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**Shinelong Automotive Lightweight Application Limited**  
**勛龍汽車輕量化應用有限公司**  
*(Incorporated in Cayman Islands with Limited Liability)*  
**(Stock Code: 1930)**

**DISCLOSEABLE TRANSACTION**  
**ACQUISITION OF LAND USE RIGHTS**

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The Board is pleased to announce that, on 12 November 2021, Shinelong (Suzhou), a wholly owned subsidiary of the Company, received the Notice from the Vendor, which notified that the Group has successfully bid the land use rights of the Land at the Consideration of approximately RMB6.93 million through an open online listing-for-trading held by the Vendor.

**LISTING RULES IMPLICATIONS**

As at least one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition (computed as the aggregate amount of the Consideration and the total amount of the Performance Guarantees) is more than 5% and all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company, and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 18 August 2021 in relation to the Investment Framework Agreement and the Asset Transfer Framework Agreement. As disclosed in the announcement of the Company dated 18 August 2021, pursuant to the Investment Framework Agreement, among others, (i) Shinelong (Suzhou), a wholly owned subsidiary of the Company, agreed to (a) increase its registered capital by US\$20.0 million for the procurement of land, construction of production factory and acquisition of equipment, and (b) cooperate with the Zhangpu Government in the evaluation, transfer, registration or filing of the change in property right of the Disposal Assets; and (ii) the Zhangpu Government agreed to procure the listing and transfer process of the Land to Shinelong (Suzhou). As disclosed in the announcement of the Company dated 27 August 2021, on 27 August 2021, Shinelong (Suzhou) and Zhangpu Construction Bureau of Kunshan Municipality\* (昆山市張浦鎮建設局) entered into the

asset transfer agreement in respect of the disposal of the Disposal Assets by Shinelong (Suzhou) to the Zhangpu Construction Bureau of Kunshan Municipality\* (昆山市張浦鎮建設局).

## **ACQUISITION OF LAND USE RIGHTS**

The Board is pleased to announce that, on 12 November 2021, Shinelong (Suzhou), a wholly owned subsidiary of the Company, received the Notice from the Vendor, which notified that the Group has successfully bid the land use rights of the Land at the Consideration of approximately RMB6.93 million through an open online listing-for-trading held by the Vendor.

Shinelong(Suzhou) shall submit qualification documents to the Vendor for verification within three business days following the receipt of the Notice. Upon completion of the verification process, the Vendor will enter into the Confirmation with Shinelong (Suzhou).

The Transfer Agreement in respect of the transfer of the land use rights of the Land is expected to be entered into between Shinelong (Suzhou) and the Vendor within six business days from the date of the Confirmation. The Supervision Agreement, which sets out the conditions and requirements on the Group for the use of the Land, is also expected to be entered into between Shinelong (Suzhou), the Zhangpu Government and the Kunshan Government within six business days from the date of the Confirmation.

## **PRINCIPAL TERMS OF THE ACQUISITION**

Based on the Notice and the listing information of the Land published on the website of the Kunshan Government, the principal terms of the Confirmation and the Transfer Agreement to be entered into, which sets out the terms of the Acquisition, are expected to be as follows:

### **Parties**

Shinelong (Suzhou) (*as the purchaser*)

Kunshan Natural Resources and Planning Bureau\*(昆山市自然資源和規劃局) (*as the Vendor*)

### **The Land**

The Land is located at the south side of Yangxiang river and the west side of Yanjiadai river, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, with a total land area of approximately 27,519 square metres and plot ratio between 1.5 and 2.0.

The land is for industrial use with a term of 30 years commencing from the date of delivery of the Land to Shinelong (Suzhou).

## **Consideration**

The Consideration for the Acquisition is approximately RMB6.93 million, being the price of the final winning bid at the open online listing-for-trading held by the Vendor.

The Group shall pay 20% (or approximately RMB1.39 million) of the total Consideration upon signing of the Transfer Agreement, and the remaining 80% (or approximately RMB5.55 million) of the total Consideration shall be paid within one month. As at the date of this announcement, the Group has paid an amount of RMB1.39 million as bidding deposit, which will form the first instalment of the total Consideration.

