Mr. Yung Chia-Pu, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh are executive Directors; and Ms. Hsieh Pei-Chen is a non-executive Director and hence they are Connected Persons of our Company.
- (2) Friendly Holdings is directly and wholly owned by Hammurabi International Limited, which is directly and wholly owned by Mr. Liu Fang Jung (劉芳榮). Friendly Holdings is a Substantial Shareholder and hence, each of Hammurabi International Limited and Mr. Liu is a Connected Person of our Company.
- (3) Digital Link is directly and wholly owned by Mr. Lo Ter Chong (羅德重), an Independent Third Party of our Company.
- (4) High Chance is directly and wholly owned by Mr. Wu Chieh Te (吳皆得), an Independent Third Party of our Company.
- (5) Talent Chain is directly and wholly owned by Mr. Yu Yu Shuan (余昱暄), an Independent Third Party of our Company.

## HISTORY AND DEVELOPMENT

### APPLICATION FOR LISTING OF A SHARES

On 23 December 2016, Shinelong (Suzhou) filed with the CSRC an application for listing of its shares on the Shanghai Stock Exchange, which was sponsored by a sponsor institution duly licensed in the PRC. The CSRC formally accepted the A-Share Listing Application for review on 30 December 2016. During the application process of the A-Share Listing Application, the CSRC had raised written comments and verbal comments including requests for more detailed disclosure or analysis in relation to Shinelong (Suzhou), such as its financial performance, relevant industry, comparisons with similar companies in the industry, business operations, historical corporate and shareholding structure and related transactions, corporate governance and connectedness of its major suppliers and customers (the “**CSRC Comments**”), for which the accountant of Shinelong (Suzhou) for the A-Share Listing Application (the “**A-Share Accountant**”) and the sponsor of Shinelong (Suzhou) for the A-Share Listing Application (the “**A-Share Sponsor**”) had provided written responses. The table below sets forth a summary of material events relating to the A-share Listing Application.

<b>Date</b>	<b>Events</b>
23 December 2016	Shinelong (Suzhou) submitted the A-Share Listing Application to the CSRC
30 December 2016	CSRC issued acceptance notice confirming it would commence the vetting process for the A-Share Listing Application
8 May 2017	CSRC issued its first comment letter in relation to the A-Share Listing Application (“ <b>First Comment Letter</b> ”)
23 June 2017	Written responses to the First Comment Letter prepared by Shinelong (Suzhou), the A-Share Sponsor and the A-Share Accountant were submitted
On or around 21 August 2017	CSRC gave supplemental verbal comments (“ <b>Supplemental Verbal Comments</b> ”)
28 August 2017 and 29 August 2017	Written responses to the Supplemental Verbal Comments prepared by Shinelong (Suzhou), the A-Share Sponsor and the A-Share Accountant were submitted
15 September 2017	CSRC issued a notice to notify Shinelong (Suzhou) that a meeting of the CSRC Main Board Issuance Approval Committee would be scheduled to consider the A-Share Listing Application (the “ <b>Notice</b> ”) with supplemental comments
18 September 2017	Written responses to the comments set out in the Notice prepared by Shinelong (Suzhou), the A-Share Sponsor and the A-Share Accountant were submitted



## HISTORY AND DEVELOPMENT

Date	Events
19 September 2017	CRSC Main Board Issuance Approval Committee decided to defer voting on the A-Share Listing Application (the “ <b>Deferred Decision</b> ”)
On or around 20 September 2017	CRSC Main Board Issuance Approval Committee provided verbal comments to the A-Share Sponsor, which primarily related to (i) certain inconsistencies in certain disclosures between the hearing proof and certain previous proof of the A-Share Prospectus and (ii) the provision of update of industry data and financial information, such as the performance of contracts by major customers, collection of payment and profitability after increase in production capacity (the “ <b>Last Round Comments</b> ”)
15 January 2018	Considering the fact that the Deferred Decision led to a substantially longer than expected amount of time required for the CSRC to approve the A-Share Listing Application, Shinelong (Suzhou) and the A-Share Sponsor agreed to voluntarily withdraw the A-Share Listing Application without submitting responses to the Last Round Comments (the “ <b>Voluntary Withdrawal</b> ”)
22 January 2018	CSRC issued a notification to Shinelong (Suzhou) to terminate the review process of the A-Share Listing Application as a result of the Voluntary Withdrawal

Our Directors and the A-Share Sponsor confirmed that, except for the Last Round Comments, they believe that all CSRC Comments had been satisfactorily addressed in details and confirmed that there was no unusual finding, together with consistent opinions expressed by the other professional parties in writing and the CSRC had not suggested otherwise other than the issues raised in the Last Round Comments. To the best knowledge of our Directors, they are not aware of any finding by the CSRC of any material non-compliance or irregularity in respect of our Group during the review process of the A-Share Listing Application.

The Sole Sponsor have completed due diligence in accordance with the SFO, the Code of Conduct for Persons Licensed by or Registered with the SFC, the Listing Rules and the relevant guidance letters from the Stock Exchange in relation to our Group (the “**Customary Due Diligence Work**”). The Sole Sponsor compared the finding from the Customary Due Diligence Work and the specific due diligence work it conducted in connection with the A-Share Listing Application, which include reviewing the CSRC correspondences and interviewing the A-Share Sponsor, and it has not identified any material inconsistencies among the results of such due diligence works.

## HISTORY AND DEVELOPMENT

Our Company did not note any matters from the A-Share Listing Application which would affect our suitability for the Listing. Based on the information provided by our Company and the due diligence conducted by the Sole Sponsor, the Sole Sponsor is also not aware of any enquiry from the CSRC or any other matters relating to the A-Share Listing Application that should be brought to the Stock Exchange's and potential investors' attention or will affect the suitability of our Company for the Listing. For our Company's reasons for the Listing, see the section "Future Plans and Use of Proceeds — Reasons for the Listing and Global Offering".

### OVERVIEW

We 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. We seek to offer comprehensive moulding services and solutions to our 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, we 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 we started the production of such moulds in 2009, our hot-pressing moulds cater for the automotive lightweight application. For FY2016, FY2017 and FY2018, sales of hot-pressing moulds contributed to 85.3%, 83.5% and 80.9% of our revenue from automotive moulds. According to the Frost & Sullivan Report, hot-pressing is a critical light weight technology, as it reduces the weight of the automotive parts to enable energy and cost saving without compromising safety or performance. With hot-pressing, steel parts attain higher tensile strength and complex-shaped parts can be produced with high stability in a single hit, reducing the need for welding and additional reinforcement parts, and increasing repeat accuracy in mass production and efficiency.

Since 2003, we have processed and supplied automotive and electrical appliance moulds including hot-pressing moulds, hydroforming moulds and plastic injection moulds under the tradename of “Shinelong”. With over 16 years of operating history, we believe we have developed significant technical expertise and become specialised and efficient in terms of time and cost in the production processes for different types of moulds. For FY2016, FY2017 and FY2018, sales of automotive moulds contributed to 53.1%, 56.1% and 57.0% of our revenue, and sales of electrical appliance moulds contributed to 37.0%, 32.1% and 31.7% of our revenue, respectively.

Our production plants are located in Kunshan and Qingdao in the PRC. We utilise technologically advanced processes and equipment in the production of our moulds. For instance, we deploy CNC machines for mould fabrication and coordinate measuring machines and optical measuring machines for mould testing. 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 our 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 our five-axis CNC machines. Our development of hot-pressing moulds and the production processes is supported by our research and development team, which includes engineers specialised in the field. Our production quality and capability are accredited with the IATF16949:2016 certification relating to our innovation, orientation to customer and ability to meet customer specific requirements, and ISO9001:2015 certification relating to the quality of manufacturing precision cavity moulds, automotive moulds and mechanical parts.

## BUSINESS

To enhance our technical expertise and service quality, we are committed to improve our moulds and production process through research and development. Many products and product parts particularly automotive parts and electrical appliance parts are mass manufactured by the use of moulds. As such, we believe the design and quality of our moulds are of crucial importance for the accuracy and efficiency of our customers' manufacturing processes and product quality. With our product analysis capability, we can analyse our customers' product designs and specifications and recommend possible improvements to enhance their products' efficiency, safety and function. As at the Latest Practicable Date, we had registered 19 invention patents, 44 utility model patents, including utility model patents that improve the product quality and life span of hot-pressing moulds, and 1 design patent in the PRC. We have also developed a mould for the front cover of high brightness curved television for which the Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) has granted a High and New Technology Product Certificate (高新技術產品證書) in December 2017.

With our technical expertise and efficient production capability, we have established long-term and stable business relationship with our major customers, which include leading companies in the automotive parts and electrical appliance manufacturing industries. Our major customers include Gestamp Group, a globally renowned automotive part provider, and Hisense Group, a leading television and electrical appliance producer in the PRC. Our close relationship with such major customers demonstrates our strengths in terms of technical capabilities, trustworthy services and product qualities.

Leveraging on our strong technical capability and immense experience, we believe we are well-positioned to capture growth opportunities in the PRC automobile and electrical appliance manufacturing industries, in particular the hot-pressing automotive mould industry. According to the Frost & Sullivan Report, the automotive mould market of the PRC grew at a CAGR of 5.2% from 2013 to 2018. 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 mould is expected to grow at a CAGR of 5.0% from 2018 to 2023. In particular, as a relatively new product with a relatively low trade volume in 2013, 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.

Our revenue grew steadily during the Track Record Period. For FY2016, FY2017 and FY2018, our revenue was RMB130.7 million, RMB178.5 million and RMB217.2 million, respectively. Excluding the listing expenses for the Listing and our previous A-Share Listing Application and cash subsidies granted by the local government in relation to our A-Share Listing Application, our adjusted net profit for FY2016, FY2017 and FY2018 were RMB26.4 million, RMB34.6 million and RMB38.3 million, respectively. We believe that our strong development capability, proven track record of product quality and well-established customer network will enable us to capture the business opportunities in the automotive and electrical appliance mould market in the PRC.

## **OUR STRENGTHS**

We attribute our success to the following key competitive strengths:

### **Efficient Mould Production Capability and Strong Technical Expertise in Hot-Pressing Mould Production**

With over 16 years of mould manufacturing experience and our continuous commitment to enhance our mould development and production processes, we pride ourselves on our strong technical expertise and efficient production under our strict quality control system.

We were one of the pioneers in the production of hot-pressing moulds in the PRC in 2009, and were the second largest manufacturer of hot-pressing automotive moulds in the PRC in 2018 with a market share of 4.9% by revenue, according to the Frost & Sullivan Report. According to Frost & Sullivan, hot-pressing is a critical lightweight automotive technology. The advantages of hot-pressing include (1) improvement of automotive part performance by: (i) producing steel parts with higher tensile strength than traditional high-strength steel, and (ii) allowing for manufacture of complex-shaped automotive parts with high stability in a single hit; and (2) streamlining of production process by (i) enabling redesign of multiple-part components into a single unit, thus avoiding welding process, and reducing additional reinforcement parts, and (ii) improving repeat accuracy and quick production efficiency. Hot-pressing provides a balanced solution for lightweight automobiles as using hot-pressing parts enhance the safety performance and at the same time reduce the thickness and weight of automobile body, which helps lower fuel consumption and carbon dioxide emission. Compared with the use of lighter materials such as aluminium alloy and carbon fibre or other advanced manufacturing technique such as laser welding, hot-pressing can produce lightweight parts without significant increase in costs.

The production of hot-pressing moulds requires substantial technical expertise in different production processes, including detailed and complex analysis of mould design by our 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 our five-axis CNC machines. Our development of hot-pressing moulds and the production processes is supported by our research and development team, which includes engineers specialised in the field.

At our well-established production facilities in Kunshan and Qingdao in the PRC, we use advanced mould fabrication equipment that are highly automated. This enables us to achieve high production yields and deliver products with consistent quality. To control and monitor the precision in the fabrication of moulds, we had 46 sets of CNC machines as at 31 December 2018, which were mostly imported from Germany or Taiwan. CNC machines can be programmed to manufacture moulds with high precision. They can also be modified by updating the software used to drive them. We also use advanced CAD/CAE/CAM software in the designing, engineering and manufacturing our moulds, and we assess the precision of our moulds using coordinate measuring machines and optical measuring machines. The automated equipment and manufacturing lines increase production efficiency and reduce our labour costs.

## BUSINESS

Our production quality and capability are accredited with the IATF16949:2016 certification relating to our innovation, orientation to customer and ability to meet customer specific requirements, and ISO9001:2015 certification relating to the quality of manufacturing precision cavity moulds, automotive moulds and mechanical parts. We adopt quality control measures throughout our production process to assess our product quality, and monitor the precision and reliability of our products, to ensure our products conform to our customers' specifications. Our strict quality control measures cover our operation processes from mould design, mould fabrication to trial manufacturing of final products with our moulds. Please see the sub-section "Quality Control and Assurance" below in this section for details of our quality assurance system.

We believe that our advanced production facilities and equipment are instrumental in maintaining and enhancing our competitiveness, and our technical capability, expertise and quality control system enhance our operation and products.

### **Extensive Industry Experience and Ability to Provide Customised and Comprehensive Moulding Services**

We have accumulated extensive experience in the design, development and manufacturing of customised automotive and electrical appliance moulds, which enables us to better understand the requirements of our customers.

We design and produce a range of moulds for hot-pressing structural parts, hydraulic chassis parts and injection moulding parts. Depending on the needs of our customers, we are able to offer comprehensive and customised moulding services and solutions covering the processes of product analysis, mould design and development; processing and manufacturing; mould assembling, testing and adjustment; trial production of final products; and after sales services. With our product analysis capability, we can analyse our customers' product designs and specifications and recommend possible improvements to our customers to enhance the product efficiency, safety and function. We are also engaged in small scale production of products using our moulds for our customers.

With our industry experience and through constant communication with our customers, we believe we are familiar with their varying demands and market trends. We understand that our ability to produce mould in a time efficient manner is of vital importance in the automotive and electrical appliance manufacturing industries, which require the continuous rolling out of products in new models within a competitive timeframe. We are therefore committed to manage and control our operation and continuously seek to enhance our production processes to achieve greater efficiency.

We believe that our ability to provide customised mould to meet customers' requirements in a timely and cost efficient manner enables us to develop strong customer relationship and reputation.

### **Well-positioned to Capture Opportunities in the PRC Automotive Mould Industry**

We believe that we are well-positioned to capture additional market share and opportunities in the PRC automotive mould industry, in particular in the hot-pressing automotive mould industry, leveraging on our established operation, industry experience and our leading position as the second largest PRC manufacturer of hot-pressing automotive moulds, with a market share of 4.9% by revenue in 2018, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, the PRC automotive mould industry is driven by the increasing market demand for new models of automobiles, the increasing adoption of lightweight technology, and the use of moulds produced in the PRC to replace imported moulds. According to the Frost & Sullivan Report, the PRC automotive mould market experienced growth at a CAGR of 5.2% from 2013 to 2018 and is expected to continue to grow at a CAGR of 5.0% from 2018 to 2023.

Within the automotive mould market, as lightweight technology is increasingly applied in the automobile industry as an efficient solution for energy saving and emission reduction, the demand for hot-pressing mould is expected to continue to grow. As a relatively new development with a relatively low trade volume in 2013, the market size of hot-pressing automotive parts increased significantly at a CAGR of 83.1% from 2013 to 2018 and is expected to continue to grow at a CAGR of 18.1% from 2018 to 2023.

We believe we will be able to capitalise on our leading market position in this fast growing hot-pressing mould manufacturing market, despite the modest expected growth in the overall PRC automobile manufacturing industry.

### **Commitment to Strengthen our Mould Design and Development Capability to Enhance Production Process**

We are committed to conduct research and development of new technology to increase the quality of our moulds, efficiency of our production processes and our technical expertise.

As at the Latest Practicable Date, we had registered 19 invention patents, 44 utility model patents, including utility model patents that improves the product quality and life span of hot-pressing moulds, and 1 design patent in the PRC. We have also developed a mould for the front cover of high brightness curved television for which the Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) has granted a Certificate for High and New Tech Product Certification (高新技術產品認定證書) in December 2017.

We had a research and development team of 45 members as at the Latest Practicable Date, most of whom have college degrees or above. The majority of our research and development team members also have over five years of experience in industries relevant to our business.

We believe that our continued efforts in technological research and development would allow us to improve our production process and our moulds, which would in turn help us retain and attract customers who demand precise, reliable and high quality moulds.

### **Well-established Business Relationship with our Major Customers**

We have established long-term and stable business relationship with our major customers, which include leading companies in the automotive parts and electrical appliance manufacturing industries. We have business relationship of over five years with most of our top five customers during the Track Record Period, and we attribute our strong customer relationship to our good market reputation for the quality and competitiveness of our products and services.

Our long-term and stable relationship with Gestamp Group, a globally renowned automotive part provider using hot-pressing techniques, and Hisense Group, a leading television and electrical appliance producer, demonstrates our strength in terms of technical capabilities, trustworthy services and product qualities. We have established business relationship with Gestamp Group since 2009, and during the Track Record Period, we were the sole supplier of hot-pressing automotive moulds to Gestamp Group in the PRC. As the sole supplier of hot-pressing automotive moulds to Gestamp Group in the PRC, we believe that we have developed a mutually beneficial and complementary business relationship with Gestamp Group. For details on our customers and our relationship with Gestamp Group, please see the sub-section “Sales and Customers” below.

We believe that our close and stable relationship with our well-known customers helps to demonstrate the quality of our moulds and services and enhance our reputation in the industry. During the Track Record Period, we had expanded our sales to 24 new customers, which include Customer A, one of our top five customers in FY2017 and FY2018, and other manufacturers of automotive parts and/or electrical appliances.

### **Dedicated Management Supported by Experienced and Well-trained Staff**

We have a dedicated management team that has extensive experience and is familiar with the moulding industry in the PRC. Our management team is led by our founder, Chairman and executive Director, Mr. Lin, who has accumulated over 30 years of experience in the mould industry and has been responsible for our overall management and strategic development. Other executive Directors and certain members of our senior management team also have extensive technological and managerial experience in the relevant industries, including Mr. Yung Chia-Pu, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh each of whom has over 10 years of relevant experience. Over the years, we believe that our management team have established close relationships with our network of key customers and suppliers, accumulated in-depth knowledge of the moulding industry and kept abreast of industry developments and market trends. For further information on the experience and credentials of our management team, please see the section “Directors and Senior Management”.



## BUSINESS

Our Directors and management team are supported by a team of incentivised and well-trained staff. We offer training to our new employees in basic manufacturing skills. For positions that require more technical expertise, such as use of CAD/CAE/CAM software or operation of CNC machines, we generally require our employees to have relevant working experience and related qualification(s). To promote our employees' knowledge and technical expertise, we offer training programmes to our employees from time to time according to their job duties. We consider our employees as our core assets and we dedicate significant resources to their development. We seek to provide ample career opportunities and incentives to them and continue to invest in their development, which we believe is important for our long-term success and future growth.

### OUR STRATEGIES

In order to achieve our goal to be the leading supplier of lightweight automotive moulds and electrical appliance moulds in the PRC, we plan to pursue the following strategies:

#### **Expand our Production Facilities and Capabilities**

We expect the market demand for both automotive and electrical appliance moulds to increase in the future. According to the Frost & Sullivan Report, the market size of the PRC automotive mould industry by value is expected to increase from RMB15.8 billion in 2018 to RMB20.2 billion in 2023, representing a CAGR of 5.0%, and that of the PRC hot-pressing automotive mould by value is expected to increase from RMB2.1 billion in 2018 to RMB4.7 billion in 2023, representing a CAGR of 18.1%. The market size of the PRC electrical appliance mould industry is also expected to increase from RMB16.6 billion in 2018 to RMB23.8 billion in 2023, representing a CAGR of 7.5%. We 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. We expect to capture the market growth and also increase our market share through our equipment upgrade and capacity expansion.

For FY2016, FY2017 and FY2018, our CNC machines, being the machines used in a critical process in the production of all of our mould, operated at near full capacity with utilisation rate at 90.9%, 91.2% and 86.3%, respectively. In order to capture further business opportunities, we intend to expand our production facilities and improve our existing production facilities.

In order to cater for our expected growth in sales, we plan to expand our production facilities by leasing additional premises for our production facilities in Kunshan, the PRC, and increase our production capacity by purchasing production machineries and software. We also plan to purchase advanced mould fabrication machineries to enhance our overall technical capabilities and improve our production efficiency.

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The cost for the investment for the setting up of the new production facilities in Kunshan, the purchase of additional production machineries and equipment and computer softwares are expected to be financed by the net proceeds from the Global Offering. Please see the section “Future Plans and Use of Proceeds” for details. We set out below the reasons, timing and details of our expansion plan.

	<b>PRC hot-pressing automotive mould market</b>	<b>PRC electrical appliance mould market</b>
<b>Market size in 2018 according to the Frost &amp; Sullivan Report:</b>	RMB2.1 billion in 2018	RMB16.6 billion in 2018
<b>Projected growth in market size between 2018 and 2023 according to the Frost &amp; Sullivan Report:</b>	Increase of RMB 2.6 billion to RMB4.7 billion in 2023, representing a CAGR of 18.1%	Increase of RMB7.2 billion to RMB23.8 billion in 2023, representing a CAGR of 7.5%
<b>Expected market growth in the near future:</b>	<p>Our largest customer, namely Gestamp Group, is a globally renowned leading company in the automotive parts manufacturing industry and the largest foreign hot-pressing automotive part producer in the PRC in 2018. According to the annual report of Gestamp for the year ended 31 December 2018, in July 2018, Gestamp Group had set up an additional subsidiary in Kunshan in the PRC principally engaged in parts manufacturing. It is expected that the expansion of Gestamp Group in the PRC would strengthen our growth as we are the sole supplier of hot-pressing automotive moulds to Gestamp Group in the PRC.</p> <p>To the best of our Directors’ knowledge, the PRC government had implemented measures in January 2019 to encourage the residents of the less developed cities to purchase electrical appliances. Since our Group’s second largest customer, Hisense Group, is a leading electrical appliance producer in the PRC, we believe that such measures of the PRC government would benefit the growth of Hisense Group and ultimately stimulate our growth.</p> <p>Our Directors expect our Group to be able to benefit from the above mentioned market growth.</p>	
<b>Our market share in 2018:</b>	4.9% (second largest in the PRC in 2018)	2.6% (in the TV mould market in PRC)

## BUSINESS

### Competitive landscape:

- Fragmented but with significant entry barriers in terms of experience, technical requirement, reputation and capital
- The top five players accounted for 23.4% of the total market in 2018, and the largest player accounted for 7.3%
- More concentrated in larger manufacturers
- Top five players of the PRC television mould market accounted for 37.1% of the total market, and the largest player accounted for 9.2%

### Our key competitive advantages according to the Frost & Sullivan Report

We believe we are well positioned to capture a significant part of the aforesaid market growth and to acquire additional share in the market from our competitors in the production of hot-pressing automotive mould and electrical appliance mould in the PRC with, among others:

- our strong research and development with core competence in providing automotive lightweight moulds with market leading position in terms of hot-pressing automotive mould sales, as well as having registered over 60 patents, including utility model patents that improve the product quality and life span of hot-pressing moulds; and
- long-term and stable relationship with major customers, including Gestamp, one of global renowned automotive component manufacturers and Hisense, a leading electrical appliance manufacturer

### **Current limitation for capturing additional market shares**

For FY2018, we had limited production capacity of 333,234 production hours, being the theoretical production capacity of our CNC machines, as CNC processing is a critical process in the production of all of our moulds. Our CNC machines had been operating at near full capacity (287,475 hours or 86.3% of our theoretical production capacity) in FY2018. The limited capacity of our CNC processing is currently limiting our ability to capture the aforesaid market growth and to gain additional market share. In FY2018, our electrical discharge machines, plastic injection machines and testing machines had utilisation rates of 93.4%, 86.2% and 80.4%, respectively, which are also limiting our overall capacity. We also need to continuously upgrade our production equipments including electrical discharge machines, plastic injection machines and testing machines by purchasing models of these machines with higher precision and more advanced functions to enhance our production quality in order to be able to satisfy the increasingly high requirements of our customers on mould production precision and efficiency, according to the Frost & Sullivan Report. Accordingly, we intend to (i) increase our processing quality and capacity by purchasing electrical discharge machines of higher efficiency and weight bearing capacity (for processing heavier moulds or mould parts); (ii) improve our capability in developing larger plastic injection moulds by purchasing plastic injection machines of higher injection volume and (iii) improve our capability in developing more complex hot-pressing moulds by purchasing testing machines of higher efficiency and higher weight bearing capacity (for processing heavier moulds or mould parts), with better control over temperature increase and other more advanced features for testing multiple parameters of our moulds.

Considering the historical growth rates of our CNC processing capacity, purchase orders and revenue during the Track Record Period, our Directors are of view that it is reasonable and conservative capacity planning to gradually purchase 13 sets of additional CNC machines to increase our CNC processing capacity to approximately 430,000 hours by FY2021 to ensure we are in a position to capture the aforementioned growth in the demand of our mould products. In addition, our Directors are of the view that it is reasonable and conservative for us to purchase three, four, and two additional sets of electrical discharge machines, plastic injection machines and testing machines by FY2021 to (i) cater for our expected growth as explained above; (ii) ensure the planned increased CNC processing capacity will not be held back by lack of capacity in other processes; (iii) ensure gradual upgrade of our major machinery to catch up on technological advancement and improvements in process efficiency and precision with newer models of the relevant machinery; (iv) widen the size range of our machines to cater for the fabrication and testing of mould products of a wider size range; (v) further enhance our competitiveness by offering more comprehensive moulding services and solutions to more of our customers; and (vi) prepare for the replacement of our aged plastic injection machines.

### **Expansion plans**

By leasing additional production space and acquiring equipment for mould manufacturing, we expect to increase our theoretical production capacity to approximately 430,000 hours (59 CNC machines x number of days in the year (adjusted on pro-rata basis based on the expected date of acquisition) x 22 hours a day) in FY2021 representing an increase of 96,766 hours (or 29.0%) from that for FY2018.

On the bases that:

- we recorded a CAGR revenue growth of approximately 29% from FY2016 to FY2018;

## BUSINESS

- our largest customer, namely Gestamp Group, is the market leader in hot-pressing automotive mould sector in the PRC, which is projected to grow at a CAGR of 18.1% in the next five years according to the Frost & Sullivan Report. As the sole supplier of hot-pressing automotive moulds to Gestamp in the PRC, we expect to be able to capture such growth;
- our second largest customer, namely Hisense Group, is one of the market leaders in manufacturing and selling electrical appliances. Our revenue from Hisense increased from RMB27.5 million in FY2016 to RMB38.4 million in FY2018, representing a CAGR of 18.2%. Given our well-established and long term relationship with Hisense Group, our Directors expect orders from Hisense Group will continue to increase; and
- we are able to continually develop business relationship with new customers. During the Track Record Period, we began business relationship with 24 new customers, which include Customer A, which was one of our top five customers in FY2017 and FY2018, and other manufacturers of automotive parts and/or electrical appliances. Our Directors expect the orders from these new customers will increase in the coming years,

Our Directors are confident that while we expand our production capacity, we will be able to solicit orders from our key customers and new customers, and thereby ensuring our expanded production capacity will be adequately utilised.

### Timeline

- (i) To lease and set up a new factory with a gross floor area of approximately 5,000 sq.m. in Kunshan by the second half of FY2021. The duration of the initial new factory lease is intended to be ten years subject to discussion and agreement with any potential landlord.

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- (ii) To purchase machines and softwares as listed below:

Year	Type of purchase	Number of equipment/ software to purchase	Estimated costs
FY2019	CNC machines	2	HK\$6.0 million
	Softwares <i>(Note 1)</i>	4	HK\$0.8 million
FY2020	CNC machines	5	HK\$19.4 million
	Electrical discharge machines	2	HK\$4.5 million
	Plastic injection machines	2	HK\$5.9 million
	Testing machine	1	HK\$7.5 million
	Softwares <i>(Note 1)</i>	10	HK\$1.5 million
FY2021	CNC machines	6	HK\$17.6 million
	Electrical discharge machines	1	HK\$2.3 million
	Plastic injection machines	2	HK\$5.9 million
	Testing machine	1	HK\$1.6 million
	Softwares <i>(Note 1)</i>	31 <i>(Note 2)</i>	HK\$3.8 million

*Notes:*

- (1) Softwares refer to computer softwares for product analysis and mould design.
- (2) With our gradual increase in our production capacity as a result of our planned purchase of equipment according to our expansion plans, in particular the planned purchase of five CNC machines in FY2020 and six CNC machines in FY2021, and also our strategy to expand our research and development capabilities, our Directors plan to purchase more softwares for production in FY2021 to cope with such planned increase in production capacity and expansion of our research and development capabilities.

### **Total investment costs and source of funding:**

The total investment costs for the above expansion plans are expected to be approximately HK\$83.4 million, comprising:

- (i) approximately HK\$3.7 million for leasing new premises for the new factory up to the end of FY2021;

## BUSINESS

- (ii) approximately HK\$3.0 million for general set up costs, which include the cost of renovation of the new factory, setting up electricity at the new factory, and the installation cost of our production equipments, particularly the cost of laying the foundation for stabilising our production equipments;
- (iii) approximately HK\$70.7 million for purchasing new production equipment, as set out above; and
- (iv) approximately HK\$6.0 million for purchasing software for product analysis and mould design as set out above.

All the above items are expected to be financed by the net proceeds from the Global Offering.

In addition to the expected investment costs set out above, we will also purchase other general operation tools and ancillary items, the amount of which is expected to be approximately HK\$6.5 million from the Listing Date to 31 December 2021. This is expected to be principally financed through cash generated from operations.

Investors should note that our implementation plans are formulated on the bases and assumptions set out in the section “Future Plans and Use of Proceeds”. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section “Risk Factors”. Therefore, there is no assurance that our business and expansion plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished.

Please also see the section “Future Plans and Use of Proceeds” for further information.

### **Expand our Customer Base and Enhance our Customer Service**

We intend to continue to leverage on our experience in the automotive mould and electrical appliance mould industries to expand our market share and continue to identify new customers in these industries to diversify our customer base.

During the Track Record Period, we engaged in various market research and business development activities with a view to exploring market trends and business opportunities with potential customers. We believe that understanding the market trends enables us to obtain first-hand information about the product features in various industries, which would be beneficial to us in satisfying our customers’ requirements.



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We aim to continue to dedicate resources to engage in market research and business development activities and maintaining good relationships with our customers by leveraging our technical expertise to offer value-adding support and advice on technical design, mechanical engineering and optimisation of production process of products. Through this approach, we believe that we will be able to develop and enhance our relationship with our customers, and maintain our competitive edge by understanding and catering for their needs and requirements.

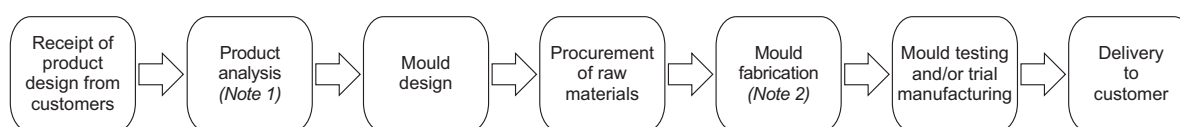
### Expand our Research and Development Capabilities

We believe that it is essential for us to continue to strengthen our research and development team in order to improve our product quality and production efficiency. We intend to further research and develop mould fabrication methodology to facilitate product designs and specifications. We intend to expand our research and development capabilities by hiring research and development personnel, and purchasing equipment for our research and development. Our Directors believe that expanding our research and development capabilities will serve to improve the precision and quality of our moulds and the efficiency of our processes which will eventually enhance our sales.

### BUSINESS MODEL

We design, develop and manufacture customised moulds for our customers, which are mainly in the automobile and electrical appliance manufacturing industries, according to their specifications. Depending on the complexity of the fabrication and our production capacity, we may outsource certain less technically complicated mould fabrication process to third party contractors from time to time. We also provide parts processing services to our customers.

The following diagram illustrates our business processes.



Notes:

- (1) Upon receipt of product design from a customer, we may be engaged by our customers to analyse their product design and specifications and suggest possible improvements where applicable.
- (2) Depending on the complexity of the fabrication requirement and our production capacity, we may outsource certain less technically complicated mould fabrication process to third-party contractors.

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The table below sets forth a breakdown of our revenue by category of products and services for the years indicated:

	FY2016		FY2017		FY2018	
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Sales of moulds</b>						
Automotive moulds	69,399	53.1	100,120	56.1	123,869	57.0
Electrical appliances moulds	48,327	37.0	57,306	32.1	68,909	31.7
Other moulds (Note 1)	<u>1,002</u>	<u>0.8</u>	<u>2,809</u>	<u>1.6</u>	<u>1,472</u>	<u>0.7</u>
Sub-total	118,728	90.9	160,235	89.8	194,250	89.4
<b>Parts processing services</b>	10,649	8.1	15,372	8.6	20,802	9.6
<b>Other sundry income (Note 2)</b>	<u>1,328</u>	<u>1.0</u>	<u>2,843</u>	<u>1.6</u>	<u>2,164</u>	<u>1.0</u>
<b>Total</b>	<u><u>130,705</u></u>	<u><u>100.0</u></u>	<u><u>178,450</u></u>	<u><u>100.0</u></u>	<u><u>217,216</u></u>	<u><u>100.0</u></u>

Notes:

- (1) The major types of these moulds included scanner moulds, explosion-proof robots moulds, and transformer moulds.
- (2) Our other sundry income principally included disposal of scrap metals and waste products to recycling company and service charges for small-scale trial production.

### OUR PRODUCTS AND SERVICES

Mould refers to the tool that is used to make metal or non-metal billets into parts of specific shapes and sizes under the action of external forces. It is a widely used equipment in mass manufacturing. Our production process of mould integrates precision design, computer technology and intelligent manufacturing to achieve accuracy and consistency of the produced parts and meet the different needs of various industries. Accordingly, our moulds are custom-made to target a particular final product or its component. The life span and prices of moulds we manufacture varies depending on the specifications of the mould. Generally, the moulds we fabricate can be utilised for more than 100,000 production cycles.

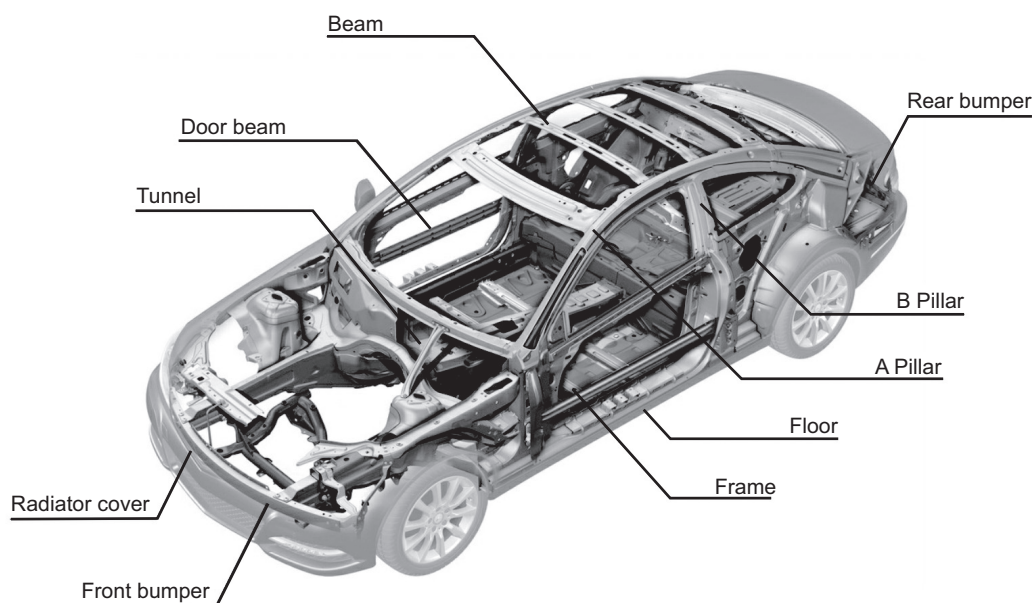
We have been principally engaged in the manufacturing of moulds for automotive and electrical appliance parts during the Track Record Period. Our major products include hot-pressing moulds, hydroforming moulds and plastic injection moulds.

We price our moulds based on their type, size and technical complexity. During the Track Record Period, the prices of our automotive moulds ranged from about RMB38,000 to RMB1,900,000 and the prices of our electrical appliance moulds ranged from about RMB17,000 to RMB1,239,000. Please see the section “Financial Information — Description and analysis of principal components in the consolidated statements of profit or loss” for further information.

### **Automotive Moulds**

We produced automotive moulds for the manufacturing of various parts in the frame of automobiles, including (i) beams, (ii) bumpers, (iii) door beams, (iv) floors, (v) tunnels and (vi) radiator covers. Automotive moulds we produced are mainly hot-pressing moulds, hydroforming moulds or plastic injection moulds. For FY2016, FY2017 and FY2018, we generated RMB69.4 million, RMB100.1 million and RMB123.9 million of our revenue from sales of automotive moulds, which accounted for 53.1%, 56.1% and 57.0% of our revenue for the corresponding periods. For FY2016, FY2017 and FY2018, we sold 93, 138 and 160 sets of automotive moulds, respectively.

The following diagram shows some of the automotive parts produced with the moulds we manufactured and their positions in an automobile:

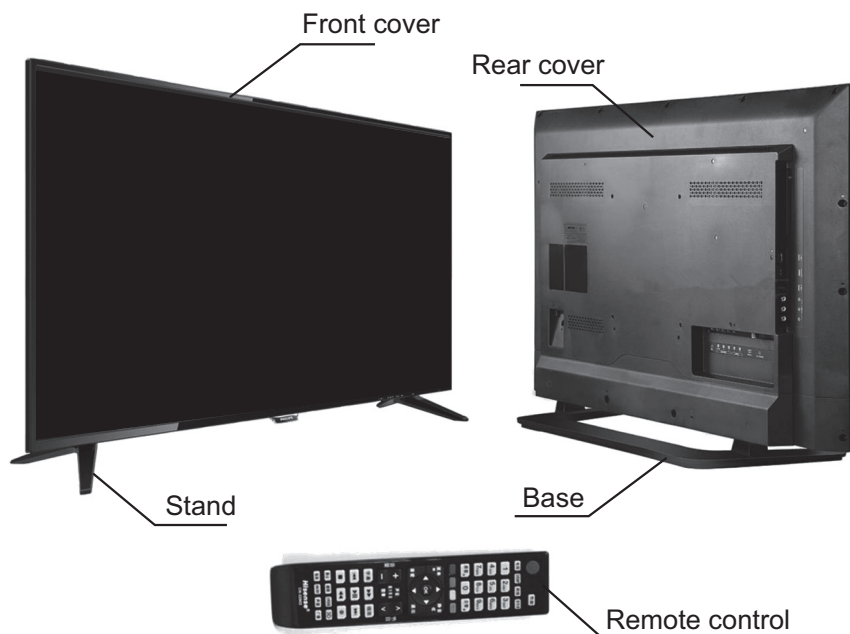


### **Electrical Appliance Moulds**

We produce 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 we produced are mainly plastic injection moulds. For FY2016, FY2017 and FY2018, we generated RMB48.3 million, RMB57.3 million and RMB68.9 million of our revenue from sales of electrical appliance moulds, which accounted for 37.0%, 32.1% and 31.7% of our revenue for the corresponding periods. For FY2016, FY2017 and FY2018, we sold 113, 138 and 150 sets of electrical appliance mould, respectively.

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The following diagram shows some of the television parts produced with the moulds we manufactured and their positions in a television set:



### Other Moulds

During the Track Record Period, we had also manufactured an insignificant amount of moulds for products other than automotive and electrical appliance parts, such as bicycle parts, industrial electrical equipment parts, explosion-proof robot parts and shells of optical scanners.

### Parts Processing Services

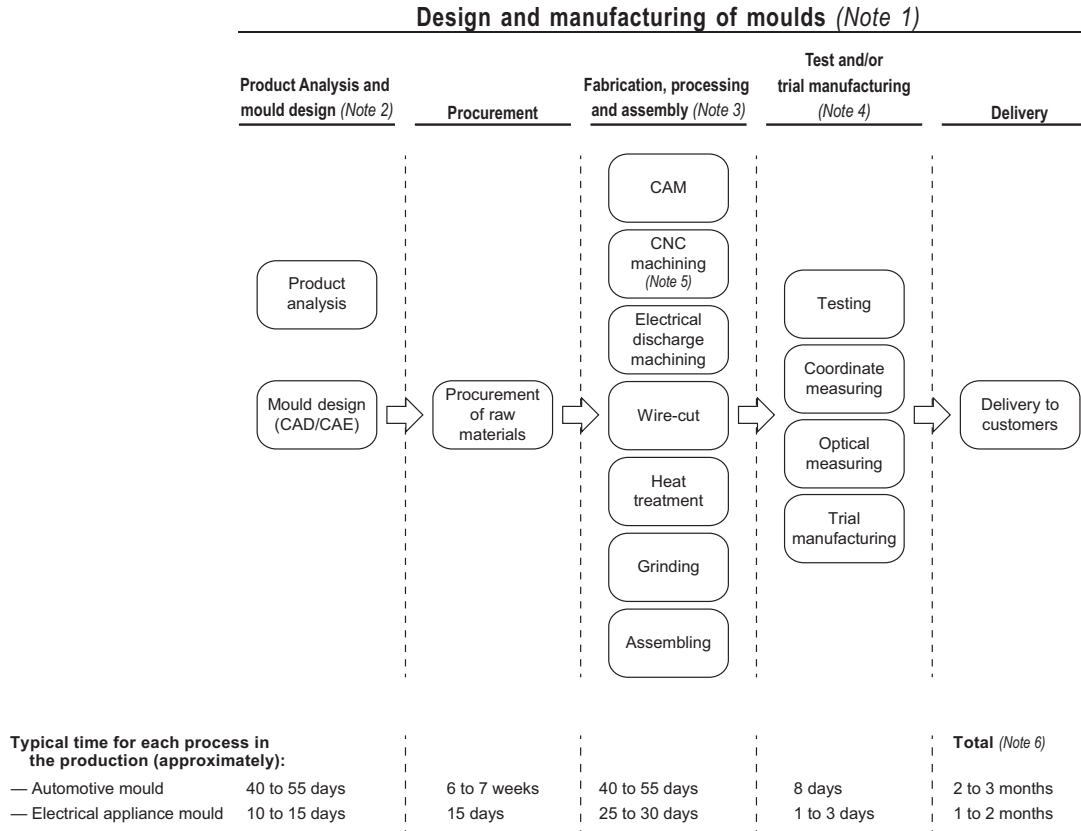
Our parts processing services principally include services provided to our customers for (i) modification of moulds we manufactured and (ii) processing machine parts that are used in automotive moulds. For FY2016, FY2017 and FY2018, parts processing services contributed to RMB10.6 million, RMB15.4 million and RMB20.8 million, or 8.1%, 8.6% and 9.6%, of our total revenue, respectively.

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## PRODUCTION

### Production Processes for our Moulds

Our moulds are customised products and the production process for our moulds varies depending on the type of mould and their specifications. The following flowchart illustrates the general production processes for our moulds.



**Notes:**

- (1) For illustrative purpose only. Production process may vary depending on the product type and specifications.
- (2) Time required for the design process may be significantly shortened where mould design was provided or specified by customers.
- (3) For illustrative purpose only. The application and the order of applying each fabrication step varies depending on product type specifications.
- (4) For illustrative purpose only. The application and the order of applying each testing step varies depending on product type specifications.
- (5) CNC machines were used extensively in the production of hot-pressing moulds to ensure precision and efficiency.
- (6) Some of the production processes may be carried out concurrently and the sum of the time required by each production processes may not be equal to the total production time of a mould.

## BUSINESS

**Product analysis.** Upon receipt of the product design from a customer, subject to the requirements of the customer, we can analyse our customer's product design and specifications and suggest possible improvements where applicable. With the final product design, our production team will formulate a production plan for the product. We will provide our customer with a preliminary plan, including preliminary mould specifications, budget and timetable. After the customer approves our preliminary plan, our production team will proceed to the mould design process.

**Design.** Our production team carries out CAD/CAM/CAE design and formulation according to our customers' product specifications and requirements. Our production team will enter the product specifications into our CAD programmes to generate two-dimensional design blueprints and three-dimensional geometry. Our fabrication technicians then use CAE simulation to identify the optimal fabrication pattern in accordance with the output from the CAD programmes. If the design passes our internal review, we will submit it to the customer for review and approval. The design of the mould would be modified and optimised based on our customer's feedback and request. Throughout the design stage, our production team communicates with our customer to modify the mould design according to the customer's feedback.

**Procurement.** After our customer confirms the mould design, we procure raw materials such as steel, die set, hot runner and other components for the production of the moulds.

