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Shinlong 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)

MAJOR TRANSACTION CONSTRUCTION CONTRACT

CONSTRUCTION CONTRACT

The Board hereby announces that, upon completion of a tender process for selection of contractor for the Construction Works, on 11 July 2022, Shinlong (Suzhou), a principal wholly-owned subsidiary of the Company, entered into the Construction Contract with the Contractor, pursuant to which Shinlong (Suzhou) agreed to engage the Contractor to, and the Contractor agreed to, undertake the Construction Works at the Consideration of approximately RMB 77.0 million, subject to adjustments (if any).

LISTING RULES IMPLICATIONS

As the Previous Construction Contract and the Construction Contract were entered into with the same contractor within 12 months, the transaction contemplated under the Construction Contract shall be aggregated with the transaction contemplated under the Previous Construction Contract pursuant to Chapter 14 of the Listing Rules.

As at least one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Construction Contract and the Previous Construction Contract on an aggregate basis is more than 25% and all applicable percentage ratios are less than 100%, the transaction contemplated under the Construction Contract constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Construction Contract and the transaction contemplated thereunder may be given by way of written Shareholders' approval in lieu of holding a general meeting if (i) no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction Contract and the transaction contemplated thereunder; and (ii) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Construction Contract and the transaction contemplated thereunder.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Construction Contract and the transaction contemplated thereunder, and therefore no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for approving the Construction Contract and the transaction contemplated thereunder. The Company has obtained a written Shareholders' approval from a closely allied group of Shareholders, holding in an aggregate 416,544,600 Shares of the Company, representing approximately 63.12% of the entire issued share capital of the Company as at the date of this announcement, for the Construction Contract and the transaction contemplated thereunder. As such, no general meeting will be convened for approving the Construction Contract and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

GENERAL

A circular containing, among other matters, further details of the Construction Contract and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 1 August 2022.

The Board hereby announces that, upon completion of a tender process for selection of contractor for the Construction Works, on 11 July 2022, Shinelong (Suzhou), a principal wholly-owned subsidiary of the Company, entered into the Construction Contract with the Contractor, pursuant to which Shinelong (Suzhou) agreed to engage the Contractor to, and the Contractor agreed to, undertake the Construction Works at the Consideration of approximately RMB77.0 million, subject to adjustments (if any) as set out below.

CONSTRUCTION CONTRACT

A summary of the principal terms of the Construction Contract is set out below:

- Date : 11 July 2022
- Parties : Shinelong (Suzhou), as the principal; and
Jiangsu Yongtai Construction Engineering Co.,Ltd.*(江蘇永泰建造工程
有限公司), as the contractor.
- Construction Works : Pursuant to the Construction Contract, the Contractor, as a general contractor, is responsible for the construction works of research and development workshop, assembly workshop, CNC workshop, research and development and office building, and hazardous waste warehouse situated at the Land, which includes main works, steel structure works, doors and windows and curtain wall works, installation works, firefighting system works and outdoor supporting works as specified in the Construction Contract and construction drawings with a total construction area of approximately 32,865.5 square meters.
- Consideration : The Consideration of the Construction Contract is approximately RMB77.0 million, subject to the adjustment on the raw materials price difference which exceeds the 5% benchmark price of concrete, steel, ready-mixed mortar, doors and windows, wires and cables (the benchmark price shall be subject to the price information of construction works in Suzhou*(蘇州市建設工程價格信息) in May 2022); design change issued by the designer; and/or valid on-site permit approved by Shinelong (Suzhou).

The Consideration was determined by way of tender process conducted by Shinelong (Suzhou). Shinelong (Suzhou) has received 9 bids from the tender process, and the Construction Contract was awarded to the Contractor by the Group after a comprehensive and objective assessment on various factors including the quotation, qualification, financial conditions, reputation and performance of each bidder, the expected scope and complexity of the Construction Works to be carried out, the costs of materials and labour costs estimated to be incurred, and the prevailing market price for carrying out the construction works with comparable scale and complexity.