The Group expects that the Consideration will be funded by internal resources of the Group which does not constitute part of the net proceeds received from initial public offering of the Shares on the Stock Exchange in June 2019.

## **PRINCIPAL TERMS OF THE SUPERVISION AGREEMENT**

The Supervision Agreement will contain (i) several supervision conditions to supervise the construction of the Land, and (ii) certain operation and taxation requirements. The following sets forth the major supervision conditions and requirements:

### **The Supervision Period**

The Supervision Period of the Land shall be six years from the date of the delivery of the Land, which is expected to be within three months from the date of the Transfer Agreement (the specific date of the delivery of the Land shall be determined between Shinelong (Suzhou) and the Vendor in the Supervision Agreement).

The land use rights of the Land shall not be transferred or leased if Shinelong (Suzhou) fails to pass the relevant assessment.

### **Performance Guarantees**

Shinelong (Suzhou) shall submit the Performance Guarantees (in an aggregate amount of approximately RMB2.77 million) in the form of a bank guarantee to the Zhangpu Government before signing of the Transfer Agreement, which comprises (i) the Construction Commencement Guarantee (computed as 10% of the Consideration); (ii) the Construction Completion Guarantee (computed as 10% of the Consideration); and (iii) the Production Output Guarantee (computed as 20% of the Consideration).

## **Major requirements**

### *A. Construction of the Land*

Shinelong (Suzhou) shall commence the construction of the Land within six months from the date of the delivery of the Land and complete the construction within two years from the commencement date of the construction. The specific dates of the commencement and completion of the construction of the Land shall be determined between Shinelong (Suzhou) and the Vendor in the Supervision Agreement.

If Shinelong (Suzhou) fails to commence the construction or completion the construction of the Land as set out in the Supervision Agreement due to its own reason, it shall pay damages calculated at 0.3% of the Construction Commencement Guarantee or the Construction Completion Guarantee (as the case may be), for each overdue day.

### *B. Investment*

The total investment amount in relation to the development of the Land for the purpose of manufacturing of moulds shall be not less than RMB450 million, which amount shall include an investment amount in fixed assets of not less than RMB250 million.

The registered capital of Shinelong (Suzhou) shall be not less than RMB169 million during the Supervision Period.

### *C. Production output*

Shinelong (Suzhou) shall achieve the target annual production output of RMB600 million, and achieve the annual taxation of RMB60 million within the Supervision Period.

If Shinelong (Suzhou) fails to achieve the above production output by the end of the Supervision Period, it shall pay damages of an amount equal to the entire amount of the Production Output Guarantee.

If the average annual tax payment of Shinelong (Suzhou) is lower than 40% of the agreed requirement (i.e. RMB60 million), the Zhangpu Government has the right to report to the Kunshan Government to take back the land use rights of the Land.

If Shinelong (Suzhou) fails to pass the assessment, it may apply to continue to use the Land, on the basis that it assumes the liabilities for the breach of the Supervision Agreement. With the consent of the Zhangpu Government, the parties will enter into an extended supervision agreement. Shinelong (Suzhou) shall declare the production output to the Zhangpu Government in each of the following years and pay damages for the breach of the Supervision Agreement, which is computed as 10% of the taxation requirement shortfall, to the Zhangpu Government until Shinelong (Suzhou) achieves the relevant requirements.

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

It has been the Group's intention to expand, centralise and consolidate the Group's operation. As the area of the Land is much larger than that where the Group's current plant is located, the Group can better realise its expansion plan and centralise its operation management. The Directors are of the view that the Acquisition provides an opportunity for the Group to realise such plan and is beneficial to the long-term development of the Group.

The Directors are of the view that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE PARTIES**

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

Shinelong (Suzhou) is a wholly owned subsidiary of the Company and is principally engaged in the manufacturing and sales of customised moulds in the PRC.

The Vendor is a government institution responsible for, among others, the administration of the land resources in Kunshan City, the PRC.

Each of the Kunshan Government and the Zhangpu Government is a local governmental body of the PRC.