**Fabrication, processing and assembly.** We generally fabricate our moulds in sub-parts, which are machined, processed and quality-tested individually before they are assembled into a mould. We use CNC machines to control and monitor the precision in the fabrication of moulds. Depending on the design of the mould components, we generally use electrical discharge machining, wire-cut, heat treatment, grinding and/or other processes to fabricate the mould components. Depending on the complexity of the moulds and our production capacity, we may sometimes outsource certain less technically complicated mould fabrication process to our subcontractors. Please see the sub-section "Subcontracting" below for further information.

**Testing and trial manufacturing.** Before our moulds are delivered to our customers, our quality control team inspects the mould according to the customers' product specifications. We may put the mould to trial manufacturing and the result of which may be used to further modify the mould. Please see the sub-section "Quality control and assurance" below for details regarding our quality control system and procedures.

**Delivery.** Moulds that pass our quality control procedures will be delivered to the customer.

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### PRODUCTION FACILITIES

#### Production base

During the Track Record Period, we conducted our mould manufacturing operations at our factories. The following table sets out certain information on our factories as at the Latest Practicable Date:

	<b>Kunshan factory 1</b>	<b>Kunshan factory 2</b>	<b>Qingdao factory</b>
Location	Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC	Huayuan Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC	Chuangye Road, Huangdao District, Qingdao City, the PRC
Total area	Approximately 7,873 square meters	Approximately 8,001 square meters	Approximately 1,955 square meters
Buildings	One manufacturing plant and offices	Two manufacturing plants, offices and car parks	One manufacturing plant and offices
Leased/owned	Owned	Leased	Leased
Expiry of the lease	Not applicable	2027	2021
Year of commencement of production	2003	2012	2015

For further information on our production base, please see the sub-section “Properties” below.

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### Equipment

We source our production equipment mainly from manufacturers in Germany and Taiwan. We believe that our equipment helps us to produce high quality products, and achieve higher efficiency and accuracy. Based on our experience, we estimate the useful lives of our mould fabrication equipment to be generally 8 to 10 years. While most of our production equipment has a useful life of 10 years, we have purchased second-hand used production equipment which has useful life of 8 years. As at 31 December 2018, the age of the majority of our key mould fabrication machines were approximately one to nine years. The following table sets out the number of units, expected life span and average age of our key equipment as at 31 December 2018:

Key production equipment <sup>(Note 1)</sup>	Function	Ownership	Number of units	Average age	Theoretical average residual useful life
				as at 31 December 2018	as at 31 December 2018 <sup>(Note 2)</sup>
CNC processing machine	Mould fabrication	Owned	45 <sup>(Note 3)</sup>	4.5	5.5
Electrical discharge machine	Mould fabrication	Owned	4	6.2	3.8
Plastic injection machine	Plastic injection	Owned	3	4.5	5.5
Testing machine	Testing of moulds	Owned	3	3.1	6.9
Die spotting machine	Pressing of moulds	Owned	<u>1</u>	5.1	4.9
		<b>Total:</b>	<u><u>56</u></u>		

*Notes:*

- (1) We also own some minor machines, equipment, operation tools and ancillary items each with cost below RMB0.5 million. Considering the lower precision of these processing machines and their relatively lower importance among our production equipment, we do not consider them to be among our key equipment.
- (2) Calculated based on the respective useful lives of these equipment as estimated by our Directors for accounting purpose. As at 31 December 2018, less than 15% of our production equipment aged beyond its estimated useful life.
- (3) This does not include one CNC processing machine with lower precision that costs below RMB0.5 million. Considering the lower precision of that CNC processing machine compared with our other CNC processing machines and its relatively lower importance among our production equipment, we do not classify it as one of our key equipment.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material production interruption caused by failure of our production equipment.



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### Production capacity and utilisation rate

Due to the diversity and the customised nature of our moulds and the fact that we can adapt our production process to meet the specifications of different products, the time required for each production process varies significantly across various types of our products. We consider that an estimate of our production capacity in terms of units of products are not meaningful. Since we use CNC machines to control and monitor the precision in mould fabrication, CNC processing is a critical process in the production of all of our moulds. Accordingly, we are of the view that our production capacity is best represented by the utilisation rate of our CNC machines. The following table sets out the theoretical production capacities, actual production time and utilisation rate of our CNC processing machines during the Track Record Period:

	2016	2017	2018
<b>Number of CNC machines as at 31 December</b>	30	36	46
<b>Theoretical production capacity (hours)</b> <i>(Note 1)</i>	209,528	255,002	333,234
<b>Actual production time (hours)</b> <i>(Note 2)</i>	190,555	232,431	287,475
<b>Utilisation rate</b> <i>(Note 3)</i>	90.9%	91.2%	86.3%

*Notes:*

- (1) Theoretical production capacity refers to the theoretical maximum production time of our CNC processing machines, calculated by number of CNC machines x number of days in the year (adjusted on pro-rata basis based on the date of acquisition) x 22 hours a day (we use CNC machines in mould fabrication and processing, and the total daily working hours of our workers in such processes is 22 hours), on the basis that each of our CNC processing machines can operate 22 hours a day on each working day and require eight days a year for maintenance (which we consider to be the maximum operating hours for each machine).
- (2) The total actual time for which the CNC machines were in operation.
- (3) Utilisation rate was calculated by actual production time divided by theoretical production capacity.

During the Track Record Period, the utilisation rate remained fairly stable and the theoretical production capacity and actual production time of our CNC processing machines increased steadily as we increased the number of our CNC machines.

### Estimated utilisation rates of some major equipment other than CNC machines

The utilisation rates of CNC machines are measured by meters associated with the CNC machines that calculate the time of usage and such measurement is not available for our other types of major equipment. We set out below our estimation of the utilisation of major equipment other than CNC machines. As such other equipment is not connected with any measuring device, the estimation was prepared based on (i) the number of processes performed by the relevant major equipment, (ii) the inspection record of the relevant major equipment, and (iii) our actual working hours during the Track Record Period. Theoretical production of the electrical discharge machines are calculated by number of machines multiplied by number of working days of the year (excluding eight days a year for maintenance) multiplied by 22 hours per working day (we use electrical discharge machines in mould fabrication and processing, and the total daily working hours of our workers in such processes is 22 hours). Theoretical production capacities of plastic injection machines and testing machines are calculated by number of machines

## BUSINESS

multiplied by number of working days of the year (excluding eight days a year for maintenance) multiplied by eight hours per working day (we use plastic injection machines and testing machines in mould testing and trial manufacturing, and the total daily working hours of our workers in such processes is eight hours). The resulting utilisation rate calculated by the estimated production time divided by theoretical production capacity of our major equipment other than CNC machines during the Track Record Period are as follows:

	2016	2017	2018
<b>Electrical discharge machines</b>	81.3%	90.8%	93.4%
<b>Plastic injection machines</b> <sup>(Note)</sup>	73.5%	85.0%	86.2%
<b>Testing machines</b>	85.2%	96.1%	80.4%

*Note:* One plastic injection machine was not included in the calculation of the utilisation rate as this machine can only be used to manufacture a specific type of mould. As at the Latest Practicable Date, we only have one customer who purchased this type of mould. We do not intend to purchase this specific type of plastic injection machine as part of our expansion plan.

### Subcontracting

As we were operating at almost full capacity during the Track Record Period, we outsourced certain less technically complicated mould fabrication processes to third party contractors from time to time. For FY2016, FY2017 and FY2018, our subcontracting expenses were RMB11.9 million, RMB20.3 million, and RMB27.0 million, representing 15.1%, 18.1% and 18.7% of our cost of sales, respectively.

In general, we engage subcontractors on a case by case basis and do not enter into long-term contracts with them. Our agreements with subcontractors generally contain terms on the technical specifications of the subcontracting works, product testing, delivery terms and payment terms. In general, the price of subcontracting is determined according to the technical complexity of the processes and time required for the processes.

<b>Product/service</b>	Specifications of the product or service subcontracted.
<b>Raw materials</b>	We usually supply the major raw materials to the subcontractor.
<b>Product testing</b>	This include details on product testing including date, venue and procedure.
<b>Delivery terms</b>	This include the date and place of delivery.
<b>Payment terms</b>	In general, we pay 30% of the subcontracting fee upon the signing of agreement, 30% upon passing of our product testing and 40% upon passing of the product testing of our customer.
<b>Responsibility</b>	Subcontractor is generally responsible for the financial consequence for its failure to deliver on time, failure to pass our customer's product testing and our consequential losses.
<b>Confidentiality</b>	Subcontractors are required to keep the technical specifications and trade secrets in strict confidentiality.

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We select subcontractors based on a number of factors, including their technical capabilities, production capacity, production equipments and personnel. For FY2016, FY2017 and FY2018, the majority of our subcontracting orders, in terms of the amount of subcontracting expenses, were placed with 13, 15 and 15 subcontractors, respectively; and the majority of our subcontractors had a business relationship of two years or above with us. All of our subcontractors during the Track Record Period are Independent Third Parties. During the Track Record Period, we did not experience any difficulties in finding suitable subcontractors and we do not foresee any difficulties in finding subcontractors in the foreseeable future.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material delay by our subcontractors or any material claims from our customers relating to our subcontractors or their works.

### QUALITY CONTROL AND ASSURANCE

We believe that an effective quality management system is critical to ensure the quality of our products and maintaining our reputation and success. Our production quality and capability are accredited with the IATF16949:2016 certification relating to our innovation, orientation to customer and ability to meet customer specific requirements, and ISO9001:2015 certification relating to the quality of manufacturing precision cavity moulds, automotive moulds and mechanical parts. We have adopted quality control and assurance systems in accordance with the relevant standards in respect of our production and operations.

#### Quality Control and Assurance Standards

We place a strong emphasis on adopting quality control and assurance systems. The table below summarises the certificates for the standards that we have attained.

<b>Accreditation &amp; Certificate</b>	<b>Date of issue (validity period)</b>	<b>Accredited by/Certified by</b>
ISO9001:2015	October 2009 (until October 2020)	International Organisation for Standardisation
IATF16949:2016	September 2018	International Automotive Task Force

According to the ISO9001:2015 requirements, an organisation which is accredited with ISO9001:2015 (i) has the ability to consistently provide product that meets customer and applicable statutory and regulatory requirements; and (ii) aims to enhance customer satisfaction through the effective application of the system, including processes for continuous improvement of the system and the assurance of conformity to customer and applicable statutory and regulation requirements. According to the International Automotive Task Force, IATF 16949:2016 is a recognition of innovation, orientation to the customer, and the ability to meet customer specific requirements.

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With our well-established quality management system in place, we have not experienced any material safety issues with our products reported or identified by our customers or relevant government authorities or any material product liability or legal claims due to the quality of our products, and we have not been subject to any material adverse findings by any government authority during the Track Record Period and up to the Latest Practicable Date.

### Quality Control Team

We have maintained a well-established quality control system and strict standard operating procedures for our quality control and assurance functions, in accordance with the standards set out above. Our quality control team had 13 employees as at 31 December 2018, most of whom have related educational background and working experience before joining us. Our quality management team is led by Mr. Wang Kun, our experienced and dedicated quality control manager, who have been with our Group for over seven years.

Our quality control team establishes the procedures to be followed in respect of each of our production and operation processes set out in the table below, and monitors the implementation of and compliance with these procedures.

<b>Production process</b>	<b>Quality control measures</b>
Subcontracting	Monitoring the technical capabilities, delivery time and price of the subcontractors meet our requirements
Procurement	Inspecting the quality of our supplies based on their physical measurements, strength, polishing, malleability and ductility
Fabrication	Monitoring our production processes and inspecting our production processes on-site to verify that our manufacturing processes continue to comply with our standards; conducting checks on certain in-process products and semi-finished products at different stages of production in accordance with the approved procedures
Outgoing	Conducting inspection and testing on our products in accordance with our quality control procedures; ensuring products that do not meet our quality standards are disposed of or modified and only products that have passed all specifications and requirements can be delivered to our customers
After service	Monitoring customer satisfaction and formulating rectification and preventive measures where there are complaints on product quality

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### Product Returns and Warranty

As our moulds are used in our customers' manufacturing processes, we test and inspect our moulds extensively prior to delivery to customers to minimise quality issues. Upon our delivery of the moulds, our customers will examine the products and report to us if our products do not conform to their specifications. In general, we provide a warranty period of 6 to 12 months during which we are responsible for any issue relating to the quality, design or other problems of our moulds. In certain agreements with our customers, we provide warranty on the specified number of sets of products that can be produced with our moulds by the customers. In general, our contracts with our customers do not provide for product return. Please see the section "Financial Information — Critical Accounting Policies, Estimates and Judgement — Warranty provision" for further information.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product return, and we had not recalled any product due to quality or other issue. Our Directors confirmed that during the Track Record Period and as at the Latest Practicable Date, we had not received any material complaint and our products had not been subject to any material claim, litigation or investigation, and there had not been any product recall or material accident relating to our products.

### SALES AND CUSTOMERS

We sell our moulds directly to our customers. Our customers can be classified into three main categories:

- (1) automobile and automotive part manufacturers, such as Gestamp Group;
- (2) electrical appliances manufacturers, such as Hisense Group; and
- (3) other manufacturers, such as manufacturers of bicycle parts and industrial electrical equipment parts.

We do not enter into any long-term sales agreement with our customers, which we believe is consistent with market practice. Rather, our sales are based on agreements on a case by case basis or purchase orders, depending on the customers' production needs. We generally offer a credit period of 20 to 180 days to our customers. Payments are usually settled by our customers by telegraphic transfer, bank draft or cheque.

The following table sets forth our revenue by geographic segment for the periods indicated.

	FY2016		FY2017		FY2018	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
The PRC	128,198	98.1	173,804	97.4	209,185	96.3
Overseas <sup>(Note)</sup>	<u>2,507</u>	<u>1.9</u>	<u>4,646</u>	<u>2.6</u>	<u>8,031</u>	<u>3.7</u>
<b>Total</b>	<u>130,705</u>	<u>100.0</u>	<u>178,450</u>	<u>100.0</u>	<u>217,216</u>	<u>100.0</u>

*Note:* Our overseas sales mainly included sales to South America and Europe.

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During the Track Record Period, none of our major customers were located in the United States and we did not derive significant portion of our revenue from business in the United States. To the best of our knowledge, sales of our major customers are not mainly made to the United States. Accordingly, our Directors do not consider our business will be materially affected by the trade disputes between the United States and the PRC.

### Top Five Customers

For FY2016, FY2017 and FY2018, sales to our top five customers, in aggregate, accounted for 78.7%, 71.8% and 69.7%, respectively, of our revenue. Sales to our single largest customer for FY2016, FY2017 and FY2018, Gestamp Group, accounted for 43.7%, 44.3% and 36.7% of our revenue for the corresponding periods. Please see the risk in the section “Risk Factors — Risks Relating to Our Businesses — We derive a significant portion of our revenue from our top five customers and any decrease or termination in our sales to any one of them may have a material adverse effect on our business and financial condition”.

As at the Latest Practicable Date, most of our top five customers during the Track Record Period had over five years of business relationship with us. During the Track Record Period and as at the Latest Practicable Date, we had not experienced any material payment defaults by our customers. Apart from Gestamp Group, which is associated with Gestamp Automocion, S.A., a company listed on the Bolsa de Madrid Stock Exchange (stock code: GEST), the Germany Stock Exchanges (including the Berlin Stock Exchange, the Stuttgart Stock Exchange, the Dusseldorf Stock Exchange and the Frankfurt Stock Exchange) (stock code: 7GA), the London Stock Exchange (stock code: OROM) and the Mexico Stock Exchange (stock code: GESTN); Hisense Group, which is associated with Qingdao Hisense, a company listed on the Shanghai Stock Exchange (stock code: 600060), and Hisense Home Appliances Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00921); and Echom Science & Technology Group, which is associated with Guangzhou Echom Science and Technology Company Limited (廣州毅昌科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002420); none of our top five customers are listed companies. All of our top five customers during the Track Record Period are Independent Third Parties. To the best knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital had any interest in our top five customers during the Track Record Period.

We endeavour to market our products to new and existing customers, mainly targeting automobile manufacturers and electrical appliances manufacturers in the PRC, and to diversify our customer base by attending product exhibitions and industry conferences. For details, please see the sub-section “Sales and Marketing” in this section.

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The following tables set out certain basic information regarding our top five customers for the periods indicated.

### For FY2016

Customer	Background and principal business nature	Principal products purchased	Years of relationship with our Group as at the Latest Practicable Date	Credit terms	Payment method	Transaction amount (RMB million)	% of our revenue
Gestamp Group	Global renowned automotive parts manufacturer. Please see the sub-section "Relationship with Gestamp Group" below	Automotive moulds	10	60 or 90 days	Bank transfer	57.1	43.7
Hisense Group	Leading electrical appliance manufacturer headquartered in the PRC and is a leader in manufacturing televisions	Electrical appliance moulds	8	20 days	Bank transfer	27.5	21.1
Echom Science & Technology Group (毅昌科技)	An electrical appliance manufacturer in the PRC	Electrical appliance moulds	5	90 days	Bank transfer	8.6	6.5
Itami Plastic (Changshu) Company Limited (伊丹樹脂製品(常熟)有限公司)	Electrical appliance and plastic product manufacturer in the PRC	Electrical appliance moulds	11	90 days	Bank transfer	4.9	3.8
Shanghai Kunyi Precise Metal Molding Products Company Limited (上海坤億精密金屬成形製品有限公司)	Automotive parts manufacturer in the PRC	Automotive moulds	10	90/180 days	Bank transfer	4.7	3.6
<b>Total</b>						<b>102.8</b>	<b>78.7</b>

## BUSINESS

### For FY2017

Customer	Background and principal business nature	Principal products purchased	Years of relationship with our Group as at the Latest Practicable Date	Credit terms	Payment method	Transaction amount (RMB million)	% of our revenue
Gestamp Group	Please see above.	Automotive moulds	10	60 or 90 days	Bank transfer	79.1	44.3
Hisense Group	Please see above.	Electrical appliance moulds	8	20 days	Bank transfer	33.0	18.5
Customer A	Electrical appliance manufacturer in the PRC	Electrical appliance moulds	2	90 days	Bank transfer	5.6	3.1
Itami Plastic (Changshu) Company Limited (伊丹樹脂製品(常熟)有限公司)	Please see above.	Electrical appliance moulds	11	90 days	Bank transfer	5.3	3.0
Sika Group	An automotive parts manufacturer headquartered in Switzerland and is a supplier of parts for commercial vehicles and construction vehicles	Automotive moulds	10	Against delivery — 60 days	Bank transfer	5.2	2.9
<b>Total</b>						<b>128.2</b>	<b>71.8</b>

### For FY2018

Customer	Background and principal business nature	Principal products purchased	Years of relationship with our Group as at the Latest Practicable Date	Credit terms	Payment method	Transaction amount (RMB million)	% of our revenue
Gestamp Group	Please see above.	Automotive moulds	10	60 or 90 days	Bank transfer	79.6	36.7
Hisense Group	Please see above.	Electrical appliance moulds	8	20 days	Bank transfer	38.4	17.7
Kunshan City Zhangpu Town Ming Yuan Da Precision Mould Factory (昆山市張浦鎮明遠達精密模具廠)	Automotive mould manufacturer in the PRC	Automotive moulds and machine parts processing	5	180 days	Bank transfer	13.3	6.1
Changchun CECK Auto Parts Company Limited (長春捷科汽車部件有限公司)	Automotive parts manufacturer in the PRC	Automotive moulds	3	90 days	Bank transfer	11.8	5.5
Customer A	Please see above.	Electrical appliance moulds	2	90 days	Bank transfer	8.0	3.7
<b>Total</b>						<b>151.2</b>	<b>69.7</b>



### **Entities which were both our Customers and Suppliers**

One of our top ten suppliers for FY2016, which supplied die sets to us, was also our customer, to which we provided parts processing service, as the process required a specific kind of CNC machine that we have. For FY2016, our purchase from this supplier was RMB5.3 million, representing 6.5% of our cost of sales for FY2016. For FY2016, our revenue generated from our sales to it was approximately RMB13,000, representing less than 0.01% of our revenue. Gross profit for sales to this company in FY2016 was RMB9,800 and the gross profit margin was 73.9%. Our Directors confirmed that we did not sell to this company in FY2017 and FY2018.

For FY2016, FY2017 and FY2018, four, five and four, respectively, of our top ten customers were also our suppliers. Revenue generated from these customers for FY2016, FY2017 and FY2018 were RMB41.8 million, RMB47.6 million and RMB64.8 million, respectively, representing 32.0%, 26.4% and 29.8% of our revenue for the corresponding periods. Our aggregate purchases from these companies were RMB0.3 million, RMB0.8 million and RMB0.5 million, representing 0.4%, 0.7% and 0.3%, respectively, of our cost of sales for FY2016, FY2017 and FY2018. Gross profit for our sales to these companies for FY2016, FY2017 and FY2018 were RMB11.5 million, RMB13.8 million and the RMB20.4 million, and the gross profit margin was 27.6%, 29.0% and 31.5%, respectively. Our purchases from these companies generally comprise (i) the purchase of plastic materials from them for testing the moulds we produced for them to ensure the accuracy of testing and trial production, and (ii) the outsourcing of certain mould fabrication processes to these companies for the production of moulds we sold to our other customers. To fully utilise our production capacity and increase our profitability, during the Track Record Period, while we outsourced certain less technically complicated mould fabrication processes to third party contractors, we accepted subcontracting orders with higher profit margin from other mould manufacturers in Kunshan. For FY2016, FY2017 and FY2018, our revenue generated from customers which are mould manufacturers to the best of the knowledge of our Directors are RMB4.8 million, RMB7.9 million and RMB17.3 million, respectively, representing 3.7%, 4.4% and 8.0% of our revenue for the corresponding periods.

All the above mentioned entities are Independent Third Parties. Negotiations of the terms of our purchases from and sales to all of the above mentioned entities were neither inter-connected nor inter-conditional with each other. The terms of transactions with these companies are in line with the market and similar to those transactions with our other customers and suppliers.

### **Relationship with Gestamp Group**

We began to manufacture moulds for automotive parts for Gestamp Group in 2009. Gestamp Group is a global renowned manufacturer of automotive parts. According to the Frost & Sullivan Report, Gestamp group was the largest foreign hot-pressing automotive part producer in the PRC in 2018, with 10% market share in terms of total sales value of hot-pressing auto parts. We have established a stable relationship with Gestamp Group since 2009. We are the sole supplier of hot-pressing automotive moulds to Gestamp Group in the PRC. For FY2016, FY2017 and FY2018, sales to Gestamp Group represented 43.7%, 44.3% and 36.7% of our revenue, respectively.

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Our Directors are of the view that our reliance on Gestamp Group would not affect our suitability for Listing and that we are able to reduce our reliance on Gestamp Group for the following reasons:

- (i) **Business model and revenue sustainability:** Having accumulated extensive experience and know-how, our Directors believe that it would not be difficult for us to identify and sell to new customers. During the Track Record Period, we began business relationship with 24 new customers. We believe that we have built a good reputation for reliability, high quality products and we are well-prepared to transact with new customers and explore new business opportunities.
- (ii) **Stable and mutually beneficial relationship with Gestamp Group:** Being the sole supplier of hot-pressing automotive moulds to Gestamp Group in the PRC, we believe that we have developed a mutually beneficial business relationship with Gestamp Group. During our business relationship with Gestamp Group, Gestamp Group has never ceased to purchase moulds from us, and we are of the view that we can continue to provide quality moulds and maintain our business relationship with Gestamp Group.
- (iii) **Industry landscape:** We are well-positioned in the automotive mould market in the PRC, where stable growth is expected. According to the Frost & Sullivan Report, the automotive mould market size in the PRC is expected to increase from RMB15.8 billion in 2018 to RMB20.2 billion in 2023, representing a CAGR of 5.0%. The size of the PRC hot-pressing mould market by value is expected to increase from RMB2.1 billion in 2018 to RMB4.7 billion in 2023, representing a CAGR of 18.1%.
- (iv) **Flexible production capability:** Our production facilities were not specifically designed to cater for Gestamp Group and can be used flexibly to produce other moulds for other customers. We are able to serve new customers by reallocating our production capacities. We are of the view that our existing production facilities, employees' skills and production skills can be readily transferred to serve other customers, in the unlikely event that we fail to secure new orders from Gestamp Group.

### Principal Terms of Agreements with our Major Customers

We generally enter into sales and purchase agreements with our customers. The terms of such agreements vary depending on the requirements of the customers and the relevant products, but generally include product specifications, payment terms, delivery terms, product modification, product testing and warranty.

<b>Pricing</b>	Price is specified for each product or product component.
<b>Payment terms</b>	In general, we charge 30% of the price upon the signing of the agreements, 40% to 50% after the mould has been fabricated, passed our customer's initial testing at our factory and are ready for delivery to our customers and the balance upon the product passing the testing by our customers.

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<b>Product information</b>	The agreements include specifications of the product and product components.
<b>Delivery terms</b>	The date and place of delivery and the packing standards of the products are specified.
<b>Product modifications</b>	In general, the customer is responsible for any material additional costs arising from modification of products at their request.
<b>Product testing</b>	In general, the agreements include details on product testing, including the time and procedures.
<b>Acceptance</b>	Our moulds are generally deemed accepted by our customers after they issue the final acceptance report. Due to the relatively long examination period of moulds, which depending on the production process of our customers may involve both the trial production and mass production by our customers, the period after delivery and before acceptance are typically 10 to 16 months for automotive moulds and 2 to 7 months for electrical appliance moulds.
<b>Intellectual property</b>	Intellectual property created regarding the moulds generally belongs to our customers.
<b>Warranty</b>	We generally provide a warranty period of 6 to 12 months, during which we are responsible for resolving issues on product quality and/or design. In certain agreements, we provided warranty on the specified number of sets of products that can be produced by our customers using our moulds.

We consider that our customers will only obtain the legal title of the completed moulds after they have issued the final acceptance report, for which we have present right to the payment and the collection of the consideration is probable. We consider that the control over the domestic sales of moulds are transferred at the time when our customers issue the final acceptance report to us. Pursuant to the adoption of IFRS15, we recognise our revenue from domestic sales of moulds when our customers issue the final acceptance report to us. As our customers typically take 10 to 16 months (for automotive moulds) and 2 to 7 months (for electrical appliance moulds) to issue the final acceptance report, such long examination period means we could not recognise the relevant revenue until a considerable period of time has passed from the date of mould delivery. During this long examination period, the delivered moulds remain classified as finished goods in our inventories and any advance payments from our customers before issuance of the final acceptance report are recorded as contract liabilities. As a result, we had significant inventories, in particular finished goods, and contract liabilities balances during the Track Record Period. Our contract liabilities will be recognised as revenue after receipt of the final acceptance report from our customers. For overseas sales of moulds,

## **BUSINESS**

revenue is recognised at a point in time when the control over the moulds is transferred to our customers, that is when they obtain the physical possession or the legal title of the completed moulds based on the respective shipping terms.

### **Sales and Marketing**

As at 31 December 2018, our sales and marketing team comprised 13 employees, who are responsible for developing and supporting our relationship with our major customers. We generally market and sell our products directly to our customers. During the Track Record Period, we did not sell our products through any distributor.

We seek opportunities to expand our customer base while maintain our business relationship with our existing customers. We conduct visits to and meet with our existing major customers from time to time with a view to securing existing business, promoting our scope of business and our range of products, and increasing the volume of orders which they may place with us. We engage in market research and business development activities by attending product exhibitions and industry conferences from time to time to exploring market trends and discovering business opportunities with potential customers.

### **Pricing Policy**

When devising the price of our products, we take into account our cost of production and target margin percentage. In general, the cost of production mainly comprises the price of raw materials and/or components, and the cost of subcontracting certain process to third party subcontractors (where applicable). We determine our target margin percentages taking into account factors such as technical complexity, market competition and customer relationship. Our quotations do not specify any provision for us to renegotiate if there is a significant fluctuation in the price of raw materials and/or components. Our Directors confirmed that during the Track Record Period, we did not experience any material fluctuations in the cost of raw materials and/or components, difficulties in sourcing raw materials and/or components, or any major defaults or delay by our suppliers that had a material adverse impact on our operations.

### **Credit Control**

The credit terms offered to our customers vary depending on factors including their credibility, our profit margin, volume of purchases and our relationship with the customer. Our payments are generally settled by telegraphic transfers, bank draft or bank transfers. Please refer to the section “Financial information — Description and analysis of principal components in the consolidated statements of financial position — Trade and notes receivables”. We generally require our customers to pay 30% of the price as prepayment when placing a purchase order and around 40% to 50% of the price when the moulds have been fabricated and are ready for delivery to our customers. We generally require the remaining balance to be paid after the moulds have passed inspection and examination, and were accepted by our customers. We generally offer a credit period of 20 to 180 days to our customers.

### **Customer Feedback and Complaint Handling**

We consider customer feedback a valuable tool for improving our service. We take customer feedback seriously and have established a set of procedures for handling customer complaints. During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaint.

### **Seasonality**

Our Directors confirmed that neither our business nor our revenue was subject to any material seasonality during the Track Record Period.

## **OUR SUPPLIERS**

### **Selection of Suppliers**

In general, we assess the quality of our suppliers regularly and maintain a list of approved suppliers, which are selected based on a number of factors including their product quality, price and ability to accommodate our production schedule. Some of our customers may require us to purchase particular raw materials that are only supplied by particular suppliers. In procuring raw materials, we usually obtain quotations from three approved suppliers and we make our decision on suppliers according to their product quality, price, delivery time, reputation and our customers' specifications.

None of our Directors or their respective associates or our Shareholders who, to the best knowledge of our Directors, own more than 5% of the issued Shares of our Company had any interest in our top five suppliers during the Track Record Period. None of our top five suppliers during the Track Record Period is connected to our Group.

### **Suppliers of Raw Materials and Components**

The principal raw materials for our business include steel, die set, hot runner and other components of moulds. In general, we place orders when we source from a supplier and do not enter into long-term contracts with them. Although we generally do not enter into long-term supply agreement with our suppliers, our Directors confirmed that we maintained stable relationship with our major suppliers and have not experienced any supply shortage during the Track Record Period and we have not been subject to material price increases by our suppliers during the Track Record Period. During the Track Record Period, we had sourced from over 200 suppliers. We have more than eight years of business relationship with most of our top five suppliers during the Track Record Period. During the Track Record Period, we purchased raw materials for mould manufacturing from suppliers located in the PRC. Our Directors do not anticipate difficulty in procuring raw materials necessary for our production, and believe that in the event of price increases, we are generally able to respond to a portion of the price increase by adjusting the prices of our products.

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The terms contained in our purchase orders generally contain terms in relation to the specification of the raw materials or components, delivery time, costs and payment terms. We are generally given a credit period of 30 to 120 days from the invoice date by our suppliers. We usually settle our payments with our suppliers by bank transfer or bank draft.

### Top Five Suppliers

For FY2016, FY2017 and FY2018, purchases from our top five suppliers represented 23.7%, 35.2% and 30.2% of our total purchases, respectively, and purchases from our largest supplier represented 9.3%, 13.5% and 9.5%, respectively, of our total purchases for the corresponding periods. To the best of our knowledge, apart from Assab Tooling Technology (Shanghai) Company Limited, which is associated with Voestalpine AG, a company listed on the Vienna Stock Exchange (stock code: VOE), the Germany Stock Exchanges (including the Berlin Stock Exchange, the Munich Stock Exchange, the Stuttgart Stock Exchange, the Dusseldorf Stock Exchange, the Frankfurt Stock Exchange and the Hamburg Stock Exchange) (stock code: VAS), the SIX Swiss Exchange (stock code: VOE), the Berne Stock Exchange (stock code: VAS), the London Stock Exchange (stock code: 0MKX) and the Prague Stock Exchange (stock code: VOE); none of our top five suppliers are listed companies or members of listed companies. All of our top five suppliers during the Track Record Period are Independent Third Parties.

The table below set out information of our top five suppliers for the periods indicated:

#### FY2016

Supplier	Background and principal business nature	Principal products supplied	Years of relationship with our Group as at the Latest Practicable Date		Payment method	Transaction amount (RMB million)	% of our total purchases
			Practicable Date	Credit terms			
Assab Tooling Technology (Shanghai) Company Limited (一勝百模具技術(上海)有限公司)	Processing and sales of steel and steel products; manufacturing and sales of moulds; sales of computer software for industrial use	Steel materials	10	90 days	Bank transfer	12.0	9.3
Kunshan Longxiang Mould Industry Company Limited (昆山龍祥模架工業有限公司)	Development, manufacturing and sales of moulds and metal parts	Die set	11	90 days	Bank transfer	5.3	4.1
Liudao Wanhe (Suzhou) Hot Runners System Company Limited (柳道萬和(蘇州)熱流道系統有限公司)	Manufacturing and sales of industrial machines and moulds	Hot-runner	10	120 days	Bank transfer	4.9	3.8
Kunshan Exceller Tooling Company Limited (昆山市凱越模具有限公司)	Development, manufacturing and sales of moulds and metal parts	Metal parts	8	30 days	Bank transfer	4.4	3.4
Kunshan Changlong Mould Steel Materials Company Limited (昆山市昌隆模具鋼材有限公司)	Processing and sales of mould components and metal	Steel materials	13	120 days	Bank transfer	4.0	3.1
Total						<u>30.5</u>	<u>23.7</u>

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### FY2017

Supplier	Background and principal business nature	Principal products supplied	Years of relationship with our Group as at the Latest		Payment method	Transaction amount (RMB million)	% of our total purchases
			Practicable Date	Credit terms			
Assab Tooling Technology (Shanghai) Company Limited (一勝百模具技術(上海)有限公司)	Processing and sales of steel and steel products; manufacturing and sales of moulds; sales of computer software for industrial use	Steel materials	10	90 days	Bank transfer	16.8	13.5
Kunshan Excele Tooling Company Limited (昆山市凱越模具有限公司)	Development, manufacturing and sales of moulds and metal parts	Metal parts	8	30 days	Bank transfer	8.4	6.7
Kunshan Longxiang Mould Industry Company Limited (昆山龍祥模架工業有限公司)	Development, manufacturing and sales of moulds and metal parts	Die set	11	90 days	Bank transfer	8.4	6.7
Magic Precision Mould (Kunshan) Company Limited (昆山市麥杰克精密模具有限公司)	Development, processing and sales of moulds and metal parts; sales of machines, metal products and plastic products	Mould accessories and metal parts	4	60 days	Bank transfer	5.3	4.3
Suzhou Industrial Park Zone Lingfeng Die Steel Company Limited (蘇州工業園區凌峰模具鋼有限公司)	Manufacturing and sales of steel and moulds; processing, manufacturing and sales of metal products and machines	Steel materials	11	30 or 120 days	Bank transfer	5.0	4.0
<b>Total</b>						<b>43.9</b>	<b>35.2</b>

### FY2018

Supplier	Background and principal business nature	Principal products supplied	Years of relationship with our Group as at the Latest		Payment method	Transaction amount (RMB million)	% of our total purchases
			Practicable Date	Credit terms			
Assab Tooling Technology (Shanghai) Company Limited (一勝百模具技術(上海)有限公司)	Processing and sales of steel and steel products; manufacturing and sales of moulds; sales of computer software for industrial use	Steel materials	10	90 days	Bank transfer	12.1	9.5
Magic Precision Mould (Kunshan) Company Limited (昆山市麥杰克精密模具有限公司)	Development, processing and sales of moulds and metal parts; sales of machines, metal products and plastic products	Mould accessories and metal parts	4	60 days	Bank transfer	7.9	6.2
Kunshan Longxiang Mould Industry Company Limited (昆山龍祥模架工業有限公司)	Development, manufacturing and sales of moulds and metal parts	Die set	11	90 days	Bank transfer	6.7	5.3
Liudao Wanhe (Suzhou) Hot Runners System Company Limited (柳道萬和(蘇州)熱流道系統有限公司)	Manufacturing and sales of industrial machines and moulds	Hot-runner	10	120 days	Bank transfer	6.6	5.2
Kunshan Excele Tooling Company Limited (昆山市凱越模具有限公司)	Development, manufacturing and sales of moulds and metal parts	Metal parts	8	30 days	Bank transfer	5.1	4.0
<b>Total</b>						<b>38.4</b>	<b>30.2</b>

**INVENTORY**

Our inventory consists of (i) raw materials and low value consumables used in our production, (ii) work-in-progress and (iii) finished goods (which comprise moulds delivered to our customers and passed their initial inspection, but for which we have not received their final acceptance reports). For the Track Record Period, we did not keep any material level of inventory of raw materials and consumables as we generally procured raw materials upon our customers' confirmation of their orders. In general, our moulds will be deemed accepted by our customers after our customers issued the final acceptance report. Due to the relatively long examination period of moulds, which depends on the production process of our customers may involve both the trial production and mass production by our customers, in line with industry norm, the inspection period of our moulds, i.e. the period after delivery and before acceptance, are typically 10 to 16 months for automotive moulds and 2 to 7 months for electrical appliance moulds. According to the Frost & Sullivan Report, the period between mould delivery and acceptance, is typically 13 to 18 months for automotive moulds (including hot-pressing automotive moulds) and 2 to 6 months for electrical appliance moulds. Such long examination period means we could not recognise the relevant revenue until a considerable period of time has passed from the date of mould delivery. During this long examination period, the delivered moulds remain classified as finished goods in our inventories and any advance payments from our customers before issuance of the final acceptance report are recorded as contract liabilities. As a result, we had significant inventories, in particular finished goods, and contract liabilities balances during the Track Record Period. Our contract liabilities will be recognised as revenue after receipt of the final acceptance report from our customers. As at 31 December 2016, 2017 and 2018, our finished goods represented 74.0%, 74.5% and 69.6% of our inventories, respectively. Please see the section "Financial Information — Description and analysis of principal components in the consolidated statements of financial position — Inventories" for further information.

We generally procure raw materials upon customers' confirmation of their orders and we do not keep any material level of inventory of raw materials. We believe this practice will minimise excessive or obsolete raw materials.

**RESEARCH AND DEVELOPMENT**

We believe our research and development capabilities will be the driving force for our long-term competitiveness, and our future growth and development. Our market-driven research and development efforts focus on developing processes that improve our production efficiency and products that address growing needs in the industry, such as the hot-pressing automotive moulds, as well as improving the effectiveness and quality of our existing products. We conduct our research and development activities through our research and development team. For FY2016, FY2017 and FY2018, our research and development expenses were RMB6.1 million, RMB7.8 million and RMB7.2 million, respectively, representing 4.7%, 4.4% and 3.3%, of our revenues for the corresponding periods.

We have a research and development team of 45 members, as at the Latest Practicable Date. The majority of the members of our research and development team have college degrees or above and the majority of the team members have over five years of experience in industries relevant to our business. In addition to carrying out internal research and development and



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supporting our mould design and development processes, in particular for our hot-pressing mould production, our research and development team also works with our customers and provides technical advice and solutions for their product design and manufacturing process. Our recent successes in research and development include our utility model patents registered in 2017 and 2018 that improves the product quality and life span of hot-pressing moulds; and the development of a mould for the front cover of high brightness curved television for which the Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) has granted a High and New Tech Product Certificate (高新技術產品證書) in December 2017.

Our research and development team will, on an ongoing basis, seek to apply technical improvements to our products to improve the efficiency of our mould production and to reduce the cost of manufacturing using our moulds. As at the Latest Practicable Date, we had registered 19 invention patents, 44 utility model patents and 1 design patent in the PRC. The Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳), the Department of Finance of Jiangsu Province (江蘇省財政廳), the State Taxation Bureau of Jiangsu Province (江蘇省國家稅務局) and the Local Taxation Bureau of Jiangsu Province (江蘇省地方稅務局) have jointly issued a High and New Tech Enterprise Certificate (高新技術企業證書) to Shinelong (Suzhou).

For details of our intellectual property rights, please see the section “Statutory and General Information — B. Further information about our Business — 2. Material intellectual property rights” in Appendix IV.

### QUALIFICATIONS AND RECOGNITIONS

Our achievements have been recognised by following certifications and qualifications:

Awardee	Recognition	Year	Issuer of Recognition
Shinelong (Suzhou)	High and New Technology Enterprise Certificate (高新技術企業證書)	2012	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) Department of Finance of Jiangsu Province (江蘇省財政廳) State Taxation Bureau of Jiangsu Province (江蘇省國家稅務局) Local Taxation Bureau of Jiangsu Province (江蘇省地方稅務局)
Shinelong (Suzhou)	High and New Technology Enterprise Certificate (高新技術企業證書)	2015	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) Department of Finance of Jiangsu Province (江蘇省財政廳) State Taxation Bureau of Jiangsu Province (江蘇省國家稅務局) Local Taxation Bureau of Jiangsu Province (江蘇省地方稅務局)

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Awardee	Recognition	Year	Issuer of Recognition
Shinelong (Suzhou)	High and New Technology Product Certificate (高 新技術產品證書) for a mould for the front cover of high brightness curved television (高亮度曲面電 視前殼模具)	2017	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)
Shinelong (Suzhou)	Jiangsu High Precision Cold and Hot Die Engineering and Technology Research Centre (江蘇省高精密冷 熱模具工程技術研究中 心)	2017	Jiangsu Department of Science and Technology (江蘇省科學技術廳)
Shinelong (Suzhou)	High and New Technology Enterprise Certificate (高新技術企業 證書)	2018	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) Department of Finance of Jiangsu Province (江蘇省財政廳) Jiangsu Provincial Tax Service, State Taxation Administration (國家稅務總局江蘇省稅務局)

## EMPLOYEES

We had 351 employees as at the 31 December 2018, all of whom were in the PRC. Set forth below is a breakdown of the number of our employees by function and location as at 31 December 2018:

Number of employees	Kunshan	Qingdao	Total
Administrative	10	1	11
Accounting and finance	6	1	7
Sales and marketing	12	1	13
Procurement	2	1	3
Production	224	22	246
Quality control	12	1	13
Research and development	34	2	36
Travel and logistics	4	1	5
Others	16	1	17
<b>TOTAL</b>	<b>320</b>	<b>31</b>	<b>351</b>

For positions that require more technical expertise, we generally require the applicants to have relevant working experience and related qualification. To promote our employees' knowledge and technical expertise, we offer training programmes to our employees from time to time according to their job duties. In general, our remuneration packages to our employees, includes salaries, bonuses and allowances.

## **BUSINESS**

As required by the PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing funds. As advised by our PRC Legal Advisers, we are in compliance with the PRC laws and regulations relating to mandatory social security funds in all material aspects.

During the Track Record Period, our Directors confirmed that there was no labour union formed by our employees. We had not experienced any strikes or other material labour disturbance that had materially and adversely affected our operations during the Track Record Period and up to the Latest Practicable Date.

### **INSURANCE**

We maintain insurance policies relating to our business, including insurance on our machinery and equipment, production facilities, motor vehicles and employees' compensation. We are insured against losses arising from fire, water damage, typhoon and other natural calamities in respect of our production plants. We are not required by our customers to purchase, and do not maintain, product liability insurance. According to the Frost & Sullivan Report, it is common for mould manufacturers not to maintain product liability insurance. We believe that our insurance coverage is adequate and in line with the industry practice. During the Track Record Period, we had not made any material claims under our insurance policies.

Our Directors believe that our current insurance policies provide sufficient coverage of the risks to which we may be exposed to and are in line with the industry norm. Please see "Risk Factors — Risks Relating to our Business — Our insurance coverage may be insufficient to cover all the risks related to our operations" for risks relating to our insurance coverage.

### **HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS**

Our business is subject to certain health, work safety, social and environmental laws and regulations in the PRC. Ms. Shen Xuejuan (沈雪娟), one of our joint company secretaries and the head of the audit department of Shinelong (Suzhou), is responsible for monitoring compliance with legal and regulatory requirements and our internal standards in respect of such matters. Our Directors consider that the annual cost of compliance with the applicable health, work safety, social and environmental laws and regulations was not material during the Track Record Period.

We have not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection and have not been involved in any accident or fatality and have been in compliance with the applicable PRC laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any fatal accidents involving our employees or our products.

## BUSINESS

### PROPERTIES

As at the Latest Practicable Date, we owned the land use rights for two properties in the PRC with a combined area and gross floor area of approximately 8,092.7 sq.m., as set out below:

<b>Location</b>	<b>Usage</b>	<b>Approximate area (in sq.m.)</b>
Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC	Manufacturing	7,873.0
		<b>Approximate gross floor area (in sq.m.)</b>
Xinwu Street, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC	Residential	219.7

As at the Latest Practicable Date, we also leased properties in the PRC for which we occupy for our operations. These leased properties are primarily used for our production facilities, warehouses and offices. The following table sets out a summary of the terms of these leased properties as at the Latest Practicable Date:


<b>Location</b>	<b>Usage</b>	<b>Approximate gross floor area (in sq.m.)</b>	<b>Term (years)</b>
Huayuan Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC	Manufacturing plants and offices for Kunshan factory 2	7,100.7	10 (2017 to 2027)
Huayuan Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC	Car parks for Kunshan factory 2	900.0	10 (2017 to 2027)
Chuangye Road, Huangdao District, Qingdao City, the PRC	Manufacturing plants and offices for the Qingdao factory	2,817.0 <sup>(Note)</sup>	3 (2018 to 2021)

*Note:* This includes 1,955 sq.m. manufacturing plant and office and 862 sq. m. unused area but excludes properties with gross floor area of 2,800 sq. m. sublet to an independent third party and 2,000 sq. m. public area not used for our production situated at the same location of our Qingdao production plant.