- Payment terms :
- (i) 10% of the Consideration shall be paid to the Contractor as a prepayment after signing of the Construction Contract;
 - (ii) 20% of the Consideration shall be paid to the Contractor after the foundation works has passed the acceptance checking;
 - (iii) 20% of the Consideration shall be paid to the Contractor after the main part of the plant and office buildings has passed the acceptance checking;
 - (iv) 20% of the Consideration shall be paid to the Contractor after all construction works in accordance with the drawings are completed and have passed the acceptance checking from all of Shinelong (Suzhou), the designer, the supervisor and the Contractor;
 - (v) 15% of the Consideration shall be paid to the Contractor after passing joint acceptance checking from the government and receiving construction completion filing;
 - (vi) 10% of the Consideration shall be paid to the Contractor after the expiry of two years from the joint acceptance checking by the government; and
 - (vii) the remaining 5% of the Consideration, being surety deposits within five years, shall be paid to the Contractor after the expiry of five years. If there are quality problems within five years on the construction works which the Contractor undertakes, the Contractor must repair it free of charge until it passes the acceptance checking by Shinelong (Suzhou). If the Contractor fails to repair as required by Shinelong (Suzhou), Shinelong (Suzhou) will engage third parties to repair, and the cost will be deducted from the surety deposits.

The Consideration will be funded by the internal resources and banking facilities of the Group.

Expected commencement date : 1 August 2022, the actual commencement date is from the date that Shinelong (Suzhou) issues the commencement notice after the construction permit is obtained.

Expected completion date : 31 July 2023

Duration of the Construction Works	<p>It is expected that the duration of the Construction Works will be 365 days after the commencement date.</p> <p>If the construction terms is delayed due to reasons caused by Shinelong (Suzhou), Shinelong (Suzhou) shall bear the increased costs of the Contractor, and the construction terms shall be postponed accordingly.</p> <p>If Shinelong (Suzhou) fails to issue the resumption instruction of construction within the agreed period without justified reasons, which resulting in the Contractor's failure to resume construction, Shinelong (Suzhou) shall bear the increased costs of the Contractor, and the construction terms shall be postponed accordingly. If the delay exceeds 28 days, the Contractor has the right to terminate the contract.</p> <p>If the Contractor breaches its obligations under the Construction Contract resulting in a delay in the construction, the Contractor shall pay 0.02% of the contract sum per day to Shinelong (Suzhou) (with a maximum liquidated damages not exceeding 0.3% of the contract sum).</p> <p>If the Contractor fails to correct the breach of contract within 28 days after receiving the rectification notice, and the purpose of the contract cannot be achieved, Shinelong (Suzhou) has the right to terminate the contract.</p>
Defects liability period	<p>The defects liability period is 12 months from the date when the construction works passes the completion acceptance. If the unit work will be accepted before the whole construction works, and the defect liability period of the unit work shall be from the date of eligible acceptance of the unit work.</p>

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

As disclosed in the announcement of the Company dated 27 August 2021, Shinelong (Suzhou) entered into an asset transfer agreement with Zhangpu Construction Bureau of Kunshan Municipality*(昆山市張浦鎮建設局), pursuant to which the Group agreed to sell the real estate and certain machinery and equipment, which were located at 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, to Zhangpu Construction Bureau of Kunshan Municipality, and Zhangpu Construction Bureau of Kunshan Municipality agreed that Shinelong (Suzhou) could continue to use the aforesaid disposal assets free of charge until Shinelong (Suzhou) completes the construction of new plant and relocation to the new plant. Both sides completed the registration and filing of the change in property right for the real estate in September 2021.

And as disclosed in the announcement of the Company dated 12 November 2021, Shinelong (Suzhou) successfully bid the land use right of the Land.

