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Shinlong Automotive Lightweight Application Limited

助龍汽車輕量化應用有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1930)

DISCLOSEABLE TRANSACTION PURCHASE OF EQUIPMENT

PURCHASE AGREEMENT

The Board announces that, on 22 July 2022, the Purchaser entered into the Purchase Agreement with the Vendor for the purchase of the Equipment at a Consideration of approximately RMB19.3 million.

LISTING RULES IMPLICATIONS

As at least one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Purchase Agreement, on a standalone basis, is more than 5% and all applicable percentage ratios are less than 25%, the Purchase Agreement by itself constitutes a discloseable transaction of the Company. As the Purchase Agreements were entered into by the Purchaser and the same party within 12 months, the transactions contemplated under the Purchase Agreements shall be aggregated pursuant to the chapter 14 of the Listing Rules. As at least one of the applicable percentage ratios in respect of the Purchase Agreements, on an aggregate basis, is more than 5% and all applicable percentage ratios are less than 25%, the transactions contemplated under the Purchase Agreements on an aggregate basis also constitutes a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

PURCHASE AGREEMENT

The Board announces that, on 22 July 2022, the Purchaser entered into the Purchase Agreement with the Vendor for the purchase of the Equipment at a Consideration of approximately RMB19.3 million.

The principal terms of the Purchase Agreement are set out below.

Date	:	22 July 2022
Parties	:	(i) the Purchaser; and (ii) the Vendor.
Equipment to be purchased	:	A set of 2000T hydraulic press (including automatic handling system, heating furnace and heating control system) used for hot forming, die spotting and testing.
Consideration	:	Approximately RMB19.3 million (inclusive of value added tax). The Consideration was arrived at after arm's length negotiations between the parties on normal commercial terms with reference to the current market price of the equipments and machinery with similar functions and capabilities.
Payment terms	:	Payment of the Consideration will be funded by the net proceeds from the initial public offering of the Shares of the Company on 28 June 2019 and cash generated from the Group's operation, and be made by the Purchaser to the Vendor by cash in the following manner: (i) settling 30% of the Consideration (equivalent to approximately RMB 5.79 million) within five business days after signing of the Purchase Agreement; (ii) settling 20% of the Consideration (equivalent to approximately RMB3.86 million) after the welding of the main parts (including upper beam, lower beam and slider) has been completed by the Vendor; (iii) settling 30% of the Consideration (equivalent to approximately RMB5.79 million) when installation of the equipment begins at the place designated by the Purchaser; (iv) settling 10% of the Consideration (equivalent to approximately RMB1.93 million) within five business days after the installation and testing of the equipment are completed, and the final acceptance is confirmed in writing by both parties; and (v) settling 10% of the Consideration (equivalent to approximately RMB1.93 million), being surety deposits, within five business days after the expiry of the one-year warranty period.

Warranty period : The Vendor shall provide a warranty period of one year from the date of signing the acceptance of Equipment.

During the warranty period, if the Equipment fails for more than 5 times every half a year due to its own quality problems, the warranty period shall be extended for half a year, and the warranty period can be extended for a maximum of two years.

Liability for breach : On the premise of no breach of the contract by the Purchaser, if the Vendor fails to perform the delivery obligation, the Purchaser has the right to terminate the Purchase Agreement, and the Vendor shall return the payment and pay liquidated damages of an amount equal to 20% of the Consideration to the Purchaser.

If the Equipment delivered by the Vendor fails to pass the Purchaser's acceptance, the Vendor shall repair within 30 days from the date of written notice sent by the Purchaser until the Equipment meets the acceptance standards agreed by both parties. The delay shall be regarded as overdue delivery by the Vendor. If the delay is for more than 60 days, the Purchaser has the right to terminate the Purchase Agreement.

The Vendor guarantees that the rights of the Equipment are flawless, including the rights of ownership and intellectual property rights. If any third party brings a lawsuit, arbitration or objection to the Purchaser, or the Equipment is confiscated and investigated by the state authorities according to law due to the Vendor's breach of the guarantee obligations, the Vendor shall compensate the Purchaser for all losses caused thereby.

If the Vendor fails to perform the warranty obligations in time as agreed, it shall pay the Purchaser liquidated damages of 0.3% of the price of the equipment to be repaired for each day of delay.