## BUSINESS

Our properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (“**CWUMPO**”) in relation to paragraph 34(2) of the Third Schedule to the CWUMPO, which requires a valuation report with respect to all of our interests in land or buildings.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had filed application for the registration of our trademarks in used in the PRC and Hong Kong, namely, “”, “**勳龍**” and “**Shinelong**”. For details of our intellectual property rights, please see the section “Statutory and General Information — B. Further information about our Business — 2. Material Intellectual property rights” in Appendix IV.

To protect our proprietary rights, we have entered into confidentiality agreements with our senior management and employees of the research and development department and other employees who have access to our secrets or confidential information. Our senior employees and employees who work in our research and development department and other technical departments are required to sign agreements acknowledging that we own the rights to all inventions, technology know-how and trade secrets generated in connection with their employment with us or their use of our resources or relating to our business or our property.

To the best of our Directors’ knowledge and belief, during the Track Record Period, there were no material instance of infringement of intellectual property rights or disputes between our Group, our customers and other third parties in respect of intellectual property rights.

### MARKET AND COMPETITION

#### Key Market Drivers

Key market drivers for the automotive mould market in the PRC include (i) the development of new models of automobiles, (ii) the increasing number of domestic mould products, (iii) the emerging premium automotive market in the PRC, and (iv) the improving mould development and production technology. Key market drivers for the PRC electrical appliance mould market include (i) the emerging demand for new types of electrical appliance, (ii) the increasingly mature technology and higher production efficiency, and (iii) the increasing complexity of electrical appliance design and function. For details, please see the section headed “Industry Overview”.

### Competitive Landscape

The automotive mould industry in the PRC is fragmented and competitive. According to the Frost & Sullivan Report, there were around 300 market participants principally engaged in this industry in 2018. In terms of revenue generated from automotive mould manufacturing in 2018, we had a market share of 0.8% in the PRC, while the top five industry players accounted for 25.5% of the market share in the PRC. In terms of revenue generated from hot-pressing automotive mould manufacturing in 2018, we ranked the second with a market share of 4.9% in the PRC, while the top five industry players accounted for 23.4% of the market share in the PRC. In terms of revenue generated from television mould manufacturing in 2018, we had a market share of 2.6% in the PRC, while the top five industry players accounted for 37.1% of the market share in the PRC.

The major entry barriers for the automotive and electrical appliance mould industry in the PRC include (i) experience barrier, (ii) technical requirement barrier, (iii) reputation barrier and (iv) capital barrier. For details on the major entry barriers, please see the section “Industry Overview — Analysis of automotive mould market in China”.

### Our Competitive Advantages

The following summarises our competitive advantages according to the Frost & Sullivan Report.

**High customer satisfaction and retention.** We have maintained good market reputation, which is attributed to our delivered products with outstanding quality excellent service and adherence to the contract terms. Long-term and stable relationship with Gestamp Group, one of global renowned automotive component manufacturers using hot-pressing techniques, and Hisense Group, a leading electrical appliance manufacturer, demonstrates our strengths in terms of trustworthy services and product qualities.

**Moulding solution provider.** We are able to provide comprehensive moulding services to customers through participation in the whole process of mould design and consultation, manufacturing, testing, trial production, and after sales services, which facilitates a better satisfaction to customers’ needs.

**Core competence in providing automotive lightweight moulds.** We have developed our core competence in providing automotive lightweight moulds for years and has demonstrated our market leading position in terms of hot-pressing automotive mould sales. We ranked second in the hot-pressing automotive mould market in the PRC in 2018 in terms of revenue. Given the positive outlook of automotive lightweight development, market demand for hot-pressing manufactured automotive components is anticipated to further increase, which favours the market leaders.

**Technology advantage.** We have built a strong research and development team for product development, upgrade and innovation. We possess more than 60 patents, including over 40 utility model patents.

## **LEGAL AND COMPLIANCE MATTERS**

### **Licences and Permits**

During the Track Record Period and up to the Latest Practicable Date, we had obtained all licences and permits in the PRC which are material to our business or financial condition, and such licences and permits are still valid and in force. We have not experienced any refusal of the renewal application of any material licences or permits necessary for the operation of our business. Further information on the material licences and permits necessary for the operation of our business is set out in “Regulatory Overview”.

### **Legal Compliance**

During the Track Record Period and up to the Latest Practicable Date, we complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws or regulations applicable to our Group that would have a material adverse effect on our business or financial condition taken as a whole.

### **Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our business, financial condition or results of operations.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

Our Directors are responsible for the formulation of and for overseeing the implementation of the internal control measures and the effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for our needs. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness.

In order to ensure that our internal control procedures are sufficient for management of external and internal risks, we have engaged an internal control consultant in November 2018 to perform certain agreed-upon procedures in relation to our internal control policies with respect to entity-level controls, recovery of trade receivables, procurement procedures, human resources management procedures, fixed asset management procedures, cash management procedures, financial and accounting procedures and other general control measures. Our internal control consultant confirmed that no material deficiencies were identified and we have implemented the relevant suggestions proposed by our internal control consultant.

## BUSINESS

As our business continues to expand, we will refine and enhance our internal control systems to respond to the evolving requirements of our expanded operations as appropriate. We will continue to review our internal control systems to ensure compliance with applicable regulatory requirements.

### **Risk Management**

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in general market conditions, changes in the regulatory environment and availability of financing to fund our expansion and business operations. Please see the section “Risk Factors” for details of disclosures on various risks we face. In addition, we also face various market risks, such as foreign exchange, interest rate, credit and liquidity risks that arise in the normal course of our business. Please see the section “Financial Information — Risk Management” for details.

To properly manage these risks, we have established the following risk management structures and measures:

- our Board of Directors is responsible and has the general power to manage the direction of our Company, and is in charge of the overall risk control of our Group. Any significant business decision involving material risks, such as decisions to expand into new businesses or geographic regions or construction of facilities are reviewed, analysed and approved by our Board of Directors to ensure a thorough examination of the associated risks at our highest corporate governance body; and
- we maintain insurance coverage which we believe is in line with the customary practice in the PRC moulding industry.



## DIRECTORS AND SENIOR MANAGEMENT

### OVERVIEW

The following table sets out certain information with respect to our Directors:

Name	Age	Position in our Group	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities
Mr. Lin Wan-Yi (林萬益)	58	Chairman, executive Director and chief executive officer	8 January 2002	2 October 2018	Supervising our operations and planning our business and marketing strategies
Mr. Yung Chia-Pu (雍嘉樸)	57	Executive Director	8 January 2002	15 February 2019	Overseeing our overall operation and development
Mr. Cheng Ching-Long (鄭景隆)	43	Executive Director and vice president of operation	1 February 2008	15 February 2019	Overseeing our daily operations and planning our overall operation and development
Mr. Lu Jen-Chieh (盧仁傑)	47	Executive Director and equipment and technical vice president of the CNC department of the production management centre	2 June 2015	15 February 2019	Overseeing our daily operations and the operation of CNC machines in our production processes
Ms. Hsieh Pei-Chen (謝佩真)	45	Non-executive Director	26 April 2019	26 April 2019	Advising on finance, accounting and corporate governance matters of our Group
Mr. So George Siu Ming (蘇少明)	61	Independent non-executive Director	6 June 2019	6 June 2019	Providing independent views on the management of our Group
Mr. Lin Lien-Hsing (林連興)	49	Independent non-executive Director	6 June 2019	6 June 2019	Providing independent views on the management of our Group
Mr. Fan Chi Chiu (范智超)	33	Independent non-executive Director	6 June 2019	6 June 2019	Providing independent views on the management of our Group

## DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information with respect of our senior management:

Name	Age	Position	Date of joining our Group	Main roles and responsibilities
Mr. Chen Ming-Chih (陳明志)	37	Chief technology officer	13 March 2017	Supervising our daily operations, research and development
Ms. Liu Huaping (劉華平)	39	Chief financial officer	1 January 2019	Supervising our financial management and accounting

### DIRECTORS

Our Board consists of four executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is the primary decision-making body of our Company, setting fundamental business strategies and policies for the management and operation of our business and monitoring their implementation.

#### Executive Directors

**Mr. Lin Wan-Yi (林萬益)**, aged 58, is our founder, Chairman, executive Director and chief executive officer. He is primarily responsible for supervising the operations and planning the business and marketing strategies of our Group. Mr. Lin founded our Group in 2002 and has been a director of Shinelong (Suzhou) since January 2002. Mr. Lin was an executive director and manager of Xunwei from November 2015, until June 2016 when Xunwei was deregistered. For more details, please refer to the paragraph headed “History and Development — Our Corporate History” in this prospectus.

Mr. Lin has more than 30 years of experience in moulding industry. From November 1991 to December 2015, he served as a director of Shin Lone Industrial Company Limited (勳龍工業股份有限公司) (“**Shin Lone Taiwan**”), in which he held a shareholding of 39.09%. Shin Lone Taiwan was a mould manufacturer in Taiwan until it ceased to operate and was dissolved on 31 December 2015. Shin Lone Taiwan was solvent at the time it was dissolved on 31 December 2015.

Mr. Lin obtained a master degree in business administration from Fudan University in the PRC in January 2016.

**Mr. Yung Chia-Pu (雍嘉樸)**, aged 57, is our executive Director. He is primarily responsible for overseeing the overall operation and development of our Group. Mr. Yung joined our Group in January 2002 as a director of Shinelong (Suzhou). Mr. Yung was an executive director and general manager of Xunzhan from December 2014 to January 2016.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Yung has more than 25 years of experience in the moulding industry. From July 1981 to June 1988, Mr. Yung worked as a technician of the Arsenal of the Taiwan Combined Logistics Command (台灣聯勤兵工廠). From October 1988 to October 1990, Mr. Yung worked as a technician of Jet-Shine Machinery Company Limited (振興機械股份有限公司). From October 1990 to October 1991, Mr. Yung worked as a technician of Shang Ming Machinery Industry Company Limited (上銘機械工業股份有限公司). From November 1991 to December 2015, Mr. Yung worked as a director of Shin Lone Taiwan.

Mr. Yung obtained an associate degree in mechanical engineering from Lee-Ming Institute of Technology (黎明技術學院) in Taiwan in June 1989.

**Mr. Cheng Ching-Long (鄭景隆)**, aged 43, is our executive Director and vice president of operation. He is primarily responsible for overseeing the daily operations of our Group and planning the overall operation and development of our Group. Mr. Cheng joined our Group in February 2008 as a mould manager of Shinelong (Suzhou), where he was also a supervisor from April 2011 to November 2015, and a deputy general manager and a director since December 2015. Mr. Cheng was the general manager and executive director of Xunzhan from January 2016 to January 2019.

Mr. Cheng has more than 14 years of experience in moulding industry. From March 1997 to September 2002, Mr. Cheng worked as a fitter in Titan Mold Corporation (冠譽股份有限公司). From October 2002 to June 2007, Mr. Cheng worked as a factory director of Kunshan Jiateng Photoelectric Plastic Company Limited (昆山佳騰光電塑膠有限公司).

Mr. Cheng obtained a diploma in human resources management from Beijing Institute of Technology (北京理工大學) in the PRC in January 2018.

**Mr. Lu Jen-Chieh (盧仁傑)**, aged 47, is our executive Director. He is primarily responsible for overseeing the daily operations of our Group and the operation of CNC machines in our production processes. Mr. Lu joined our Group in June 2015 as an equipment and technical vice president of the CNC department of the production management centre of Shinelong (Suzhou). Mr. Lu has been a director of Shinelong (Suzhou) since November 2018.

Mr. Lu has more than 25 years of experience in moulding industry. From 1993 to 1996, Mr. Lu worked as a technician of Shin Lone Taiwan. From 1996 to 2001, Mr. Lu worked as an engineer of Yang Iron Works Company Limited (楊鐵工廠股份有限公司). From 2002 to 2015, Mr. Lu returned to Shin Lone Taiwan and worked as a technician. He was also responsible for management during that period.

Mr. Lu obtained a diploma in industrial engineering and management from China University of Science and Technology Affiliated Junior College of Continuing Education (中華技術學院附設專科進修學校) in the PRC in June 2002.

## DIRECTORS AND SENIOR MANAGEMENT

### Non-Executive Director

**Ms. Hsieh Pei-Chen (謝佩真)**, aged 45, is our non-executive Director. Ms. Hsieh is a shareholder of Shine Art and is regarded as a Controlling Shareholder of our Company. For more details, please refer to the sections “History and Development” and “Relationship with Controlling Shareholders”.

Ms. Hsieh has more than 19 years of accounting experience with mould manufacturers. From October 1999 to November 2015, Ms. Hsieh worked as an accounting officer of Shin Lone Taiwan. Since December 2015, Ms. Hsieh has worked as an accounting officer of Hung Shuen Company (鴻順工業股份有限公司).

Ms. Hsieh obtained a diploma in industrial engineering and management (工業工程與管理) from Oriental Institute of Technology (亞東工業專科學校) in Taiwan in June 1994.

### Independent Non-Executive Directors

**Mr. So George Siu Ming (蘇少明)**, aged 61, is our independent non-executive Director. He is primarily responsible for providing independent views on the management of our Group and does not participate in the day-to-day management of our business operations.

Mr. So has more than 35 years of experience in auditing, accounting and finance areas. Mr. So worked in FDG Electric Vehicles Limited (五龍電動車(集團)有限公司) (formerly known as Carico Holdings Limited (中汽資源投資有限公司), Jia Sheng Holdings Limited (嘉盛控股有限公司) and Thunder Sky Battery Limited (中聚雷天電池有限公司)) (stock code: 729), a company listed on the Main Board of the Stock Exchange, as an executive director from May 2007 to June 2010 and held various positions including chief operating officer, chief financial officer and company secretary between May 2007 to August 2010. From December 2011 to July 2013, Mr. So was an independent non-executive director of South China Land Limited (南華置地有限公司), currently known as South China Assets Holdings Limited (南華資產控股有限公司)(stock code: 8155), a company listed on the GEM of the Stock Exchange, during which he held positions including the chairman of the remuneration and nomination committee and a member of the audit committee. From March 2007 to May 2011, Mr. So was employed at Asset Managers (Asia) Company Limited (亞盛(亞洲)有限公司), where he served as chief financial officer from March 2007 to May 2011 and chief operating officer from December 2008 to May 2011.

Mr. So obtained a bachelor degree in arts from the University of Toronto in Canada in June 1983 and a master degree in science from the Chinese University of Hong Kong in December 2005. Mr. So was admitted as a certified public accountant and a fellow of Hong Kong Institute of Certified Public Accountants in July 1993 and December 2005, respectively. Mr. So was also granted the designation of Chartered Professional Accountant by, and admitted as a member of, the Institute of Chartered Accountants of Ontario in November 2012 and April 2014, respectively.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. So was a director of Jetlink Investment Limited (捷明投資有限公司), a company incorporated in Hong Kong, which was solvent prior to its dissolution on 21 February 2003 by striking off by the Registrar of Companies in Hong Kong pursuant to section 291 of the then predecessor Companies Ordinance. Mr. So has confirmed that there was no wrongful act on his part leading to the above dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result.

Mr. So was the director of Jessica Group Limited (旭萊集團有限公司), a registered non-Hong Kong company incorporated in the Cayman Islands on 29 May 2009, which had been struck from the companies register and dissolved in the Cayman Islands on 28 March 2013. To the best knowledge of Mr. So, Jessica Group Limited was solvent at the time of dissolution. Mr. So has confirmed that there was no wrongful act on his part leading to the above dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result.

**Mr. Lin Lien-Hsing (林連興)**, aged 49, is our independent non-executive Director. He is primarily responsible for providing independent views on the management of our Group and does not participate in the day-to-day management of our business operations.

From August 1996 to September 1999, Mr. Lin was a member of the financial department at Yang Ming Marine Transport Corporation (陽明海運股份有限公司). From September 1999 to February 2008, Mr. Lin was a finance manager of Data Systems Consulting Company Limited (鼎新電腦股份有限公司). From April 2010 to March 2015, Mr. Lin was employed at Digiwin Software Company Limited (鼎捷軟件股份有限公司)(stock code: 300378), a company listed on the Shenzhen Stock Exchange, during which he served the respective roles of secretary of the board of directors, finance manager and director. From April 2015, Mr. Lin has been a partner of Strait Capital Investment Limited (海峽資本顧問管理有限公司).

Mr. Lin obtained a bachelor degree in management from the National Taiwan University in Taiwan in 1992. Mr. Lin obtained a secretary to board of directors qualification from the Shenzhen Stock Exchange in 2018.

**Mr. Fan Chi Chiu (范智超)**, aged 33, is our independent non-executive Director. He is primarily responsible for providing independent views on the management of our Group and does not participate in the day-to-day management of our business operations.

Mr. Fan has more than 11 years of working experience in the auditing and financial management industry. From October 2007 to June 2011, he worked at PricewaterhouseCoopers, with his last position as a senior associate. From July 2011 to February 2014, he worked at Barclays Investment Bank, with his last position as analyst. From April 2014 to March 2015, Mr. Fan worked as a finance director at Vantasia Holdings (H.K.) Limited. Mr. Fan has been an executive director of Grace Wine Holdings Limited (stock code: 8146), a company listed on the GEM of the Stock Exchange, since July 2017 and the chief financial officer of the ELL Environmental Holdings Limited (stock code: 1395), a company listed on the Main Board of Stock Exchange since April 2015.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Fan obtained a bachelor degree in professional accountancy from the Chinese University of Hong Kong in Hong Kong in December 2007. Mr. Fan is a member of the Hong Kong Institute of Certified Public Accountants.

### Other Information about our Directors

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Except for such interests of the executive Directors in the Shares which are disclosed in “Substantial Shareholders” and “Statutory and General Information — C. Further Information about Our Directors, Chief Executive and Substantial Shareholders — 1. Disclosure of Interests” in Appendix IV to this prospectus, none of our Directors has any interests in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

Each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

Our senior management comprises the following personnel:

#### **Mr. Lin Wan-Yi (林萬益)**

For the biographical details of Mr. Lin, please see the sub-section “Director and Senior Management — Executive Directors” above.

#### **Mr. Cheng Ching-Long (鄭景隆)**

For the biographical details of Mr. Cheng, please see the sub-section “Director and Senior Management — Executive Directors” above.

#### **Mr. Lu Jen-Chieh (盧仁傑)**

For the biographical details of Mr. Lu, please see the sub-section “Director and Senior Management — Executive Directors” above.

#### **Mr. Chen Ming-Chih (陳明志)**

Mr. Chen, aged 37, joined Shinelong (Suzhou) as a research and development manager of technology research and development centre in March 2017. Since November 2018, he has been a director and the chief technology officer of Shinelong (Suzhou).

Mr. Chen obtained a master degree in mechanical engineering from National Taiwan University (國立臺灣大學) in Taiwan in June 2010.

Mr. Chen has more than 11 years of experience in the moulding industry. Prior to joining our Group, from January to June 2007, Mr. Chen was the mould engineer of Lee Chi Enterprises Co. Ltd. (利奇機械工業股份有限公司) (TPE: 1517), a company listed on the Taiwan Stock Exchange. From September 2010 to March 2016, Mr. Chen was the engineer, assistant manager and manager of the department of technology of Shanghai Kunyi Precise Metal Molding Products Company Limited (上海坤億精密金屬成型製品有限公司). From June 2016 to March 2017, Mr. Chen was the automobile parts technology manager of Aritex Products Company Limited (緯航企業有限公司).

#### **Ms. Liu Huaping (劉華平)**

Ms. Liu, aged 39, has been the chief financial officer of Shinelong (Suzhou) since January 2019.

Ms. Liu has over nine years of experience in the listing procedures particularly reorganisation, internal control, taxation and finance for A-share companies. From September 2009 to December 2018, Ms. Liu was a consultant of Fulagai Accounting (Shanghai) Company Limited (上海富拉凱會計師事務所有限公司).

## DIRECTORS AND SENIOR MANAGEMENT

Ms. Liu obtained a diploma in finance from Henan College of Finance and Taxation (河南財政稅務高等專科學校) in July 1999. Ms. Liu obtained a bachelor degree in management and a diploma in accounting from Henan College of Finance (河南財經學院) in the PRC in June 2006.

Ms. Liu obtained the qualification for medium level accounting approved and issued by Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) in May 2005. Ms. Liu was approved and authorised as a Registered Tax Agent by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in June 2008. Ms. Liu obtained qualification for fundamental knowledge of financial market and fundamental regulations for securities market from Securities Association of China (中國證券業協會) in February 2017. Ms. Liu has been registered as a certified public accountant by the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) since May 2010.

### JOINT COMPANY SECRETARIES

#### **Ms. Shen Xuejuan (沈雪娟)**

Ms. Shen, aged 40, joined Shinelong (Suzhou) as the secretary to general manager from March 2014 to February 2016. From March 2016 to November 2018, Ms. Shen was the secretary to the board of directors of Shinelong (Suzhou). Since December 2018, Ms. Shen has been responsible for overseeing the internal audit office of Shinelong (Suzhou). Ms. Shen is currently responsible for company secretarial matters of our Company.

Ms. Shen obtained a diploma in public relation and secretary from Huainan United University (淮南聯合大學) in the PRC in July 2001. Ms. Shen also obtained a secretary to board of directors qualification from the Shanghai Stock Exchange in May 2016.

Ms. Shen has more than 18 years of experience in operation and secretarial matters. Prior to joining our Group, from the period of June 2001 to April 2003, Ms. Shen was responsible for procurement at the PRC office of PAK 2000. From April 2004 to June 2006, Ms. Shen was a sales assistant of Kunshan New China Biotech Company Limited (昆山新華聯合生物科技股份有限公司). From December 2006 to May 2013, Ms. Shen was an operation officer of Solid-State (Kunshan) SST Precision Industries Company Limited (碩利特(昆山)精密工業有限公司). From June 2013 to January 2014, Ms. Shen was a clerk at Kunshan Henry Metal Technology Company Limited (昆山亨利金屬科技有限公司).

#### **Mr. Sit Man Pan (薛文彬)**

Mr. Sit, aged 30, joined our Company as one of our joint company secretaries in February 2019. He is mainly responsible for compliance matters for the Listing as well as other Hong Kong regulatory requirements.

Mr. Sit has six years of experience in the corporate secretarial field. He has been a manager of corporate services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services since 10 June 2017.



## DIRECTORS AND SENIOR MANAGEMENT

Mr. Sit obtained a bachelor degree in business administration from Hong Kong Shue Yan University on 22 July 2011, and a master degree in corporate governance from the Hong Kong Polytechnic University on 30 September 2016.

Mr. Sit has been registered as a chartered secretary, and an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom since 5 December 2016.

### CORPORATE GOVERNANCE

Pursuant to paragraph A.2.1 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Lin currently performs these two roles. Our 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 our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, our Company will comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

### Board Diversity

We have adopted a board diversity policy (“**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code. After Listing, our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on annual basis.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD COMMITTEES

The audit committee, remuneration committee and nomination committee of our Company were approved to be established by resolutions passed by our Board on 6 June 2019. Each of these three committees has written terms of reference. The committees operate in accordance with the terms of reference established by our Board.

#### Audit committee

Our audit committee has written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee of our Company are mainly to make recommendations to the Board on the appointment, reappointment and dismissal of the external auditor, review the financial statements, reports and accounts of the Company, provide advice in respect of financial reporting and risk management, and oversee the internal control procedures of our Company. The audit committee consists of three members, namely Mr. So George Siu Ming (蘇少明), Mr. Lin Lien-Hsing (林連興) and Mr. Fan Chi Chiu (范智超). Mr. So George Siu Ming (蘇少明) is the chairman of the audit committee.

#### Remuneration committee

Our Company has written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary functions of the remuneration committee of our Company are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Mr. Lin Lien-Hsing (林連興), Mr. Lin Wan-Yi (林萬益) and Mr. Fan Chi Chiu (范智超). Mr. Lin Lien-Hsing (林連興) is the chairman of the remuneration committee.

#### Nomination Committee

Our Company has written terms of reference in compliance with the CG Code. The primary functions of the nomination committee of our Company are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Company’s corporate strategy; identify individuals suitably qualified as potential Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of Independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular that of our Chairman and the Chief Executive Officer. The nomination committee consists of three members, namely Mr. Lin Wan-Yi (林萬益), Mr. So George Siu Ming (蘇少明) and Mr. Lin Lien-Hsing (林連興). Mr. Lin Wan-Yi (林萬益) is the chairman of the nomination committee.

## DIRECTORS AND SENIOR MANAGEMENT

### REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, performance bonuses, contributions to pension schemes and other allowances and benefits in kind subject to applicable laws, rules and regulations.

The aggregate amount of remuneration including director fees, salaries, allowances and benefits in kind, and performance related bonuses which were paid to our Directors for FY2016, FY2017 and FY2018 were approximately RMB0.8 million, RMB1.4 million and RMB2.0 million, respectively.

The aggregate amount of remuneration including salaries, allowances and benefits in kind which were paid to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) for FY2016, FY2017 and FY2018 were RMB0.7 million, RMB0.9 million and RMB0.9 million, respectively.

Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. After Listing, the remuneration committee of our Company will regularly review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group. Under such arrangement and pursuant to our Directors' service contracts and letters of appointment referred to in the sub-section "Statutory and General Information — C. Further Information about our Directors, Chief Executive and Substantial Shareholders — 2. Directors' service contracts and letters of appointment" in Appendix IV, the aggregate amount of remuneration including salaries, allowances and benefits in kind payable to our Directors (excluding any discretionary bonuses) for 2019 is estimated to be approximately RMB2.5 million.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or senior management as an inducement to join or upon joining our Group or as a compensation for loss of office. None of our Directors waived any remuneration during the same period.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds an equity interest. For details of the Share Option Scheme, please see the sub-section "Statutory and General Information — D. Share Option Scheme" in Appendix IV.

## DIRECTORS AND SENIOR MANAGEMENT

### COMPLIANCE ADVISER

We have appointed Ballas Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction or will involve share issues and share repurchases;
- (iii) where our Company proposes to use the net proceeds of the Global Offering in a manner different from that set out in this prospectus or where our business activities, development or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes any inquiry of us under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser will commence on the Listing Date and will end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

### EMPLOYEES

Please see the section “Business — Employees” for further information relating to our number of employees, training, recruitment and remuneration policies, our relationship with our employees and employees’ benefits.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### OVERVIEW

Upon the Listing, Shine Art will own 49.125% of the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering. Please see the section “History and Development — Corporate and shareholding structure immediately following the completion of the Global Offering and Capitalisation Issue” for details of the shareholding of Shine Art. Each of Shine Art and its shareholders will be a Controlling Shareholder of our Company under the Listing Rules. Please see the sections “History and Development — Capitalisation Issue” and “Substantial Shareholders” for further information.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we can function, operate and carry on our business independently from our Controlling Shareholders based on the following reasons.

#### **No competition and clear delineation of business**

Our Directors, including our independent non-executive Directors, are of the view that to the best of their knowledge, belief and information, none of our Controlling Shareholders, our Directors and none of their respective close associates have interests in businesses which compete, or are likely to compete, either directly or indirectly, with our business.

#### **Independence of management and directorship**

Our Company has a Board and members of senior management that function independently from our Controlling Shareholders and their respective associates. Our Board is comprised of four executive Directors, one non-executive Director and three independent non-executive Directors. Our senior management consists of five members. On the basis of the following reasons, our Directors believe that our Directors and members of our senior management are able to manage our business independently from our Controlling Shareholders:

- (i) with three independent non-executive Directors out of a total of eight Directors in our Board, which fulfils the minimum requirement under the Listing Rules, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders;
- (ii) all members of our senior management are full-time employees of our Group. The responsibilities of our senior management team include managing operational and financial matters and planning the business and marketing strategies of our Group. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders;
- (iii) instances of actual or potential conflict have been minimised (by virtue of the Deed of Non-Competition);

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) each of our Directors is aware of his fiduciary duties as a Director of our Company, which require, among other things, that he acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his duties as a Director and his personal interests to affect the performance of his duties as a Director; and
- (v) a number of corporate governance measures are in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders, and to safeguard the interests of our independent Shareholders. Please see the paragraph headed “Corporate governance measures” in this section below.

### **Operational independence**

Our Company makes business decisions independently. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and other companies controlled by our Controlling Shareholders:

- (i) our Company is not reliant on trademarks owned by our Controlling Shareholders, or other companies controlled by our Controlling Shareholders;
- (ii) our Group is the holder of all relevant licences material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- (iii) our Company has its own administrative and corporate governance infrastructure (including its own internal audit, finance and administration departments);
- (iv) our Company has established a set of internal control procedures to facilitate the effective operation of our business;
- (v) save for purchases of an insignificant amount from Joudier Precision Industry (Kunshan) Co., Ltd, a company which a former director of a subsidiary of our Company is a director, all external service required by our Company or our subsidiaries are provided by Independent Third Parties (please refer to the paragraph headed “Financial Information — Amount due to related parties” for details on the said purchases); and
- (vi) we do not rely on our Controlling Shareholders for access to suppliers and customers.

Based on the above-mentioned arrangements, our Directors are of the view that our Company will be able to operate independently from our Controlling Shareholders.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### Financial independence

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their respective associates upon the Listing for the following reasons:

- (i) **Strong financial positions:** We had been financially sound throughout the Track Record Period. For FY2016, FY2017 and FY2018, our revenue was RMB130.7 million, RMB178.5 million and RMB217.2 million, respectively, and our profit for the year for the corresponding periods were RMB20.9 million, RMB37.6 million and RMB31.4 million. As at 31 December 2016, 2017 and 2018, we had cash and cash equivalents of RMB19.4 million, RMB33.6 million and RMB14.1 million, respectively. Our net cash generated from operating activities for FY2016, FY2017 and FY2018 was RMB33.3 million, RMB34.3 million and RMB26.4 million, respectively.
- (ii) **Strong credit position:** Except for the amount due to Mr. Lin, representing the consideration for his equity interest in Kunshan Longun pursuant to the Reorganisation, during the Track Record Period, there was no non-trade amounts due to and from our Controlling Shareholders and companies controlled by our Controlling Shareholders or any guarantees, indemnities or other securities provided by us for the benefit of our Controlling Shareholders, or companies controlled by our Controlling Shareholders, or vice versa. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders in favour of our Group or vice versa upon the Listing.

### CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders have also undertaken to our Company under the Deed of Non-Competition that it shall not, and shall procure that its close associates shall not own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes with our business. Our Company will further adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

- (i) in preparation for the Listing, our Company has amended our Articles of Association to comply with the Listing Rules. In particular, our Articles provide that, except for certain exceptions permitted under the Listing Rules or the Stock Exchange, a Director shall not vote on any board resolution approving any contract in relation to which he or his close associates has/have a material interest, nor shall such Director be counted in the quorum present at the meeting;
- (ii) we have appointed Ballas Capital Limited as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the applicable laws and the Listing Rules, including various requirements relating to Directors' duties and internal controls;

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iii) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- (iv) our Controlling Shareholders have undertaken to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (v) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through an annual report, or by way of announcement to the public;
- (vi) our Controlling Shareholders will make an annual declaration of compliance with the Deed of Non-Competition in the annual reports of our Company;
- (vii) the management structure of our Group includes an audit committee, a remuneration committee, and a nomination committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly; and
- (viii) pursuant to the Code of Corporate Governance Practices in Appendix 14 of the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Company is expected to comply with the Code of Corporate Governance Practices in Appendix 14 of the Listing Rules which sets out principles of good corporate governance in relation to, among others, Directors, chief executive, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communication with our Shareholders. Our Company will state in our interim and annual reports whether we have complied with such code, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.



## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue and taking no account of any Share which may be issued pursuant to the exercise of the Over-allotment Option, or any option that may be granted under Share Option Scheme, the following persons or entities will, immediately following the completion of the Global Offering, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity	As at the date Latest Practicable Date		Upon completion of the Global Offering	
		Number of Shares held (Note 1)	Approximate percentage of shareholding	Number and class of securities (Note 1)	Approximate percentage of shareholding
Shine Art	Beneficial owner	6,550	65.5%	324,225,000	49.125%
Mr. Lin	Interest in controlled corporation (Note 3)	6,550	65.5%	324,225,000	49.125%
	Beneficial owner	20	0.2%	990,000	0.15%
Ms. Su Su Mei	Interest of spouse (Note 4)	6,570	65.7%	325,215,000	49.275%
Friendly Holdings	Beneficial owner	1,840	18.4%	91,080,000	13.80%
Mr. Liu Fang Jung (Note 2)	Interest in controlled corporation (Note 5)	1,840	18.4%	91,080,000	13.80%

Note:

- All interests stated are long positions.
- Mr. Liu Fang Jung does not have any past or present business relationship with our Company, its subsidiaries, shareholders, directors, senior management or any of their respective associates, other than his shareholding interest in our Company. Please see the sub-section "History and Development — Our Corporate History" for details on the background of Mr. Liu.
- These Shares are held by Shine Art which is directly held as to 58.312% by Mr. Lin. Accordingly, by virtue of the SFO, Mr. Lin is deemed to be interested in the 324,225,000 Shares held by Shine Art.
- Since Ms. Su Su Mei and Mr. Lin are spouses, Ms. Su Su Mei is deemed to be interested in the same number of Shares in which Mr. Lin is interested by virtue of the SFO and vice versa.
- These Shares are held by Friendly Holdings which is indirectly held as to 100% by Mr. Liu Fang Jung. Accordingly, by virtue of the SFO, Mr. Liu Fang Jung is deemed to be interested in all the Shares held by Friendly Holdings.
- For details of persons who will have an interest in the Share and the underlying Share which would fall to be disclosed to our Company under the SFO, please see "Appendix IV — Statutory and General Information — C. Further Information about Our Directors, Chief Executive and Substantial Shareholders".

## **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed above, our Directors are not aware of any persons who will, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account Shares to be issued pursuant to the exercise of the Over-allotment Option, or any option that may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances in the general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## SHARE CAPITAL

### SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company as at the date of this prospectus and shares issued or to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering and the Capitalisation Issue:

#### Authorised share capital:

		<b>Aggregate nominal value</b> <i>HK\$</i>
38,000,000	Shares as at the date of this prospectus	380,000
2,000,000,000	Shares immediately after completion of the Global Offering and the Capitalisation Issue	20,000,000

#### Shares issued or to be issued, fully paid or credited as fully paid:

10,000	Shares in issue as at the date of this prospectus	100
494,990,000	Shares to be issued pursuant to the Capitalisation Issue	4,949,900
165,000,000	Shares to be issued under the Global Offering (assuming the Over-allotment Option is not exercised)	1,650,000
<u>660,000,000</u>	Total	<u>6,600,000</u>

Assuming the Over-allotment Option is exercised in the full, the issued share capital of our Company will be:

#### Shares issued or to be issued, fully paid or credited as fully paid:

		<b>Aggregate nominal value</b> <i>HK\$</i>
10,000	Shares in issue as at the date of this prospectus	100
494,990,000	Shares to be issued pursuant to the Capitalisation Issue	4,949,900
<u>189,750,000</u>	Shares to be issued under the Global Offering	<u>1,897,500</u>
<u>684,750,000</u>	Total	<u>6,847,500</u>

#### Assumptions:

The above tables assume that the Global Offering has become unconditional and the Shares are issued pursuant to the Global Offering and the Capitalisation Issue. It takes no account of any Share which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

## SHARE CAPITAL

### RANKING

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares. The Offer Shares will carry the same rights as all Shares in issue or to be issued including Shares that may be issued pursuant to the exercise of the Over-allotment Option, or any option that may be granted under the Share Option Scheme and, in particular, will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus (save for entitlements to the Capitalisation Issue). For details of the Share Option Scheme, please refer to the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Our Board has been granted with the Issuing Mandate to allot, issue and deal in an aggregate number of Shares that is no more than the sum of:

- (a) 20% of the total number of Shares issued by our Company immediately upon completion of the Global Offering and the Capitalisation Issue (but prior to the exercise of the Over-allotment Option, or any option that may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased by our Company, if any, under the Repurchase Mandate referred to below.

The aggregate number of Shares which our Directors are authorised to allot and issue under the Issuing Mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue; or (ii) any specific authority granted by our Shareholders in general meeting(s).

The Issuing Mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting unless by ordinary resolution at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable law or our Articles to hold our next annual general meeting; or
- (c) when varied, revoked or renewed by a resolution of our Shareholders in a general meeting.

For further details of the Issuing Mandate, see the paragraph “Statutory and General Information — A. Further Information about Our Company — 3. Resolutions in writing of our Shareholders passed on 6 June 2019” in Appendix IV.

## SHARE CAPITAL

### GENERAL MANDATE TO REPURCHASE SHARES

Our Board has been granted with the Repurchase Mandate to exercise all the powers of our Company to repurchase an aggregate number of Shares that is no more than 10% of the total number of Shares issued by our Company immediately upon completion of the Global Offering and the Capitalisation Issue (but prior to the exercise of the Over-allotment Option, or any option that may be granted under the Share Option Scheme).

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), subject to and in accordance with our Articles, all applicable laws and regulations, and the requirements of the Listing Rules and any other stock exchange on which our securities may be listed, as amended from time to time. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph “Statutory and General Information — 6. Repurchase of our own shares” in Appendix IV to this prospectus.

The Repurchase Mandate will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting unless by ordinary resolution at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable law or our Articles to hold our next annual general meeting; or
- (c) when varied, revoked or renewed by a resolution of our Shareholders in a general meeting.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of our Memorandum of Association and our Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Share which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital by special resolution of shareholders. For details, see “2. Articles of Association — (a) Shares” in Appendix III to this prospectus.

Pursuant to the Cayman Companies Law and the terms of our Memorandum of Association and our Articles of Association, all or any of the special rights attached to our Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares in that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares in that class. For details, see “2. Articles of Association — (a) Shares” in Appendix III to this prospectus.

## SHARE CAPITAL

### SHARE OPTION SCHEME

Our Company has conditionally approved and adopted the Share Option Scheme, particulars of which are set out in the section “D. Share Option Scheme” in Appendix IV.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis in conjunction with our consolidated financial information set out in the Accountants' Report included as Appendix I to this prospectus and selected historical consolidated financial data, in each case, together with the accompanying notes thereto included elsewhere in this prospectus. The financial information included in the Accountants' Report has been prepared in accordance with IFRSs. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Report Period. For further information in relation to our Group structure, please see the section "History and Development". Additionally, the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our future results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including without limitation, the factors set out in the section "Risk Factors" and elsewhere in this prospectus.*

*Our financial year begins from 1 January and ends on 31 December. All references to "FY2016", "FY2017" and "FY2018" mean the financial years ended 31 December 2016, 2017 and 2018, respectively.*

### OVERVIEW

We 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 lightweight application, as well as electrical appliance parts. We seek to offer comprehensive moulding solutions to our customers covering product analysis, mould design and development, mould processing, manufacturing, assembling, testing and adjustment; trial manufacturing and after sales services. Since 2003, we have supplied automotive and electrical appliance moulds including hot-pressing moulds, hydroforming moulds and plastic injection moulds under the tradename of "Shinelong".

For FY2016, FY2017 and FY2018, our revenue was RMB130.7 million, RMB178.5 million and RMB217.2 million, respectively. For FY2016, FY2017 and FY2018, our net profit was RMB20.9 million, RMB37.6 million and RMB31.4 million, respectively. Excluding the listing expenses for the Listing and our previous A-Share Listing Application and cash subsidies granted by the local government in relation to our A-Share Listing Application, our adjusted net profit for FY2016, FY2017 and FY2018 were RMB26.4 million, RMB34.6 million and RMB38.3 million, respectively.

## FINANCIAL INFORMATION

The following table sets forth our revenue by business segment during the Track Record Period:

	FY2016		FY2017		FY2018	
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Sales of moulds</b>						
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	<u>1,002</u>	<u>0.8</u>	<u>2,809</u>	<u>1.6</u>	<u>1,472</u>	<u>0.7</u>
Sub-total	118,728	90.9	160,235	89.8	194,250	89.4
<b>Parts processing services</b>	10,649	8.1	15,372	8.6	20,802	9.6
<b>Other sundry income</b>	<u>1,328</u>	<u>1.0</u>	<u>2,843</u>	<u>1.6</u>	<u>2,164</u>	<u>1.0</u>
<b>Total</b>	<u>130,705</u>	<u>100.0</u>	<u>178,450</u>	<u>100.0</u>	<u>217,216</u>	<u>100.0</u>

For details of our business, please refer to the sub-section headed "Business — Overview".

### PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial conditions have been and are expected to be affected by a number of principal factors which are set forth below.

#### Reliance on top customers

Our five largest customers during the Track Record Period, which are all Independent Third Parties, are automotive component manufacturers, mould and tooling manufacturers, and electrical appliance manufacturers mainly located in the PRC. Together, they accounted for 78.7%, 71.8% and 69.7%, respectively, of our revenue for FY2016, FY2017 and FY2018, and our largest customer accounted for 43.7%, 44.3% and 36.7%, respectively of our revenue for the corresponding years.

We have developed business relationships with our top five largest customers for a period ranging from 2 to 11 years as at the Latest Practicable Date. In line with the market practice, we only enter into short-term sales contracts instead of long-term sales contracts with our customers. Although our Directors consider that we have established good relationships with our major customers, if our customers decide not to purchase any products from us, change any of their suppliers or propose new terms of sales unacceptable to us, change their business models, or terminate their respective relationships with us at any time as they wish in the future, our sales may decline if we are unable to find alternative customers in a timely manner. Even if we manage to secure other customers, it would take time and resources for us to develop the relationship with new customers. As a result, if any of our major customers substantially reduces its purchase orders with us or terminates its business relationship with us, our business, prospects, financial condition and results of operations may be materially and adversely affected.



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### **Automotive and electrical appliance manufacturing market in the PRC**

The automotive and electrical appliance industries are primarily driven by market demand and the need to remodel the products or launch new products in short lifecycles due to technical improvements, environmental consideration and aesthetics reasons. According to the Frost & Sullivan Report, the PRC is a major automotive market in the world with the total automotive sales volume growing at a CAGR of 5.0% from 2013 to 2018. With a rapid expansion of automotive sales volume in the PRC, the total sales value of automotive parts also grew at a CAGR of 8.1% from 2013 to 2018 and is expected to grow further at a CAGR of 6.0% from 2018 to 2023. Furthermore, with the continuous improvement of income level and the requirement of high quality life, the electrical appliance market has developed substantially and the total sales value of electrical appliance grew at a CAGR of 4.7% from 2013 to 2018 and is expected to grow further at a CAGR of 5.9% from 2018 to 2023.

One significant trend in the automotive mould industry is the automotive lightweight application as energy saving and environmental protection become important concerns. One of the technical approaches of lightweight technology is to improve the manufacturing process by using hot-pressing automotive moulds which can produce vehicles with lower weights without compromising the structural strength and safety. According to the Frost & Sullivan Report, hot-pressing automotive moulds had a rapid growth in the market size at a CAGR of 83.1% from 2013 to 2018 and is expected to growth further at a CAGR of 18.1% from 2018 to 2023. We, as one of the pioneers in automotive lightweight moulds manufacturing in the PRC, began to produce automotive lightweight moulds using hot-pressing technology in 2009. According to the Frost & Sullivan Report, we were the second largest manufacturer of hot-pressing automotive moulds by revenue in 2018 in the PRC. Our Directors believe that the growth in automotive and electrical appliance industries, particularly the hot-pressing automotive moulds market in the PRC, will be beneficial to us as it will drive the demand for our automotive and electrical appliance moulds.

### **Costs of direct materials**

Direct materials are the largest component in our cost of sales and any changes in our costs of direct materials will have a direct impact on our overall profitability. Our costs of direct materials for the Track Record Period mainly comprised mould steel, mould parts, mould carrier, hot runner and mould casting. Direct materials for FY2016, FY2017 and FY2018 accounted for RMB41.3 million, RMB59.0 million and RMB76.7 million, representing 52.2%, 52.6% and 53.2%, of our total cost of sales, respectively.