Shinelong (Suzhou) was established in 2002, and began its operation in the plant which was located at 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, since 2003. With the development of business, Shinelong (Suzhou) has successively leased several plants, which are located in Zhangpu Town, Kunshan city, for mould production from third parties. The operation sites are relatively scattered, which is not optimal for effective production management. It has been the Group's intention to expand, centralise and consolidate the Group's operation. As such, Shinelong (Suzhou) engaged the Contractor as the contractor for the construction works to build a new plant with a total gross floor area of approximately 32,865.5 square meters (excluding the area of guard room under the Previous Construction Contract). Upon the completion of the Construction Works, Shinelong (Suzhou) will relocate production lines and office facilities, which are currently located in 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, and other areas of Zhangpu Town, Kunshan City, to the new plant. In the new plant, the Group will be able to plan the layout of production lines more efficiently and purchase more advanced and efficient production equipment according to business requirements. It is expected that the new plant will enable the Group to centralise the management of the production process, which will allow us to save logistics costs and improve efficiency.

Before establishing business relations with the Group, our potential customers normally conduct onsite visit to our factory, and existing customers also often visit our factory. It is expected that the new plant may provide favorable conditions for the Group to secure new business opportunities.

The Construction Contract was awarded to the Contractor by the Group after a comprehensive and objective assessment on various factors including the quotation, qualification, financial conditions, reputation and performance of each bidder according to the specifications as stated in tender documents, the expected scope and complexity of the Construction Works to be carried out, the costs of materials and labour costs estimated to be incurred, and the prevailing market price for carrying out the construction works with comparable scale and complexity. The Board considers that the Construction Contract was entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The construction of the new plant can better realise the Group's expansion plan, centralise operation management and is beneficial to the long-term development of the Group.

INFORMATION OF THE GROUP, SHINELONG (SUZHOU), THE CONTRACTOR

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 principal wholly-owned subsidiary of the Company and is principally engaged in the manufacturing and sales of customised moulds in the PRC.

The Contractor is a company established in the PRC with limited liability. The business scope of the Contractor includes but not limited to housing construction works, building decoration works and municipal public works. To the best of the Directors' knowledge, information and belief by having made all reasonable enquiries, the Contractor is owned as to 94.55% by Mr. Xi Youfang (奚友方), as to 3.21% by Mr. Xu Guijian (徐桂鑿), and as to 2.24% by Mr. Xi Chungao (奚春高). The Contractor and its ultimate beneficial owners are third parties independent of the Company and its connected persons as at the date of this announcement.

LISTING RULES IMPLICATIONS

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Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Construction Contract and the transaction contemplated thereunder may be given by way of written Shareholders' approval in lieu of holding a general meeting if (i) no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction Contract and the transaction contemplated thereunder; and (ii) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Construction Contract and the transaction contemplated thereunder.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Construction Contract and the transaction contemplated thereunder, and therefore no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for approving the Construction Contract and the transaction contemplated thereunder. The Company has obtained a written Shareholders' approval from a closely allied group of Shareholders, holding in an aggregate 416,544,600 Shares of the Company, representing approximately 63.12% of the entire issued share capital of the Company as at the date of this announcement, for the Construction Contract and the transaction contemplated thereunder. As such, no general meeting will be convened for approving the Construction Contract and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

The closely allied group of Shareholders who has provided the written approval comprises the following Shareholders:

Name of Shareholder	Number of Shares held	Approximate percentage of shareholding
Shine Art ^(Note 1)	324,225,000	49.13%
Mr. Lin	1,239,600	0.19%
Friendly Holdings ^(Note 2)	91,080,000	13.80%
Total	<u>416,544,600</u>	<u>63.12%</u>

Notes:

