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**If you have sold or transferred** all your shares in Shinelong Automotive Lightweight Application Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **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)**

### **MAJOR TRANSACTION CONSTRUCTION CONTRACT**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board (as defined in this circular) is set out on pages 3 to 11 of this circular.

The Construction Contract and the transaction contemplated thereunder have been approved by written Shareholders’ approval obtained from a closely allied group of Shareholders, which together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at an extraordinary general meeting, pursuant to Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

*This circular will be published on the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.shinlone.com.cn](http://www.shinlone.com.cn)).*

\* For identification purpose only

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“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 the Construction Contract is approximately RMB77.0 million, 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 circular
“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
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	4 August 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

## DEFINITIONS

“Mr. Lin”	Mr. Lin Wan-Yi (林萬益), an 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 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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our 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



**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)**

*Executive Directors:*

Mr. Lin Wan-Yi (*Chairman*)  
Mr. Yung Chia-Pu  
Mr. Cheng Ching-Long  
Mr. Lu Jen-Chieh

*Non-executive Director:*

Ms. Hsieh Pei-Chen

*Independent Non-executive Directors:*

Mr. So George Siu Ming  
Mr. Lin Lien-Hsing  
Mr. Fan Chi Chiu

*Registered Office:*

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*Principal Place of Business in  
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Jiangsu Province  
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Hong Kong

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348 Kwun Tong Road, Kowloon  
Hong Kong

(with effect from 15 August 2022)

10 August 2022

*To the Shareholders,*

Dear Sir/Madam,

**MAJOR TRANSACTION**  
**CONSTRUCTION CONTRACT**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 11 July 2022 in relation to the Construction Contract, 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,

## LETTER FROM THE BOARD

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).

The purpose of this circular is to provide you with, among other things, further information in relation to the Construction Contract and the transaction contemplated thereunder and other information as required under the Listing Rules.

### 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).

## LETTER FROM THE BOARD

The Consideration was determined by way of tender process conducted by Shinelong (Suzhou). Shinelong (Suzhou) has received 9 bids from 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 material 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 have been completed and the acceptance checking report has been signed by all of Shinelong (Suzhou), the designer, supervisor and surveyor engaged by Shinelong (Suzhou) and the Contractor;
  - (iii) 20% of the Consideration shall be paid to the Contractor after the main part of the plant and office buildings have been completed and the acceptance checking report has been signed by all of Shinelong (Suzhou), the designer and supervisor engaged by Shinelong (Suzhou) and the Contractor;
  - (iv) 20% of the Consideration shall be paid to the Contractor after all construction works in accordance with the drawings have been completed and the acceptance checking report has been signed by all of Shinelong (Suzhou), the designer and supervisor engaged by Shinelong (Suzhou) 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

## LETTER FROM THE BOARD

(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 passed 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 : It is expected that the duration of the Construction Works will be 365 days after the commencement date.

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.

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.

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).

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.



## LETTER FROM THE BOARD

Defects liability period : 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.

### 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 Shinelong (Suzhou) 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 or 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 at 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 production process, which will allow us to save the 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.

## **LETTER FROM THE BOARD**

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 material 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 (徐桂鑾), 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.

### **FINANCIAL EFFECTS OF ENTERING INTO THE CONSTRUCTION CONTRACT**

When the construction costs under the Construction Contract (being the Consideration) are incurred, the relevant portion of the Consideration will be capitalised to "construction in progress" in the consolidated statements of balance sheet of the Group. Upon completion of the Construction Works, the amount under "construction in progress" will be transferred to "property, plant and equipment". The payment of the Consideration, and the payments and expenses incurred and to be incurred in connection with the Construction Works would result in a decrease in "cash and cash equivalents" and/or an increase in "bank borrowings". It is expected that completion of the Construction Works will have no impact on the net assets of the Group as the Consideration will be settled by internal resources and/or borrowings of the Group.

## LETTER FROM THE BOARD

The Company considers that there will not be any material effect on the earnings of the Group immediately due to the execution of the Construction Contract. Since the Consideration is expected to be funded by internal resources and/or borrowings of the Group, the cash and cash equivalents of the Group will decreased and/or the Group's bank borrowings will increase, and as a result, the bank interest income of the Group will be reduced and/or the finance costs from interest-bearing loans will increase. The finance costs from interest-bearing loans that are directly attributable to the Construction Works will be capitalised in the construction cost of the plant during the construction period.

### 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, representing approximately 63.12% of the entire issued share capital of the Company, 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.

## LETTER FROM THE BOARD

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 <i>(Note 1)</i>	324,225,000	49.13%
Mr. Lin	1,239,600	0.19%
Friendly Holdings <i>(Note 2)</i>	91,080,000	13.80%
<b>Total</b>	<b>416,544,600</b>	<b>63.12%</b>

*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 of the Company. 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 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.

## LETTER FROM THE BOARD

### RECOMMENDATION

The Directors are of the view that the terms of the Construction Contract and the transaction contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Construction Contract and the transaction contemplated thereunder, if such a general meeting was to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Construction Contract and the transaction contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the financial and general information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Shinlong Automotive Lightweight Application Limited**  
**Lin Wan-Yi**  
*Chairman and Executive Director*

## 1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2021, 2020 and 2019 are disclosed in the annual reports of the Company for the years ended 31 December 2021, 2020, 2019, respectively, which have been published and are available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.shinlone.com.cn](http://www.shinlone.com.cn)):

- (a) the Company's annual report for the year ended 31 December 2021 published on 20 April 2022 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0420/2022042000460.pdf>) (page 60 to 141);
- (b) the Company's annual report for the year ended 31 December 2020 published on 20 April 2021 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0420/2021042000501.pdf>) (page 58 to 133);
- (c) the Company's annual report for the year ended 31 December 2019 published on 14 April 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0414/2020041401287.pdf>) (page 57 to 129).