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The following table sets forth a sensitivity analysis of fluctuations in our costs of direct materials which illustrates the hypothetical impact on our profit before tax and profit after tax with 4%, 8% and 12% increase or decrease in our direct materials. Given that the analysis is based on a number of assumptions, it is for illustration purpose only and the actual results may differ from the illustration below:

<b>Changes in the costs of direct materials</b> <i>(Note)</i>	<b>+12%</b>	<b>+8%</b>	<b>+4%</b>	<b>-4%</b>	<b>-8%</b>	<b>-12%</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in profit before tax for						
FY2016	(4,959)	(3,306)	(1,653)	1,653	3,306	4,959
FY2017	(7,083)	(4,722)	(2,361)	2,361	4,722	7,083
FY2018	(9,207)	(6,138)	(3,069)	3,069	6,138	9,207
<b>Changes in the costs of direct materials</b> <i>(Note)</i>	<b>+12%</b>	<b>+8%</b>	<b>+4%</b>	<b>-4%</b>	<b>-8%</b>	<b>-12%</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in profit after tax for						
FY2016	(4,237)	(2,825)	(1,412)	1,412	2,825	4,237
FY2017	(6,136)	(4,091)	(2,045)	2,045	4,091	6,136
FY2018	(7,832)	(5,221)	(2,611)	2,611	5,221	7,832

*Note:* The hypothetical percentages of fluctuation was determined by reference to the percentage change of the price of mould steel, our major raw materials, which was 8.2% from FY2016 to FY2018 as stated in the Frost & Sullivan Report.

The price and supply of direct materials are subject to a number of factors that are beyond our control, including market demand, inflation, and government policies (e.g. environmental protection regulations and policies). According to Frost & Sullivan Report, during the Track Record Period, prices of mould steel, the largest component in our costs of direct materials, increased from FY2016 to FY2018. We closely monitor the changes in price of all of our major direct materials to manage our costs of direct materials. We do not enter into futures contract or engage in other financial hedges against potential price fluctuations for our supplies. Going forward, we will continue to manage the costs of our direct materials by closely monitoring market price fluctuations.

### Staff costs

Staff costs are one of our key manufacturing expenses and operating expenses, and any changes in our staff costs will have a direct impact on our profitability. Total staff costs that are recognised in the cost of sales, selling and distribution expenses and administrative expenses in the consolidated statements of profit or loss of our Group for FY2016, FY2017 and FY2018 were RMB14.0 million, RMB19.0 million and RMB24.5 million, respectively, representing 10.7%, 10.6% and 11.3% of our total revenue, respectively. As at 31 December 2018, we had a total of 351 employees.

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The following table sets forth a sensitivity analysis of fluctuations in our staff costs which illustrates the hypothetical impact on our profit before tax and profit after tax with 5%, 10% and 15% increase or decrease in our staff costs. Given that the analysis is based on a number of assumptions, it is for illustration purpose only and the actual results may differ from the illustration below:

<b>Changes in the amount of staff costs</b> <i>(Note)</i>	<b>+15%</b>	<b>+10%</b>	<b>+5%</b>	<b>-5%</b>	<b>-10%</b>	<b>-15%</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in profit before tax for						
FY2016	(2,003)	(1,336)	(667)	667	1,336	2,003
FY2017	(2,713)	(1,809)	(904)	904	1,809	2,713
FY2018	(3,508)	(2,338)	(1,170)	1,170	2,338	3,508
<b>Changes in the amount of staff costs</b> <i>(Note)</i>	<b>+15%</b>	<b>+10%</b>	<b>+5%</b>	<b>-5%</b>	<b>-10%</b>	<b>-15%</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in profit after tax for						
FY2016	(1,697)	(1,132)	(565)	565	1,132	1,697
FY2017	(2,332)	(1,555)	(777)	777	1,555	2,332
FY2018	(2,960)	(1,973)	(987)	987	1,973	2,960

*Note:* The hypothetical percentages of fluctuation was determined by reference to the percentage change of our average salary per staff during the Track Record Period.

Our success is dependent on our employees and our ability to attract and retain sufficient numbers of staff in the PRC. Our management will closely monitor our staff costs by conducting annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees.

### Taxation

Our results of operations are affected by changes in tax rates, particularly the applicable tax rates in the PRC, where we carry out all of our operations. While the enterprise income tax generally applicable in the PRC has been 25%, we enjoyed certain preferential enterprise income tax rates during the Track Record Period as a result of government policies to encourage high and new technology enterprises and small and micro-sized enterprises. Our subsidiary, Shinelong (Suzhou), enjoyed a preferential enterprise income tax rate of 15% throughout the Track Record Period. Our other subsidiary, Xunzhan, enjoyed a 50% reduction in taxable income and a preferential enterprise income tax rate of 20% for FY2016 and FY2017 as its taxable income was below RMB1 million. Our effective tax rates (before listing expenses for the Listing) were at 14.6%, 13.4% and 14.9% for FY2016, FY2017 and FY2018, respectively.

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Shinelong (Suzhou) will enjoy the preferential enterprise income tax rates up to 2020 when its current preferential tax qualifications expire. Although we will continue to apply for the qualification of high and new technology enterprises in the future and our Directors consider that there is a high chance that we can obtain such qualifications, we cannot assure you that we will be able to continue to enjoy the tax benefits, whether there are any changes of government policies. On the assumption that our subsidiaries were not entitled to enjoy the preferential tax rates as mentioned above, we would have recorded an additional tax expenses in our consolidated statements of profit or loss of RMB2.3 million, RMB4.5 million and RMB4.1 million for FY2016, FY2017 and FY2018, respectively.

### **REORGANISATION AND BASIS OF PREPARATION**

Our Company was incorporated in the Cayman Islands on 2 October 2018 as an exempted company with limited liability under the Companies Law in preparation for the Listing. Pursuant to the Reorganisation, details of which are set out in section “History and Development”, our Company became the holding company of our Group on 28 December 2018. Apart from the Reorganisation, our Company has not commenced any business or operation since its incorporation.

Upon the completion of the Reorganisation, our Company became the holding company of the companies carrying on our business of production and sale of precision moulds, with no change in management and the ultimate owners of such business. As the Reorganisation only involved inserting new holding entities above the existing holding company and had not resulted in any change of economic substance, the Historical Financial Information for the Track Record Period is presented as a continuation of the existing company using the pooling of interest method. Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the Track Record Period, which include the financial performance, changes in equity and cash flows of the companies comprising our Group, are prepared as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the companies comprising our Group as if the current group structure had been in existence as at those respective dates.

Details on the basis of presentation are set out in Note 2.1 in the Accountants’ Report in Appendix I.

### **CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENT**

We have identified certain significant accounting policies that are critical to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial position and results of operations and are set forth in Note 2.4 “Summary of significant accounting policies” of the Accountants’ Report in Appendix I.

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The preparation of the financial information requires our management to make significant and subjective estimates, assumptions and judgement based on our own historical experience, knowledge and assessment of our business conditions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities at each financial year end during the Track Record Period.

As use of estimates and judgement form an integral part of the financial reporting process, the actual results may differ from these assumptions, estimates and judgements and could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. These key estimates are set out in Note 3 “Significant accounting judgements and estimates” of the Accountants’ Report in Appendix I.

We believe that the following critical accounting policies and accounting estimates involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

### **Revenue recognition — timing of satisfaction of performance obligations**

We recognise revenue when a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to our customers.

#### ***Sales of moulds***

Revenue from domestic sales of moulds is recognised at a point in time when control over the moulds is transferred to our customers. Judgement is required to assess whether control is transferred when our customers preliminarily accept the moulds or when our customers issue the final acceptance report after the moulds are examined and tested. We consider that our customers will only obtain the legal title of the completed moulds after they have issued the final acceptance report, for which we have present right to the payment and the collection of the consideration is probable. We manufacture moulds that are highly customised for the particular customer with no alternative use for others, but has no enforceable right to our customer’s payment for our performance completed to date. We consider that the control over the domestic sales of moulds are transferred at the time, instead of overtime, when our customers issue the final acceptance report.

For overseas sales of moulds, revenue is recognised at a point in time when the control over the moulds is transferred to our customers, that is when they obtain the physical possession or the legal title of the completed moulds based on the respective shipping terms and we have present right to payment and the collection of the consideration is probable.

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### ***Parts processing services***

Revenue from rendering of parts processing services is recognised when control over the processing services is transferred to our customers. Judgement is required to assess whether control is transferred overtime or at a point in time. Our customers cannot simultaneously receive and consume the benefits provided by our parts processing services when we perform our obligation, and cannot control the machine parts when we perform processing services on them. We also have no enforceable right to our customer's payment for our parts processing services performed completed to date. Because of the above, we consider that the control over the processing services is transferred to our customer at a point in time when the processed parts are accepted by our customers.

### **Estimation uncertainty**

We had made certain key assumptions that may cause material adjustments to the carrying amounts of our assets and liabilities as at the end of each year during the Track Record Period.

### ***Impairment of non-financial assets***

We assess whether there are any indicators of impairment for all non-financial assets at the end of each year of the Track Record Period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

### ***Net realisation value of inventories***

We determine the net realisation value of our inventories based on the best available facts and circumstances, including the inventory's physical conditions, the market selling prices and estimated costs to be incurred for sales. The assessment is re-evaluated and adjusted as additional information received affects the amount estimated. As at 31 December 2016, 2017 and 2018, the carrying amounts of our inventories were RMB79.5 million, RMB119.6 million and RMB139.0 million (net of provision for impairment of RMB0.7 million, RMB0.2 million and RMB1.1 million), respectively.

### ***Useful lives of property, plant and equipment***

Our property, plant and equipment is depreciated on a straight-line basis over the respective useful lives of the relevant items. Our management estimates the useful lives of our property, plant and equipment to be between 5 to 20 years. Changes in the expected level of usage and technological development could impact the estimated useful lives and the residual values of these assets. Therefore, future depreciation charges could be materially different from those during the Track Record Period. As at 31 December 2016, 2017 and 2018, the carrying amounts of our property, plant and equipment were RMB42.6 million, RMB54.9 million and RMB67.1 million, respectively. The depreciation charges recognised in our consolidated statements of profit or loss for FY2016, FY2017 and FY2018 were RMB6.1 million, RMB6.7 million and RMB8.2 million, respectively, representing 4.7%, 3.8% and 3.8% of our total revenue, respectively.

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### ***Warranty provision***

We provide warranty to certain customers. The provision for warranty is estimated based on expected warranty work to be performed for goods under warranty period and labour charges expected to be incurred. As historical maintenance and service record may not resemble the future maintenance and service of the products sold, differences between the actual amount and the estimated amount of warranty provision may affect future profit and loss. As at 31 December 2016, 2017 and 2018, the carrying amounts of provision for warranty were RMB2.6 million, RMB3.1 million and RMB3.7 million, respectively. The provision for warranty expenses recognised in our consolidated statements of profit or loss for FY2016, FY2017 and FY2018 were RMB1.9 million, RMB2.5 million and RMB3.0 million, respectively, representing 1.5%, 1.4% and 1.4% of our total revenue, respectively.

### **APPLICATION OF IFRS 9 AND IFRS 15**

#### **IFRS 9 “Financial Instruments”**

IFRS 9 “Financial Instruments” replaced IAS 39 “Financial Instruments: Recognition and Measurement” for annual periods beginning on or after 1 January 2018 and earlier application is permitted. IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses (“ECL”) for financial assets and contract assets and (iii) general hedge accounting.

We have consistently adopted IFRS 9 in the preparation of the Historical Financial Information throughout the Track Record Period. Based on the assessment by our Directors, the adoption of IFRS 9 did not have any material impact on our financial position and performance when compared to that of IAS 39.

#### **IFRS 15 “Revenue from contracts with customers”**

IFRS 15 “Revenue from contracts with customers” replaced IAS 18 “Revenue” and IAS 11 “Construction Contracts” and the related interpretations for annual periods beginning on or after 1 January 2018 and earlier application is permitted. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers.

We have consistently adopted IFRS 15 in the preparation of the Historical Financial Information throughout the Track Record Period. Based on the assessment by our Directors, the adoption of IFRS 15 did not have any material impact on our financial position and performance when compared to that of IAS 18.

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### SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the consolidated statements of profit or loss of our Group for the Track Record Period prepared on the basis set out in the audited financial statements as set out in the Accountants' Report of our Group in Appendix I. Potential investors should read this section in conjunction with the Accountants' Report of our Group in Appendix I and not merely rely on the information contained in this section.

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	130,705	178,450	217,216
Cost of sales	<u>(79,230)</u>	<u>(112,215)</u>	<u>(144,303)</u>
Gross profit	51,475	66,235	72,913
Other income and gains	613	5,028	898
Selling and distribution expenses	(6,066)	(7,806)	(8,324)
Administrative expenses	(15,821)	(18,546)	(19,778)
Listing expenses	(5,508)	(1,038)	(6,915)
Finance costs	<u>(206)</u>	<u>(503)</u>	<u>(723)</u>
<b>Profit before income tax</b>	24,487	43,370	38,071
Income tax expense	<u>(3,565)</u>	<u>(5,798)</u>	<u>(6,720)</u>
<b>Profit for the year</b>	<u><u>20,922</u></u>	<u><u>37,572</u></u>	<u><u>31,351</u></u>

### Non-IFRS Measures

In addition to the IFRS measures in our consolidated financial statements, we also use the non-IFRS financial measure of adjusted profit for the year, adjusted return on equity and adjusted return on total assets to evaluate our operating performance. We believe that these non-IFRS measures provide useful information to investors to understand and evaluate our consolidated results of operations in the same manner as our management review our performance and to compare the financial results of our operation across accounting periods.



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The following table sets forth our unaudited adjusted profit for the year after excluding the effect of the listing expenses for the Listing and our previous A-Share Listing Application and the cash subsidies granted by the local government in relation to our A-Share Listing Application:

	FY2016 <i>RMB'000</i>	FY2017 <i>RMB'000</i>	FY2018 <i>RMB'000</i>
<b>Profit for the year</b>	20,922	37,572	31,351
<i>Add: Expenses for our previous A-Share Listing Application</i>	5,508	1,038	—
<i>Add: Expenses for the Listing</i>	—	—	6,915
<i>Minus: Cash subsidies granted by the local government in relation to our previous A-Share Listing Application</i>	—	(4,000)	—
<b>Adjusted profit for the year (Note)</b>	<b>26,430</b>	<b>34,610</b>	<b>38,266</b>

*Note:* Adjusted profit for the year is not a financial measure under the IFRS and is presented to provide information for evaluation and comparison of our financial results during the Track Record Period.

### DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

#### Revenue

Our revenue amounted to RMB130.7 million, RMB178.5 million and RMB217.2 million for FY2016, FY2017 and FY2018, respectively.

We mainly generated our revenue from the sales of moulds to our customers. Revenue generated from the sales of moulds contributed over 89% of our total revenue during the Track Record Period. Moulds sold to our customers during the Track Record Period and up to the Latest Practicable Date comprised automotive moulds, electrical appliance moulds and other moulds (such as scanner moulds, explosion-proof robots moulds, and transformer moulds). As ancillary services to our customers, we also provide parts processing services to our customers.

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### **Revenue by business segment**

Set forth below are the details of our revenue by business segment during the Track Record Period:

	<b>FY2016</b>		<b>FY2017</b>		<b>FY2018</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Sales of moulds</b>						
Automotive moulds	69,399	53.1	100,120	56.1	123,869	57.0
Electrical appliances moulds	48,327	37.0	57,306	32.1	68,909	31.7
Other moulds	<u>1,002</u>	<u>0.8</u>	<u>2,809</u>	<u>1.6</u>	<u>1,472</u>	<u>0.7</u>
Sub-total	118,728	90.9	160,235	89.8	194,250	89.4
<b>Parts processing services</b>						
Other sundry income	<u>1,328</u>	<u>1.0</u>	<u>2,843</u>	<u>1.6</u>	<u>2,164</u>	<u>1.0</u>
<b>Total</b>	<u><u>130,705</u></u>	<u><u>100.0</u></u>	<u><u>178,450</u></u>	<u><u>100.0</u></u>	<u><u>217,216</u></u>	<u><u>100.0</u></u>

### *Sales of moulds*

Sales of moulds accounted for over 89% of our revenue and were our major source of income during the Track Record Period.

#### (i) Automotive moulds

We design, develop, manufacture and sell customised hot-pressing moulds, hydroforming moulds and injection moulds which are used in auto manufacturing. Sales of automotive moulds is the largest sub-segment of our sales of moulds segment by revenue. For FY2016, FY2017 and FY2018, sales of automotive moulds contributed RMB69.4 million, RMB100.1 million and RMB123.9 million, or 53.1%, 56.1% and 57.0% of our total revenue, respectively.

During the Track Record Period, the majority of our automotive moulds were sold to our top customer, Gestamp Group. Gestamp Group is a global renowned manufacturer of automotive parts using hot-pressing techniques for lightweight application. For details of its background information and relationship with us, please see the sub-section "Business — Sales and Customers — Our relationship with Gestamp Group".

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Our revenue generated from the sales of automotive moulds increased by RMB30.7 million or 44.3% for FY2017 as compared with FY2016. Such increase was mainly the combined result of (i) the increase in revenue generated from Gestamp Group by RMB19.9 million; and (ii) the increase in revenue generated from one of our top five customers, namely Sika Group, by RMB4.3 million due to the increase in demand by its subsidiaries in South America and Europe. The increase in revenue generated from Gestamp Group was mainly due to the fact that (i) since 2017, we started to receive orders for automotive moulds from Gestamp Group in China for its factories in Japan and India; and (ii) the increase in the number of automotive moulds ordered by Gestamp Group, which we believe is the result of (a) the more frequent introduction of new passenger vehicle models to meet the changing taste and needs of customers (according to the Frost & Sullivan Report, the number of new passenger vehicle models in China grew from approximately 1,300 in 2016 to approximately 1,900 in 2018, representing a CAGR of approximately 20.9%); and (b) Gestamp Group's increased adoption of lightweight technology and hence increased demand for our hot-pressing moulds.

Our revenue generated from sales of automotive moulds increased by RMB23.7 million or 23.7% for FY2018 as compared with FY2017. Such increase was mainly the combined result of (i) the increase in revenue generated from two of our top five customers, namely Changchun CECK Auto Parts Company Limited (長春捷科汽車部件有限公司) and Kunshan City Zhangpu Town Ming Yuan Da Precision Mould Factory (昆山市張浦鎮明遠達精密模具廠), by RMB7.7 million and RMB5.5 million, respectively; and (ii) sales of automotive moulds to a new customer, which is an automotive parts manufacturer, of RMB6.8 million.

The table below sets out a breakdown of our revenue from automotive moulds by sub-type of moulds we sold during the Track Record Period:

	FY2016		FY2017		FY2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Hot-pressing moulds	59,167	85.3	83,637	83.5	100,165	80.9
Hydroforming moulds	4,812	6.9	3,991	4.0	5,823	4.7
Injection moulds	<u>5,420</u>	<u>7.8</u>	<u>12,492</u>	<u>12.5</u>	<u>17,881</u>	<u>14.4</u>
<b>Total</b>	<u>69,399</u>	<u>100.0</u>	<u>100,120</u>	<u>100.0</u>	<u>123,869</u>	<u>100.0</u>

During the Track Record Period, our revenue from automotive moulds is predominantly generated from the sales of hot-pressing moulds. Hot-pressing moulds can be used to manufacture automotive parts and components with lower weights without compromising structural strength and safety. According to Frost & Sullivan Report, we ranked second in the hot-pressing automotive mould market in China in 2018 in terms of revenue, and this is the focus of our business.

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### (ii) Electrical appliance moulds

Apart from automotive moulds, we also design, develop, manufacture and sell customised plastic injection moulds for the production of electrical appliance. For FY2016, FY2017 and FY2018, sales of electrical appliance moulds contributed RMB48.3 million, RMB57.3 million and RMB68.9 million, or 37.0%, 32.1% and 31.7% of our total revenue, respectively.

Our revenue generated from the sales of electrical appliance moulds increased by RMB9.0 million or 18.6% for FY2017 as compared with FY2016. Such increase was mainly the combined result of (i) the increase in revenue generated from one of our top five customers, namely Hisense Group, by RMB4.6 million; and (ii) sales of electrical appliances moulds to a new and top five customer, namely Customer A, of RMB5.6 million.

Our revenue generated from the sales of electrical appliance moulds increased by RMB11.6 million or 20.2% for FY2018 as compared with FY2017. Such increase was mainly the combined result of (i) the increase in revenue generated from Hisense Group by RMB6.1 million; and (ii) the increase in revenue generated from one of our customers in Nanjing, who is a plastic product manufacturer, by RMB3.7 million.

### (iii) Other moulds

For FY2016, FY2017 and FY2018, sales of other moulds contributed RMB1.0 million, RMB2.8 million and RMB1.5 million, or 0.8%, 1.6% and 0.7%, of our total revenue, respectively. The major types of these moulds include, among others, scanner moulds, explosion-proof robots moulds, and transformer moulds. Our revenue from sales of other moulds was immaterial to our Group for the Track Record Period.

### *Parts processing services*

Parts processing services principally include services provided to our customers for (i) modification of moulds we manufactured and sold; and (ii) processing machine parts that are used in automotive moulds and electrical appliance moulds. For FY2016, FY2017 and FY2018, parts processing services contributed RMB10.6 million, RMB15.4 million and RMB20.8 million, or 8.1%, 8.6% and 9.6%, of our total revenue, respectively.

Our revenue generated from parts processing services increased by RMB4.7 million or 44.4% for FY2017 as compared with FY2016, mainly due to the increase in revenue generated from Gestamp Group resulting from the increase in demand of processing services of auto machine parts.

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Our revenue generated from parts processing services increased by RMB5.4 million or 35.3% for FY2018 as compared with FY2017, which was mainly due to the increase in orders for modification of automotive moulds and electrical appliance moulds.

### *Other sundry income*

Our other sundry income principally includes disposal of scrap metal and waste products to recycling company and service charges for small-scale trial production. For FY2016, FY2017 and FY2018, other sundry income contributed RMB1.3 million, RMB2.8 million and RMB2.2 million, or 1.0%, 1.6% and 1.0%, of our total revenue, respectively, which was immaterial to our Group for the Track Record Period.

### **Sales volume and selling price range**

The table below sets out the sales volume and selling price range by automotive moulds and electrical appliance moulds during the Track Record Period:

	FY2016			FY2017			FY2018					
	Sales volume	Selling price range (RMB)*		Sales volume	Selling price range (RMB)*		Sales volume	Selling price range (RMB)*				
	Units	Minimum	Average	Maximum	Units	Minimum	Average	Maximum	Units	Minimum	Average	Maximum
Automotive moulds	<u>93</u>	38,000	<u>746,000</u>	1,900,000	<u>138</u>	41,000	<u>726,000</u>	1,550,000	<u>160</u>	38,000	<u>774,000</u>	1,800,000
Electrical appliance moulds	<u>113</u>	29,000	<u>428,000</u>	1,239,000	<u>138</u>	17,000	<u>415,000</u>	1,051,000	<u>150</u>	17,000	<u>459,000</u>	1,000,000

\* *Rounded to nearest thousand of RMB*

During the Track Record Period, the number of automotive moulds and electrical appliance moulds sold to our customers were both on an increasing trend and the average selling price per unit remained relatively stable.

The selling price range for our moulds may fluctuate as our moulds are highly customised and different moulds involve different specifications and requirements by our customers. Our production team works with our customers in early stage in the design of moulds before fabrication and optimises the mould design based on our customers' feedback. In general, we price our moulds based on the technical complexity of the moulds, estimated amount of production labour needed and cost of raw materials involved.

## FINANCIAL INFORMATION

### **Revenue by geographical location**

Set forth below are our revenue by destination of delivery of our products during the Track Record Period:

	FY2016		FY2017		FY2018	
	RMB'000	%	RMB'000	%	RMB'000	%
The PRC	128,198	98.1	173,804	97.4	209,185	96.3
Overseas (Note)	<u>2,507</u>	<u>1.9</u>	<u>4,646</u>	<u>2.6</u>	<u>8,031</u>	<u>3.7</u>
<b>Total</b>	<u><u>130,705</u></u>	<u><u>100.0</u></u>	<u><u>178,450</u></u>	<u><u>100.0</u></u>	<u><u>217,216</u></u>	<u><u>100.0</u></u>

Note: Our overseas sales mainly included sales to South America and Europe.

During the Track Record Period, our revenue was predominantly generated from the PRC, and our overseas sales were not significant to our Group.

### **Cost of sales**

Our cost of sales mainly consists of costs of direct materials, direct labour, manufacturing overhead and sub-contracting fees. The following table sets out a breakdown of our cost of sales during the Track Record Period:

	FY2016		FY2017		FY2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Direct materials	41,328	52.2	59,027	52.6	76,723	53.2
Direct labour	8,878	11.2	12,377	11.1	16,780	11.6
Manufacturing overhead	17,090	21.5	20,476	18.2	23,829	16.5
Subcontracting expenses	<u>11,934</u>	<u>15.1</u>	<u>20,335</u>	<u>18.1</u>	<u>26,971</u>	<u>18.7</u>
<b>Total</b>	<u><u>79,230</u></u>	<u><u>100.0</u></u>	<u><u>112,215</u></u>	<u><u>100.0</u></u>	<u><u>144,303</u></u>	<u><u>100.0</u></u>

## FINANCIAL INFORMATION

For FY2016, FY2017 and FY2018, our cost of sales was RMB79.2 million, RMB112.2 million and RMB144.3 million, respectively, and mainly comprised cost of direct materials of RMB41.3 million, RMB59.0 million and RMB76.7 million, respectively, which represented 52.2%, 52.6% and 53.2% of our total cost of sales, respectively. The following sets out a breakdown of our cost of direct materials during the Track Record Period:

	FY2016		FY2017		FY2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Mould steel	15,849	38.3	20,386	34.5	26,493	34.5
Hot runner	7,660	18.5	8,362	14.2	11,381	14.8
Mould carrier	5,608	13.6	8,057	13.6	10,485	13.7
Mould parts	7,776	18.8	14,412	24.4	18,698	24.4
Moulds casting	2,643	6.4	5,591	9.5	7,467	9.7
Others	1,792	4.4	2,219	3.8	2,199	2.9
<b>Total</b>	<u>41,328</u>	<u>100.0</u>	<u>59,027</u>	<u>100.0</u>	<u>76,723</u>	<u>100.0</u>

Mould steel was our major raw materials during the Track Record Period. According to Frost & Sullivan Report, the price of mould steel increased by 8.2% from FY2016 to FY2018 due to the closure of heavy-pollution and high energy-consumption steel factories and recovery of downstream demand. The increase in our cost of direct materials from FY2016 to FY2018 was mainly attributable to (i) the increase in the cost of mould steel resulting from the increase in our sales volume of moulds and price of mould steels; and (ii) the increase in the cost of moulds parts as an increasing quantity of standard moulds parts have been purchased by us from the market for installation into the moulds we produced for Gestamp Group since FY2017, whereas Gestamp Group supplied a large portion of those standard mould parts to us prior to FY2017. As such, cost of mould parts as a percentage of cost of direct materials increased from 18.8% for FY2016 to 24.4% for FY2017 and FY2018.

Our direct labour cost consists of employee benefit expenses for our production staff. The increase in direct labour cost from FY2016 to FY2018 was mainly attributable to the increase in our headcount to support our business growth and increase in labour wages driven by the increase in statutory minimum wages in the PRC and social security costs.

Our manufacturing overhead cost primarily includes, among others, depreciation, operating lease expenses for our factories, tooling and consumables, and water and electricity. The increase in manufacturing overhead cost from FY2016 to FY2018 was mainly attributable to the increase in depreciation charge resulting from addition of machinery.

Our subcontracting expenses primarily comprised fees paid to third party contractors for fabrication of certain less technically complicated moulds. As we were operating at almost full capacity during the Track Record Period, we needed to engage third party contractors to meet the increase in demand of our moulds from time to time. As a result, our subcontracting expenses increased by RMB8.4 million or 70.4% for FY2017 as compared with FY2016, and further increased by RMB6.6 million or 32.6% for FY2018 as compared with FY2017.

## FINANCIAL INFORMATION

### Gross profit and gross profit margin

Our gross profit amounted to RMB51.5 million, RMB66.2 million, and RMB72.9 million for FY2016, FY2017 and FY2018, representing a gross profit margin of 39.4%, 37.1% and 33.6%, respectively.

The following table sets forth an analysis of gross profit with respective gross profit margins by our business segments during the Track Record Period:

	FY2016		FY2017		FY2018	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Sales of automotive moulds	34,520	49.7	43,016	43.0	42,978	34.7
Sales of electrical appliance moulds	11,821	24.5	16,293	28.4	18,100	26.3
Sales of other moulds	35	3.5	361	12.9	486	33.0
Parts processing services	4,785	44.9	5,380	35.0	10,101	48.6
Other sundry income	314	23.6	1,185	41.7	1,248	57.7
<b>Total</b>	<u>51,475</u>	<u>39.4</u>	<u>66,235</u>	<u>37.1</u>	<u>72,913</u>	<u>33.6</u>

### Gross profit

Our gross profit increased by RMB14.8 million or 28.7% for FY2017 as compared with FY2016. The increase was mainly attributable to the increase in gross profit from sales of automotive moulds and sales of electrical appliance moulds of RMB8.4 million and RMB4.6 million, respectively. The overall percentage increase in gross profit, however, was lower than that for our revenue, which was mainly due to the decrease in gross profit margin of our largest business segment, namely sales of automotive moulds, for FY2017.

Our gross profit increased by RMB6.7 million or 10.1% for FY2018 as compared with FY2017. Such increase was mainly attributable to the increase in gross profit from sales of electrical appliance moulds and parts processing services of RMB1.8 million and RMB4.7 million, respectively. The overall percentage increase in gross profit, however, was lower than that for our revenue, which was mainly due to the decrease in gross profit margin for the sales of automotive moulds for FY2018.



## FINANCIAL INFORMATION

### **Gross profit margin**

#### *(i) Automotive moulds*

Our gross profit margin decreased from 39.4% for FY2016 to 37.1% for FY2017 and further decreased to 33.6% for FY2018. Such decrease was mainly due to the decrease in gross profit margin of our largest business segment, namely sales of automotive moulds, from 49.7% for FY2016 to 43.0% for FY2017 and further decreased to 34.7% for FY2018. Our gross profit margin for sales of automotive moulds in FY2016 was relatively higher mainly due to the fact that we had special projects with Gestamp Group which involved manufacturing of moulds of greater size and higher complexity. In addition, in FY2017, we offered more competitive pricing to Gestamp Group in view of strong market competition. For FY2018, the decrease in gross profit margin for sales of automotive moulds was mainly due to the further decrease in gross profit margin from Gestamp Group and the relatively low gross profit margin from Changchun CECK Auto Parts Company Limited (長春捷科汽車部件有限公司) and a new customer which is an automotive parts manufacturer. The decrease in gross profit margin for sales to Gestamp Group was mainly due to the fact that (i) we offered a relatively competitive pricing to Gestamp Group for manufacturing 16 automotive moulds, which our Directors, based on the particulars in the relevant orders received from Gestamp and the management's experience, believed to be moulds for Gestamp to manufacture parts for an internationally renowned car brand that we had not previously manufactured any moulds for. We intended to take this opportunity to gain more orders from such brand indirectly through Gestamp Group in the future; and (ii) we accommodated the request of Gestamp Group for a reduction in price as a global cost control requirement from Gestamp Group. As mentioned above, we also offered competitive pricing to Changchun CECK Auto Parts Company Limited and a new customer in order to attract new businesses and establish long-term business relationships with them.

#### *(ii) Electrical appliance moulds*

Our gross profit margin from sales of electrical appliance moulds increased from 24.5% for FY2016 to 28.4% for FY2017, which was mainly due to the increase in gross profit margin for sales to Hisense Group as our moulds sold to Hisense Group in FY2017 were more complex and hence the margin was higher than that for FY2016. Our gross profit margin for sales of electrical appliance moulds decreased slightly from 28.4% for FY2017 to 26.3% for FY2018, which was mainly due to the decrease in gross profit margin for sales to Hisense Group as our moulds sold to Hisense Group in FY2018 were less complex and hence the margin was lower than that for FY2017.

#### *(iii) Parts processing services*

Our gross profit margin from parts processing services decreased from 44.9% for FY2016 to 35.0% for FY2017. The decrease was mainly due to the increase in direct labour required for manufacturing and repairing the machine parts for FY2017 as the specifications and requirements from our customers were more complex, resulting in higher labour costs and hence lower profit margin. On the other hand, our gross profit margin from parts processing services increased from 35.0% for FY2017 to 48.6% for FY2018, which was mainly due to the fact that some of the orders received for modification of automotive moulds in FY2018 were more complex and had a higher gross profit margin.

## FINANCIAL INFORMATION

### Other income and gains

Our other income and gains amounted to RMB0.6 million, RMB5.0 million and RMB0.9 million for FY2016, FY2017 and FY2018, respectively. It mainly consisted of government grants and interest income. Our other income and gains for FY2017 was higher than that for FY2016 and FY2018 by RMB4.4 million and RMB4.1 million, respectively, which was mainly due to cash subsidies granted by and received from the local government in relation to our previous A-Share Listing Application in the amount of RMB4.0 million. We were entitled to such cash subsidies based on the stage of completion of our previous A-Share Listing Application and a total of RMB4.0 million was granted to us in FY2017 after we filed a listing application to the CSRC, regardless of whether or not we could be successfully listed on the Shanghai Stock Exchange. We received the cash subsidies in September 2017. The cash subsidies were not subject to refund even though we voluntarily withdrew the A-Share Listing Application in January 2018.

### Selling and distribution expenses

Our selling and distribution expenses mainly consist of staff costs for sales staff, provision for warranty and logistics expenses for delivery of moulds to customers. The following table sets out a breakdown of our selling and distribution expenses during the Track Record Period:

	FY2016		FY2017		FY2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	1,745	28.8	2,086	26.7	2,291	27.6
Provision for warranty	1,911	31.5	2,525	32.3	2,975	35.7
Logistics expenses	1,100	18.1	1,445	18.5	1,657	19.9
Travelling and entertainment expenses	899	14.8	1,172	15.0	1,142	13.7
Others <sup>(Note)</sup>	411	6.8	578	7.5	259	3.1
<b>Total</b>	<b>6,066</b>	<b>100.0</b>	<b>7,806</b>	<b>100.0</b>	<b>8,324</b>	<b>100.0</b>

*Note:* Others mainly included staff welfare expenses, promotion expenses, communication expenses and repair and maintenance expenses

For FY2016, FY2017 and FY2018, our selling and distribution expenses were RMB6.1 million, RMB7.8 million and RMB8.3 million, respectively. Our selling and distribution expenses increased by RMB1.7 million or 28.7% for FY2017 as compared with FY2016 and increased by RMB0.5 million or 6.6% for FY2018 as compared with FY2017. For both years, the increase was mainly due to (i) the increase in staff costs resulting from annual salary increment; (ii) the increase in provision for warranty due to the increase in revenue from sales of moulds; and (iii) the increase in logistics expenses due to the increase in number of moulds delivered to our customers.

## FINANCIAL INFORMATION

### Administrative expenses

Our administrative expenses mainly consist of staff costs for management and operational personnel (other than sales staff) and research and development expenses. The following table sets out a breakdown of our administrative expenses during the Track Record Period:

	FY2016		FY2017		FY2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	3,410	21.6	4,522	24.4	5,388	27.2
Staff welfare and training	715	4.5	504	2.7	757	3.8
Research and development expenses	6,104	38.6	7,843	42.3	7,164	36.2
General office expenses	1,194	7.5	788	4.2	932	4.7
Water, electricity and communication	707	4.5	784	4.2	712	3.6
Depreciation of plant, property and equipment	832	5.3	878	4.7	789	4.0
Amortisation of intangible assets	302	1.9	306	1.6	290	1.5
Other taxes	1,284	8.1	1,392	7.5	1,975	10.0
Others <sup>(Note)</sup>	1,273	8.0	1,529	8.4	1,771	9.0
<b>Total</b>	<b>15,821</b>	<b>100.0</b>	<b>18,546</b>	<b>100.0</b>	<b>19,778</b>	<b>100.0</b>

*Note:* Others mainly included rental for the operating lease for our office, entertainment expenses, travelling expenses and repair and maintenance expenses

For FY2016, FY2017 and FY2018, our administrative expenses were RMB15.8 million, RMB18.5 million and RMB19.8 million, respectively. Our administrative expenses increased by RMB2.7 million or 17.2% for FY2017 as compared with FY2016, which was primarily due to (i) the increase in staff costs resulting from annual salary increment; and (ii) the increase in research and development expenses resulting from the increase in the number of our research projects and the increase in the cost of raw materials used in each research project. Our administrative expenses increased by RMB1.2 million or 6.6% for FY2018 as compared with FY2017, which was primarily due to the increase in staff costs resulting from annual salary increment.

### Listing expenses

Our listing expenses amounted to RMB5.5 million, RMB1.0 million and RMB6.9 million for FY2016, FY2017 and FY2018, respectively. Our listing expenses for FY2016 and FY2017 represented expenses paid to professional parties in relation to our previous A-Share Listing Application which was withdrawn on 22 January 2018. Our listing expenses for FY2018 represented professional services expenses incurred and charged to the consolidated statements of profit or loss in relation to our application for the Listing.

## FINANCIAL INFORMATION

### Finance costs

Our finance costs mainly consisted of interest expenses on bank loans and discounted notes receivable. For FY2016, FY2017 and FY2018, our finance costs were RMB0.2 million, RMB0.5 million and RMB0.7 million, respectively. Our finance costs were immaterial to our Group during the Track Record Period.

### Income tax expense

The following table sets out a breakdown of our income tax expenses during the Track Record Period:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax — PRC enterprise			
income tax	4,118	6,620	5,405
Deferred tax	(553)	(822)	1,315
<b>Total</b>	<b>3,565</b>	<b>5,798</b>	<b>6,720</b>

Income tax expense comprises current tax and deferred tax. Current income tax comprises the PRC enterprise income tax. During the Track Record Period, our principal operating subsidiary, Shinelong (Suzhou), enjoyed a preferential PRC enterprise income tax rates at 15% as it is qualified as a high and new technology enterprise. Our other subsidiary, Xunzhan, also enjoyed a 50% reduction in taxable income and a preferential PRC enterprises income tax rate of 20% for FY2016 and FY2017 as it is qualified as a small and micro-sized enterprise. The applicable income tax rate for Xunzhan was 25% for FY2018 as its taxable income was above RMB1 million.

The amount of deferred tax credited to our consolidated statements of profit or loss represents the temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial information and their respective tax bases.

We have made adequate tax provision on the assessable profit based on the tax rates prevailing in the PRC where we operated for FY2016, FY2017 and FY2018. Payment of taxes were made in accordance with the payment schedule stipulated by the relevant tax authorities. Our Directors confirmed that we had made all required tax filings under relevant tax laws and regulations in the PRC and have fulfilled all relevant tax obligations in accordance with relevant laws and regulations and are not aware of any unpaid tax, any dispute or any unresolved tax issues with the relevant tax authorities.

## FINANCIAL INFORMATION

### ***Effective tax rate***

Our effective tax rate, representing income tax expense divided by profit before taxation, was 14.6%, 13.4% and 17.7% for FY2016, FY2017 and FY2018, respectively. Excluding the listing expenses for the Listing, our effective tax rate would have been 14.6%, 13.4% and 14.9% for the corresponding periods. Our effective tax rate (before listing expenses for the Listing) remained relatively stable for FY2016 and FY2017, and increased for FY2018 as compared with FY2017 mainly because our subsidiary, Xunzhan, no longer enjoyed preferential income tax rate for FY2018.

### ***Net profit***

We recorded net profit of RMB20.9 million, RMB37.6 million and RMB31.4 million for FY2016, FY2017 and FY2018, with a net profit margin of 16.0%, 21.1% and 14.4%, respectively. Excluding the listing expenses for the Listing and our previous A-Share Listing Application and cash subsidies granted by the local government in relation to our A-Share Listing Application, our net profit margin would have been 20.2%, 19.4% and 17.6% for the corresponding periods. Our adjusted net profit margin remained relatively stable for FY2016 and FY2017, and decreased for FY2018 as compared with FY2017 mainly due to the decrease in gross profit margin for FY2018.

## **PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS**

### **FY2018 compared to FY2017**

#### ***Revenue***

Our revenue increased by RMB38.8 million, or 21.7%, from RMB178.5 million for FY2017 to RMB217.2 million for FY2018. The increase was mainly the combined effect of (i) the increase in revenue from sales of automotive moulds due to the increase in sales to two of our top customers and a new customer in FY2018; and (ii) the increase in revenue from sales of electrical appliance moulds due to the increase in sales to one of our top customers and a plastic product manufacturer in Nanjing.

#### ***Cost of sales***

Our cost of sales increased by RMB32.1 million, or 28.6%, from RMB112.2 million for FY2017 to RMB144.3 million for FY2018. The increase in cost of sales was primarily due to the increase in the purchase of direct materials for an increased number of moulds manufactured and an increase in the prices of mould steel.

## FINANCIAL INFORMATION

### ***Gross profit and gross profit margin***

Our gross profit increased by RMB6.7 million, or 10.1%, from RMB66.2 million for FY2017 to RMB72.9 million for FY2018. Our gross profit margin decreased from 37.1% for FY2017 to 33.6% for FY2018. The decrease was mainly due to the decrease in gross profit margin from the sales of automotive moulds, resulting from (i) the decrease in gross profit margin for sales to Gestamp Group; and (ii) the relatively low gross profit margin for sales to one of our top customers and our new customer who is an automotive parts manufacturer as we offered a competitive pricing to them in order to attract new businesses and establish long-term business relationships with them.

### ***Other income and gains***

Our other income and gains decreased by RMB4.1 million, or 82.4%, from RMB5.0 million for FY2017 to RMB0.9 million for FY2018. The decrease was mainly due to the absence of the cash subsidies granted by the local government in FY2018, which were granted in FY2017 in relation to our previous A-Share Listing Application in the amount of RMB4.0 million.

### ***Selling and distribution expenses***

Our selling and distribution expenses increased by RMB0.5 million, or 6.6%, from RMB7.8 million for FY2017 to RMB8.3 million for FY2018. The increase was mainly due to the increase in staff costs resulting from annual salary increment, the increase in provision for warranty due to the increase in revenue from sales of moulds, and the increase in logistics expenses due to the increase in the number of moulds delivered to our customers.

### ***Administrative expenses***

Our administrative expenses increased by RMB1.2 million, or 6.6%, from RMB18.5 million for FY2017 to RMB19.8 million for FY2018. The increase was primarily due to the increase in staff costs resulting from annual salary increment.

### ***Listing expenses***

Our listing expenses amounted to RMB1.0 million and RMB6.9 million for FY2017 and FY2018, respectively, which represented professional services expenses incurred in relation to our previous A-Share Listing Application and our application for the Listing, respectively .

### ***Finance costs***

Our finance costs consisted of interest expenses on bank loans and discounted notes receivable. Our finance costs remained relatively stable at RMB0.5 million for FY2017 and RMB0.7 million for FY2018. Our finance costs were immaterial to our Group for both years.

## FINANCIAL INFORMATION

### ***Income tax expenses***

Our income tax expenses increased from RMB5.8 million for FY2017 to RMB6.7 million for FY2018.

Our effective tax rates (before listing expenses for the Listing) increased from 13.4% for FY2017 to 14.9% for FY2018 which was mainly because our subsidiary, Xunzhan, no longer enjoyed preferential income tax rate for FY2018 but enjoyed a 50% reduction in taxable income and a preferential PRC enterprises income tax rate of 20% for FY2017. The applicable tax rate for Xunzhan was 25% for FY2018.

### ***Net profit***

As a result of the above, our net profit decreased by RMB6.2 million, or 16.6%, from RMB37.6 million for FY2017 to RMB31.4 million for FY2018 and our net profit margin decreased from 21.1% for FY2017 to 14.4% for FY2018.

Excluding the listing expenses for the Listing and cash subsidies granted by the local government in relation to our A-Share Listing Application, our adjusted net profit increased from RMB34.6 million for FY2017 to RMB38.3 million for FY2018. Our adjusted net profit margin decreased from 19.4% for FY2017 to 17.6% for FY2018.

### **FY2017 compared to FY2016**

#### ***Revenue***

Our revenue increased by RMB47.7 million, or 36.5%, from RMB130.7 million for FY2016 to RMB178.5 million for FY2017. The increase was mainly the combined effect of (i) the increase in revenue from sales of automotive moulds due to the increase in sales to two of our top customers; and (ii) the increase in revenue from sales of electrical appliance moulds due to the increase in sales to two of our top customers.

#### ***Cost of sales***

Our cost of sales increased by RMB33.0 million, or 41.6%, from RMB79.2 million for FY2016 to RMB112.2 million for FY2017. The increase in cost of sales was primarily due to the increased purchase of direct materials for an increased number of moulds manufactured, and an increase in the prices of mould steel.