1. Shine Art, one of the controlling shareholders of the Company, is owned as to 58.3% by Mr. Lin, an executive Director. Approximately 32.2% of the share capital of Shine Art is owned by Mr. Yung Chia-Pu (an executive Director), Mr. Cheng Ching-Long (an executive Director), Mr. Lu Jen-Chieh (an executive Director) and Ms. Hsieh Pei-Chen (a non executive Director). The remaining approximately 9.5% of the issued share capital of Shine Art is owned by Mr. Hsieh Chi-Hung (who had passed away), Mr. Liu Ying-Han, Mr. Leng Chi-Ching, and Mr. Chang Jui-Chun, each of whom, save for his interest in Shine Art, is not a Connected Person. As disclosed in the Prospectus, each of the shareholders of Shine Art is regarded as a controlling shareholder of the Company.
2. Friendly Holdings, a substantial Shareholder of the Company, is wholly owned by Mr. Liu Fang Jung.

The interest of the closely allied group of Shareholders is no different from other Shareholders in respect of the Construction Contract and the transaction contemplated thereunder.

The history of the Group dated back to 2002 when Mr. Lin (through Shine Art) established Shinelong (Suzhou) in the PRC. Shinelong (Suzhou) has remained the principal operating subsidiary of the Group. Friendly Holdings became a shareholder of Shinelong (Suzhou) in 2015 when Mr. Lin decided to diversify the shareholder base of Shinelong (Suzhou) for the purpose of seeking a listing in the PRC. Since then, Mr. Lin and Friendly Holdings have worked closely in devising the Group's corporate development strategy. In 2018, to prepare for the Company's listing on the Stock Exchange, the Group underwent a reorganization pursuant to which the shareholders of Shinelong (Suzhou), namely Shine Art, Friendly Holdings and the other shareholders, became shareholders of the Company. Friendly Holdings has remained as a substantial Shareholder of the Company since then. Shine Art, Mr. Lin and Friendly Holdings had voted in the same way on all resolutions at all general meetings of the Company since the Company's listing on the Stock Exchange. The Directors consider that Shine Art, Mr. Lin and Friendly Holdings form a closely allied group of Shareholders based on their past voting patterns.

GENERAL

A circular containing, among other matters, further details of the Construction Contract and other information as required under the Listing Rules is expected to be despatched to Shareholders on or before 1 August 2022.

DEFINITIONS

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

“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 RMB77.0 million for the Construction works, subject to adjustments (if any)

“Construction Contract”	the construction contract dated 11 July 2022 entered into between Shinelong (Suzhou) and the Contractor in respect of the Construction Works
“Construction Works”	the construction works of the new plant to be carried out by the Contractor pursuant to the Construction Contract as further elaborated in the paragraph headed “Construction Works” in this announcement
“Contractor”	Jiangsu Yongtai Construction Engineering Co.,Ltd.* (江蘇永泰建造工程有限公司), a company established in the PRC with limited liability
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Friendly Holdings”	Friendly Holdings (HK) Co., Limited, a limited liability company established under the laws of Hong Kong, which is wholly owned by Mr. Liu Fang Jung and a substantial Shareholder of the Company holding 91,080,000 Shares, representing approximately 13.80% of the issued share capital of the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lin”	Mr. Lin Wan-Yi (林萬益), the executive Director, Chairman and chief executive officer of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Previous Construction Contract”	the construction contract dated 18 March 2022 and entered into between Shinelong (Suzhou) and the Contractor for the construction works of guard room at a consideration of RMB270,000 which alone did not constitute a notifiable transaction under the Listing Rules
“Prospectus”	the prospectus of the Company dated 17 June 2019
“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 principal wholly-owned subsidiary of the Company

Shine Art	SHINE ART INTERNATIONAL LIMITED, a company incorporated in the British Virgin Islands and one of the controlling shareholders of the Company holding 324,225,000 Shares, representing approximately 49.13% of the entire issued capital of the Company as at the date of this announcement
“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
“the Land”	a piece of state-owned industrial construction land located in Kunshan City which Shinelong (Suzhou) successfully bid for, details of which was disclosed in the announcement of the Company dated 12 November 2021
“%”	percent

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

Hong Kong, 11 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*