If the Vendor fails to perform the delivery within the time specified in the Purchase Agreement due to its own reason, it shall pay liquidated damages to the Purchaser at the rate of 0.3% of the Consideration for each overdue day. If it fails to deliver for more than 60 days, the Purchaser has the right to terminate the Purchase Agreement, and the Vendor shall return the payment and pay liquidated damages to the Purchaser at the rate of 20% of the Consideration.

If the Purchaser fails to pay any installment as agreed in the Purchase Agreement, it shall pay liquidated damages to the Vendor at 0.3% of the Consideration per day for each overdue day. If it fails to pay for more than 90 days, the Vendor has the right to terminate the Purchase Agreement, and the Purchaser shall pay liquidated damages to the Vendor at the rate of 20% of the Consideration.

INFORMATION OF THE PARTIES TO THE PURCHASE AGREEMENT

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.

The Purchaser is a principal 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 limited liability company established in the PRC, which specialize in manufacturing hydraulic machinery. The Vendor is owned as to 100% by Dees Hydraulic Industrial L.L.C., which is in turn owned 100% by an individual namely Mr. Huang, Huo-Hwang (黃火煌). To the best of the Directors' knowledge, information and belief by having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons as at the date of this announcement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PURCHASE AGREEMENT

The new energy vehicles industry is developing rapidly in the PRC. Hot-stamping parts are not only applied in passenger cars but also in trucks where application of hot-stamping parts is also gradually increasing. The development trends are increased application of hot stamping moulds and parts towards larger size. Considering the business requirements and in order to provide better service to customers, the Group entered into the Purchase Agreement to purchase the Equipment which the Directors consider to be beneficial for the development of the Group.

The Purchaser has taken into account the market reputation, the expertise and product quality of the Vendor and compared the market price of equipments with similar functions and performance before entering into the Purchase Agreement and the terms of the Purchase Agreement are arrived at after arm's length negotiation between the two parties. The Directors consider that the terms of the Purchase Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at least one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Purchase Agreement, on a standalone basis, is more than 5% and all applicable percentage ratios are less than 25%, the Purchase Agreement by itself constitutes a discloseable transaction of the Company. As the Purchase Agreements were entered into by the Purchaser and the same party within 12 months, the transactions contemplated under the Purchase Agreements shall be aggregated pursuant to the chapter 14 of the Listing Rules. As at least one of the applicable percentage ratios in respect of the Purchase Agreements, on an aggregate basis, is more than 5% and all applicable percentage ratios are less than 25%, the transactions contemplated under the Purchase Agreements on an aggregate basis also constitutes a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context require otherwise:

“August 2021 Purchase Agreement”	the purchase agreement dated 31 August 2021 entered into between the Purchaser and the Vendor in relation to the purchase of hydraulic unit at a consideration of RMB182,000, which alone did not constitute a notifiable transaction under the Listing Rules
“Board”	the board of Directors
“Company”	Shinelong Automotive Lightweight Application Limited (勳龍汽車輕量化應用有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code:1930)
“Connected Person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of approximately RMB19.3 million payable by the Purchaser to the Vendor in respect of the purchase of the Equipment pursuant to the Purchase Agreement
“Director(s)”	the director(s) of the Company
“Equipment”	a set of 2000T hydraulic press (including automatic handling system, heating furnace and heating control system) used for hot forming, die spotting and testing
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Previous Purchase Agreement”	the purchase agreement entered into between the Purchaser and the Vendor as disclosed in the announcement of the Company dated 6 May 2022
“Purchase Agreement”	the purchase agreement dated 22 July 2022 entered into between the Purchaser and the Vendor in relation to the purchase of the Equipment
“Purchaser”	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), a principal wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Purchase Agreements”	the Purchase Agreement, the Previous Purchase Agreement and the August 2021 Purchase Agreement
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	shareholder(s) of the Company
“Shares”	share(s) of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Dees Hydraulic Industrial (Kunshan) Co., Ltd.* (迪斯油壓工業（昆山）有限公司), a limited liability company established in the PRC, which specializes in manufacturing hydraulic machinery
“%”	percent

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

Hong Kong, 22 July 2022

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

**For identification purpose only*