#### ***Gross profit and gross profit margin***

Our gross profit increased by RMB14.8 million, or 28.7%, from RMB51.5 million for FY2016 to RMB66.2 million for FY2017. Our gross profit margin decreased from 39.4% for FY2016 to and 37.1% for FY2017. The decrease was mainly due to the decrease in gross profit margin from sales of automotive moulds resulting from the decrease in gross profit margin from Gestamp Group as we offered a competitive pricing to Gestamp Group.

## FINANCIAL INFORMATION

### ***Other income and gains***

Our other income and gains increased by RMB4.4 million, or 720.2%, from RMB0.6 million for FY2016 to RMB5.0 million for FY2017. The increase was mainly due to the cash subsidies granted by the local government in FY2017 in relation to our previous A-Share Listing Application in the amount of RMB4.0 million.

### ***Selling and distribution expenses***

Our selling and distribution expenses increased by RMB1.7 million, or 28.7%, from RMB6.1 million for FY2016 to RMB7.8 million for FY2017. The increase was mainly due to (i) the increase in staff costs resulting from annual salary increment; (ii) the increase in provision for warranty due to the increase in revenue from sales of moulds; and (iii) the increase in logistics expenses due to the increase in number of moulds delivered to our customers.

### ***Administrative expenses***

Our administrative expenses increased by RMB2.7 million, or 17.2%, from RMB15.8 million for FY2016 to RMB18.5 million for FY2017. The increase was primarily due to (i) the increase in staff costs resulting from annual salary increment; (ii) the increase in research and development expenses resulting from the increased number of research projects and the increased average cost of raw materials used in our research projects.

### ***Listing expenses***

Our listing expenses amounted to RMB5.5 million for FY2016 and RMB1.0 million for FY2017 which represented professional services expenses incurred in relation to our previous A-Share Listing Application.

### ***Finance costs***

Our finance costs consisted of interest expenses on bank loans and discounted notes receivable. Our finance costs remained relatively stable at RMB0.2 million for FY2016 and RMB0.5 million for FY2017. Our finance costs were immaterial to our Group for both years.

### ***Income tax expenses***

Our income tax expenses increased by RMB2.2 million, or 62.6%, from RMB3.6 million for FY2016 to RMB5.8 million for FY2017. The increase was due to the increase in profit before income tax.

Our effective tax rates remained relatively stable at 14.6% for FY2016 and 13.4% for FY2017.

### ***Net profit***

As a result of the above, our net profit increased by RMB16.7 million, or 79.6%, from RMB20.9 million for FY2016 to RMB37.6 million for FY2017 and our net profit margin increased from 16.0% for FY2016 to 21.1% for FY2017.



## FINANCIAL INFORMATION

Excluding the listing expenses for our previous A-Share Listing Application and the cash subsidies granted by the local government in relation to our A-Share Listing Application, our adjusted net profit increased from RMB26.4 million for FY2016 to RMB34.6 million for FY2017. Our adjusted net profit margin remained relatively stable at 20.2% for FY2016 and 19.4% for FY2017.

### CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth the breakdown of our current assets and current liabilities as at the dates indicated:

	<b>As at 31 December</b>			<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>30 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
<b>Current assets</b>				
Inventories	79,528	119,645	138,952	147,304
Trade and notes receivable	32,321	53,725	75,442	77,562
Prepayments, other receivables and other assets	2,389	851	4,021	5,520
Amount due from a related party	—	—	312	—
Cash and cash equivalents	<u>19,381</u>	<u>33,631</u>	<u>14,112</u>	<u>10,405</u>
	<u>133,619</u>	<u>207,852</u>	<u>232,839</u>	<u>240,791</u>
<b>Current liabilities</b>				
Trade and notes payables	25,931	47,582	66,434	45,230
Other payables and accruals	12,544	10,778	16,673	10,794
Government grants	98	145	234	375
Contract liabilities	45,139	75,857	81,154	97,633
Lease liabilities	—	—	—	2,368
Dividends payable	23,582	—	367	—
Borrowings	—	27,219	—	—
Amount due to related parties	3,871	126	6,956	13,533
Income tax payables	<u>985</u>	<u>1,219</u>	<u>1,536</u>	<u>737</u>
	<u>112,150</u>	<u>162,926</u>	<u>173,354</u>	<u>170,670</u>
<b>Net current assets</b>	<u>21,469</u>	<u>44,926</u>	<u>59,485</u>	<u>70,121</u>

Our net current assets represent the differences between our current assets and our current liabilities. As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had net current assets of RMB21.5 million, RMB44.9 million, RMB59.5 million and RMB70.1 million, respectively.

## FINANCIAL INFORMATION

### DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following is a summary of the consolidated statements of financial position of our Group as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	42,637	54,852	67,110
Intangible assets	1,920	4,025	3,625
Prepaid land lease payments	849	825	800
Prepayments	1,065	39	60
Deferred tax assets	<u>1,967</u>	<u>2,789</u>	<u>1,474</u>
	<u>48,438</u>	<u>62,530</u>	<u>73,069</u>
<b>Current assets</b>			
Inventories	79,528	119,645	138,952
Trade and notes receivables	32,321	53,725	75,442
Prepayments, other receivables and other assets	2,389	851	4,021
Amount due from a related party	—	—	312
Cash and cash equivalents	<u>19,381</u>	<u>33,631</u>	<u>14,112</u>
	<u>133,619</u>	<u>207,852</u>	<u>232,839</u>
<b>Current liabilities</b>			
Trade and notes payables	25,931	47,582	66,434
Other payables and accruals	12,544	10,778	16,673
Government grants	98	145	234
Contract liabilities	45,139	75,857	81,154
Dividends payable	23,582	—	367
Borrowings	—	27,219	—
Amount due to related parties	3,871	126	6,956
Income tax payables	<u>985</u>	<u>1,219</u>	<u>1,536</u>
	<u>112,150</u>	<u>162,926</u>	<u>173,354</u>
<b>Non-current liabilities</b>			
Government grants	<u>538</u>	<u>770</u>	<u>1,235</u>
<b>Net assets</b>	<u><u>69,369</u></u>	<u><u>106,686</u></u>	<u><u>131,319</u></u>

## FINANCIAL INFORMATION

### **Property, plant and equipment**

Our property, plant and equipment amounted to RMB42.6 million, RMB54.9 million and RMB67.1 million as at 31 December 2016, 2017 and 2018, respectively, and mainly comprised of buildings, machinery, furniture, fixtures and equipment, leasehold improvements and motor vehicles. Our property, plant and equipment increased by RMB12.2 million, or 28.6%, from 31 December 2016 to 31 December 2017 and further increased by RMB12.3 million, or 22.3%, from 31 December 2017 to 31 December 2018. Such increase was mainly due to the addition of machinery for our production.

### **Intangible assets**

Our intangible assets amounted to RMB1.9 million, RMB4.0 million and RMB3.6 million as at 31 December 2016, 2017 and 2018, respectively, and mainly comprised of software used for moulds design and financial management and accounting. Our intangible assets increased by RMB2.1 million from 31 December 2016 to 31 December 2017, which was mainly due to the addition of software used for moulds design. Our intangible assets remained relatively stable at RMB4.0 million and RMB3.6 million as at 31 December 2017 and 2018, respectively.

### **Prepaid land lease payments**

Our prepaid land lease payments amounted to RMB0.8 million as at 31 December 2016, 2017 and 2018, respectively, and represented the land use rights we owned in Kunshan where one of our factories is located.

### **Deferred tax assets**

Our deferred tax assets amounted to RMB2.0 million, RMB2.8 million and RMB1.5 million as at 31 December 2016, 2017 and 2018, respectively, and mainly represented tax losses available for offsetting against future taxable profit resulting from Xunzhan at its early operation stage, and deductible temporary differences arising from provision for warranties and write-down of inventories to net realisable value.

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### Inventories

Our inventories comprised (i) raw materials and low value consumables used in production, (ii) work-in-progress for products being manufactured in the production plants, and (iii) finished goods which comprised moulds that have only passed our customers' initial inspection for which we had not received their final acceptance reports. The following table sets forth the breakdown of our inventories as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and low value consumables	1,640	1,269	1,794
Work-in-progress	19,053	29,203	40,417
Finished goods	58,835	89,173	96,741
<b>Total</b>	<b>79,528</b>	<b>119,645</b>	<b>138,952</b>

As at 31 December 2016, 2017 and 2018, our inventories amounted to RMB79.5 million, RMB119.6 million and RMB139.0 million, respectively. The increase in our inventories was in line with our growth in sales. For the Track Record Period, our inventories predominantly comprised of work-in-progress and finished goods due to the relatively long production period and inspection and acceptance period by our customers. Generally, our production period was 2 to 3 months for automotive moulds and 1 to 2 months for electrical appliance moulds, while the inspection and acceptance period by our customers ranged from 10 to 16 months for automotive moulds and 2 to 7 months for electrical appliance moulds and other moulds. For the Track Record Period, we did not keep any material level of inventory of raw materials and consumables as we generally procured raw materials upon our customers' confirmation of their orders.

For FY2016, 2017 and 2018, our inventory turnover days remained relatively stable at 330 days, 324 days and 327 days, respectively, and was consistent with the inspection and acceptance period by our customers. The inventory turnover days is calculated based on average inventory balances for the year divided by cost of sales for the year and multiplied by 365 days.

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The following table sets forth the ageing analysis of our inventories, net of provision, as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0–180 days	57,082	85,028	86,244
181–365 days	14,563	31,492	40,400
Over 1 year	<u>7,883</u>	<u>3,125</u>	<u>12,308</u>
	<u><u>79,528</u></u>	<u><u>119,645</u></u>	<u><u>138,952</u></u>

We estimated the net realisable value of our inventories based on the best available facts and circumstances, including the physical conditions, market selling prices and estimated costs to be incurred for their sales. For FY2016, FY2017 and FY2018, we recognised a provision of RMB0.7 million, RMB0.2 million and RMB1.1 million, respectively.

As at 31 May 2019, an aggregate amount of approximately RMB82.1 million, or 59.1%, of our total inventories as at 31 December 2018 had been subsequently consumed and sold.

### Trade and notes receivables

Our trade and notes receivables represented amounts receivable from our customers in relation to our sales of moulds and parts processing services. Our notes receivables were issued by our customers with which we could receive the amount at a fixed future date, or could readily be discounted into cash at an expense of finance charge. Our notes receivables had terms ranging from 2 to 6 months. The following table sets forth the breakdown of our trade and notes receivables as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	29,101	34,750	54,994
Notes receivables	3,244	18,976	20,529
Less: Allowance for expected credit loss	<u>(24)</u>	<u>(1)</u>	<u>(81)</u>
<b>Total</b>	<u><u>32,321</u></u>	<u><u>53,725</u></u>	<u><u>75,442</u></u>

As at 31 December 2016, 2017 and 2018, our trade and notes receivables amounted to RMB32.3 million, RMB53.7 million and RMB75.4 million, respectively. Our trade and notes receivables increased by RMB21.4 million or 66.2% from 31 December 2016 to 31 December 2017 and further increased by RMB21.7 million or 40.4% from 31 December 2017 to 31 December 2018.

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In general, we provide customers with a credit term of 20 to 180 days. Payments are mainly settled by bank transfers. Our trade receivables turnover days were 91 days, 65 days and 75 days for FY2016, FY2017 and FY2018, respectively. The trade receivables turnover days is calculated based on average balance of trade receivables for the year divided by revenue for the year and multiplied by 365 days. Our trade receivables turnover days decreased from FY2016 to FY2017, mainly due to the increase in sales to our customers with a relatively short credit term for FY2017 as compared to that for FY2016. Our trade receivables turnover days increased from FY2017 to FY2018, mainly due to relatively longer credit terms granted to some new customers.

The following table sets forth the ageing analysis of our trade receivables, based on the date of the final acceptance report, net of allowance for expected credit loss, as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	6,923	13,149	15,063
31–60 days	6,086	3,913	10,014
61–90 days	2,941	3,144	9,504
91–180 days	7,184	9,149	8,086
181–365 days	4,766	4,391	8,510
Over 365 days	<u>1,177</u>	<u>1,003</u>	<u>3,736</u>
	<u><u>29,077</u></u>	<u><u>34,749</u></u>	<u><u>54,913</u></u>

The following table sets forth the ageing analysis of our trade receivables, net of allowance for expected credit loss, that are past due but not individually considered to be impaired as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days past due	3,370	2,339	6,957
31–60 days past due	256	4,271	2,292
61–90 days past due	169	3,526	2,842
91–180 days past due	4,782	3,271	3,246
Over 180 days past due	<u>3,676</u>	<u>2,133</u>	<u>4,598</u>
	<u><u>12,253</u></u>	<u><u>15,540</u></u>	<u><u>19,935</u></u>

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As at 31 December 2018, our trade receivables which were past due but not impaired amounted to RMB19.9 million. We did not provide impairment on these trade receivables as our Directors are of the opinion that (i) these customers have no history of default; (ii) we have no dispute arising from these unsettled trade receivables with our customers, (iii) we have agreed payment schedule with some of these customers and (iv) we have received part of the subsequent settlement up to 31 March 2019. Our Directors will closely monitor the credit exposure and repayment conditions of our customers.

As at the Latest Practicable Date, an aggregate amount of approximately RMB30.9 million, or 56.3%, of our total trade receivables as at 31 December 2018 had been settled, including an amount of approximately RMB11.9 million, which represented subsequent settlement relating to our trade receivables that were past due but not impaired (representing 59.8% of such trade receivables).

### Prepayments, other receivables and other assets

The following table sets forth the breakdown of our prepayments, other receivables and other assets as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current</b>			
Prepayments	1,065	39	60
<b>Current</b>			
Deferred listing expenses	—	—	2,253
Prepayments	1,837	612	1,227
Deposits and other receivables	197	193	516
Prepaid land lease payments	25	24	25
Input value added tax to be deducted	330	22	—
	2,389	851	4,021
<b>Total</b>	3,454	890	4,081

Our prepayments, other receivables and other assets mainly comprised prepayments for fixed assets and operating expenses, and deferred listing expenses.

As at 31 December 2016 and 2017 and 2018, our prepayments, other receivables and other assets amounted to RMB3.5 million, RMB0.9 million and RMB4.1 million, respectively. The decrease in balance as at 31 December 2017 as compared to 31 December 2016 was mainly due to the decrease in prepayments for the purchase of fixed assets and machine maintenance expense. The increase in balance as at 31 December 2018 as compared to 31 December 2017 was mainly due to the deferred listing expenses recognised in FY2018.

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### Amount due from a related party

Our amount due from a related party represented the unpaid consideration by a shareholder of our Company, Talent Chain, for its application for allotment of our Company's shares pursuant to the Reorganisation. We had received the balance in January 2019.

### Cash and cash equivalents

As at 31 December 2016, 2017 and 2018, our cash on hand and at banks amounted to RMB19.4 million, RMB33.6 million, and RMB14.1 million, respectively. Our cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 December 2016 and 2017 and 2018, we had cash and cash equivalents of RMB17.5 million, RMB32.0 million and RMB13.7 million that were denominated in RMB, respectively, the conversion of which into other currencies are subject to exchange restrictions imposed by the PRC Government.

### Trade and notes payables

Our trade and notes payables primarily consisted of payable to our suppliers in relation to our raw materials for the manufacture of moulds, and subcontracting fees payable to third-party contractors. The following table sets forth the breakdown of our trade and notes payables as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	25,931	46,192	66,434
Notes payable	—	1,390	—
<b>Total</b>	<u>25,931</u>	<u>47,582</u>	<u>66,434</u>

As at 31 December 2016, 2017 and 2018, our trade and notes payables were RMB25.9 million, RMB47.6 million and RMB66.4 million, respectively. Our trade and notes payables increased by RMB21.7 million or 83.5% from 31 December 2016 to 31 December 2017 and further increased by RMB18.9 million or 39.6% from 31 December 2017 to 31 December 2018.

The payment arrangements with our suppliers are generally 30 to 120 days from the invoice date of the relevant purchases. We mainly settled our suppliers by bank transfers. Our trade payables turnover days were 110 days, 117 days and 142 days for FY2016, FY2017 and FY2018, respectively. The trade payables turnover days is calculated based on the average balance of trade payables for the year divided by the cost of sales for the year and multiplied by 365 days. Our trade payables turnover days remained relatively stable for FY2016 and FY2017, and increased for FY2018 as compared with FY2017, mainly due to unsettled trade payables to two of our top suppliers and one supplier in Suzhou that were aged over 120 days and past due as at 31 December 2018. We mainly purchased hot-runner and die set from these suppliers and were offered credit terms of 90 days and 120 days. We delayed the settlement of such trade payables as we detected defects during the testing and trial manufacturing of our moulds due to unsatisfactory quality of the raw materials. As a result, we needed longer time to perform quality



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check on all the raw materials provided by the suppliers. We had subsequently settled most of the balances that were aged over 120 days as at 31 December 2018 in the first quarter of 2019.

The following table sets forth an ageing analysis of trade and notes payables as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	11,619	17,444	20,772
31–60 days	5,681	13,456	11,727
61–90 days	6,164	8,094	10,141
91–120 days	2,425	7,031	10,073
Over 120 days	42	1,557	13,721
	<u>25,931</u>	<u>47,582</u>	<u>66,434</u>

As at the Latest Practicable Date, an aggregate amount of approximately RMB64.5 million, or 97.1%, of our trade and notes payables as at 31 December 2018 had been settled.

### Other payables and accruals

Our other payables and accruals mainly included accruals for staff cost and welfare, provision for warranty and payables for professional service fees. The following table sets forth the breakdown of our other payables and accruals as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff cost and welfare accruals	4,441	5,465	7,357
Professional service fee payables	4,462	472	3,112
Provision for warranty	2,610	3,068	3,669
Other tax payables	521	1,336	1,556
Other payables	510	437	979
<b>Total</b>	<u>12,544</u>	<u>10,778</u>	<u>16,673</u>

As at 31 December 2016, 2017 and 2018, our other payables and accruals amounted to RMB12.5 million, RMB10.8 million and RMB16.7 million, respectively. Our staff cost and welfare accruals mainly comprised accrued salary for December of the relevant year and annual bonus. The decrease in balance as at 31 December 2017 as compared to 31 December 2016 was mainly due to the settlement of professional service fee payables in relation to our previous A-Share Listing Application. The increase in balance as at 31 December 2018 as compared to 31

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December 2017 was mainly due to the increase in professional service fee payable in relation to our application for the Listing and the increase in staff cost and welfare accruals resulting from the increase in headcount and annual salary increment.

### **Government grants**

Our government grants represented cash subsidies granted by the local government in relation to our purchase of property, plant and equipment. The balance is recognised in the consolidated statements of profit or loss of our Group based on the useful lives of the related property, plant and equipment we purchased. There are no unfulfilled conditions or contingencies attached to these grants.

### **Contract liabilities**

Our contract liabilities consisted of the advance payment from our customers. Pursuant to the contract signed between our customers and us, we generally require our 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 our customers. Such payments from our customers were recorded as contract liabilities and our moulds related to these contract liabilities were recorded as finished goods in our inventories.

After our moulds passed our customers' final inspection and examination, our customers would issue final acceptance reports to us, at which time, we 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. At the same time, the related finished goods would be transferred to our cost of sales.

As at 31 December 2016, 2017 and 2018, our contract liabilities amounted to RMB45.1 million, RMB75.9 million and RMB81.2 million, respectively, most of which represented payments from our customers for moulds that had passed their initial inspection but for which we had not received their final acceptance reports.

As at the Latest Practicable Date, approximately RMB48.9 million, or 60.2%, of our contract liabilities as at 31 December 2018 had been subsequently recognised as revenue.

### **Dividend payable**

Our dividend payable as at 31 December 2016 amounted to RMB23.6 million and represented unpaid dividend declared in FY2015. The amount was paid in FY2017. Our dividend payable as at 31 December 2018 amounted to RMB0.4 million, which represented unpaid dividend declared in FY2018. The amount was subsequently settled in February 2019.

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### Borrowings

The following table sets forth the breakdown of our borrowings as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	—	24,929	—
Notes receivable discounted with recourse	—	2,290	—
<b>Total</b>	<u>—</u>	<u>27,219</u>	<u>—</u>

### Bank loans

We had no bank loans as at 31 December 2016. As at 31 December 2017, our bank loans amounted to RMB24.9 million and were mainly used as our general working capital. Our bank loans were unsecured, denominated in USD and RMB, due for repayment within one year, and had interest rates ranged from 2.0% to 5.0% per annum. Our bank loans were repaid in FY2018.

### Notes receivable discounted with recourse

Our notes receivable discounted with recourse amounted to RMB2.3 million as at 31 December 2017. As the default risk relating to the underlying notes receivable remained to be with us, we did not de-recognise our notes receivable and the amount was recognised as a loan in our consolidated statements of financial position. Our notes receivable discounted with recourse were de-recognised in FY2018 when cash was collected by the party to whom we discounted the notes receivables.

### Amount due to related parties

The following table sets forth the breakdown of our amounts due to related parties as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shine Art	3,819	—	—
Jouder Precision Industry (Kunshan) Co., Ltd.	52	126	—
Friendly Holdings	—	—	6,408
Talent Trading	—	—	312
Mr. Lin	—	—	118
Fulagai Consulting	—	—	118
<b>Total</b>	<u>3,871</u>	<u>126</u>	<u>6,956</u>

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Our amount due to Shine Art, a Controlling Shareholder, amounted to RMB3.8 million as at 31 December 2016. The loan was unsecured, denominated in USD, due for repayment within one year and had an interest rate of 2% per annum. The loan was repaid in FY2017.

Our amount due to Joudier Precision Industry (Kunshan) Co., Ltd., a company which the former director of our Company's subsidiary, Lin-Feng-I, is also a director, represented payables for purchase of raw materials. The balance was non-interest bearing, unsecured and repayable on demand.

Our amount due to Friendly Holdings, a substantial Shareholder, amounted to RMB6.4 million as at 31 December 2018 and represented listing expenses paid on behalf of our Company. The balance was non-interest bearing, unsecured and repayable on demand. The amount was subsequently paid in May 2019.

Our amount due to Talent Trading, a directly and wholly owned subsidiary of Talent Chain, represented the unpaid consideration for its equity interests in Shinelong (Suzhou) pursuant to the Reorganisation. The amount was subsequently paid in January 2019.

Our amount due to Mr. Lin, Chairman and executive Director of our Company, represented the unpaid consideration for his equity interest in Kunshan Longjun pursuant to the Reorganisation. The amount was subsequently paid in January 2019.

Our amount due to Fulagai Consulting, a direct and wholly owned subsidiary of Friendly Holdings, represented the unpaid consideration for its equity interest in Shinelong (Suzhou) pursuant to the Reorganisation. The amount was subsequently paid in January 2019.

### **Income tax payables**

The current income tax charge is calculated on the basis of the applicable tax laws and regulations in the PRC where we operate and generate revenue which is subject to enterprise income tax.

Our income tax payables amounted to RMB1.0 million, RMB1.2 million and RMB1.5 million as at 31 December 2016, 2017 and 2018, respectively, and represented tax charged for assessable profits arising in or derived from carrying on business in the PRC. As at Latest Practicable Date, all of our income tax payables as at 31 December 2018 had been settled.

### **LIQUIDITY AND CAPITAL STRUCTURE**

Our liquidity requirements are primarily attributable to our working capital for our business operations. We have historically financed our operations through a combination of cash generated from our operating activities and external borrowings. As at 31 December 2018, we had cash and cash equivalents of RMB14.1 million.

As at 31 December 2018, our current assets exceeded our current liabilities by RMB59.5 million. Further information of our net current assets during the Track Record Period is set forth in the sub-section "Current assets and current liabilities" above.

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The following table sets forth a condensed summary of our consolidated statements of cash flows for the periods indicated:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	33,322	34,333	26,369
Net cash used in investing activities	(10,310)	(20,362)	(20,462)
Net cash (used in)/generated from financing activities	<u>(11,458)</u>	<u>383</u>	<u>(25,475)</u>
Net increase/(decrease) in cash and cash equivalents	11,554	14,354	(19,568)
Cash and cash equivalents at beginning of year	7,696	19,381	33,631
Effect of foreign exchange rate changes, net	<u>131</u>	<u>(104)</u>	<u>49</u>
Cash and cash equivalents at end of the year	<u><u>19,381</u></u>	<u><u>33,631</u></u>	<u><u>14,112</u></u>

### Net cash generated from operating activities

We derived our cash inflow from operating activities primarily through the receipt of payments from our customers in relation to our sales of moulds and parts processing services. Our 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. Our net cash flow generated from operating activities primarily represented our profit before income tax, as adjusted for (i) non-cash items, including depreciation of property, plant and equipment and amortisation of intangible assets; (ii) working capital changes; and (iii) income tax paid.

For FY2016, we recorded net cash generated from operating activities of RMB33.3 million. This was mainly the result of positive operating profit before working capital changes of RMB31.7 million, net working capital outflow of RMB0.4 million and income tax received of RMB2.0 million. Our net working capital outflow was mainly attributable to the net effect of (i) increase in inventories of RMB16.7 million; (ii) decrease in trade and notes receivables of RMB13.6 million; (iii) increase in prepayments, other receivables and other assets of RMB1.2 million; and (iv) increase in other payables and accruals of RMB4.1 million. Our income tax received for FY2016 was a net amount of income tax refund of RMB5.1 million and enterprise income tax paid for assessable profit for FY2016 of RMB3.1 million. We received income tax refund for FY2016 because of the following reasons:

- (a) In 2015, our subsidiary, Shinelong (Suzhou), applied for a renewal of its qualification as a high and new technology enterprise to enjoy a preferential PRC enterprise income tax rate at 15%. However, as at the end of 2015, as our renewal application was under review by the relevant bureau in the PRC, we had therefore paid our enterprise income tax at a standard rate at 25% for our assessable profit for FY2015.

## FINANCIAL INFORMATION

In 2016, we successfully renewed the qualification as a high and new technology enterprise. As a result, we applied for refund for the overpayment of tax of RMB2.6 million.

- (b) Prior to 2015, we recognised our revenue and related cost of sales from sales of moulds based on invoices issued to our customers despite the fact that the revenue and related cost of sales should have been recognised when control over the moulds have been transferred to our customers, i.e. when our customers issued the final acceptance report to us (the “**Incorrect Bookings**”). Our local auditor identified the Incorrect Bookings during the audit of our consolidated financial statements in 2016. After the correction, RMB6.6 million which was previously recognised as assessable profit for FY2013 and RMB10.8 million which was previously recognised as assessable profit for FY2014 were recognised as assessable profit for FY2015. As we had already paid enterprise income tax for these assessable profits in FY2013 and FY2014, we applied for refund for the overpayment of tax of RMB2.5 million in May 2016.

The above refund applications were approved by the relevant tax bureau in the PRC and we obtained the refund for the overpayment of tax in June 2016.

For FY2017, we recorded net cash generated from operating activities of RMB34.3 million. This was mainly the result of positive operating profit before working capital changes of RMB50.6 million, net working capital outflow of RMB9.9 million and tax paid of RMB6.4 million. Our net working capital outflow was mainly attributable to the net effect of (i) increase in inventories of RMB40.4 million; (ii) increase in trade and notes receivables of RMB21.7 million; (iii) increase in trade and notes payables of RMB21.7 million; and (iv) increase in contract liabilities of RMB30.7 million.

For FY2018, we recorded net cash generated from operating activities of RMB26.4 million. This was mainly the result of positive operating profit before working capital changes of RMB49.1 million, net working capital outflow of RMB17.6 million and tax paid of RMB5.1 million. Our net working capital outflow was mainly attributable to the net effect of (i) the increase in inventories of RMB20.4 million; (ii) the increase in trade and notes receivables of RMB24.0 million; (iii) the increase in trade and notes payables of RMB18.9 million; (iv) the increase in other payables and accruals of RMB5.9 million; and (v) the increase in contract liabilities of RMB5.3 million.

### **Net cash used in investing activities**

Our cash inflow from investing activities mainly represented our cash generated from disposal of property, plant and equipment and government grants received. Our cash used in investing activities is mainly attributable to purchase of property, plant and equipment and intangible assets.

For FY2016, we recorded net cash used in investing activities of RMB10.3 million, which mainly represented our purchase of property, plant and equipment of RMB9.7 million and purchase of intangible assets of RMB1.0 million.

## FINANCIAL INFORMATION

For FY2017, we recorded net cash used in investing activities of RMB20.4 million, which mainly represented our purchase of property, plant and equipment of RMB18.3 million and purchase of intangible assets of RMB3.0 million.

For FY2018, we recorded net cash used in investing activities of RMB20.5 million, which mainly represented our purchase of property, plant and equipment.

### **Net cash (used in)/generated from financing activities**

Our cash inflow from financing activities mainly comprised proceeds from bank borrowings. We used cash in financing activities primarily for repayment of bank borrowings and payment of dividends.

For FY2016, we recorded net cash used in financing activities of RMB11.5 million, which mainly represented dividends paid of RMB6.0 million and repayment of bank borrowings of RMB4.7 million.

For FY2017, we recorded net cash generated from financing activities of RMB0.4 million, which mainly represented proceeds from bank borrowings of RMB42.2 million, net of repayment of bank borrowings of RMB16.5 million and dividends paid of RMB23.6 million.

For FY2018, we recorded net cash used in financing activities of RMB25.5 million, which mainly represented dividends paid of RMB6.4 million and repayment of bank borrowings of RMB25.3 million, net of repayment from related parties of RMB6.4 million.

### **Capital expenditure**

Our capital expenditure during the Track Record Period primarily related to our purchase of property, plant and equipment. We funded our historical capital expenditure through cash flows generated from operating activities. The following table sets forth our capital expenditure by nature during the Track Record Period:

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of machinery	9,080	18,508	19,987
Purchase of furniture, fixtures and equipment	602	671	781
Purchase of leasehold improvements	—	122	55
Purchase of motor vehicles	26	—	76
<b>Total</b>	<b>9,708</b>	<b>19,301</b>	<b>20,899</b>

## FINANCIAL INFORMATION

Except for the expansion plans and purchase of other general operating tools and ancillary items disclosed in the section “Business — Our Strategies” and the section “Future Plans and Use of Proceeds”, we had no material planned capital expenditure as at the Latest Practicable Date. Our total investment costs for the expansion plans and purchase of other general operating tools and ancillary items are expected to be HK\$83.4 million and HK\$6.5 million, respectively, of which HK\$86.2 million (excluding HK\$3.7 million for leasing new premises for the new factory) is expected to be accounted for as capital expenditure. We expect to fund our capital expenditure principally by the net proceeds from the Global Offering. Our projected capital expenditures are subject to revision based on any future changes in our business plan, market conditions, and economic and regulatory environment. Please see the section “Business — Our Strategies” and the section “Future Plans and Use of Proceeds — Use of proceeds” for further information.

### INDEBTEDNESS

The following table sets forth the amounts of indebtedness as at 31 December 2016, 2017 and 2018 and 30 April 2019, being the latest practicable date for determining our Group’s indebtedness:

	<b>As at 31 December</b>			<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>30 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings	—	27,219	—	—
Amount due to related parties	<u>3,819</u>	<u>—</u>	<u>6,408</u>	<u>13,533</u>
<b>Total</b>	<b><u>3,819</u></b>	<b><u>27,219</u></b>	<b><u>6,408</u></b>	<b><u>13,533</u></b>

As at 30 April 2019, we had total outstanding indebtedness of RMB13.5 million for our amount due to related parties. The increase in our amount due to related parties at 30 April 2019 as compared to 31 December 2018 was mainly due to our borrowing of RMB8.5 million from Shine Art, our Controlling Shareholder, for the payment of listing expenses. The borrowing was non-interest bearing, unsecured and repayable before the Listing. The amount was subsequently paid in May 2019. As at 30 April 2019, we had unutilised working capital and/or trade finance banking facilities of RMB100 million.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there was no material covenant restricting our ability to raise additional debt or equity financing and we had not breached any financial covenant or defaulted in repayment of bank borrowings that were due.

Save as disclosed above, we did not have any banking facilities, any unutilised banking facilities or any outstanding or authorised but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees outstanding as at 30 April 2019.



## FINANCIAL INFORMATION

### CONTRACTUAL AND CAPITAL COMMITMENTS

#### Operating leases commitments

The following table sets forth the future minimum operating lease payments under non-cancellable operating leases as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	766	2,300	3,412
In the second to fifth years inclusive	332	7,980	11,062
After five years	—	8,195	6,199
<b>Total</b>	<b>1,098</b>	<b>18,475</b>	<b>20,673</b>

Our operating lease commitments represented the payable rentals under our leases of various factories, offices and parking lots under non-cancellable operating lease agreements. The leases have terms of one to ten years. They do not include contingent rentals. Our operating lease commitments increased from 31 December 2016 to 31 December 2017 mainly due to the ten-year operating leases we entered into in FY2017 for our factories in Kunshan. Our operating lease commitments increased from 31 December 2017 to 31 December 2018 mainly due to the three-year operating leases we entered into in FY2018 for our factories in Qingdao.

#### Capital commitments

We had no capital commitments as at 31 December 2016, 2017 and 2018 and as at the Latest Practicable Date.

### CONTINGENT LIABILITIES

Saved as disclosed in this prospectus, as at the Latest Practicable Date, we did not have any material contingent liabilities or guarantees. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us.

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

	<i>Notes</i>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Return on equity (%)	<i>(1) and (9)</i>	30.2	35.2	23.9
Return on total assets (%)	<i>(2) and (9)</i>	11.5	13.9	10.2
Adjusted return on equity (%)	<i>(3), (9) and (10)</i>	38.1	32.4	29.1
Adjusted return on total assets (%)	<i>(4), (9) and (10)</i>	14.5	12.8	12.5

		<b>As at 31 December</b>		
	<i>Notes</i>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Net debt to equity ratio (%)	<i>(5)</i>	N/A	N/A	N/A
Gearing ratio (%)	<i>(6)</i>	5.5	25.5	4.9
Current ratio (times)	<i>(7)</i>	1.2	1.3	1.3
Quick ratio (times)	<i>(8)</i>	0.5	0.5	0.5

*Notes:*

- (1) Return on equity is calculated based on our net profit attributable to our Shareholders for each reporting year divided by equity attributable to our Shareholders as at the end of that reporting year and multiplied by 100%.
- (2) Return on total assets is calculated based on our net profit for each reporting year divided by total assets as at the end of that reporting year and multiplied by 100%.
- (3) Adjusted return on equity is calculated based on our net profit attributable to our Shareholders (before listing expenses for the Listing and our previous A-Share Listing Application and cash subsidies granted by the local government in relation to our A-Share Listing Application) for each reporting year divided by equity attributable to our Shareholders as at the end of that reporting year and multiplied by 100%.
- (4) Adjusted return on total assets is calculated based on our net profit (before listing expenses for the Listing and our previous A-Share Listing Application and cash subsidies granted by the local government in relation to our A-Share Listing Application) for each reporting year divided by total assets as at the end of that reporting year and multiplied by 100%.
- (5) Net debt to equity ratio is calculated based on our net debt divided by total equity and multiplied by 100%. Net debt is defined as borrowings minus cash and cash equivalents.
- (6) Gearing ratio is calculated based on our bank borrowings and amounts due to Shine Art and Friendly Holdings divided by total equity as at the end of each reporting year and multiplied by 100%.
- (7) Current ratio is calculated based on total current assets divided by the total current liabilities as at the end of each reporting year.
- (8) Quick ratio is calculated based on total current assets minus inventories divided by the total current liabilities as at the end of each reporting year.
- (9) Calculation of return on equity, return on total assets, adjusted return on equity and adjusted return on total assets are on a full year basis.
- (10) The terms of adjusted return on equity and adjusted return on total assets are not defined under IFRS. We believe that these non-IFRS measures provide useful information to investors to understand and evaluate our consolidated results of operations in the same manner as our management review our performance and to compare the financial results of our operations across accounting periods.

## FINANCIAL INFORMATION

### Return on equity

Our return on equity increased from 30.2% for FY2016 to 35.2% for FY2017 because the increase in net profit attributable to our Shareholders by 79.6% for FY2017 as compared with FY2016 outpaced the increase in our equity attributable to our Shareholders by 53.8% for FY2017.

Our return on equity decreased to 23.9% for FY2018, which was mainly due to the decrease in net profit attributable to our Shareholders (after taking into account the listing expenses) resulting from the decrease in gross profit margin and listing expenses incurred for FY2018.

Excluding the listing expenses for the Listing and our previous A-Share Listing Application and cash subsidies granted by the local government in relation to our A-Share Listing Application, we would have recorded return on equity of 38.1%, 32.4% and 29.1% for FY2016, FY2017 and FY2018, respectively.

### Return on total assets

Our return on total assets increased from 11.5% for FY2016 to 13.9% for FY2017. The increase was mainly because of the increase in net profit by 79.6%, which outpaced the increase in total asset by 48.5% for FY2017.

Our return on total assets decreased to 10.2% for FY2018, which was mainly due to the decrease in net profit (after taking into account the listing expenses) resulting from the decrease in gross profit margin and listing expenses incurred for FY2018, and further increase in property, plant and equipment resulting from addition of machinery during the year.

Excluding the listing expenses for the Listing and our previous A-Share Listing Application and cash subsidies granted by the local government in relation to our A-Share Listing Application, we would have recorded return on total assets of 14.5%, 12.8% and 12.5% for FY2016, FY2017 and FY2018, respectively.

### Net debt to equity ratio

Our net debt to equity ratio was nil as at 31 December 2016, 2017 and 2018 as our cash and cash equivalents exceeded our borrowings as at the respective dates.

### Gearing ratio

Our gearing ratio was 5.5%, 25.5% and 4.9% as at 31 December 2016, 2017 and 2018, respectively. The increase in our gearing ratio from 31 December 2016 to 31 December 2017 was primarily due to the increase in our bank borrowings by RMB27.2 million as at 31 December 2017. The decrease in our gearing ratio from 31 December 2017 to 31 December 2018 was primarily due to repayment of our bank borrowings.

### Current ratio

Our current ratio remained relatively stable at 1.2 times, 1.3 times and 1.3 times as at 31 December 2016, 2017 and 2018, respectively.

## FINANCIAL INFORMATION

### Quick ratio

Our quick ratio remained relatively stable at 0.5 times, 0.5 times and 0.5 times as at 31 December 2016, 2017 and 2018, respectively.

### LISTING EXPENSES

Assuming that the Over-allotment Option is not exercised, the total listing expenses in relation to the Global Offering (based on the mid-point of the Offer Price range) mainly comprising fees paid or payable to professional parties and underwriting fees and commission, are expected to be approximately HK\$46.0 million, of which, (i) HK\$7.9 million was recognised in our consolidated statements of profit or loss for FY2018; (ii) approximately HK\$17.6 million is expected to be recognised as expenses in our consolidated statements of profit or loss for FY2019; and (iii) approximately HK\$20.5 million is expected to be charged against equity upon completion of the Global Offering under the relevant accounting standards.

### WORKING CAPITAL CONFIRMATION

Our Directors are of the view that, taking into account the financial resources presently available to us, including the banking facilities and other internal resources, and the estimated net proceeds of the Global Offering, we have sufficient working capital for our present requirements at least in the next 12 months commencing on the date of this prospectus.

### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 32 of the Accountants' Report in Appendix I, our Directors confirm that these transactions were conducted in our normal course of business and at prices and terms no less than those charged to and contracted with our other third-party suppliers. Our Directors also consider that these related party transactions did not distort our results during the Track Record Period and did not make our historical results not reflective of our future performance.

For the details of our related party transactions, please refer to Note 32 of the Accountants' Report in Appendix I.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Our Directors confirm that we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our consolidated statements of financial position. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

## **FINANCIAL INFORMATION**

### **RISK MANAGEMENT**

In the normal course of business, we are exposed to various types of risks from changes in market rates and prices, including the interest rate, foreign currency, credit and liquidity.

Details of the risk to which we are exposed are set out in Note 36 of the Accountants' Report in Appendix I.

### **DIVIDENDS AND DIVIDEND POLICY**

We did not declare any dividend in FY2016 and FY2017. In FY2018, we declared dividend of RMB6.8 million, of which RMB6.4 million was paid in cash in November 2018 and RMB0.4 million was settled in February 2019.

We currently plan to pay a total dividend in respect of each year of not less than 40% of our consolidated profit attributable to Shareholders for the year ending 31 December 2020 and the years thereafter. When proposing a dividend, we will take into account, among other things, our future operations and earnings, our business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as our Directors consider appropriate. There is no requirement or assurance that we will declare and pay any dividends. Any declaration and payment as well as the amount of dividends will be subject to the Articles and the Cayman Companies Law. Any declaration of final dividends will also require the approval of our Shareholders in general meeting. No dividend shall be declared or paid except out of our distributable profit and lawfully available for distribution under the Cayman Companies Law.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 2 October 2018 and is an investment holding company. There was no reserve available for distribution to our Shareholders as at 31 December 2018.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2018, being the date on which the latest audited consolidated financial statements of our Group were made up, and there is no event since 31 December 2018 which is expected to materially affect the information shown in the Accountant's Report in Appendix I.

### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had our Shares been listed on the Stock Exchange on that date.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

Please refer to Appendix II for information relating to the unaudited pro forma statement of our adjusted net tangible assets.

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS

Please see the section “Business — Our Strategies” for details of our future plans.

### REASONS FOR THE LISTING AND GLOBAL OFFERING

#### **Obtain additional funding for our operations and capital requirements**

We adopt a relatively conservative liquidity management approach with minimal bank borrowings for the Track Record Period.

Our Directors consider it necessary to maintain sufficient working capital as we generally rely on cash inflow from our customers to meet our payment obligations to our suppliers, and from time to time there is a mismatch in the cash inflow from customers and cash outflow to our suppliers. Our cash inflow is dependent on prompt settlement of trade receivables by our customers.

In order to ensure the smooth running of our daily operations, we adopt a prudent cash management approach to satisfy our average operating cash outflow requirements. If we face net operating cash outflow and do not have sufficient working capital at that time, we may have to fund our operating costs by obtaining bank borrowings, resulting in additional finance costs and interest rate risk exposure and we still may not be able to meet our payment obligations including our trade payables and implement our expansion plans in a timely manner.

We believe our liquidity management approach had served us well in supporting our business. Nevertheless, external funding (including equity financing) is essential in supporting our business growth and the implementation of our business strategies and future plans and our expected growth in sales.

We plan to invest approximately HK\$89.9 million from FY2019 to FY2021 to implement our expansion plan and purchase general operating tools and ancillary items required for our production operation. While we had generated on average operating cash flows of RMB31 million per year during the Track Record Period, we have funding needs for the following reasons:

- (i) based on the abovementioned annual operating cash flows of RMB31 million, we would hypothetically generate RMB77.5 million operating cash flows in the next 30 months and the amount is insufficient for us to fully implement our expansion plan;
- (ii) we paid dividends of RMB36.0 million during the Track Record Period, and, subject to our capital requirement and financial position, we intend to continue to pay dividends to our Shareholders in coming years and this will reduce the cash available for financing our expansion plan; and
- (iii) there are always uncertainties in projecting future financial results and cash flows. There is a chance that our business may experience slowdown in the future due to factors beyond our control. Our terms of the business with our customers and suppliers, in particular the credit terms, may also change in the future. Any slowdown in our business and/or change of business terms with our customers and suppliers to

## FUTURE PLANS AND USE OF PROCEEDS

our disadvantage (such as longer payment term offered to customers and shorter payment term requested by suppliers) would adversely affect our operating cash flows.

In view of the above and to cater for uncertainties which may adversely affect our business and operating cash flows, our Directors consider it is reasonable and necessary for us to raise funds from the Listing to finance our expansion plan.

### **Facilitate the implementation of our business strategies and expansion**

Our Directors believe that there will be a steady growth of the automotive and electrical appliance industry. In view of the overall industry growth and in order to capture further market share, our Directors recognise the need for further capital to maintain and expand our business by purchasing additional machinery and equipment to expand our production capacity.

#### *Limitations on subcontracting our production processes*

We did not subcontract the key processes of our production as our business model and operating strategy. Our core competence has been providing automotive lightweight and other customised moulds that are technically advanced and customised. Such core competence differentiates us from other mould manufacturers and has helped develop a strong relationship between us and our major customers to achieve long term sustainability of our business. We have not subcontracted, and do not consider it to be a viable option for us to subcontract, the production of more of our products or our key production processes to subcontractors as they generally do not possess the relevant technical skills required by our key production processes. Furthermore, we believe that quality assurance is critical in maintaining our relationships with our customers, some of which are renowned international and national brands which require quality consistency of the moulds, which closely affect the quality of their products. As such, it will not be feasible for us, from a customer relationship management perspective, to subcontract our core technologically advanced production processes to subcontractors, as the level of quality assurance in subcontracting will not, by nature, be comparable to that maintained by our in-house production processes.