To the best of the Directors' knowledge, information and belief by having made all reasonable enquiries, the Vendor, the Kunshan Government, the Zhangpu Government and their respective associates are third parties independent of the Company and its connected persons (as defined in the relevant Listing Rules) as at the date of this announcement.

## **LISTING RULES IMPLICATIONS**

As at least one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition (computed as the aggregate amount of the Consideration and the total amount of the Performance Guarantees) is more than 5% and all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company, and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expression shall have the following meanings:

“Acquisition”	the acquisition of the land use rights of the Land from the Vendor
“Asset Transfer Framework Agreement”	the asset transfer framework agreement dated 18 August 2021 entered into by Shinelong (Suzhou), the Zhangpu Government and Kunshan Zhangpu Asset Management Co., Ltd* (昆山市張浦資產經營有限責任公司)
“Board”	the board of Directors
“Company”	Shinelong Automotive Lightweight Application Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1930)
“Confirmation”	the Confirmation to be entered into between Shinelong (Suzhou) and the Vendor upon completion of the verification process, which confirm the principle terms of the Acquisition
“Consideration”	the consideration for the Acquisition of approximately RMB6.93 million
“Construction Commencement Guarantee”	the guarantee amount in relation to the commencement of construction of the Land (computed as 10% of the Consideration)
“Construction Completion Guarantee”	the guarantee amount in relation to the completion of the construction of the Land (computed as 10% of the Consideration)
“Director(s)”	director(s) of the Company
“Disposal Assets”	the real estate located at 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu province, the PRC (including houses and buildings and land use right) and certain machinery and equipment once owned by Shinelong (Suzhou)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Investment Framework Agreement”	the investment framework agreement dated 18 August 2021 entered into by Shinelong (Suzhou) and the Zhangpu Government
“Kunshan Government”	the Kunshan Municipal People’s Government* (昆山市人民政府)
“Land”	a piece of state-owned industrial construction land, located in the south side of Yangxiang river and the west side of Yanjiadai river, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, with an area of approximately 27,519 square meters and plot ratio between 1.5 and 2.0
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Notice”	the Notice issued by the Vendor on 12 November 2021 which notified that the Group has successfully bid the land use rights of the Land at a consideration of approximately RMB6.93 million through an open online listing-for-trading held by the Vendor
“Performance Guarantees”	the Construction Commencement Guarantee, the Construction Completion Guarantee, and the Production Output Guarantee
“PRC”	the People’s Republic of China
“Production Output Guarantee”	the guarantee amount in relation to the production output target (computed as 20% of the Consideration)
“RMB”	Renminbi, the lawful currency of the PRC
“Shinelong (Suzhou)”	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), a wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervision Agreement”	the Kunshan industrial land investment and development supervision agreement* (昆山市工業用地項目投資發展監管協議) to be entered into between Shinelong (Suzhou), Zhangpu Government and Kunshan Government in respect of the Land

“Supervision Period”	the supervision period of six-years from the date of the delivery of the Land pursuant to the Supervision Agreement
“Shares”	share(s) of HK\$0.01 each in the capital of the Company
“Transfer Agreement”	the transfer agreement to be entered into between Shinelong (Suzhou) and the Vendor in relation to the transfer of the land use rights of the Land
“Vendor”	Kunshan Natural Resources and Planning Bureau*(昆山市自然資源和規劃局)
"Zhangpu Government"	the Zhangpu Town People’s Government of Kunshan Municipality*(昆山市張浦鎮人民政府)
"%"	percent.

By Order of the Board

**Shinelong Automotive Lightweight Application Limited**

**Lin Wan-Yi**

*Chairman and executive Director*

Hong Kong, 12 November 2021

*As at the date of this announcement, the executive directors of the Company are Mr. Lin Wan-Yi, Mr. Yung Chia-Pu, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh; the non-executive director of the Company is Ms. Hsieh Pei-Chen; and the independent non-executive directors of the Company are Mr. So George Siu Ming, Mr. Lin Lien-Hsing and Mr. Fan Chi Chiu.*

*\*For identification purpose only*