#### *Bank financing and sales and lease-back are not economically sensible*

We have considered using debt to finance our business expansion, which mainly comprise the purchase of new production equipment, as we had used debt financing before 2016 to purchase certain production equipments. However, due to the high interest rates associated with debt financing (the effective interest rate for such debt financing was approximately 15%) and the restriction on modification of equipments imposed by the financiers, we have since then purchased our production equipments using our internal resources. With the net proceeds from the Global Offering, our Directors believe that we will be able to expand in a more expedient manner by increasing our production capacities and capabilities, which in turn will enable us to maintain and increase our market share which is crucial for upholding our market competitiveness and long-term sustainability.

We understand that the interest rates for mid to long term loans in the PRC for three to five years generally range from 5.75% to 7.125% and the longer the term the higher the interest rates. Loan that is for the purchase of equipment is generally regarded by banks as high risk

## FUTURE PLANS AND USE OF PROCEEDS

and the banks are generally reluctant to lend the full amount of the purchase cost of equipment to us. Banks also generally require collateral such as properties as securities and/or personal guarantee of the controlling shareholder and the successful rate of obtaining approval for such loans is generally low. Accordingly, our Directors believe it is difficult for us to obtain long-term bank financing for our planned purchase of equipment, and even if we were able to obtain such loans, terms such as high interest rates and extra securities would render us less financially flexible and more reliant on our Controlling Shareholders, and might not be the most economically sensible option for us. Based on the effective interest rates on the two finance lease and sales and leaseback arrangements obtained by us in the past, which was approximately 14.9% and 19.9%, and assuming we finance our expected investment costs of HK\$70.7 million for purchasing equipment with sales and lease back arrangements with a repayment term of 3 years, the total financing costs payable will range from HK\$17.4 million to HK\$23.7 million. Such financing costs represents 37.8% to 51.5% of the listing expenses, but compared with the Listing, the value for such financing costs goes no further than funding the purchases, whereas the Listing would provide a long-term financing platform for us to further develop and grow our business. Finance leases also come with customary restrictions that prevent us from adapting and modifying the leased back equipment to tailor it for our customised mould products. This would prevent us from manufacturing customised moulds for our customers based on our customers' unique requirements. The Listing, on the other hand, will by nature raise our credit profile, and provide us with a platform to obtain further equity financing as well as less expensive debt financing for further development and expansion in the future. The value of the Listing, therefore, goes significantly beyond funding the investment costs for the Expansion Plans; they allow us to legally own any equipment purchased and utilise the same in anyway needed for our customised production process, and prepare us for further expansion down the road.

The terms of the bank loan facilities of our Group, totalling RMB100 million as at 30 April 2019, stipulate that such bank loan facilities can only be used to support our general working capital and/or trade financing. Capital expenditure, such as the purchase of machineries, is not within the scope of the terms of usage and thus, the bank loan facilities cannot be utilised to fund our business expansion.

In view of the above, although we had sufficient financial resources to meet the working capital requirements during the Track Record Period, our Directors consider that it is strategically and commercially reasonable for us to conduct the Global Offering, and the net proceeds from the Global Offering are necessary to finance the implementation of our future plan as well as the expansion of our business.



## **FUTURE PLANS AND USE OF PROCEEDS**

### **Establish an efficient and sustainable fund-raising platform**

The Listing will allow us to establish an efficient and sustainable fund-raising platform, thereby enabling us to gain direct access to the capital market for secondary fund raising through the issuance of equity and/or debt securities after the Listing to fund our existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance for maximising shareholders' return.

Despite our low level of bank borrowing during the Track Record Period, the Listing will provide us with the flexibility to raise funds and negotiate and secure more favourable terms from banks independently. The listing status of our Company may also facilitate our Group in obtaining bank borrowings with more favourable terms in the long run.

Despite the current low interest rate environment, there is no assurance that the low interest rate environment will be prolonged in the future. In case of any tightening of credit control in Hong Kong and/or in the PRC, the interest rate for bank borrowings may be raised, and potentially increase our finance costs. Furthermore, despite having an unutilised working capital and/or trade finance banking facilities of RMB100 million as at 30 April 2019, there is no assurance that the bank loan facilities will be made available to us by the relevant banks throughout the entire period we require funding.

Moreover, in case of economic downturn and an increase in the interest rates for bank borrowings, it may be difficult for us to obtain bank borrowings on favourable terms at times when we require funding timely and we may be more vulnerable if we could not obtain sufficient capital from bank borrowings.

### **Diversify our shareholder base and provide liquidity in trading of our Shares**

Our Directors take the view that the Listing will provide liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. The highly liquid Hong Kong stock market allows us to expand and diversify our capital base and shareholders base as institutional funds and retail investors in Hong Kong can participate in the equity of our Company, through which the true value of our Group can also be reflected. Hence, our Directors consider that the Global Offering will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of the Shares.

### **Enhancing employees' performance through equity-based incentive scheme and attracting new staff**

The Listing will enable our Company to offer publicly tradable shares under the Share Option Scheme to our employees as incentive. As the performance of the Share price will generally relate to our performance, we believe through the Share Option Scheme, our employees will be more motivated to improve our performance to create value for our Shareholders. Our Directors are of the view that the Share Option Scheme will provide incentives to existing staff to continue contributing to our Group and also provide attractive and competitive advantages in recruiting new staff.

## FUTURE PLANS AND USE OF PROCEEDS

### USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$0.84 per Offer Share, being the mid-point of the indicative Offer Price range) (“**Net Proceeds**”) will be approximately HK\$92.6 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- (i) approximately HK\$3.7 million, representing approximately 4.0% of the Net Proceeds, is intended to be used for leasing the premises for new factory;
- (ii) approximately HK\$3.0 million, representing approximately 3.2% of the Net Proceeds is intended to be used for general set up costs of the factory;
- (iii) approximately HK\$70.7 million, representing approximately 76.3% of the Net Proceeds, is intended to be used for purchasing new production equipment, including CNC machines, electrical discharge machines, plastic injection machines and testing machines;
- (iv) approximately HK\$6.0 million, representing approximately 6.5% of the Net Proceeds, is intended to be used for purchasing softwares for product analysis and mould design; and
- (v) approximately HK\$9.2 million, representing approximately 10.0% of the Net Proceeds, is intended to be used to supplement our working capital.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.88 per Share, the Net Proceeds will increase by approximately HK\$3.0 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.80 per Share, the Net Proceeds will decrease by approximately HK\$5.9 million.

If the Offer Price is set at HK\$0.88 (being the high-end of the indicative Offer Price), HK\$0.80 (being the low-end of the indicative Offer Price) or any price in between, we intend to apply the Net Proceeds to the above purposes on a pro-rata basis. If the Over-allotment Option is exercised in full or in part, we intend to apply the additional Net Proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis. Assuming the Over-allotment Option is exercised in full and the Offer Price is set at HK\$0.84 (being the mid-point of the indicative Offer Price), the net proceeds will be approximately HK\$111.3 million.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

## FUTURE PLANS AND USE OF PROCEEDS

To the extent that the Net Proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.

### **Bases and Assumptions**

Potential investors should note that the attainability of our Group's plans on use of proceeds depends on a number of assumptions, in particular:

- (i) there will be no material changes in the existing political, legal, fiscal, social or economic conditions in the PRC or in any other places in which our Group carries on its business or will carry on its business;
- (ii) our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the plans relate;
- (iii) there will be no material changes in the bases or rates of taxation in the PRC or in any other places in which our Group operates or will operate;
- (iv) there will be no material changes in legislation or regulations whether in the PRC or elsewhere materially affecting the business carried on by our Group;
- (v) there will be no significant changes in our Group's business relationship with our major customers;
- (vi) there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraph headed "Future Plans" in this section; and
- (vii) our Group will not be materially affected by the risk factors as set out in the section "Risk Factors" in this prospectus.

## UNDERWRITING

### UNDERWRITERS

The Hong Kong Underwriters are and the International Underwriters are expected to be:

#### **Joint Bookrunners and Joint Lead Managers**

Nobleseed Securities Limited  
Ballas Capital Limited

#### **Joint Lead Managers**

CSC Securities (HK) Limited  
Grand View Securities Limited  
Fulbright Securities Limited  
China Sky Securities Limited  
Alpha Financial Group Limited

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on or before the Price Determination Date. The International Placing will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement to be entered into.

### **HONG KONG PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **The Hong Kong Underwriting Agreement**

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to procure applications to purchase, or failing which themselves as principals apply to purchase, their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms.

## UNDERWRITING

### **Grounds for termination**

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) may in their absolute discretion terminate the Hong Kong Underwriting Agreement upon the occurrence of any of the following events:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group;
  - (ii) any change or development, or any event or series of events resulting or representing or likely to result in any change or development or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the PRC, the Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”);
  - (iii) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions;
  - (iv) any new laws or any change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions;
  - (v) a change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares;
  - (vi) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions;
  - (vii) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors under the Hong Kong Underwriting Agreement pursuant to the indemnities contained therein;

## UNDERWRITING

- (viii) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions;
- (ix) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions;
- (x) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions;
- (xi) a materialisation of any of the risks set out under the section headed “Risk Factors” of this prospectus;
- (xii) any change in the system under which the value of the Hong Kong dollar is linked to that of the US dollar or a material devaluation of the Hong Kong dollar against any foreign currency;
- (xiii) the Stock Borrowing Agreement is not duly authorized, executed and delivered or it is terminated;
- (xiv) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (xv) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws;
- (xvi) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Global Offering;
- (xvii) non-compliance of this prospectus or any aspect of the Global Offering with the Listing Rules or any other applicable laws;
- (xviii) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group;

## UNDERWRITING

- (xix) any material loss or damage sustained by any member of our Group;
- (xx) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being instigated against any member of our Group;
- (xxi) any executive Director or non-executive Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company;
- (xxii) the chairman or president of our Company vacating his office;
- (xxiii) the commencement by any governmental, regulatory or judicial body or organisation of any action against any executive Director or non-executive Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action;
- (xxiv) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Hong Kong Underwriting Agreement or there has been a material breach of any other provisions thereof; or
- (xxv) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC,

which in the sole and reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters):

- (i) is or will or may individually or in the aggregate have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Group taken as a whole;
- (ii) has or will or may have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- (iii) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, and/or the Global Offering to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Global Offering on the terms and in the manner contemplated in this prospectus; or

## UNDERWRITING

- (iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) or any of the Hong Kong Underwriters shall become aware of the fact that, or have cause to believe that:
  - (i) any of the warranties given by our Company, Controlling Shareholders, Friendly Holdings, Digital Link, High Chance and Talent Chain and executive Directors under the Hong Kong Underwriting Agreement or pursuant to the International Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated, or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
  - (ii) any statement contained in this prospectus, the Application Forms, the formal notice or any announcement, advertisement or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if such document were to be issued at that time, constitute a material omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed in such document are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole;
  - (iii) there has been a material breach on the part of any of our Company, Controlling Shareholders, Friendly Holdings, Digital Link, High Chance and Talent Chain and executive Directors of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
  - (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom;
  - (v) any material adverse change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group;
  - (vi) approval by the Listing Committee of the listing of, and permission to deal in, the Offer Shares to be issued or sold under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (vii) we withdraw this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.



## UNDERWRITING

### UNDERTAKINGS

#### Undertakings pursuant to the Hong Kong Underwriting Agreement

##### *By Our Company*

We have undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, and each of our Controlling Shareholders and executive Directors have undertaken to and covenanted with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, that he/she/it will procure our Company that:

- (a) except pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option, any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Hong Kong Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Share or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the **"First Six-month Period"**);
- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Share or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Share or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option or the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07(2) of the Listing Rules;

## UNDERWRITING

- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and
- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein,

provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

### ***By our Controlling Shareholders, Friendly Holdings and High Chance***

Each of our Controlling Shareholders, Friendly Holdings and High Chance has represented, warranted and undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and our Company that, except pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option or the Stock Borrowing Agreement and unless in compliance with the Listing Rules, he/she/it shall not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters), directly or indirectly, and shall procure that none of his/her/its close associates (as defined in the Listing Rules) or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it shall, during the period commencing from the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date (the “**First 12-month Period**”), offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he/she/it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First 12-month Period, save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules.

## UNDERWRITING

Without prejudice to the undertaking above, each of our Controlling Shareholders have further undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and our Company that within the First 12-month Period he/she/it shall:

- (a) if and when he/she/it pledges or charges, directly or indirectly, any Share (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him/her/it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor, the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any Share (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company (or any beneficial interest therein) pledged or charged by him/her/it will be disposed of, immediately inform our Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) in writing of such indications.

Our Company has agreed and undertaken to the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Hong Kong Underwriters that upon receiving such information in writing from our Controlling Shareholders, it shall notify the Stock Exchange as soon as it has been informed of such event and shall make a public disclosure by way of announcement and comply with all the requirements in accordance with the Listing Rules.

Each of our Controlling Shareholders has further undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and our Company to procure that, each of Friendly Holdings, High Chance, Digital Link and Talent Chain shall adhere to their respective undertakings to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and our Company pursuant to the Hong Kong Underwriting Agreement.

Each of our Company and our Controlling Shareholders have agreed and undertaken that he/she/it will not, and each of our Controlling Shareholders have further undertaken to procure that our Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% within the First Six-Month Period without first having obtained the prior written consent of the Sole Sponsor and the Joint Bookrunners (on behalf of the Hong Kong Underwriters).

### ***By Digital Link and Talent Chain***

Each of Digital Link and Talent Chain has represented, warranted and undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and our Company that, except pursuant to the Global Offering, the Capitalisation Issue and the Over-allotment Option and unless in compliance with the Listing Rules, it shall not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters), directly or indirectly, and shall procure that none of its close associates (as defined in the Listing Rules) or companies controlled by it or any nominee or trustee holding in

## UNDERWRITING

trust for it shall, during the First Six-month Period, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interests therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules.

### **Undertakings to the Stock Exchange Pursuant to the Listing Rules**

#### ***By Our Company***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Share or other securities convertible into equity securities of our Company (whether or not of a class already listed) or form the subject of any agreement or arrangement to issue any Share or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Capitalisation Issue, the Global Offering (including pursuant to the exercise of the Over-allotment Option and any options which were granted or to be granted under the Share Option Scheme) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

#### ***By our Controlling Shareholders***

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company, respectively, that, except pursuant to the Global Offering, he/she/it will not and will procure that the relevant registered Shareholder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any

## UNDERWRITING

of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company.

In addition, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/she/it will, within a period of commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any Share or other securities of our Company beneficially owned by our Controlling Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he/she/it or the relevant requested holders receive indication, either verbal or written, from any pledgee or charge of any Share or other securities of our Company pledged or charged that any of such securities will be disposed of.

### **INTERNATIONAL PLACING**

In connection with the International Placing, our Company expects to enter into the International Underwriting Agreement with, inter alia, the International Underwriters on or before the Price Determination Date, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above. Under the International Underwriting Agreement, subject to conditions set forth therein, the International Underwriters are expected to severally agree to purchase or procure investors to purchase the International Offer Shares being offered pursuant to the International Placing.

It is expected that the International Underwriting Agreement may be terminated on grounds similar to those set out in the Hong Kong Underwriting Agreement as described in the paragraph headed "Grounds of Termination" in this section.

Prospective investors should note that if the International Underwriting Agreement is not entered into or is terminated, the Global Offering will not proceed. The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms. It is expected that pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed "Undertakings" in this section.

### **COMMISSION AND EXPENSES**

The Hong Kong Underwriters will receive a gross underwriting commission of 10% (and an additional incentive of up to 2% if the Offer Price is set at HK\$0.88 per Offer Share (being the high-end of the indicative Offer Price)) of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer out of which any sub-underwriting

## **UNDERWRITING**

commission will be paid. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing and any International Offer Shares reallocated from the International Placing to the Hong Kong Public Offer, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering (assuming the Over-allotment Option is not exercised), are currently estimated to be approximately HK\$46 million in aggregate, based on an Offer Price of HK\$0.84 per Offer Share, being the mid-point of the indicative Offer Price range, which will be payable by our Company.

### **SOLE SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY**

The Sole Sponsor will receive a sponsorship fee to the Global Offering. The Joint Bookrunners, the Joint Lead Managers and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" in this section above.

Save for their respective interest and obligations to the Underwriting Agreements and, if applicable, the Stock Borrowing Agreement or as otherwise disclosed in this prospectus, none of the Sole Sponsor and the Underwriters is interested legally or beneficially in any Share of any member of our Group or any right or option (whether legally enforceable or not) to subscribe or purchase for or to nominate persons to subscribe for securities in any member of our Group or has any interest in the Global Offering.

### **SOLE SPONSOR'S INDEPENDENCE**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

## STRUCTURE OF THE GLOBAL OFFERING

### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering.

The Global Offering comprises:

- (a) the Hong Kong Public Offer of 16,500,000 Hong Kong Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed “the Hong Kong Public Offer” below; and
- (b) the International Placing of an aggregate of 148,500,000 International Placing Shares (subject to reallocation and the Over-allotment Option as mentioned below).

Investors may apply for Offer Shares under the Hong Kong Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the International Placing, but may not do both.

The 165,000,000 Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue without taking into account any Share which may be issued pursuant to the Over-allotment Option and the exercise of any option which may be granted under the Share Option Scheme.

The number of Offer Shares to be offered under the Hong Kong Public Offer and International Placing respectively may be subject to reallocation. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in “Underwriting”.

### THE HONG KONG PUBLIC OFFER

Our Company is initially offering 16,500,000 Hong Kong Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares initially offered under the Hong Kong Public Offer, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, will represent 2.5% of our Company’s enlarged issued share capital after completion of the Global Offering and Capitalisation Issue without taking into account any Share which may be issued pursuant to the Over-allotment Option and the exercise of any option which may be granted under the Share Option Scheme.

## STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Global Offering” of this section.

### **Allocation**

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total available Shares under the Hong Kong Public Offer (after taking into account any reallocation of Offer Shares between the Hong Kong Public Offer and the International Placing) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Accordingly, the maximum number of Hong Kong Offer Shares initially in pool A and pool B will be 8,252,000 and 8,248,000, respectively.

Multiple or suspected multiple applications under the Hong Kong Public Offer and any application for more than 8,248,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offer will be rejected.



## STRUCTURE OF THE GLOBAL OFFERING

### Reallocation

Pursuant to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, the allocation of Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation, which would have the effect of changing the number of Hong Kong Offer Shares under the Hong Kong Public Offer to a certain percentage of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached, and is subject to the following:

- (a) where the International Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Bookrunners deem appropriate;
  - (ii) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 16,500,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available for subscription under the Hong Kong Public Offer will be up to 33,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option);
  - (iii) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 33,000,000 Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offer will be 49,500,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option);
  - (iv) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 49,500,000 Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offer will be 66,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option); and

## STRUCTURE OF THE GLOBAL OFFERING

- (v) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 66,000,000 Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offer will be 82,500,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option).
- (b) where the International Placing Shares are undersubscribed:
  - (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
  - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 16,500,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to up to 33,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the indicative Offer Price Range (i.e. HK\$0.80 per Offer Share) according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In each of the above cases, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Joint Bookrunners and the Joint Lead Managers deem appropriate and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Bookrunners (for themselves and on behalf of the Underwriters) may in their sole and absolute discretion reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer. Details of any reallocation of Offer Shares between the Hong Kong Public Offer and the International Placing will be disclosed in the results announcement of the Global Offering, which is expected to be published on Thursday, 27 June 2019.

## STRUCTURE OF THE GLOBAL OFFERING

If the Hong Kong Offer Shares are not fully subscribed, the Joint Bookrunners (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing in such amount as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate. The Joint Bookrunners (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate Offer Shares from the International Placing to the Hong Kong Public Offer in such amount as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate to satisfy valid applications under the Hong Kong Public Offer.

### **Applications**

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated International Placing Shares under the International Placing.

### **INTERNATIONAL PLACING**

#### **Number of the International Placing Shares**

The number of the Offer Shares to be initially offered for subscription under the International Placing will be 148,500,000 Shares representing 90% of the Offer Shares initially available under the Global Offering (subject to re-allocation and the Over-allotment Option) and approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and Capitalisation Issue without taking into account any Share which may be issued pursuant to the Over-allotment Option and the exercise of any option which may be granted under the Share Option Scheme. The International Placing is expected to be fully underwritten by the International Underwriters.

#### **Allocation**

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. The International Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a substantial demand for the International Placing Shares in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Placing is subject to the Hong Kong Public Offer being unconditional.

## STRUCTURE OF THE GLOBAL OFFERING

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process described in the sub-section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus, and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Joint Bookrunners and the Joint Lead Managers so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offer.

### **Over-allotment Option**

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Bookrunners (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Bookrunners (for themselves and on behalf of the International Underwriters) at any time from the Listing Date until the 30th day from the last day for lodging applications under the Hong Kong Public Offer, to require our Company to issue and allot up to an aggregate of 24,750,000 additional Shares, representing approximately 15% of the Offer Shares, at the same price per Share under the International Placing, to cover over-allocations in the International Placing (if any). In the event that the Over-allotment Option is exercised, an announcement will be made.

### **Stabilisation**

Stabilisation is a practice used by Underwriters in some markets to facilitate the distribution of securities. To stabilise, Underwriters may bid for or purchase securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements of the relevant jurisdictions. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Nobleseed Securities Limited, as stabilising manager (the “**Stabilising Manager**”), its affiliates or any persons acting for it (for itself and on behalf of the Underwriters) may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market

## STRUCTURE OF THE GLOBAL OFFERING

for a limited period after the Listing Date. Any market purchases of our Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any persons acting for it to conduct any such stabilising action. Such stabilising action, if taken, will be required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer and conducted at the absolute discretion of the Stabilising Manager, its affiliates or any persons acting for it, and may be discontinued at any time. The number of Shares that may be over-allocated will not be greater than the number of Shares that may be sold upon exercise of the Over-allotment Option, being an aggregate of 24,750,000 additional Shares, which is 15% of our Shares initially available under the Global Offering. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our Company's enlarged issued share capital on completion of the Global Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) purchasing or agreeing to purchase our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing or agreeing to purchase our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling or agreeing to sell our Shares in order to liquidate any position established as a result of the abovementioned purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty as to the extent to which, and the time or period for which, the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation and selling of any such long position in the open market by the Stabilising Manager, its affiliates or any person acting for it may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilisation period which will begin on the Listing Date and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

## STRUCTURE OF THE GLOBAL OFFERING

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

### **Over-allocation**

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it may cover such over-allocation through stock borrowing arrangements with Shine Art, by using Shares purchased by the Stabilising Manager, its affiliates or any person acting for it in the secondary market or exercising the Over-allotment Option in full or in part or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including those in relation to stabilisation and the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed 24,750,000 Shares, being the number of Shares which may be issued and allotted by our Company upon full exercise of the Over-allotment Option and representing 15% of the Offer Shares initially available under the Global Offering.

### **Stock Borrowing Arrangement**

Nobleseed Securities Limited as the Stabilising Manager may choose to borrow Shares from Shine Art under the Stock Borrowing Agreement, and/or acquire Shares from other sources, including the exercise of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- the stock borrowing arrangement is for the sole purpose of settlement of over-allocations in connection with the International Placing;
- the maximum number of Shares to be borrowed from Shine Art shall not exceed the number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed will be redelivered or procured to be redelivered to Shine Art on or before the third Business Day following the earlier of (i) the last date on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant Shares issued pursuant to the Over-allotment Option have been delivered to Stabilising Manager, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement will be effected in compliance with applicable Listing Rules, the SFO and other applicable laws, rules and regulatory requirements; and
- no payments will be made to Shine Art in relation to such stock borrowing arrangement.

## STRUCTURE OF THE GLOBAL OFFERING

### PRICING AND ALLOCATION

#### Determination of the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or about Thursday, 20 June 2019, by agreement between our Company, the Joint Bookrunners (for themselves and on behalf of the Underwriters).

#### Offer Price Range

The Offer Price will not be more than HK\$0.88 per Offer Share and is expected to be not less than HK\$0.80 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus.

#### Price Payable on Application

Applicants for Offer Shares under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.88 for each Hong Kong Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$3,555.48 per board lot of 4,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.88 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Friday, 21 June 2019, the Global Offering will not proceed and will lapse.

Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

## STRUCTURE OF THE GLOBAL OFFERING

### Changes to Offer Price Range

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process in respect of the International Placing, and with the consent of our Company, change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause to be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk), and our Company's website at [www.shinlone.com.cn](http://www.shinlone.com.cn), notices of such reduction. Upon issuing such notice, the revised Offer Price range will be final and conclusive. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics, and any other financial information in this prospectus which may change as a result of any such reduction.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price is reduced, applicants under the Hong Kong Public Offer will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

### ANNOUNCEMENT OF THE BASIS OF ALLOCATIONS

We expect to announce the final Offer Price, level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Thursday, 27 June 2019 on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), and our Company's website at [www.shinlone.com.cn](http://www.shinlone.com.cn).

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering and Shares will fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme on the Stock Exchange and such approval not having been withdrawn;
- (b) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements; and



## STRUCTURE OF THE GLOBAL OFFERING

- (c) the Offer Price having been determined and the execution of the related agreement on or around the Price Determination Date,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by our Company on the websites of our Company and the Stock Exchange at [www.shinlone.com.cn](http://www.shinlone.com.cn) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for the Hong Kong Offer Shares”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Thursday, 27 June 2019 and will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting — Hong Kong Public Offer Underwriting Arrangements and Expenses — Grounds for termination” has not been exercised at or before that time.

### DEALINGS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 28 June 2019, dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. (Hong Kong time) on Friday, 28 June 2019. Our Shares will be traded in board lot of 4,000 Shares each.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional adviser.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 1. HOW TO APPLY

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Placing Shares.

To apply for the Hong Kong Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via **HK eIPO White Form** service at **www.hkeipo.hk**; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Joint Bookrunners and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Bookrunners or their respective agents and nominees may accept or reject it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- (a) are an existing beneficial owner of Shares and/or any of our subsidiaries;
- (b) are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- (c) are a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- (d) are a close associate of any of the above; and/or
- (e) have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

### 3. APPLYING FOR THE HONG KONG OFFER SHARES

#### Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 17 June 2019 until 12:00 noon on Thursday, 20 June 2019 from:

- (a) any of the following address of the Underwriters:

<b>Nobleseed Securities Limited</b>	Unit 802 8/F Sun Hung Kai Center 30 Harbour Road Wanchai Hong Kong
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<b>Ballas Capital Limited</b>	Unit 1802 18/F, 1 Duddell Street Central Hong Kong
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## HOW TO APPLY FOR HONG KONG OFFER SHARES

<b>CSC Securities (HK) Limited</b>	32/F Units 3204–07 Cosco Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong
<b>Grand View Securities Limited</b>	Suite 3303, 33/F The Center 99 Queen's Road Central Hong Kong
<b>Fulbright Securities Limited</b>	33/F Cosco Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong
<b>China Sky Securities Limited</b>	Unit 1803–04, West Tower Shun Tak Centre 200 Connaught Road Central Hong Kong
<b>Alpha Financial Group Limited</b>	Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong

- (b) or any of the following branches of the receiving bank, Bank of China (Hong Kong) Limited

	<b>Branch</b>	<b>Address</b>
<b>Hong Kong Island</b>	Des Voeux Road West Branch	111–119 Des Voeux Road West, Hong Kong
	Johnston Road Branch	152–158 Johnston Road, Wan Chai, Hong Kong
<b>Kowloon</b>	Jordan Road Branch	1/F, Sino Cheer Plaza, 23–29 Jordan Road, Kowloon
<b>New Territories</b>	Tuen Mun San Hui Branch	G13–G14 Eldo Court, Heung Sze Wui Road, Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 17 June 2019 until 12:00 noon on Thursday, 20 June 2019 from:

- (a) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (b) your stockbroker.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### Time for lodging application forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — SHINELONG PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

**Monday, 17 June 2019 — 9:00 a.m. to 5:00 p.m.**  
**Tuesday, 18 June 2019 — 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 19 June 2019 — 9:00 a.m. to 5:00 p.m.**  
**Thursday, 20 June 2019 — 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 20 June 2019, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise our Company, the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (f) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and/or their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing ;
- (h) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (p) understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (q) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in “Who can apply for the Hong Kong Offer Shares” section, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### **Time for submitting applications under the HK eIPO White Form**

You may submit your application online to the HK eIPO White Form Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 17 June 2019 until 11:30 a.m. on Thursday, 20 June 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 20 June 2019 or such later time under the “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No multiple applications**

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).



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HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Centre

1/F, One & Two Exchange Square, 8 Connaught Place, Central,  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and the Hong Kong Branch Share Registrar.

### **Giving electronic application instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
  - (i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
  - (iv) declare that only one set of **electronic application instructions** has been given for your benefit;

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- (v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- (vi) confirm that you understand that our Company, our Directors, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- (vii) authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- (x) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (xi) agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However,

## HOW TO APPLY FOR HONG KONG OFFER SHARES

HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Hong Kong Offer Shares;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of giving electronic application instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- (a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the final Offer Price is less than the Offer Price per Hong Kong Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- (c) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for inputting electronic application instructions<sup>(1)</sup>

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

<b>Monday, 17 June 2019</b>	<b>— 9:00 a.m. to 8:30 p.m.</b>
<b>Tuesday, 18 June 2019</b>	<b>— 8:00 a.m. to 8:30 p.m.</b>
<b>Wednesday, 19 June 2019</b>	<b>— 8:00 a.m. to 8:30 p.m.</b>
<b>Thursday, 20 June 2019</b>	<b>— 8:00 a.m. to 12:00 noon</b>

*Note:*

- <sup>(1)</sup> The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 17 June 2019 until 12:00 noon on Thursday, 20 June 2019 (24 hours daily, except on 20 June 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 20 June 2019, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through **HK eIPO White Form** service is also only a facility provided by HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or persons applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 20 June 2019.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- (a) an account number; or
- (b) some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- (a) control the composition of the board of directors of our company;
- (b) control more than half of the voting power of our company; or
- (c) hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

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You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Pricing and Allocation” under the section headed “Structure of the Global Offering” of this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 20 June 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 20 June 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Thursday, 27 June 2019 on our Company’s website at **www.shinlone.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our website at **www.shinlone.com.cn** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 27 June 2019;

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) from the designated results of allocations website at **www.tricor.com.hk/ipo/result** (or **www.hkeipo.hk/IPOResult**) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 27 June 2019 to 12:00 midnight on Wednesday, 3 July 2019;
- (c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 27 June 2019 to Wednesday, 3 July 2019 (excluding Saturday, Sunday and public holiday in Hong Kong); and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 27 June 2019 to Tuesday, 2 July 2019 at all the receiving bank’s designated branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(a) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may withdraw their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.



## HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

**(b) If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Joint Bookrunners, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(c) If the allotment of the Hong Kong Offer Shares is void:**

The allotment of the Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(d) If:**

- (i) you make multiple applications or suspected multiple applications;
- (ii) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;
- (vii) our Company or the Joint Bookrunners believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or

## HOW TO APPLY FOR HONG KONG OFFER SHARES

(viii) your application is for more than 8,248,000 of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.88 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 27 June 2019.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

## HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 27 June 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 28 June 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Hong Kong Public Offer Underwriting Arrangements and Expenses — The Hong Kong Underwriting Agreement — Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(a) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 27 June 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 27 June 2019, by ordinary post and at your own risk.

#### ***(b) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 27 June 2019, by ordinary post and at your own risk.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 27 June 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

**(c) If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

**(d) If you are applying as a CCASS investor participant**

We will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in the paragraph headed "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 27 June 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

**(e) If you apply through the HK eIPO White Form service**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 27 June 2019, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 27 June 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### (f) *If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of the Hong Kong Offer Shares*

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- (i) If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 27 June 2019 or on any other date determined by HKSCC or HKSCC Nominees.
- (ii) Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Offer Shares in the manner specified in the paragraph headed "11. Publication of Results" above on Thursday, 27 June 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 27 June 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- (iii) If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- (iv) If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 27 June 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (v) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 27 June 2019 and/or the difference between the Offer Price and the maximum Offer Price per Offer Share.

### **15. ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

The Directors  
Shinelong Automotive Lightweight Application Limited  
Ballas Capital Limited

Dear Sirs,

We report on the historical financial information of Shinelong Automotive Lightweight Application Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-55, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 (the "Track Record Period"), the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and the statement of financial position of the Company as at 31 December 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-55 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 17 June 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

#### **Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### **Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018, the financial position of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group for each of the Track Record Period in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

### **Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

### **Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

### **Dividends**

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the subsidiary now comprising the Group to the then shareholders in respect of the Track Record Period. No dividends have been paid by the Company since incorporation.

### **No historical financial statements for the Company**

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

17 June 2019



**I HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Year ended 31 December		
		2016 RMB'000	2017 RMB'000	2018 RMB'000
REVENUE	4	130,705	178,450	217,216
Cost of sales		<u>(79,230)</u>	<u>(112,215)</u>	<u>(144,303)</u>
Gross profit		51,475	66,235	72,913
Other income and gains, net	5	613	5,028	898
Selling and distribution expenses		(6,066)	(7,806)	(8,324)
General and administrative expenses		(21,329)	(19,584)	(26,693)
Finance costs	6	<u>(206)</u>	<u>(503)</u>	<u>(723)</u>
PROFIT BEFORE TAX	7	24,487	43,370	38,071
Income tax expense	10	<u>(3,565)</u>	<u>(5,798)</u>	<u>(6,720)</u>
PROFIT FOR THE YEAR		<u>20,922</u>	<u>37,572</u>	<u>31,351</u>
Attributable to:				
Owners of the Company		<u>20,922</u>	<u>37,572</u>	<u>31,351</u>
OTHER COMPREHENSIVE INCOME				
Changes in fair value of debt investments at fair value through other comprehensive income		45	(255)	59
Exchange differences on translation of foreign operations		<u>—</u>	<u>—</u>	<u>16</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>45</u>	<u>(255)</u>	<u>75</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>20,967</u>	<u>37,317</u>	<u>31,426</u>
Attributable to:				
Owners of the Company		<u>20,967</u>	<u>37,317</u>	<u>31,426</u>
BASIC AND DILUTED EARNINGS PER SHARE	12	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2016 RMB'000	2017 RMB'000	2018 RMB'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	13	42,637	54,852	67,110
Intangible assets	14	1,920	4,025	3,625
Prepaid land lease payments	15	849	825	800
Prepayments	19	1,065	39	60
Deferred tax assets	16	1,967	2,789	1,474
Total non-current assets		48,438	62,530	73,069
<b>CURRENT ASSETS</b>				
Inventories	17	79,528	119,645	138,952
Trade and notes receivables	18	32,321	53,725	75,442
Prepayments, other receivables and other assets	19	2,389	851	4,021
Amount due from a related party	26	—	—	312
Cash and cash equivalents	20	19,381	33,631	14,112
Total current assets		133,619	207,852	232,839
<b>CURRENT LIABILITIES</b>				
Trade and notes payables	21	25,931	47,582	66,434
Other payables and accruals	22	12,544	10,778	16,673
Government grants	25	98	145	234
Contract liabilities	23	45,139	75,857	81,154
Dividends payable	11	23,582	—	367
Interest-bearing bank and other borrowings	24	—	27,219	—
Amounts due to related parties	26	3,871	126	6,956
Income tax payable		985	1,219	1,536
Total current liabilities		112,150	162,926	173,354
<b>NET CURRENT ASSETS</b>		21,469	44,926	59,485
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		69,907	107,456	132,554
<b>NON-CURRENT LIABILITIES</b>				
Government grants	25	538	770	1,235
Total non-current liabilities		538	770	1,235
<b>Net assets</b>		69,369	106,686	131,319
<b>EQUITY</b>				
Equity attributable to the owners of the Company				
Share capital	27	—	—	—*
Reserves	28	69,369	106,686	131,319
Total equity		69,369	106,686	131,319

\* The amount is less than RMB1,000.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Company							Total RMB'000
	Share capital RMB'000	Share premium* RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Fair value reserve* RMB'000	Exchange reserve* RMB'000	Retained profits* RMB'000	
As at 1 January 2016	—	—	20,368	6,482	(79)	—	23,692	50,463
Profit for the year	—	—	—	—	—	—	20,922	20,922
Other comprehensive income for the year:								
Changes in fair value of debt investments at fair value through other comprehensive income	—	—	—	—	45	—	—	45
Total comprehensive income for the year	—	—	—	—	45	—	20,922	20,967
Profit appropriation to statutory reserve	—	—	—	2,263	—	—	(2,263)	—
Retained profits transferred to increase capital (Note 1(a))	—	—	25,808	—	—	—	(25,808)	—
Statutory reserve transferred to increase capital (Note 1(a))	—	—	6,794	(6,794)	—	—	—	—
Withholding tax on appropriation (Note 1(a))	—	—	—	—	—	—	(2,061)	(2,061)
As at 31 December 2016 and 1 January 2017	—	—	52,970	1,951	(34)	—	14,482	69,369
Profit for the year	—	—	—	—	—	—	37,572	37,572
Other comprehensive income for the year:								
Changes in fair value of debt investments at fair value through other comprehensive income	—	—	—	—	(255)	—	—	(255)
Total comprehensive income for the year	—	—	—	—	(255)	—	37,572	37,317
Profit appropriation to statutory reserve	—	—	—	3,777	—	—	(3,777)	—
As at 31 December 2017 and 1 January 2018	—	—	52,970	5,728	(289)	—	48,277	106,686

	Attributable to the owners of the Company							Total RMB'000
	Share capital RMB'000	Share premium* RMB'000	Merger reserve* RMB'000	Statutory reserve* RMB'000	Fair value reserve* RMB'000	Exchange reserve* RMB'000	Retained profits* RMB'000	
As at 31 December 2017 and 1 January 2018	—	—	52,970	5,728	(289)	—	48,277	106,686
Profit for the year	—	—	—	—	—	—	31,351	31,351
Other comprehensive income for the year								
Changes in fair value of debt investments at fair value through other comprehensive income	—	—	—	—	59	—	—	59
Exchange differences on translation of foreign operations	—	—	—	—	—	16	—	16
Total comprehensive income for the year	—	—	—	—	59	16	31,351	31,426
Declaration of dividends to the then shareholders (Note 11)	—	—	—	—	—	—	(6,793)	(6,793)
Acquisition of subsidiaries under common control pursuant to the Reorganization	—	668	(668)	—	—	—	—	—
Profit appropriation to statutory reserve	—	—	—	3,479	—	—	(3,479)	—
As at 31 December 2018	—	668	52,302	9,207	(230)	16	69,356	131,319

\* These reserve amounts comprise the reserves of RMB69,369,000, RMB106,686,000 and RMB131,319,000 in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2016 RMB'000	2017 RMB'000	2018 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		24,487	43,370	38,071
Adjustments for:				
Depreciation of property, plant and equipment	13	6,134	6,694	8,211
Amortization of intangible assets	14	481	871	1,177
Write-down of inventories to net realizable value	7	736	248	1,086
Impairment losses for trade and notes receivables, net	18	(175)	20	80
Recognition of prepaid land lease payment	15	25	25	24
Net foreign exchange differences		118	(897)	332
Government grants	25	(166)	(172)	(246)
Interest income	5	(118)	(41)	(79)
Finance costs		184	458	363
Loss/(gain) on disposal of items of property, plant and equipment	5	7	(5)	72
		31,713	50,571	49,091
Increase in inventories		(16,719)	(40,365)	(20,392)
Decrease/(increase) in trade and notes receivables		13,638	(21,680)	(24,028)
(Increase)/decrease in prepayments, other receivables and other assets		(1,218)	1,538	(3,170)
(Decrease)/increase in trade and notes payables		(88)	21,651	18,852
Increase/(decrease) in other payables and accruals		4,056	(1,788)	5,933
Increase/(decrease) in amounts due to a related party		42	74	(126)
(Decrease)/increase in contract liabilities		(97)	30,718	5,297
Cash generated from operations		31,327	40,719	31,457
Income tax refunded/(paid)		1,995	(6,386)	(5,088)
Net cash flows from operating activities		33,322	34,333	26,369

		Year ended 31 December		
		2016	2017	2018
Notes		RMB'000	RMB'000	RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
	Purchases of items of property, plant and equipment	(9,725)	(18,275)	(20,922)
	Purchases of items of intangible assets	(1,041)	(2,976)	(777)
	Proceeds from disposal of items of property, plant and equipment	338	397	358
25	Receipt of government grants	—	451	800
	Interest received	118	41	79
	Net cash flows used in investing activities	<u>(10,310)</u>	<u>(20,362)</u>	<u>(20,462)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
	Proceeds from issue of shares	—	—	356
	Cash paid in connection with the Reorganization	—	—	(118)
	Proceeds from discounted notes receivable with recourse	—	2,290	—
	(Payments to)/receipts from related parties	(80)	(3,611)	6,408
11	Dividends paid	(6,039)	(23,582)	(6,426)
	Payment of finance lease liabilities	(584)	—	—
	Proceeds from bank borrowings	—	42,224	—
	Repayment of bank borrowings	(4,700)	(16,536)	(25,310)
	Repayment of interest on bank and other borrowings	<u>(55)</u>	<u>(402)</u>	<u>(385)</u>
	Net cash flows (used in)/from financing activities	<u>(11,458)</u>	<u>383</u>	<u>(25,475)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		11,554	14,354	(19,568)
20	Cash and cash equivalents at 1 January	7,696	19,381	33,631
	Effect of foreign exchange rate changes, net	<u>131</u>	<u>(104)</u>	<u>49</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>				
20		<u>19,381</u>	<u>33,631</u>	<u>14,112</u>

## STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	<b>As at 31 December 2018</b> <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	29	<u>137,175</u>
<b>CURRENT ASSETS</b>		
Prepayments, other receivables and other assets	19	2,162
Amount due from a related party	26	312
Cash and cash equivalents	20	<u>204</u>
Total current assets		<u>2,678</u>
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	22	2,231
Amounts due to related parties	26	<u>6,303</u>
Total current liabilities		<u>8,534</u>
NET CURRENT LIABILITIES		<u>5,856</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>131,319</u>
Net assets		<u><u>131,319</u></u>
<b>EQUITY</b>		
Share capital	27	—*
Reserves	28	<u>131,319</u>
Total equity		<u><u>131,319</u></u>

\* The amount is less than RMB1,000.



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE 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. During the Track Record Period, the Company's subsidiaries were involved in technical development, research, production and sale of precision moulds.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Reorganization" in the section headed "History and development" in this prospectus. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong), have substantially similar characteristics to a private company incorporated in the People's Republic of China (the "PRC"), the particulars of which are set out below:

Company name	Place and date of establishment/ registration and place of operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("Shinelong (Suzhou)") (Note (a))	PRC/Mainland China 8 January 2002	RMB39,000,000	99.9	0.1	Design, manufacturing and sales of moulds
Qingdao Xunzhan Molding Technology Company Limited ("Xunzhan") (Note (b))	PRC/Mainland China 2 December 2014	RMB6,000,000	—	100	Design, manufacturing and sales of moulds
Kunshan Longjun Management Consulting Company Limited ("Kunshan Longjun") (Note (c))	PRC/Mainland China 5 November 2015	US\$50,000	100	—	Not yet commenced operation

#### Notes:

- (a) Shinelong (Suzhou) was incorporated in the PRC on 8 January 2002 with limited liability, under the name of Shinelong Precision Moulds (Kunshan) Company Limited ("Shinelong (Kunshan)"). On 29 March 2016, Shinelong (Kunshan) was converted to a company limited by shares and renamed Shinelone (Suzhou) Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited ("Shinelone (Suzhou)'s conversion"), which was renamed Shinelong Intellectual Manufacture Precision Applied Materials (Suzhou) Company Limited. Shinelong (Suzhou)'s registered share capital of RMB39,000,000 was converted from Shinelong (Kunshan)'s net asset value as at 31 December 2015. The increased share capital of RMB18,663,000 and the difference between the share capital issued and net asset value of RMB13,939,000 (net of tax of RMB2,061,000) was recorded in capital reserve, among which RMB25,808,000 and RMB6,794,000 were transferred from retained profits and statutory reserve respectively. The statutory financial statements of Shinelong (Suzhou) for the years ended 31 December 2016 and 2017 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Da Hua Certified Public Accountant (Special General Partnership), certified public accountants registered in the PRC. The statutory financial statements of Shinelong (Suzhou) for the year ended 31 December 2018 prepared under PRC GAAP were audited by Suzhou Hua Ming United Certified Public Accountants.

- (b) The statutory financial statements of Xunzhan for the years ended 31 December 2016 and 2017 prepared under PRC GAAP were audited by Da Hua Certified Public Accountant (Special General Partnership), certified public accountants registered in PRC. The statutory financial statements of Xunzhan for the year ended 31 December 2018 prepared under PRC GAAP were audited Suzhou Hua Ming United Certified Public Accountants.
- (c) Kunshan Longjun was acquired by the Company pursuant to the Reorganization in December 2018. No audited financial statements have been prepared by Longjun since its incorporation in November 2015 as the entity has not yet commenced operation.

Xunwei Precision Mould & Plastic (Kunshan) Company Limited ("Xunwei") was incorporated in the PRC on 3 November 2015 as a wholly-owned subsidiary of Shinelong (Suzhou). Xunwei was deregistered on 17 June 2016 due to the change in the Group's business strategy to focus on mould manufacturing.

## 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Development, and Reorganization" in this prospectus, the Company became the holding company of the companies now comprising the Group on 28 December 2018. The companies now comprising the Group were under the common control of the controlling shareholder before and after the Reorganization. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated financial statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

## 2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from 1 January 2018, together with relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period. Accordingly, the Group has adopted IFRS 15 "Revenue from contract with customers" and IFRS 9 "Financial Instruments" on a consistent basis throughout the Track Record Period.

The Historical Financial Information has been prepared on a historical cost basis. The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 16	<i>Leases</i> <sup>1</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
Amendments to IFRS 3	<i>Definition of a Business</i> <sup>2</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>1</sup>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> <sup>2</sup>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
Annual Improvements 2015–2017 Cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about the IFRS that is expected to be applicable to the Group is as follows:

#### IFRS 16 *Leases*

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. As disclosed in Note 30 to the Historical Financial Information, as at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB20,673,000.

The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During the year ended 31 December 2018, the Group has performed a detailed assessment on the impact of

adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB16,089,000 and lease liabilities of RMB16,089,000 will be recognized at 1 January 2019. The Group, however, does not expect the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of each business combination, the Group elects whether to measure non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When a Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

### Subsidiaries

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 the 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 results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

### Fair value measurement

The Group measures its notes receivable at fair value at the end of each of the Track Record Period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The

principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Track Record Period.

#### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Track Record Period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

**Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Type	Depreciation rate
Buildings	4.50%
Machinery	9.00%
Furniture, fixtures and equipment	18.00%
Leasehold improvements	Over the shorter of the lease terms and 20.00%
Motor vehicles	18.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets of the Group represent software which is amortized over an estimated useful life of 5 years.

#### **Research and development costs**

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding four years, commencing from the date when the products are put into commercial production.

**Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

**Investments and other financial assets*****Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies for revenue recognition.

In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.



**Subsequent measurement**

The subsequently measurement of financial assets depends on their classification as follows:

*Financial assets at amortized cost (debt instruments)*

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

*Financial assets at fair value through other comprehensive income (debt instruments)*

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### ***Impairment of financial assets***

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### ***General approach***

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### ***Simplified approach***

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Financial liabilities**

#### ***Initial recognition and measurement***

The Group's financial liabilities include trade and notes payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and amounts due to related parties. The Group's financial liabilities are classified as loans and borrowings and payables at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

#### ***Subsequent measurement***

After initial recognition, trade and notes payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and amounts due to related parties are subsequently measured at amortized cost using the effective interest rate (EIR) method, unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortization is included as finance costs in the consolidated statements of profit or loss and other comprehensive income.

#### ***Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

#### ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal.

#### **Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

#### **Provisions**

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of each of the Track Record Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statements of profit or loss and other comprehensive income.

The Group provides for warranties in relation to the sale of moulds to certain customers for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on expected warranty work to be performed for goods under the warranty period and labor changes expected to be incurred. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each of the Track Record Period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **Government grants**

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

#### **Revenue from contracts with customers**

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

##### **(a) Sale of goods**

Revenue from the sale of moulds is recognized at the point in time when control of the asset is transferred to the customer, generally when the customers issued the final acceptance report.

##### **(b) Rendering of services**

The Group provides parts processing services, the control of which is transferred at a point in time when the processed parts are accepted by the customers.

##### **(c) Interest income**

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

#### **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

#### **Employee benefits**

##### **Defined contribution plans**

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit

or loss as they become payable in accordance with the rules of the central pension scheme. Under the plans, the Group has no further obligation beyond the contributions made. No forfeited contributions may be used by the employer to reduce the existing level of contributions.

**Employee leave entitlements**

Employee entitlements to annual leave are recognized as a liability when they accrue to the employees. The estimated liability for leave is recognized for services rendered by employees up to the end of each of the Track Record Period.

**Borrowing costs**

All borrowing costs of the Group are expensed in the period in which they are incurred.

**Dividends**

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the Note 11 to the Historical Financial Information.

**Foreign currencies**

The Historical Financial Information is presented in RMB, which is different from the Company's functional currency, Hong Kong dollar ("HK\$"). As the major revenues and assets of the Group are derived from operations in the PRC, RMB is chosen as the presentation currency to present the Historical Financial Information. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Track Record Period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The results and financial position of all group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented at the exchange rates prevailing at the end of each of the Track Record Period;
- (ii) Income and expenses for each consolidated statement of profit or loss and other comprehensive income are translated at the average exchange rates for the year; and
- (iii) All resulting currency translation differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts to be recognized in the Historical Financial Information:

#### ***Revenue recognition — the timing of satisfaction of performance obligations***

##### *Sales of moulds*

Revenue from domestic sales of moulds is recognized at a point in time when control over the moulds is transferred to the customers. Judgement is required to assess whether control is transferred over time or at a point in time. The Group creates moulds that are highly customized for the particular customers with no alternative use for others, but has no enforceable right to payment for its performance up to date. Judgement is also required to assess whether control is transferred when the customers preliminarily accepted the moulds or when the customers issued the final acceptance report after the moulds are examined and tested. The customers will only obtain the legal title of the completed moulds after they have issued the final acceptance report, of which the Group has present right to the payment and the collection of the consideration is probable. So the Group concluded that the control over the domestic sales of moulds is transferred at the time, instead of over time, when the customers issued the final acceptance report.

For overseas sales of moulds, revenue is recognized at a point in time when the control over the moulds is transferred to the customers, that is when the customers obtain the physical possession or the legal title of the completed moulds based on respective shipping terms and the Group has the present right to payment and the collection of the consideration is probable.

##### *Rendering of services*

Revenue from the rendering of parts processing services is recognized when control over the processing service is transferred to the customers. Judgement is required to assess whether control is transferred over time or at a point in time. The customers cannot simultaneously receive and consume the benefits provided by the Group's parts processing services as the Group performs, and cannot control the parts as the Group performs processing services on them. The Group also has no enforceable right to payment for the processing services performed to date. The Group concluded that the control over the processing service is transferred to the customers at a point in time when the processed parts are accepted by the customers.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Track Record Period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Net realizable value of inventories***

Net realizable value of inventories is estimated based on the best available facts and circumstances, including but not limited to the inventory own physical conditions, their market selling prices and estimated costs to be incurred for their sales. The assessment is re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amounts of the Group's inventories at the end of each of the Track Record Period are disclosed in Note 17 to the Historical Financial Information.

***Useful lives of property, plant and equipment***

The Group's property, plant and equipment are depreciated on a straight-line basis over their respective useful lives. Management estimates the useful lives of these property, plant and equipment to be between 5 to 20 years. Changes in the expected level of usage and technological developments could impact the estimated useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of these property, plant and equipment at the end of each of the Track Record Period are disclosed in Note 13 to the Historical Financial Information.

***Warranty provision***

The Group provides warranty to certain customers. The provision for warranty is estimated based on expected warranty work to be performed for goods under the warranty period and labor charges expected to be incurred. As historical maintenance and service record may not resemble the future maintenance and service of the products sold, differences between the actual amount and the estimated amount of this provision may affect future profit or loss. The carrying amount of the Group's warranty provision at the end of each of the Track Record Period are disclosed in Note 22 to the Historical Financial Information.



## 4. REVENUE

## 4.1 Disaggregated revenue information

An analysis of revenue is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Sales of moulds			
Automotive moulds	69,399	100,120	123,869
Electrical appliance moulds	48,327	57,306	68,909
Other moulds	1,002	2,809	1,472
Parts processing services	10,649	15,372	20,802
Others	1,328	2,843	2,164
	<u>130,705</u>	<u>178,450</u>	<u>217,216</u>
Represented by:			
Goods and services transferred at a point in time	<u>130,705</u>	<u>178,450</u>	<u>217,216</u>
Represented by:			
Geographic markets			
The PRC	128,198	173,804	209,185
Overseas	<u>2,507</u>	<u>4,646</u>	<u>8,031</u>
	<u>130,705</u>	<u>178,450</u>	<u>217,216</u>

Set below is the amount of revenue recognized for each of the Track Record Period that was included in contract liabilities at the beginning of each of the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Sales of moulds			
Automotive moulds	30,677	33,473	57,652
Electrical appliance moulds	8,180	9,997	8,844
Other moulds	327	1,151	610
Parts processing services	111	78	1,246
Others	—	—	109
	<u>39,295</u>	<u>44,699</u>	<u>68,461</u>

Revenue from major customers which accounted for 10% or more of the Group's revenue during the Track Record Period is set out below:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Customer 1	57,145	79,135	79,627
Customer 2	<u>27,522</u>	<u>33,036</u>	<u>38,448</u>
	<u>84,667</u>	<u>112,171</u>	<u>118,075</u>

#### 4.2 Performance obligations

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

##### *Sales of moulds*

The performance obligation is satisfied upon the customers' issue of final acceptance report. Generally customers are required to pay approximately 30% of the total fee as deposit upon the signing of the agreements and approximately 40%–50% of the total fee when the moulds have been fabricated and are ready for delivery to the customers. The remaining balance is generally due within 20 to 180 days from the issue of the final acceptance report.

##### *Parts processing services*

The performance obligation is satisfied at a point in time when the processed parts are accepted by the customers and payment is generally due within 20 to 180 days from the acceptance of processed parts, except for certain customers, where payment in advance is required.

There was only one performance obligation in each of the Group's contract and all revenues were recognized at a point in time during the Track Record Period. The transaction prices related to the performance obligations in the existing contracts that were unsatisfied as at the end of each of the Track Record Period are as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	133,484	160,255	200,825
More than one year	21,042	47,830	46,375
	<u>154,526</u>	<u>208,085</u>	<u>247,200</u>

The performance obligations expected to be recognized in more than 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 performance obligations are expected to be recognized within one year. The amounts disclosed above do not include variable consideration which is constrained.

#### 5. OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
<b>Other income, net</b>			
Government grants ( <i>Note</i> )	444	4,309	1,296
Interest income	118	41	79
(Loss)/gain on disposal of items of property, plant and equipment	(7)	5	(72)
Others	<u>32</u>	<u>—</u>	<u>(40)</u>
	587	4,355	1,263
<b>Gains/(losses), net</b>			
Foreign exchange differences, net	<u>26</u>	<u>673</u>	<u>(365)</u>
	<u>613</u>	<u>5,028</u>	<u>898</u>

*Note:* Government grants consist of: (i) unconditional grants received from the local government from time to time at the discretion of relevant government authorities. Such grants mainly represent cash subsidies granted by the local government to encourage the development of certain enterprises that are established in local special economic regions or to support general operations of those entities, and (ii) government grants received for purchases of certain items of property, plant and equipment, which are recognized initially as a liability in the consolidated statements of financial position and subsequently recognized as other income when the associated costs which the grants are intended to compensate are incurred. There are no unfulfilled conditions or contingencies relating to these grants.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Interest expenses:			
Interest-bearing bank borrowings	55	424	363
Amounts due to a related party	80	34	—
Discounted notes receivable	22	45	360
Finance lease liabilities	49	—	—
	<u>206</u>	<u>503</u>	<u>723</u>

## 7. PROFIT BEFORE TAX

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

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Raw materials consumed	41,328	59,027	76,723
Direct labor cost	8,878	12,377	16,780
Subcontracting expenses	11,934	20,335	26,971
Depreciation of property, plant and equipment ( <i>Note 13</i> )	6,134	6,694	8,211
Amortization of intangible assets ( <i>Note 14</i> )	481	871	1,177
Research and development costs	6,104	7,843	7,164
Minimum lease payments under operating leases	2,077	2,034	2,292
Travelling and entertainment expenses	1,708	2,218	2,217
General office expenses	1,476	1,207	1,396
Logistics expenses	1,100	1,445	1,657
Listing expenses ( <i>Note</i> )	5,508	1,038	6,915
Employee benefit expenses (including directors' remuneration ( <i>Note 8</i> ))			
Salaries and bonuses	7,639	9,713	11,397
Pension scheme contributions	<u>2,071</u>	<u>2,862</u>	<u>3,603</u>
	<u>9,710</u>	<u>12,575</u>	<u>15,000</u>
Impairment losses for trade and notes receivables, net ( <i>Note 18</i> )	(175)	20	80
Provision for warranty ( <i>Note 22</i> )	1,911	2,525	2,975
Write-down of inventories to net realizable value	736	248	1,086
Foreign exchange differences, net ( <i>Note 5</i> )	<u>(26)</u>	<u>(673)</u>	<u>365</u>

*Note:* The listing expenses included auditors' remuneration of RMB1,509,000, RMB1,038,000 and RM1,495,000 respectively for the years ended 31 December 2016, 2017 and 2018.

## 8. DIRECTORS' REMUNERATION

Lin Wan-Yi was appointed as an executive director of the Company on 2 October 2018. Yung Chia-Pu, Cheng Ching-Long and Lu Jen-Chieh were appointed as executive directors of the Company on 15 February 2019.

Hsieh Pei-Chen was appointed as non-executive director of the Company on 26 April 2019.

So George Siu Ming, Lin Lien-Hsing and Fan Chi Chiu were appointed as independent non-executive directors of the Company on 6 June 2019.

Certain of the directors also received remuneration from the subsidiary now comprising the Group for their appointment as directors of this subsidiary. The remuneration of these directors as recorded in the financial statements of the subsidiary is set out below:

	Year ended 31 December			
	2016	2017	2018	
	RMB'000	RMB'000	RMB'000	
Fees	140	168	172	
Other emoluments:				
Salaries, allowances, and benefits in kind	304	962	1,489	
Performance related bonuses	384	292	322	
	688	1,254	1,811	
	828	1,422	1,983	
	<b>Fees</b>	<b>Salaries, allowances, and benefits in kind</b>	<b>Performance related bonuses</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2016</b>				
Executive directors:				
Lin Wan-Yi	60	153	279	492
Cheng Ching-Long	40	146	105	291
Yung Chia-Pu	40	5	—	45
	140	304	384	828
	<b>Fees</b>	<b>Salaries, allowances, and benefits in kind</b>	<b>Performance related bonuses</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2017</b>				
Executive directors:				
Lin Wan-Yi	72	600	182	854
Cheng Ching-Long	48	359	110	517
Yung Chia-Pu	48	3	—	51
	168	962	292	1,422

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Total RMB'000
<b>Year ended 31 December 2018</b>				
Executive directors:				
Lin Wan-Yi	72	756	140	968
Cheng Ching-Long	48	458	130	636
Yung Chia-Pu	48	4	—	52
Lu Jen-Chieh*	4	271	52	327
	<u>172</u>	<u>1,489</u>	<u>322</u>	<u>1,983</u>

\* Lu Jen-Chieh was appointed as a director of Shinelong (Suzhou) in November 2018. The remuneration disclosed above included his director's remuneration and employ benefit for the year ended 31 December 2018.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

During the Track Record Period, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office.

#### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included two, two, three directors of the subsidiary now comprising the Group for the years ended 31 December 2016, 2017 and 2018 respectively, the details of whose remuneration are set out in Note 8 above. Details of the remuneration for the Track Record Period of the remaining highest paid employees are as follows:

	<b>Year ended 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	391	661	755
Performance related bonuses	340	243	162
Pension scheme contributions	14	7	—
	<u>745</u>	<u>911</u>	<u>917</u>

The number of non-director highest paid employees during the Track Record Period whose remuneration fell within the following band is as follows:

	<b>Year ended 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>2</u>

During the Track Record Period, no share option was granted to a non-director highest paid employee in respect of his services to the Group.

During the Track Record Period, no remuneration was paid by the Group to any of these non-director highest paid employees as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these non-director highest paid employees waived or agreed to waive any remuneration during the Track Record Period.

## 10. 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 ("CIT") rate of 25% during the Track Record Period. During the Track Record Period, Shinelong (Suzhou) was qualified as a high and new technology enterprise and enjoyed a preferential income tax rate of 15%. Xunzhan was certified as a small and micro-sized enterprise ("SME") and enjoyed a 50% reduction in taxable income and the preferential income tax rate of 20% for the years ended 31 December 2016 and 2017 as its taxable income is below RMB1 million. The applicable income tax rate for Xunzhan for the year ended 31 December 2018 is 25% as its taxable income is above RMB1 million.

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current-PRC	4,118	6,620	5,405
Deferred-PRC ( <i>Note 16</i> )	<u>(553)</u>	<u>(822)</u>	<u>1,315</u>
Total tax charge for the year	<u>3,565</u>	<u>5,798</u>	<u>6,720</u>

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		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit before tax	<u>24,487</u>	<u>43,370</u>	<u>38,071</u>
Statutory tax rate	25%	25%	25%
Tax at the statutory tax rate	6,122	10,842	9,518
Lower tax rates enacted by local authority	(2,325)	(4,514)	(4,054)
Change of lower tax rates enacted by local authority ( <i>Note (a)</i> )	—	(345)	—
Non-deductible expenses	164	86	70
Tax loss attributable to the Company	—	—	1,468
Additional deductible allowance for research and development expenses	(226)	(271)	(282)
Loss on deregistration of a subsidiary	<u>(170)</u>	<u>—</u>	<u>—</u>
Total tax charge for the year	<u>3,565</u>	<u>5,798</u>	<u>6,720</u>

*Notes:*

- (a) As at 31 December 2017, management estimated that taxable income of Xunzhan will exceed RMB1,000,000 and Xunzhan will be subject to corporate income tax at a rate of 25% in subsequent years. The deferred income tax expense was, therefore, recorded at the rate of 25% for the years ended 31 December 2017 and 2018.
- (b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At the end of each of the Track Record Period, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the subsidiaries of the Group established in the PRC. Such earnings are expected to be retained by the PRC subsidiaries and not be remitted to any foreign investor in the foreseeable future based on management's estimation of overseas funding requirements. The aggregate amount of temporary differences associated with the investments in these subsidiaries in the PRC for which deferred tax liabilities have not been recognized was RMB1,763,000, RMB4,995,000 and RMB7,614,000 as at 31 December 2016, 2017 and 2018, respectively.

**11. DIVIDENDS PAYABLE**

No dividend has been declared or paid by the Company since its incorporation.

The dividends declared and paid by the Company's subsidiary to the then shareholders during the Track Record Period are as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of year	29,621	23,582	—
Declaration	—	—	6,793
Payment	<u>(6,039)</u>	<u>(23,582)</u>	<u>(6,426)</u>
At the end of year	<u>23,582</u>	<u>—</u>	<u>367</u>

**12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of presentation of the results of the Group for the Track Record Period as disclosed in Note 2.1 to the Historical Financial Information.

## 13. PROPERTY, PLANT AND EQUIPMENT

## Group

	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
<b>Cost</b>							
At 1 January 2016	6,259	54,157	2,163	2,427	1,564	555	67,125
Additions	—	9,080	602	—	26	—	9,708
Transfer	—	251	—	304	—	(555)	—
Disposals	—	(937)	(100)	—	—	—	(1,037)
At 31 December 2016 and at 1 January 2017	6,259	62,551	2,665	2,731	1,590	—	75,796
Additions	—	18,508	671	122	—	—	19,301
Disposals	—	(614)	(47)	—	—	—	(661)
At 31 December 2017 and at 1 January 2018	6,259	80,445	3,289	2,853	1,590	—	94,436
Additions	—	19,987	781	55	76	—	20,899
Disposals	—	(1,649)	(146)	—	(26)	—	(1,821)
At 31 December 2018	<u>6,259</u>	<u>98,783</u>	<u>3,924</u>	<u>2,908</u>	<u>1,640</u>	<u>—</u>	<u>113,514</u>
<b>Accumulated depreciation</b>							
At 1 January 2016	2,766	21,883	1,253	1,228	586	—	27,716
Depreciation charges for the year (Note 7)	282	4,544	302	789	217	—	6,134
Disposals	—	(605)	(86)	—	—	—	(691)
At 31 December 2016 and at 1 January 2017	<u>3,048</u>	<u>25,822</u>	<u>1,469</u>	<u>2,017</u>	<u>803</u>	<u>—</u>	<u>33,159</u>
At 31 December 2016 and at 1 January 2017	3,048	25,822	1,469	2,017	803	—	33,159
Depreciation charges for the year (Note 7)	282	5,495	361	329	227	—	6,694
Disposals	—	(226)	(43)	—	—	—	(269)
At 31 December 2017 and at 1 January 2018	<u>3,330</u>	<u>31,091</u>	<u>1,787</u>	<u>2,346</u>	<u>1,030</u>	<u>—</u>	<u>39,584</u>
At 31 December 2017 and at 1 January 2018	3,330	31,091	1,787	2,346	1,030	—	39,584
Depreciation charges for the year (Note 7)	282	7,036	445	238	210	—	8,211
Disposals	—	(1,237)	(131)	—	(23)	—	(1,391)
At 31 December 2018	<u>3,612</u>	<u>36,890</u>	<u>2,101</u>	<u>2,584</u>	<u>1,217</u>	<u>—</u>	<u>46,404</u>
At 31 December 2018	3,612	36,890	2,101	2,584	1,217	—	46,404
<b>Net carrying amount</b>							
At 31 December 2016	<u>3,211</u>	<u>36,729</u>	<u>1,196</u>	<u>714</u>	<u>787</u>	<u>—</u>	<u>42,637</u>
At 31 December 2017	<u>2,929</u>	<u>49,354</u>	<u>1,502</u>	<u>507</u>	<u>560</u>	<u>—</u>	<u>54,852</u>
At 31 December 2018	<u>2,647</u>	<u>61,893</u>	<u>1,823</u>	<u>324</u>	<u>423</u>	<u>—</u>	<u>67,110</u>



## 14. INTANGIBLE ASSETS

## Group

	<b>Software</b> RMB'000
<b>Cost</b>	
At 1 January 2016	2,264
Additions	<u>1,041</u>
At 31 December 2016 and at 1 January 2017	3,305
Additions	<u>2,976</u>
At 31 December 2017 and at 1 January 2018	6,281
Additions	<u>777</u>
At 31 December 2018	<u><u>7,058</u></u>
<b>Accumulated depreciation</b>	
At 1 January 2016	904
Amortization charges for the year (Note 7)	<u>481</u>
At 31 December 2016 and at 1 January 2017	1,385
Amortization charges for the year (Note 7)	<u>871</u>
At 31 December 2017 and at 1 January 2018	2,256
Amortization charges for the year (Note 7)	<u>1,177</u>
At 31 December 2018	<u><u>3,433</u></u>
<b>Net carrying amount</b>	
At 31 December 2016	<u><u>1,920</u></u>
At 31 December 2017	<u><u>4,025</u></u>
At 31 December 2018	<u><u>3,625</u></u>

## 15. PREPAID LAND LEASE PAYMENTS

## Group

The leasehold land is situated in Mainland China and is under a long term lease. It was recognized in profit or loss over the lease term and the portion to be recognized within 1 year is classified as a current asset.

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	899	874	849
Recognized during the year	<u>(25)</u>	<u>(25)</u>	<u>(24)</u>
Carrying amount at the end of the year	874	849	825
Current portion included in prepayments, other receivables and other assets (Note 19)	<u>(25)</u>	<u>(24)</u>	<u>(25)</u>
Non-current portion	<u><u>849</u></u>	<u><u>825</u></u>	<u><u>800</u></u>

## 16. DEFERRED TAX

## Group

The movements in deferred tax assets during the Track Record Period are as follows:

	Losses available for offsetting against future taxable income RMB'000	Write-down of inventories to net realizable value RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Asset related government grants RMB'000	Provision for warranties RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2016	138	170	(23)	120	357	652	1,414
Deferred tax credited/(charged) to profit or loss during the year (Note 10)	<u>156</u>	<u>99</u>	<u>49</u>	<u>(25)</u>	<u>34</u>	<u>240</u>	<u>553</u>
At 31 December 2016 and at 1 January 2017	294	269	26	95	391	892	1,967
Deferred tax credited/(charged) to profit or loss during the year (Note 10)	<u>128</u>	<u>(51)</u>	<u>455</u>	<u>42</u>	<u>69</u>	<u>179</u>	<u>822</u>
At 31 December 2017 and at 1 January 2018	422	218	481	137	460	1,071	2,789
Deferred tax credited/(charged) to profit or loss during the year (Note 10)	<u>(422)</u>	<u>114</u>	<u>(229)</u>	<u>83</u>	<u>90</u>	<u>(951)</u>	<u>(1,315)</u>
At 31 December 2018	<u><u>—</u></u>	<u><u>332</u></u>	<u><u>252</u></u>	<u><u>220</u></u>	<u><u>550</u></u>	<u><u>120</u></u>	<u><u>1,474</u></u>

## 17. INVENTORIES

## Group

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Finished goods	58,835	89,173	96,741
Work in progress	19,053	29,203	40,417
Raw materials and low value consumables	<u>1,640</u>	<u>1,269</u>	<u>1,794</u>
	<u>79,528</u>	<u>119,645</u>	<u>138,952</u>

## 18. TRADE AND NOTES RECEIVABLES

## Group

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade receivables	29,101	34,750	54,994
Notes receivable	3,244	18,976	20,529
Impairment	<u>(24)</u>	<u>(1)</u>	<u>(81)</u>
	<u>32,321</u>	<u>53,725</u>	<u>75,442</u>

The Group generally grant 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.

Details of the concentration of credit risk arising from the customers are set out in Note 36 to the Historical Financial Information.

An ageing analysis of the trade receivables as at the end of each of the Track Record Period, based on the date of the final acceptance report and net of loss allowance for impairment, is as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 30 days	6,923	13,149	15,063
31 to 60 days	6,086	3,913	10,014
61 to 90 days	2,941	3,144	9,504
91 to 180 days	7,184	9,149	8,086
181 to 365 days	4,766	4,391	8,510
Over 365 days	<u>1,177</u>	<u>1,003</u>	<u>3,736</u>
	<u>29,077</u>	<u>34,749</u>	<u>54,913</u>

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

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At beginning of year	212	24	1
Impairment losses, net	(175)	20	80
Write-off of trade receivables	(13)	(43)	—
	<u>24</u>	<u>1</u>	<u>81</u>
At end of year	<u>24</u>	<u>1</u>	<u>81</u>

The Group has applied the simplified approach to providing for 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. The 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. 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.

Set out below is the information about the credit risk exposure on the Group's trade and notes receivables using a provision 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 2016					
Gross carrying amount	31,147	1,122	42	34	32,345
Expected credit loss rate	0.00%–0.01%	0.00%–0.26%	9.41%	40.87%	
Expected credit losses	3	3	4	14	24
31 December 2017					
Gross carrying amount	52,722	1,004	—	—	53,726
Expected credit loss rate	0.00%	0.00%–0.12%	N/A	N/A	
Expected credit losses	—	1	—	—	1
31 December 2018					
Gross carrying amount	71,746	3,777	—	—	75,523
Expected credit loss rate	0.00%–0.08%	0.00%–1.24%	N/A	N/A	
Expected credit losses	40	41	—	—	81

The Group has assessed the impairment for notes receivable based on the 12-month ECL, under which the impairment loss was immaterial.

## 19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

## Group

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Non-current			
Prepayments	1,065	39	60
Current			
Deferred listing expenses	—	—	2,253
Prepayments	1,837	612	1,227
Deposits and other receivables	197	193	516
Prepaid land lease payments	25	24	25
Input value added tax ("VAT") to be deducted	330	22	—
	<u>2,389</u>	<u>851</u>	<u>4,021</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The Group applies the general approach to provide for expected credit losses of the financial assets measured at amortized cost, for which the Group assesses the impairment individually based on the internal credit rating of these debtors. Based on the assessment, there is no significant increase in credit risk since initial recognition. No impairment loss has been recognized under the 12-month ECL based on the information about the exposure to credit risk for these financial assets which are assessed individually as at 31 December 2016, 2017 and 2018.

## Company

	As at
	31 December
	2018
	RMB'000
Current	
Deferred listing expenses	1,906
Prepayments	<u>256</u>
	<u>2,162</u>

## 20. CASH AND CASH EQUIVALENTS

## Group

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cash on hand and at banks	<u>19,381</u>	<u>33,631</u>	<u>14,112</u>

At 31 December 2016, 2017 and 2018, the Group's cash and bank balances denominated in RMB amounted to RMB17,464,000, RMB32,040,000, and RMB13,722,000, respectively. The RMB is not freely convertible into other currencies, however, under PRC'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 authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

#### Company

	<b>As at 31 December 2018 RMB'000</b>
Cash on hand and at banks	<u>204</u>

The cash and cash equivalents of the Company are denominated in RMB.

#### 21. TRADE AND NOTES PAYABLES

##### Group

	<b>As at 31 December</b>		
	<b>2016 RMB'000</b>	<b>2017 RMB'000</b>	<b>2018 RMB'000</b>
Trade payables	25,931	46,192	66,434
Notes payable	<u>—</u>	<u>1,390</u>	<u>—</u>
	<u>25,931</u>	<u>47,582</u>	<u>66,434</u>

An ageing analysis of the trade and notes payables as at the end of each of the Track Record Period, based on the invoice date, is as follows:

	<b>As at 31 December</b>		
	<b>2016 RMB'000</b>	<b>2017 RMB'000</b>	<b>2018 RMB'000</b>
Within 30 days	11,619	17,444	20,772
31 to 60 days	5,681	13,456	11,727
61 to 90 days	6,164	8,094	10,141
91 to 120 days	2,425	7,031	10,073
Over 120 days	<u>42</u>	<u>1,557</u>	<u>13,721</u>
	<u>25,931</u>	<u>47,582</u>	<u>66,434</u>

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

## 22. OTHER PAYABLES AND ACCRUALS

## Group

	As at 31 December		
	2016 RMB'000	2017 RMB'000	2018 RMB'000
Staff cost and welfare accruals	4,441	5,465	7,357
Provision for warranty ( <i>Note</i> )	2,610	3,068	3,669
Professional service fee payables	4,462	472	3,112
Other tax payables	521	1,336	1,556
Other payables	510	437	979
	<u>12,544</u>	<u>10,778</u>	<u>16,673</u>

Other payables are non-interest-bearing and are repayable on demand.

*Note:*

Provision for warranty

	Year ended 31 December		
	2016 RMB'000	2017 RMB'000	2018 RMB'000
At the beginning of year	2,383	2,610	3,068
Provision	1,911	2,525	2,975
Payment	(1,684)	(2,067)	(2,374)
At the end of year	<u>2,610</u>	<u>3,068</u>	<u>3,669</u>

## Company

	As at 31 December 2018 RMB'000
Professional service fee payables	<u>2,231</u>

## 23. CONTRACT LIABILITIES

	As 31 December		
	2016 RMB'000	2017 RMB'000	2018 RMB'000
Contract liabilities	<u>45,139</u>	<u>75,857</u>	<u>81,154</u>

Contract liabilities consist of the advance payment made by customers. A contract liability is the Group's obligation to deliver goods or render services to customers for which the Group has received consideration from the customers. A contract liability is recognized by the Group when the customers pay consideration before the Group delivers goods or render services to the customers.

## 24. INTEREST-BEARING BANK AND OTHER BORROWINGS

## Group

	As at 31 December 2016			As at 31 December 2017			As at 31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Bank loans — Unsecured (Note (a) and (b))	—	N/A	—	2.02–2.51	2018	24,929	—	N/A	—
Notes receivable discounted with recourse (Note (c))	—	N/A	—	5.62	2018	2,290	—	N/A	—
			—			27,219			—

Analysed into:

	As at 31 December		
	2016 RMB'000	2017 RMB'000	2018 RMB'000
Bank loans repayable within one year	—	24,929	—
Notes receivable discounted with recourse due within one year	—	2,290	—

Notes:

- (a) The Group had bank loan facilities amounting to RMB30,000,000, RMB79,929,000 (equivalent to the sum of USD3,050,000 and RMB60,000,000) and RMB110,000,000 as at 31 December 2016, 2017 and 2018, respectively, of which RMB24,929,000 (equivalent to the sum of USD3,050,000 and RMB5,000,000) were utilized as at 31 December 2017.
- (b) The Group's bank loans of RMB24,929,000 (equivalent to the sum of US\$3,050,000 and RMB5,000,000) as at 31 December 2017 were unsecured, bore interest at the rates of 2.0% to 5.0% per annum and were repayable within one year commencing on or after 25 April 2017. The loans were fully repaid in 2018.
- (c) The Group entered into a note receivable discounting arrangement (the "Arrangement") with Jiangsu Kunshan Rural Commercial Bank Company Limited ("KRCB") in December 2017. Under the Arrangement, the Group was granted with loan up to a 99.63% of the note receivable being presented to KRCB and the Group retained substantial risks and rewards, which included the default risk relating to such note receivable. Accordingly, the Group continued to recognize the discounted note receivable with the amount granted by KRCB. The note receivable transferred under the Arrangement was not settled as at 31 December 2017. The carrying amount of the asset and the associated liability the Group continued to recognize as at 31 December 2017 was RMB2,290,000.



## 25. GOVERNMENT GRANTS

## Group

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	802	636	915
Received during the year	—	451	800
Released to the statement of profit or loss	<u>(166)</u>	<u>(172)</u>	<u>(246)</u>
At the end of the year	636	915	1,469
Current portion	<u>(98)</u>	<u>(145)</u>	<u>(234)</u>
Non-current portion	<u>538</u>	<u>770</u>	<u>1,235</u>

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

## 26. AMOUNTS DUE FROM/TO RELATED PARTIES

## Group

	Maximum amount		Maximum amount		Maximum amount	
	As at 31 December 2016	outstanding during the year	As at 31 December 2017	outstanding during the year	As at 31 December 2018	outstanding during the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Due from a related party						
<i>Non-trade</i>						
Talent Chain Limited						
("Talent Chain") (Note (a))	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>312</u>	<u>312</u>
Due to related parties						
<i>Trade</i>						
Jouder Precision Industry						
(Kunshan) Co., Ltd.						
("Jouder") (Note (c))	<u>52</u>		<u>126</u>		<u>—</u>	
<i>Non-trade</i>						
SHINE ART INTERNATIONAL						
LIMITED ("Shine Art") (Note						
(b))	<u>3,819</u>		<u>—</u>		<u>—</u>	
Friendly Holdings (HK) Co.,						
Limited ("Friendly Holdings")						
(Note (d))	<u>—</u>		<u>—</u>		<u>6,408</u>	
Talent Trading (Shanghai)						
Limited Company						
("Talent Trading") (Note (a))	<u>—</u>		<u>—</u>		<u>312</u>	
Lin Wan-Yi (Note (e))	<u>—</u>		<u>—</u>		<u>118</u>	
Fulagai Consulting (Shanghai)						
Company Limited ("Fulagai")						
(Note (f))	<u>—</u>		<u>—</u>		<u>118</u>	
	<u>3,871</u>		<u>126</u>		<u>6,956</u>	

## Notes:

- (a) Talent trading, the shareholder of Shinelong (Suzhou) prior to the Reorganization, is a directly and wholly owned subsidiary of Talent Chain, the shareholder of the Company. The amounts were subsequently settled in January 2019.
- (b) Shine Art is the controlling shareholder of the Company. It granted the Group a two-year unsecured loan with principal of RMB3,819,000 (equivalent to US\$550,000) at an interest rate of 2% per annum in December 2015. The interest rate was determined according to prices and conditions similar to those offered by banks to Shine Art. The loan was repaid in June 2017.
- (c) Jouder is a related company in which Lin Feng-I, a former director of the Company's subsidiary, is a director. The Group purchased products from Jouder. The transaction was conducted in accordance with the published prices and conditions offered by Jouder to the majority of its customers. The balance with Jouder was non-interest-bearing, unsecured and repayable on demand. Since November 2018, Jouder is no longer a related party of the Company as Lin Feng-I is no longer a director of the Company's subsidiary.
- (d) Friendly Holdings, a shareholder of the Company, paid listing expenses of RMB6,408,000 (equivalent to the sum of HK\$5,978,000, US\$115,000 and RMB404,000) on behalf of the Company in December 2018. The balance with Friendly Holdings was non-interest-bearing, unsecured and expected to be fully repaid before listing.
- (e) The amount due to the Chairman and executive Director of the Company, Lin Wan-Yi, represents the unpaid consideration for his equity interest in Kunshan Longjun pursuant to the Reorganization, which was paid subsequently in January 2019.
- (f) The amount due to Fulagai Consulting, a direct and wholly owned subsidiary of Friendly Holdings, represents the unpaid consideration for his equity interest in Shinelong (Suzhou) pursuant to the Reorganization, which was subsequently settled in January 2019.

## Company

	As at 31 December 2018 RMB'000	Maximum amount outstanding during the year RMB'000
Due from a related party		
<i>Non-trade</i>		
Talent Chain ( <i>Note (a)</i> )	312	312
Due to related parties		
<i>Non-trade</i>		
Friendly Holdings ( <i>Note (d)</i> )	5,755	
Talent Trading ( <i>Note (a)</i> )	118	
Lin Wan-Yi ( <i>Note (e)</i> )	312	
Fulagai ( <i>Note (f)</i> )	118	
	<u>6,303</u>	

**27. SHARE CAPITAL**

The Company was incorporated in the Cayman Islands under the Cayman Companies Law 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. On 6 June 2019, the authorised share capital of the Company was increased by HK\$19,620,000 by the creation of 1,962,000,000 shares to HK\$20,000,000 divided into 2,000,000,000 shares.

As at 31 December 2018, 10,000 shares were issued and allotted, of which 9,974 shares were fully paid.

There was no authorised and issued capital as at 31 December 2016 and 2017 since the Company was not yet incorporated at that time.

	<b>As at 31 December 2018</b>	
	<b>Equivalent to</b>	
	<i>HK\$</i>	<i>RMB</i>
Issued and allotted:		
10,000 ordinary shares of HK\$0.01 each	<u>100</u>	<u>87.62</u>

**28. RESERVES****Group**

The amounts of the Group's reserves and the movements therein for the Track Record Period are presented in the consolidated statements of changes in equity on pages I-6 to I-7 of the Historical Financial Information.

***Share premium***

The share premium represents the difference between the par value of the shares issued and the consideration received in connection with the Reorganization.

***Merger reserve***

The merger reserve of the Group represents the reserve arose pursuant to the Reorganization as set out in Note 1 to the Historical Financial Information and the reserve arose pursuant to Shinelone (Suzhou)'s conversion in March 2016 as set out in Note 1 to the Historical Financial Information.

***Statutory reserve***

The statutory reserve of the Group represents all the appropriation of net profits (after offsetting accumulated losses from prior years) made by the Group's subsidiaries in the PRC. The percentage of appropriation to statutory reserve is 10%. When the balances of the statutory reserve reach 50% of the registered capital, such transfer needs not to be made.

***Fair value reserve***

The fair value reserve of the Group represents the fair value changes of debt investments measured at fair value through other comprehensive income, which will be reclassified subsequently to profit or loss upon disposal.

***Exchange reserve***

The exchange reserve of the Group represents all relevant exchange differences arising from the translation of the financial statements of an entity whose functional currency is different from the Group's presentation currency.

## Company

	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 2 October 2018 (date of incorporation)	—	—	—	—	—
Losses for the period	—	—	—	(5,872)	(5,872)
Other comprehensive income for the period:					
Exchange differences on translation of foreign operations	—	—	16	—	16
Total comprehensive income/(loss) for the period	—	—	16	(5,872)	(5,856)
Acquisition of subsidiaries under common control pursuant to the Reorganization ( <i>Note</i> )	668	136,507	—	—	137,175
As at 31 December 2018	<u>668</u>	<u>136,507</u>	<u>16</u>	<u>(5,872)</u>	<u>131,319</u>

*Note:* The capital reserve represents the difference between the investments in subsidiaries and the carrying amount of share capital issued and the cash consideration paid.

## 29. INVESTMENTS IN SUBSIDIARIES

## Company

	As at 31 December 2018 RMB'000
Investments in subsidiaries	<u>137,175</u>

Particulars of the subsidiaries are disclosed in Note 1.

## 30. OPERATING LEASE ARRANGEMENTS

## Group

The Group leases certain factories, venues and parking lots under operating lease arrangements. Leases for factories, venues and parking lots are negotiated for terms ranging from 1 to 10 years.

At the end of each of the Track Record Period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Year ended 31 December		
	2016 RMB'000	2017 RMB'000	2018 RMB'000
Within one year	766	2,300	3,412
In the second to fifth years, inclusive	332	7,980	11,062
After five years	—	8,195	6,199
	<u>1,098</u>	<u>18,475</u>	<u>20,673</u>

**Company**

At the end of each of the Track Record Period, the Company had no future lease payments under non-cancellable operating leases.

**31. COMMITMENTS****Group**

Except for the operating lease commitments detailed in Note 30 above, the Group did not have any significant commitments at the end of each of the Track Record Period.

**Company**

At the end of each of the Track Record Period, the Company had no capital commitments.

**32. SIGNIFICANT RELATED PARTY TRANSACTIONS**

(a) The Group's related parties and relationships:

Name	Relationship
SHINE ART INTERNATIONAL LIMITED	Controlling Shareholder
Friendly Holdings (HK) Co. Limited	Shareholder
Digital Link Overseas Co., Ltd.	Shareholder
High Chance Limited	Shareholder
Talent Chain Limited	Shareholder
Lin Wan-Yi	Controlling shareholder, Chairman, executive Director and chief executive officer
Jouder Precision Industry (Kunshan) Co., Ltd.	A company in which Lin Feng-I, a former director of the Company's subsidiary is a director
Talent Trading (Shanghai) Limited Company	Controlled by a shareholder
Fulagai Consulting (Shanghai) Company Limited	Controlled by a shareholder

(b) The Group had the following transactions with related parties during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of products from a related party:			
Jouder ( <i>Note 26 (c)</i> )	254	585	246
Interest expense to a shareholder:			
Shine Art ( <i>Note 26 (b)</i> )	80	33	—
Payment on behalf of the Company:			
Friendly Holdings ( <i>Note 26 (d)</i> )	—	—	6,408

**(c) Balances with related parties**

Details of the Group's amounts due to related parties as at the end of each of the Track Record Period are included in Note 26 to the Historical Financial Information.

**(d) Guarantees provided by related parties**

The controlling shareholder of Friendly Holdings, which is one of the Company's shareholders, guaranteed certain bank loan facilities made to the Group of up to RMB10,000,000 as at 31 December 2016, 2017 and 2018.

For the year ended 31 December 2017, the Group's shareholders, Shine Art and Lin Wan-Yi, guaranteed certain bank loan facilities made to the Group of up to RMB13,486,000 (equivalent to US\$2,000,000) and RMB3,371,000 (equivalent to US\$500,000), respectively.

For the year ended 31 December 2017, the Group's shareholders, Shine Art and Lin Wan-Yi, jointly guaranteed the Group's bank loans in the amounts of RMB6,742,000 (equivalent to US\$1,000,000), RMB3,371,000 (equivalent to US\$500,000) and RMB6,742,000 (equivalent to US\$1,000,000) by their certificates of time deposit in the amounts of RMB7,600,000, RMB4,000,000 and RMB7,600,000, respectively. These loans were fully repaid by the Group in 2017.

**(e) Compensation of key management personnel of the Group**

The key management personnel of the Group included two, two, three directors of the subsidiary now comprising the Group for the years ended 31 December 2016, 2017 and 2018 respectively, whose emoluments were disclosed in Note 8 to the Historical Financial Information. Details of the emoluments for the Track Record Period of the remaining key management personnel were disclosed as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Salaries, allowances, and benefits in kind	151	335	377
Performance related bonuses	40	76	50
	<u>191</u>	<u>411</u>	<u>427</u>
Total compensation paid to key management personnel	<u>191</u>	<u>411</u>	<u>427</u>

**33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS****(a) Major non-cash transactions**

For the year ended 31 December 2016, the Group's finance lease liabilities of RMB207,000 was settled through the net off with deposit placed for the equipment under the finance lease arrangement.

For the year ended 31 December 2018, the Group's other borrowing and notes receivable of RMB2,290,000 in relation to notes receivable discounted with recourse were derecognized when cash was collected by KRCB.

Other than the items described above, Shinelone (Suzhou)'s conversion and the Reorganization as described in Note 1 to the Historical Financial Information, there were no other major non-cash transactions for the years ended 31 December 2016, 2017 and 2018.

## (b) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities during the Track Record Period are as follows:

	As at 31 December 2015 RMB'000	Changes from financing cash flows RMB'000	Interest expense RMB'000	Net foreign exchange differences RMB'000	Non-cash transaction (Note 33(a)) RMB'000	Dividend declared RMB'000	As at 31 December 2016 RMB'000
Finance lease payables	742	(584)	49	—	(207)	—	—
Interest-bearing bank and other borrowings	4,700	(4,700)	—	—	—	—	—
Interest payable	—	(55)	55	—	—	—	—
Dividends payable	29,621	(6,039)	—	—	—	—	23,582
Amounts due to a related party	3,570	(80)	80	249	—	—	3,819
	<u>38,633</u>	<u>(11,458)</u>	<u>184</u>	<u>249</u>	<u>(207)</u>	<u>—</u>	<u>27,401</u>
	As at 31 December 2016 RMB'000	Changes from financing cash flows RMB'000	Interest expense RMB'000	Net foreign exchange differences RMB'000	Non-cash transaction RMB'000	Dividend declared RMB'000	As at 31 December 2017 RMB'000
Interest-bearing bank and other borrowings	—	27,978	—	(759)	—	—	27,219
Interest payable	—	(402)	424	—	—	—	22
Dividends payable	23,582	(23,582)	—	—	—	—	—
Amounts due to a related party	3,819	(3,611)	34	(242)	—	—	—
	<u>27,401</u>	<u>383</u>	<u>458</u>	<u>(1,001)</u>	<u>—</u>	<u>—</u>	<u>27,241</u>
	As at 31 December 2017 RMB'000	Changes from financing cash flows RMB'000	Interest expense RMB'000	Net foreign exchange differences RMB'000	Non-cash transaction (Note 33(a)) RMB'000	Dividend declared (Note 11) RMB'000	As at 31 December 2018 RMB'000
Interest-bearing bank and other borrowings	27,219	(25,310)	—	381	(2,290)	—	—
Interest payable	22	(385)	363	—	—	—	—
Dividends payable	—	(6,426)	—	—	—	6,793	367
Amounts due to a related party	—	6,408	—	—	—	—	6,408
	<u>27,241</u>	<u>(25,713)</u>	<u>363</u>	<u>381</u>	<u>(2,290)</u>	<u>6,793</u>	<u>6,775</u>

**34. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Period are as follows:

	As at 31 December		
	2016 RMB'000	2017 RMB'000	2018 RMB'000
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
Debt investment — Notes receivable	3,244	18,976	20,529
FINANCIAL ASSETS AT AMORTIZED COST			
Trade receivables	29,077	34,749	54,913
Cash and cash equivalents	19,381	33,631	14,112
Financial assets included in prepayments, other receivables and other assets	99	74	347
Amount due from a related party	—	—	312
	<u>48,557</u>	<u>68,454</u>	<u>69,684</u>
As at 31 December			
	2016 RMB'000	2017 RMB'000	2018 RMB'000
FINANCIAL LIABILITIES			
Trade and notes payables	25,931	47,582	66,434
Interest-bearing bank and other borrowings	—	27,219	—
Financial liabilities included in other payables and accruals	4,972	909	4,091
Amounts due to related parties	3,871	126	6,956
	<u>34,774</u>	<u>75,836</u>	<u>77,481</u>

**35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair value, are as follows:

	Carrying Amounts			Fair Values		
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
FINANCIAL ASSETS						
Notes receivable	<u>3,277</u>	<u>19,265</u>	<u>20,759</u>	<u>3,244</u>	<u>18,976</u>	<u>20,529</u>

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in trade and notes payables, other payables and accruals, amounts due from/to related parties and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Track Record Period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.



The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of notes receivable have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to make estimates about the expected future cash flows of the notes receivable. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in the consolidated statements of profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Track Record Period.

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	—	20,529	—	20,529

As at 31 December 2017

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	—	18,976	—	18,976

As at 31 December 2016

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	—	3,244	—	3,244

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the Track Record Period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

**Interest rate risk**

The Group's exposure to interest rate risk relates principally to the Group's interest-bearing bank and other borrowings. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2017, all of the Group's borrowings are borrowings carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

**Foreign currency risk**

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the Track Record Period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in foreign currency rate	Increase/(decrease) in profit before tax		
		Year ended 31 December		
		2016	2017	2018
	%	RMB'000	RMB'000	RMB'000
If RMB weakens against USD	5	(84)	(904)	92
If RMB strengthens against USD	(5)	84	904	(92)
If RMB weakens against HKD	5	—	—	(21)
If RMB strengthens against HKD	(5)	—	—	21

**Credit risk**

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables and deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. The Group had certain concentrations of credit risk as the trade and notes receivables in terms of the following percentages were due from the five largest customers out of the Group's total trade and notes receivables:

	As at 31 December		
	2016	2017	2018
Due from the Group's five largest customers	74%	73%	78%

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2016, 2017 and 2018. The amounts presented are gross carrying amounts for financial assets.

**Maximum exposure and year-end staging as at 31 December 2016**

	12-month ECLs		Lifetime ECLs		Simplified approach	RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Stage 3 RMB'000		
Trade receivables	—	—	—	—	29,077	29,077
Notes receivable	3,244	—	—	—	—	3,244
Cash and cash equivalents	19,381	—	—	—	—	19,381
Financial assets included in prepayments, other receivables and other assets	99	—	—	—	—	99
	<u>22,724</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>29,077</u>	<u>51,801</u>

**Maximum exposure and year-end staging as at 31 December 2017**

	12-month ECLs		Lifetime ECLs		Simplified approach	RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Stage 3 RMB'000		
Trade receivables	—	—	—	—	34,749	34,749
Notes receivable	18,976	—	—	—	—	18,976
Cash and cash equivalents	33,631	—	—	—	—	33,631
Financial assets included in prepayments, other receivables and other assets	74	—	—	—	—	74
	<u>52,681</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>34,749</u>	<u>87,430</u>

**Maximum exposure and year-end staging as at 31 December 2018**

	12-month ECLs		Lifetime ECLs		Simplified approach	RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	RMB'000		
Trade receivables	—	—	—	54,913	54,913	
Notes receivable	20,529	—	—	—	20,529	
Cash and cash equivalents	14,112	—	—	—	14,112	
Financial assets included in prepayments, other receivables and other assets	347	—	—	—	347	
Amount due from a related party	312	—	—	—	312	
	<u>35,300</u>	<u>—</u>	<u>—</u>	<u>54,913</u>	<u>90,213</u>	

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables are disclosed in Note 18 to the Historical Financial Information.

**Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Period, based on the contractual undiscounted payments, is as follows:

	On demand or no later than	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
	1 year RMB'000			
<b>As at 31 December 2016</b>				
Trade and notes payables	25,931	—	—	25,931
Financial liabilities included in other payables and accruals	4,972	—	—	4,972
Amounts due to related parties	3,871	—	—	3,871
	<u>34,774</u>	<u>—</u>	<u>—</u>	<u>34,774</u>
<b>As at 31 December 2017</b>				
Trade and notes payables	47,582	—	—	47,582
Interest-bearing bank and other borrowings	27,622	—	—	27,622
Financial liabilities included in other payables and accruals	887	—	—	887
Amounts due to related parties	126	—	—	126
	<u>76,217</u>	<u>—</u>	<u>—</u>	<u>76,217</u>

	On demand or no later than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2018</b>				
Trade and notes payables	66,434	—	—	66,434
Financial liabilities included in other payables and accruals	4,091	—	—	4,091
Amounts due to related parties	<u>6,956</u>	<u>—</u>	<u>—</u>	<u>6,956</u>
	<u>77,481</u>	<u>—</u>	<u>—</u>	<u>77,481</u>

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

The Group monitors capital using a gearing ratio, which is calculated based on the bank borrowings and amount due to Shine Art and Friendly Holdings divided by total equity. The gearing ratios as at the end of each of the Track Record Period are as follows:

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank borrowings	—	27,219	—
Amounts due to related parties	<u>3,819</u>	<u>—</u>	<u>6,408</u>
	3,819	27,219	6,408
Total equity	<u>69,369</u>	<u>106,686</u>	<u>131,319</u>
Gearing ratio	<u>5.5%</u>	<u>25.5%</u>	<u>4.9%</u>

### 37. EVENTS AFTER THE TRACK RECORD PERIOD

As at the date of approval of the Historical Financial Information, apart from the events detailed elsewhere in this report, the Group did not have any other significant event subsequent to 31 December 2018.

### 38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018.

The following information does not form part of the Accountant's Report from Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountants' Report set forth in Appendix I.

#### (A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis set out below is for illustrative purpose only, and is set out herein to illustrate the effect of the Global Offering on the net tangible asset of our Group attributable to the equity holders of the Company as at 31 December 2018 as if it had taken place on 31 December 2018.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 31 December 2018 or as at any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 (Note 1) RMB'000	Estimated net proceeds from the Global Offering (Note 2) RMB'000	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 31 December 2018 RMB'000	Unaudited pro forma adjusted net tangible assets per Share (Note 3) RMB	Unaudited pro forma adjusted net tangible assets per Share (Note 5) HK\$
Based on an Offer Price of HK\$0.80 per Share	<u>127,694</u>	<u>80,788</u>	<u>208,482</u>	<u>0.32</u>	<u>0.37</u>
Based on an Offer Price of HK\$0.88 per Share	<u>127,694</u>	<u>88,460</u>	<u>216,154</u>	<u>0.33</u>	<u>0.38</u>

*Notes:*

- (1) The consolidated net tangible assets attributable to owners of the Company as of 31 December 2018 is arrived at after deducting RMB3,625,000 intangible assets from the audited consolidated equity attributable to owners of the Company of RMB131,319,000 as of 31 December 2018, as shown in the Accountants' Report, the text of which is set out in Appendix I to this document.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$0.80 (equivalent to RMB0.68) and HK\$0.88 (equivalent to RMB0.75) per Share, respectively, after deduction of estimated underwriting fees and other related expenses payable by the Group and takes no account of any Shares which may be granted and issued by the Company pursuant to the exercise of the Over-allotment Option or the Share Option Scheme, or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate to issue shares and the general mandate to repurchase shares.
- (3) The unaudited pro forma net tangible assets per Share are determined after the adjustments as described in the paragraph above and on the basis that 660,000,000 Shares are in issue (assuming that the Global Offering has been completed on 31 December 2018), without taking into account of any Shares which may be granted and issued by the Company pursuant to the exercise of the Over-allotment Option or the Share Option Scheme, or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate to issue shares and the general mandate to repurchase shares.
- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018.
- (5) In connection with the preparation of this unaudited pro forma statement of adjusted net tangible assets, the translation of Renminbi to Hong Kong dollars has been made at a rate of RMB1.00 to HK\$1.17.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

**To the Directors of Shinelong Automotive Lightweight Application Limited**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shinelong Automotive Lightweight Application Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2018 and related notes as set out on pages II-1 to II-2 of the prospectus dated 17 June 2019 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note II-1 to II-2.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2018 as if the transaction had taken place at 31 December 2018. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2018, on which an accountants’ report has been published.

**Directors’ responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



**Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

17 June 2019

*Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.*

*Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 October, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").*

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 6 June 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### **(a) Shares**

#### *(i) Classes of shares*

The share capital of our Company consists of ordinary shares.

#### *(ii) Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned

meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any share or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

Our Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any share which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any share are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock

Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

*(v) Power of our Company to purchase its own shares*

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

*(vi) Power of any subsidiary of our Company to own shares in our Company*

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any share held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors***(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any share in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to our Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or

- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any share or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any share or any class of shares, all unissued shares in our Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.



*(iii) Power to dispose of the assets of our Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any

executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and our Company's name**

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

**(e) Meetings of members***(i) Special and ordinary resolutions*

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any share, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise

the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings and extraordinary general meetings*

Our Company must hold an annual general meeting of our Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by our Company.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
  - (cc) the election of directors in place of those retiring;
  - (dd) the appointment of auditors and other officers; and
  - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which

he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.



The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any share all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in

the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any share or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### 3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### (a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### (b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of our company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any share to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a

company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholder of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 11 October 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.



**(o) Register of Directors and Officers**

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**(u) Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

**4. GENERAL**

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the sub-section "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 2 October 2018. Our registered office is at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. We have established a principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 21 May 2019. Mr. Lin and Mr. Sit Man Pan have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As a company incorporated in the Cayman Islands, our operations are subject to the Memorandum of Association and the Articles of Association and the Cayman Companies Law. A summary of certain provisions of the Memorandum of Association and the Articles of Association and certain aspects of the Cayman Companies Law is set out in Appendix III.

**2. Changes in the share capital of our Company**

As at the date of incorporation of our Company, our Company had an authorised share capital of HK\$380,000, divided into 38,000,000 Shares of HK\$0.01 each.

The following changes in the share capital of our Company have taken place since the date of its incorporation up to the date of this prospectus:

On 2 October 2018, one Share was allotted and issued to the initial subscriber, being an Independent Third Party, and the said Share was transferred to Shine Art on the same date. On 2 October 2018, nine Shares were allotted and issued nil-paid to Shine Art.

On 19 December 2018, as part of the Reorganisation, our Company allotted and issued 9,934 new Shares, credited as fully paid.

On 24 December 2018, our Company allotted and issued 56 Shares. As at the Latest Practicable Date, a total of 10,000 Shares were issued. The shareholding structure of our Company is set out in the section "History and Development".

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

Immediately following the completion of the Global Offering and the Capitalisation Issue but without taking into account any Share which may be issued upon the exercise of the Over-allotment Option and any Share to be issued upon the exercise of the options

which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$6,600,000, divided into 660,000,000 Shares, all fully paid or credited as fully paid.

Save as disclosed above and in the sub-section “3. Resolutions in writing of our Shareholders passed on 6 June 2019” below, there has been no alteration in the share capital of our Company since its incorporation.

### **3. Resolutions in writing of our Shareholders passed on 6 June 2019**

Pursuant to the written resolutions passed by our Shareholders on 6 June 2019, among other matters:

- (a) we approved and adopted the Memorandum of Association with immediate effect and the Articles of Association with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by creation of additional 1,962,000,000 Shares;
- (c) subject to the conditions set out in the section “Structure of the Global Offering — Conditions of the Global Offering” having been fulfilled or waived:
  - (i) the Global Offering, the Capitalisation Issue and the Over-allotment Option were approved and the Directors were authorised to approve or effect the allotment and issue of the new Shares pursuant to the Global Offering, the Capitalisation Issue and the Over-allotment Option;
  - (ii) the Listing was approved and our Directors were authorised to implement the Listing;
  - (iii) subject to the requirements under the Listing Rules, and all applicable laws and regulations in Hong Kong and the Cayman Islands, a general unconditional mandate was granted to the Directors during the Relevant Period to exercise all the powers of the Company to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to (aa) a Rights Issue (as hereinafter defined); or (bb) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of the Company; or (cc) any specific authority granted by the Shareholders in general meeting(s); or (dd) pursuant to the exercise of any Share Options or any other arrangement that would be regulated under Chapter 17 of the Listing Rules, shall not exceed 20% of the total number of Shares of the Company in issue immediately upon completion of the

Capitalization Issue and the Global Offering but without taking into account any Share which may be issued upon the exercise of the Over-allotment Option and any Share to be issued upon the exercise of the options which may be granted under the Share Option Scheme (subject to adjustment in the case of a consolidation or subdivision of the Shares) and the number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in sub-paragraph (iv) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of our next annual general meeting unless, by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, (II) the expiry of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting and (III) the date on which the authority given to the Directors by this resolution is revoked or varied by an ordinary resolution of our Shareholders in general meeting (the “**Relevant Period**”);

- (iv) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and the requirements of the Listing Rules, not exceeding 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Share which may be issued upon the exercise of the Over-allotment Option and any Share to be issued upon the exercise of the options which may be granted under the Share Option Scheme (subject to adjustment in the case of a consolidation or subdivision of the Shares), such mandate to remain in effect during the Relevant Period;
  - (v) the general unconditional mandate granted in sub-paragraph (iii) above be extended by the addition to the total number of Shares in issue which may be allotted and issued or agreed conditionally or unconditionally to be allotted or issued by the Directors pursuant to such general unconditional mandate of the aggregate number of Shares repurchased by the Company pursuant to the general unconditional mandate granted in sub-paragraph (iv) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately upon completion of the Capitalization Issue and the Global Offering; and
- (d) conditional upon the Listing Committee granting the listing of, and continued permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme and the commencement of trading of the Shares on the Stock Exchange, the Share Option Scheme was approved and adopted and our Directors were authorised to implement the Share Option Scheme, to grant options to subscribe for Shares up

to the limit referred to in the Share Option Scheme, and to allot, issue and deal with the Shares pursuant to the exercise of the options granted under the Share Option Scheme, in accordance with the rules of the Share Option Scheme.

#### **4. Our subsidiaries**

Certain details of our subsidiaries are set out in Appendix I. Save as set out in Appendix I, we do not have any other subsidiaries.

Save as disclosed the section in “History and Development — Our Corporate History”, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

#### **5. Corporate reorganisation**

In order to rationalise our structure and prepare for the Listing, we have undertaken several restructuring steps, particulars of which are set out in “History and Development — Reorganisation”.

#### **6. Repurchase of our own shares**

As mentioned in the sub-section “3. Resolutions in writing of our Shareholders passed on 6 June 2019” above, a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed.

##### ***(a) Provisions of the Listing Rules***

The Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its shares on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

##### ***(i) Shareholders’ approval***

All proposed repurchases of shares (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution by shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

##### ***(ii) Source of funds***

Repurchases must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

Subject to the foregoing, any repurchase by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

*(iii) Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more higher than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its shares if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(iv) Status of repurchased shares*

The listing of all repurchased shares (whether effected on the Stock Exchange or otherwise) will be automatically cancelled upon purchase and the certificates for those securities must be cancelled and destroyed.

*(v) Suspension of repurchases*

A listed company may not make any repurchase of shares at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the



Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

*(vi) Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

*(vii) Core connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company.

**(b) Reasons for repurchases**

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

**(c) Funding of repurchases**

In repurchasing Shares, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum of Association and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material and adverse impact on the working capital and/or gearing position of our Company (compared with the position disclosed in this prospectus) in the event that the repurchase mandate was to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the mandate to such extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

**(d) General**

The exercise in full of the repurchase mandate, on the basis of 660,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue, could accordingly result in up to 66,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiry of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting; or
- (iii) the date on which the repurchase mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Share to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he, she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code from any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the Deed of Non-Competition;
- (b) the Deed of Indemnity; and
- (c) the Hong Kong Underwriting Agreement.

### 2. Material intellectual property rights

As at the Latest Practicable Date, we had registered the following intellectual property rights which we consider as material in relation to our business.

#### (a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider as material to our business:

No.	Trademark	Class(es)	Registered owner	Place of registration	Registration number	Expiry date
1		7	Shinelong (Suzhou)	the PRC	13676067	20 April 2025
2		35	Shinelong (Suzhou)	the PRC	19233076	13 June 2027

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider as material to our business:

No.	Trademark	Class(es)	Registered owner	Place of registration	Application No.	Filing date
3		7, 40 and 42	Shinelong (Suzhou)	Hong Kong	304792357	4 January 2019
4	勛龍 勛龙	7, 40 and 42	Shinelong (Suzhou)	Hong Kong	304792366	4 January 2019
5	SHINELONG	7, 40 and 42	Shinelong (Suzhou)	Hong Kong	304792375	4 January 2019

*(b) Domain Names*

As at the Latest Practicable Date, we had registered the following domain names which we consider as material to our business:

No.	Domain Name	Registered owner	Expiry date
1	shinlone.com.cn	Shinelong (Suzhou)	13 May 2020
2	shinlone.com	Shinelong (Suzhou)	9 October 2023

*(c) Patents*

As at the Latest Practicable Date, we had registered the following patents which we consider as material to our business:

No.	Title of Invention	Registered owner	Registration number	Place of registration	Type of patent	Date of Application	Expiry date
1	Mould base set (模架組)	Shinelong (Suzhou)	ZL 201010108002.4	the PRC	Invention patent	5 February 2010	4 February 2030
2	Injection mould with insert structure (具有鑲件結構的注塑模具)	Shinelong (Suzhou)	ZL 201010106872.8	the PRC	Invention patent	5 February 2010	4 February 2030
3	A processing method for large workpieces using small machines (小機台加工大工件的方法)	Shinelong (Suzhou)	ZL 201010196936.8	the PRC	Invention patent	9 June 2010	8 June 2030
4	Inverted plastic mould (一種倒灌塑膠模具)	Shinelong (Suzhou)	ZL 201210388562.9	the PRC	Invention patent	15 October 2012	14 October 2032
5	Right angle measuring device (一種直角測量裝置)	Shinelong (Suzhou)	ZL 201310111923.X	the PRC	Invention patent	2 April 2013	1 April 2033
6	Mould with core/cavity balancing function (一種具有模仁平衡功能的模具)	Shinelong (Suzhou)	ZL 201310113340.0	the PRC	Invention patent	2 April 2013	1 April 2033
7	Semicircular fixture for vehicles (一種車半圓夾具)	Shinelong (Suzhou)	ZL 201310111922.5	the PRC	Invention patent	2 April 2013	1 April 2033
8	Mould for eliminating product shrinkage and stress marks (一種消除產品縮水和應力痕的模具)	Shinelong (Suzhou)	ZL 201310323958.X	the PRC	Invention patent	30 July 2013	29 July 2033
9	Mould for the production of airbag covers (適用於生產安全氣囊罩的模具)	Shinelong (Suzhou)	ZL 201310729907.7	the PRC	Invention patent	26 December 2013	25 December 2033
10	Mould guiding device (模具導向裝置)	Shinelong (Suzhou)	ZL 201310730010.6	the PRC	Invention patent	26 December 2013	25 December 2033
11	Heatable mould cavity (一種可加熱母模仁)	Shinelong (Suzhou)	ZL 201310323982.3	the PRC	Invention patent	30 July 2013	29 July 2033
12	Taper pin assembly (一種斜銷組件)	Shinelong (Suzhou)	ZL 201310729618.7	the PRC	Invention patent	26 December 2013	25 December 2033
13	Demoulding mechanism for processing camera lens thread (一種用於加工相機鏡頭螺紋牙的脫模機構)	Shinelong (Suzhou)	ZL 201510744720.3	the PRC	Invention patent	6 November 2015	5 November 2035
14	0 degree demoulding mechanism for large television front casings (一種用於大型電視前殼的0度脫模機構)	Shinelong (Suzhou)	ZL 201510745916.4	the PRC	Invention patent	6 November 2015	5 November 2035

No.	Title of Invention	Registered owner	Registration number	Place of registration	Type of patent	Date of Application	Expiry date
15	Reinforcing rib angle forming machine (一種加強筋角度成型機)	Shinelong (Suzhou)	ZL 201510967543.5	the PRC	Invention patent	22 December 2015	21 December 2035
16	Demoulding mechanism based on an explosive-type inclined slide core-pulling pin (一種基於爆炸式斜抽滑塊抽芯針的脫模機構)	Shinelong (Suzhou)	ZL 201510589499.9	the PRC	Invention patent	17 September 2015	16 September 2035
17	Secondary demoulding mechanism for processing barbs (一種用於加工倒鈎的二次脫模機構)	Shinelong (Suzhou)	ZL 201510745867.4	the PRC	Invention patent	6 November 2015	5 November 2035
18	A waterway shaping structure for processing curved television front casings (一種用於加工曲面電視前殼的水路塑形結構)	Shinelong (Suzhou)	ZL 201610769560.2	the PRC	Invention patent	31 August 2016	30 August 2036
19	Mould with a new type of broken insert (一種設有新型靠破鑲件的模具)	Shinelong (Suzhou)	ZL 201220524843.8	the PRC	Utility model patent	15 October 2012	14 October 2022
20	Energy-saving high-efficiency quenching and quick-heating mould (一種節能高效急冷急熱模具)	Shinelong (Suzhou)	ZL 201220524844.2	the PRC	Utility model patent	15 October 2012	14 October 2022
21	Ejector retainer plate forced return mould (一種頂針板強制回位模具)	Shinelong (Suzhou)	ZL 201320159230.3	the PRC	Utility model patent	2 April 2013	1 April 2023
22	Quenching and quick-heating mould (一種急冷急熱模具)	Shinelong (Suzhou)	ZL 201320159210.6	the PRC	Utility model patent	2 April 2013	1 April 2023
23	Heatable mould cavity (一種可加熱母模仁)	Shinelong (Suzhou)	ZL 201320457830.8	the PRC	Utility model patent	30 July 2013	29 July 2023
24	Mould for eliminating step difference (一種消除段差的模具)	Shinelong (Suzhou)	ZL 201320458356.0	the PRC	Utility model patent	30 July 2013	29 July 2023
25	Mould for the production of airbag covers (適用於生產安全氣囊罩的模具)	Shinelong (Suzhou)	ZL 201320866323.X	the PRC	Utility model patent	26 December 2013	25 December 2023
26	Taper pin assembly (一種斜銷組件)	Shinelong (Suzhou)	ZL 201320866270.1	the PRC	Utility model patent	26 December 2013	25 December 2023
27	Mould guiding device (模具導向裝置)	Shinelong (Suzhou)	ZL 201320866291.3	the PRC	Utility model patent	26 December 2013	25 December 2023
28	Movable insert structure (活動入子結構)	Shinelong (Suzhou)	ZL 201420236332.5	the PRC	Utility model patent	9 May 2014	8 May 2024
29	Core replacement mechanism (模芯替換機構)	Shinelong (Suzhou)	ZL 201420236148.0	the PRC	Utility model patent	9 May 2014	8 May 2024
30	Wire cylinder ejection mechanism (絲筒頂出機構)	Shinelong (Suzhou)	ZL 201420236131.5	the PRC	Utility model patent	9 May 2014	8 May 2024
31	Demoulding mechanism based on an explosive-type inclined slide core-pulling pin (一種基於爆炸式斜抽滑塊抽芯針的脫模機構)	Shinelong (Suzhou)	ZL 201520717129.4	the PRC	Utility model patent	17 September 2015	16 September 2025
32	Hot pressing die shaped waterway structure (一種熱壓模異形水路結構)	Shinelong (Suzhou)	ZL 201520738068.X	the PRC	Utility model patent	23 September 2015	22 September 2025

No.	Title of Invention	Registered owner	Registration number	Place of registration	Type of patent	Date of Application	Expiry date
33	Rotary tool electrode fixture (一種旋轉式工具電極夾具)	Shinelong (Suzhou)	ZL 201520738069.4	the PRC	Utility model patent	23 September 2015	22 September 2025
34	Small-diameter twist drill with high lead (一種高導程小徑麻花鑽頭)	Shinelong (Suzhou)	ZL 201520738152.1	the PRC	Utility model patent	23 September 2015	22 September 2025
35	Manual rotary chamfer tool (一種手動旋轉倒角器)	Shinelong (Suzhou)	ZL 201520738151.7	the PRC	Utility model patent	23 September 2015	22 September 2025
36	Calibration-free electrode processing fixture (一種免校正電極加工夾具)	Shinelong (Suzhou)	ZL 201520757982.9	the PRC	Utility model patent	28 September 2015	27 September 2025
37	Tool electrode processing fixture (一種工具電極加工夾具)	Shinelong (Suzhou)	ZL 201520757941.X	the PRC	Utility model patent	28 September 2015	27 September 2025
38	Mould with hidden pouring point on upper shell (一種上殼隱藏澆注點式模具)	Shinelong (Suzhou)	ZL 201520833814.3	the PRC	Utility model patent	27 October 2015	26 October 2025
39	A kind of candle light (一種蠟燭燈)	Shinelong (Suzhou)	ZL 201520833844.4	the PRC	Utility model patent	27 October 2015	26 October 2025
40	Inverted mould (一種倒灌套模)	Shinelong (Suzhou)	ZL 201520848709.7	the PRC	Utility model patent	29 October 2015	28 October 2025
41	A new structure of mould cavity with taper pin (一種母模斜銷新型結構)	Shinelong (Suzhou)	ZL 201520849320.4	the PRC	Utility model patent	29 October 2015	28 October 2025
42	Die set positioning structure (一種公母模板定位結構)	Shinelong (Suzhou)	ZL 201520848458.2	the PRC	Utility model patent	29 October 2015	28 October 2025
43	In-mould cutting device (一種模內切裝置)	Shinelong (Suzhou)	ZL 201520849550.0	the PRC	Utility model patent	29 October 2015	28 October 2025
44	Secondary demoulding mechanism for processing barbs (一種用於加工倒鉤的二次 脫模機構)	Shinelong (Suzhou)	ZL 201520882122.8	the PRC	Utility model patent	6 November 2015	5 November 2025
45	Mould for spray-free high gloss surface products (一種具有免噴塗高光面產品的 模具)	Shinelong (Suzhou)	ZL 201520848060.9	the PRC	Utility model patent	29 October 2015	28 October 2025
46	Double-sided reinforcing rib angle forming device (一種雙面加強筋角度成型裝置)	Shinelong (Suzhou)	ZL 201521074820.1	the PRC	Utility model patent	22 December 2015	21 December 2025
47	Rollover fixture (一種翻模夾具)	Shinelong (Suzhou)	ZL 201521074819.9	the PRC	Utility model patent	22 December 2015	21 December 2025
48	Single-sided reinforcing rib angle forming device (一種單面加強筋角度成型裝置)	Shinelong (Suzhou)	ZL 201521074696.9	the PRC	Utility model patent	22 December 2015	21 December 2025
49	A concentric circular venting insert structure (一種同心圓式排氣入子結構)	Shinelong (Suzhou)	ZL 201620987982.2	the PRC	Utility model patent	31 August 2016	30 August 2026
50	0 degree demoulding mechanism for large television front casings (一種用於大型電視前殼的0度 脫模機構)	Shinelong (Suzhou)	ZL 201520877986.0	the PRC	Utility model patent	6 November 2015	5 November 2025
51	Adjustable sealed ring cutter loading mechanism (一種可調式密封環切削刀具裝載 機構)	Shinelong (Suzhou)	ZL 201720192311.1	the PRC	Utility model patent	1 March 2017	28 February 2027

No.	Title of Invention	Registered owner	Registration number	Place of registration	Type of patent	Date of Application	Expiry date
52	Cross hole cut-off stopper for drilling (一種適用於鑽孔的交叉孔截斷式塞棒)	Shinelong (Suzhou)	ZL 201720192295.6	the PRC	Utility model patent	1 March 2017	28 February 2027
53	Quick-release device for punching (一種用於沖頭的快拆裝置)	Shinelong (Suzhou)	ZL 201720451884.1	the PRC	Utility model patent	27 April 2017	26 April 2027
54	Mould and injection moulding machine for manufacturing router casings (一種製造路由器外殼的模具及注塑機)	Shinelong (Suzhou)	ZL 201720681316.0	the PRC	Utility model patent	13 June 2017	12 June 2027
55	Mould for manufacturing casing parts (一種製造殼體類部件的模具)	Shinelong (Suzhou)	ZL 201720551266.4	the PRC	Utility model patent	18 May 2017	17 May 2027
56	Mould and injection moulding machine for manufacturing casings with inverted buckles (一種製造具有倒卡扣外殼的模具及注塑機)	Shinelong (Suzhou)	ZL 201720814887.7	the PRC	Utility model patent	6 July 2017	5 July 2027
57	Mould base (模架)	Shinelong (Suzhou)	ZL 201730350298.3	the PRC	Design patent	3 August 2017	2 August 2027
58	Mould and injection moulding machine with hidden slides (一種滑塊隱藏式模具及注塑機)	Shinelong (Suzhou)	ZL 201720868829.2	the PRC	Utility model patent	18 July 2017	17 July 2027
59	Bicolour mould and injection moulding machine with anti-stick mould cavity (一種防粘母模的雙色模具及注塑機)	Shinelong (Suzhou)	ZL 201720868828.8	the PRC	Utility model patent	18 July 2017	17 July 2027
60	Mould and injection moulding machine allowing rapid change of inserts (一種能夠快速更換入子的模具及注塑機)	Shinelong (Suzhou)	ZL 201720897664.1	the PRC	Utility model patent	24 July 2017	23 July 2027
61	Punch for punching (一種用於沖孔的沖頭)	Shinelong (Suzhou)	ZL 201721096262.8	the PRC	Utility model patent	30 August 2017	29 August 2027
62	An ejector sleeve mechanism installed on a KO hole (一種設置在KO孔上的司筒頂出機構)	Shinelong (Suzhou)	ZL 201610769557.0	the PRC	Invention patent	31 August 2016	30 August 2026
63	A step-type punch head for pipe-end high-pressure sealing (一種用於管端高壓密封的階梯式沖杆頭)	Shinelong (Suzhou)	ZL 201820422685.2	the PRC	Utility model patent	27 March 2018	26 March 2028
64	A cooling system for moulds of materials with high gas permeability (一種高透氣性材料模具用冷卻系統)	Shinelong (Suzhou)	ZL 201820734742.0	the PRC	Utility model patent	17 May 2018	16 May 2028

As at the Latest Practicable Date, we had filed the following patent applications which are pending, published and which we consider as material to our business:

No.	Title of Invention	Applicant	Place of application	Type of patent	Application number	Filing date
1	Seamless ejection mechanism (一種無痕頂出機構)	Shinelong (Suzhou)	the PRC	Utility model patent	201821595560.6	29 September 2018
2	A slide structure for mould (一種用於模具的滑塊結構)	Shinelong (Suzhou)	the PRC	Utility model patent	201821595457.1	29 September 2018
3	Seamless ejection mechanism (一種無痕頂出機構)	Shinelong (Suzhou)	the PRC	Invention patent	201811144198.5	29 September 2018
4	A slide structure (一種滑塊結構)	Shinelong (Suzhou)	the PRC	Utility model patent	201821611315.X	29 September 2018
5	A slide structure for mould (一種用於模具的滑塊結構)	Shinelong (Suzhou)	the PRC	Invention patent	201811144140.0	29 September 2018
6	An injection method for plastic injection rail fixed item (一種注塑軌道固定件的注塑工藝)	Shinelong (Suzhou)	the PRC	Invention patent	2019101801777	11 March 2019



## C. FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of interests

Immediately following the completion of the Global Offering and the Capitalisation Issue, the interests and/or short positions of our Directors, chief executive and substantial shareholders of our Company in the Shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once our Shares are listed on the Stock Exchange, will be as follows:

- (i) *Interests and/or short position of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and the associated corporations*

Name of Director/chief executive	Nature of interest/capacity	Relevant company (including association corporation)	Long position in the number of shares of the relevant company	Approximate Percentage of shareholding (%)
Mr. Lin	Interest in a controlled corporation	our Company	324,225,000	49.125
Mr. Lin	Beneficial interest	our Company	990,000	0.15
Mr. Lin	Beneficial interest	Shine Art	29,156	58.312
Mr. Yung Chia-Pu	Beneficial interest	Shine Art	7,712	15.424
Mr. Cheng Ching-Long	Beneficial interest	Shine Art	7,468	14.936
Mr. Lu Jen-Chieh	Beneficial interest	Shine Art	467	0.934
Ms. Hsieh Pei-Chen	Beneficial interest	Shine Art	454	0.908

(ii) *Interests of the substantial shareholders in the Shares*

Save as disclosed in the section “Substantial Shareholders”, so far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue, no person will have an interest or short position in the Shares or the underlying Shares which would be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Save as disclosed above, none of our Directors, chief executive or substantial shareholders of our Company will, immediately following the completion of the Global Offering and the Capitalisation Issue, have any interests or short positions in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange.

## **2. Directors’ service contracts and letters of appointment**

Our Company entered into a service contract with each of our executive Directors and a letter of appointment with our non-executive Director and each of our independent non-executive Directors on 6 June 2019. Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the Listing Date.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

## **3. Directors’ remuneration**

The annual remuneration for Mr. Lin, Mr. Yung Chia-Pu, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh, our executive Directors, were RMB828,592, RMB51,576, RMB505,746 and RMB275,163, respectively, for FY2018. Our non-executive Director is entitled to a director’s fee of RMB36,000 per annum. Each of our independent non-executive Directors is entitled to a directors’ fee of HK\$240,000 per annum.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for FY2016, FY2017 and FY2018 (a) as an inducement to join or upon joining our Company or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for FY2016, FY2017 and FY2018.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for 2019 to be approximately RMB2.5 million.

#### **4. Directors' competing interests**

None of our Directors are interested in any business apart from our business which competes or is likely to compete, directly or indirectly, with our business.

#### **5. Disclaimers**

- (a) None of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (b) None of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.
- (c) None of our Directors and their close associates, and so far as is known to the Directors, none of our Shareholders who are interested in more than 5% of the issued shares of our Company, has any interest in our five largest customers or five largest suppliers.

### **D. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our Shareholders on 6 June 2019.

#### **4.1 Summary of terms**

##### ***(i) Purposes of the scheme***

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option

will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

**(ii) Who may join**

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity ("**Invested Entity**") in which any member of our Group holds an equity interest;
- (b) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of our Group or any Invested Entity;
- (d) any customer of any member of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

**(iii) Maximum number of the Shares**

- (a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (b) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue (i.e. not exceeding 66,000,000 Shares) on the Listing Date ("**General Scheme Limit**").
- (c) Subject to (a) above but without prejudice to (d) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and, for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to our Shareholders shall contain, among other information, the information required under the Listing Rules.
- (d) Subject to (a) above and without prejudice to (c) above, our Company may seek separate Shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under the Listing Rules.

***(iv) Maximum entitlement of each participant***

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by our Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. Our Company must send a circular to the Shareholders, which must disclose the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

***(v) Grant of options to our Directors, chief executive or Substantial Shareholders of our Company or their respective associates***

- (a) Any grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the proposed grantee of the options).
- (b) Where any grant of options to a Substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
  - (aa) representing in aggregate over 0.1% of the Shares in issue; and
  - (bb) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting (with such grantee, his associates and all core connected persons of our Company abstaining from voting in favour at such general meeting, except that such person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent by our Company to our Shareholders). Our Company must send a circular to our Shareholders containing the information required under the Listing Rules, within such time as may be specified in the Listing Rules, and where the Listing Rules shall so require, the vote at the shareholders’ meeting convened to obtain the

requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting. Any change in the terms of options granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in general meeting.

***(vi) Time of acceptance and exercise of option***

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

***(vii) Performance targets***

Unless our Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

***(viii) Subscription price for the Shares and consideration for the option***

The subscription price for the Shares under the Share Option Scheme shall be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

**(ix) Ranking of the Shares**

- (aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.
- (bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

**(x) Restrictions on the time of the offer for the grant of options**

No offer for grant of options shall be made after inside information has come to our Company’s knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to announce its results for any year, half-year, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, our Company may not grant any option.

Our Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

**(xi) Period of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.



***(xii) Rights on ceasing employment***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

“Eligible Employee” means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

***(xiii) Rights on death, ill-health or retirement***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

***(xiv) Rights on dismissal***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

***(xv) Rights on breach of contract***

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his close associate has committed any breach of any contract entered into between the grantee or his close associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth

and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which our Directors have so determined.

***(xvi) Rights on a general offer, a compromise or arrangement***

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme or arrangement is formally proposed to Shareholders of our Company, a grantee shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

***(xvii) Rights on winding up***

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

***(xviii) Grantee being a company wholly owned by eligible participants***

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

***(xix) Adjustments to the subscription price***

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while any option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number of Shares to which the Share Option Scheme or any option relates (insofar as it is/ they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (aa) any such adjustments shall give a grantee the same proportion of the number of issued Shares as that to which he was entitled prior to such alteration; (bb) no such adjustment shall be made to the extent that a Share would be issued at less than its nominal value; (cc) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring such adjustment; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

***(xx) Cancellation of options***

Subject to the terms of the Share Option Scheme, any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors, except where the grantee sells, transfers, charges, mortgages, encumbers or otherwise disposes of or creates any interest whatsoever in favour of any third party over or in relation to any option granted to him/her or enters into any agreement so to do in contrary to the terms of the Share Option Scheme, in which case our Company shall be entitled to cancel any option granted to such grantee to the extent not already exercised.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (b) and (c) above.

***(xxi) Termination of the Share Option Scheme***

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

***(xxii) Rights are personal to the grantee***

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreements so to do.

***(xxiii) Lapse of option***

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period in respect of such option;
- (b) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (c) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

***(xxiv) Miscellaneous***

- (a) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.
- (b) The terms and conditions of the Share Option Scheme relating to the matters set out in the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of our Shareholders in general meeting.

- (c) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (d) The terms of the Share Option Scheme and any amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of the Listing Rules.
- (e) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by our Shareholders in general meeting.

#### **4.2 Present status of the Share Option Scheme**

##### ***(i) Approval of the Listing Committee required***

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

##### ***(ii) Application for approval***

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

##### ***(iii) Grant of options***

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

##### ***(iv) Value of options***

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

##### ***(v) Compliance with the Listing Rules***

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

**E. OTHER INFORMATION****1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

**2. Tax and Other Indemnities**

Under the Deed of Indemnity, our Controlling Shareholders (the “**Indemnifier**”) have undertaken to our Company that he/she/it will indemnify our Group against any actions, claims, losses, liabilities, damages, costs, charges or expenses which may be made, suffered or incurred by any of them in respect of or arising directly or indirectly from any claims which are covered by the indemnities in relation to taxation, estate duty and claims (as set out below) including all reasonable costs (including legal costs), charges, expenses, penalties and other liabilities which our Group may reasonably and properly incur in connection with:

- (a) the investigation, assessment or the contesting of any claim;
- (b) the settlement of any claim;
- (c) any legal proceedings in which our Group claims under or in respect of the Deed of Indemnity and in which judgment is given in favour of our Group; or
- (d) the enforcement of any such settlement or judgment in respect of any claim.

**3. Sole Sponsor’s fees**

The Sole Sponsor will receive a fee of HK\$5,000,000 for acting as the sponsor for the Listing.

**4. Qualification of experts**

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in, or referred to in, this prospectus (the “**Experts**”) are set out below:

<b>Name</b>	<b>Qualifications</b>
Ballas Capital Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Hai Run Law Firm	PRC legal advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

<b>Name</b>	<b>Qualifications</b>
Frost & Sullivan	Industry consultant

#### **5. Consents of experts**

Each of the Experts has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

#### **6. Interests of experts**

None of the Experts has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

None of the Experts has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

#### **7. Promoter**

Our Company has no promoter for the purpose of the Listing Rules. No amount or benefit has been paid or given within the two years immediately preceding the date of this prospectus or intended to be paid or given to any promoter.

#### **8. Preliminary expenses**

The preliminary expenses incurred by our Company amounted to US\$5,900 and were paid by our Company.

#### **9. Exemption from requirement to set out property valuation report**

This prospectus is exempt from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in reliance on the exemption under section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). Please see the section “Business — Properties” for details.

**10. Litigation**

As at the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any of our Group members, that would have a material adverse effect on our results of operations or financial condition of our Group.

**11. No material adverse change**

Our Directors confirm that save as disclosed in this prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since 31 December 2018 (the date of the latest audited combined financial statements of our Group) up to the date of this prospectus.

**12. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

**13. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**14. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of any member of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group; and
  - (iii) no commission (except commission to sub-underwriters) has been paid or payable to any person for subscribing, agreeing to subscribe, or procuring or agreeing to procure subscription, for any share in or debentures of our Company.



- (b) Save as disclosed in this prospectus, no share or loan capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (d) Our Company has no outstanding convertible debt securities or debentures.
- (e) There is no arrangement under which future dividends are waived or agreed to be waived.
- (f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

<b>APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION</b>
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## **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the section “E. Other Information — 5. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the section “B. Further Information about Our Business — 1. Material contracts” in Appendix IV to this prospectus.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Deacons at 5/F, Alexandra House, 18 Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles;
- (b) the accountants’ report of our Group for the three years ended 31 December 2018 issued by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the accountants’ report issued by Ernst & Young on the unaudited pro forma financial information of our Group for the year ended 31 December 2018, the text of which is set out in Appendix II to this prospectus;
- (d) the audited financial statements of our Company and where applicable, companies now comprising our Group, for the three years ended 31 December 2018;
- (e) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands Company Law referred to in Appendix III to this prospectus;
- (f) the Cayman Islands Company Law;
- (g) the legal opinions issued by Hai Run Law Firm in respect of general matters and property interests of our Group in the PRC;
- (h) the industry report prepared by Frost & Sullivan referred to in the section “Industry Overview” of this prospectus;
- (i) the material contracts referred to in the section “B. Further Information about Our Business — 1. Material contracts” in Appendix IV to this prospectus;
- (j) the service contracts and letters of appointment referred to in the section “C. Further Information about our Directors, Chief Executive and Substantial Shareholders — 2. Directors’ service contracts and letters of appointment” in Appendix IV to this prospectus;
- (k) the written consents referred to in the section “E. Other Information — 5. Consents of experts” in Appendix IV to this prospectus; and
- (l) the rules of the Share Option Scheme.

**Shinelong Automotive Lightweight Application Limited**  
**勳龍汽車輕量化應用有限公司**