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, details of the Group's indebtedness are as follows:

	<b>As at 30 June 2022</b> <i>RMB'000</i> (unaudited)
<b>Current</b>	
Lease liabilities <i>(Note 1)</i>	3,913
Other borrowing <i>(Note 2)</i>	<u>6,938</u>
	<u><u>10,851</u></u>
<b>Non-current</b>	
Lease liabilities <i>(Note 1)</i>	8,095
Other borrowings	<u>—</u>
	<u><u>8,095</u></u>

*Notes:*

1. As at 30 June 2022, the Group had lease liabilities of approximately RMB12,008,000, which were unguaranteed and unsecured.

2. Other borrowing is note receivable discounted with recourse due within one year, which is unguaranteed and unsecured. The Group entered into a note receivable discounting arrangement (the “**Arrangement**”) with a third party in May 2022. Under the Arrangement, the Group was granted with a loan facility up to a 98.87% of a note receivable being presented to the third party and the Group retained substantial risks and rewards, which included the default risk relating to such note receivable. Accordingly, the Group continued to recognise the discounted note receivable with the amount granted by the third party. The note receivable transferred under the Arrangement will be settled in April 2023.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 30 June 2022, the Group did not have any loan capital outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

### **3. RECENT DEVELOPMENT AND FINANCIAL AND TRADING PROSPECT OF THE GROUP**

As disclosed in the annual report of the Company for the year ended 31 December 2021, for the year ended 31 December 2021, the Group’s revenue was approximately RMB222.2 million, representing an increase of 9.2% as compared with that of approximately RMB203.4 million for the year ended 31 December 2020. Such increase was mainly due to the net effect of the increase in revenue generated from the sales of automotive moulds and the decrease in revenue generated from the sales of health protective appliance moulds. Profit attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately RMB21.2 million, representing a decrease of 25.2% as compared that of approximately RMB28.3 million for the year ended 31 December 2020. Such decrease in profit attributable to the owners of the Company was mainly due to the combined effects of (i) the absence of revenue generated from the sales of health protective appliances moulds in 2021; (ii) decrease in gross profit margin as a result of sales discounts offered to some of the Group’s major customers and fierce competition; (iii) increase in other income arising from the disposal of plant and land; and (iv) decrease in general and administrative expenses.

During the first half year of 2022, COVID-19 pandemic recurred in some areas in the PRC. The Group has put in place measures to reduce the impact arising from COVID-19 pandemic.

The Group has been committed to improving production efficiency, improving moulds quality, strengthening research and development and design capabilities, consolidating competitive advantages and strengthening service capabilities. The Group continues to deepen cooperation with existing customers to actively seize business opportunities and actively explore new customers and potential markets to increase market share and expand customer base.

The construction for the new plant in relation to the Construction Contract is expected to complete in 2023. Upon completion, there will be production workshops and office and R&D facilities with a total construction area of approximately 32,865.5 square meters, which is expected to provide sufficient spaces to expand production capabilities for the Group.

With increasing risk of global economic downturn and negative impact brought about by international tensions and the outbreak of COVID-19 on global economic growth, instability and uncertainties have increased significantly, exerting certain pressure on the operation of the Group. The Group will continuously monitor macroeconomic development and risks, and formulate business strategies based on changes in the market and operation environment. While preventing and controlling operational risks, the Group will strive to seize business opportunities, improve production capabilities, actively enhance corporate profitability, and commit to achieving long-term growth and maximising value for its shareholders.

#### **4. WORKING CAPITAL**

After taking into account the financial resources presently available to the Group, cash flows generated from future operations, the existing cash and cash equivalents balances of the Group, and available credit facilities, the Directors are of the opinion that the Group has sufficient working capital to satisfy its requirements for its normal business for at least 12 months from the date of publication of the circular, in the absence of unforeseeable circumstances.

#### **5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any other associated corporation

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO, which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be recorded in the register therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### (i) Interests in the Company

Name of Director	Nature of interest	Number of ordinary shares held <sup>(Note 1)</sup>	Approximate percentage of shareholding
Mr. Lin	Interest in a controlled corporation <sup>(Note 2)</sup>	324,225,000 (L)	49.125%
Mr. Lin	Beneficial owner <sup>(Notes 3 and 4)</sup>	2,654,000 (L)	0.40%
Mr. Cheng Ching-Long	Beneficial owner <sup>(Notes 3 and 4)</sup>	1,408,000 (L)	0.21%
Mr. Lu Jen-Chieh	Beneficial owner <sup>(Notes 3 and 4)</sup>	688,000 (L)	0.10%

#### Notes:

- The letter "L" denotes the person's long position in the shares.
- The Company was directly owned as to 49.125% by Shine Art which was directly held as to 58.312% by Mr. Lin. Accordingly, by virtue of the SFO, Mr. Lin is deemed to be interested in the same number of shares of the Company held by Shine Art.

3. Included the 832,000 awarded shares, 704,000 awarded shares, 344,000 awarded shares granted to each of Mr. Lin, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh respectively in May 2021.
4. Included the 832,000 share options, 704,000 share options, 344,000 share options granted to each of Mr. Lin, Mr. Cheng Ching-Long and Mr. Lu Jen-Chieh respectively in May 2021.

(ii) *Interests in the associated corporation*

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding in the associated corporation	Approximate percentage of shareholding in Company
Mr. Lin	Shine Art	Beneficial owner	29,156	58.312%	28.646%
Mr. Yung Chia-Pu	Shine Art	Beneficial owner	7,712	15.424%	7.577%
Mr. Cheng Ching-Long	Shine Art	Beneficial owner	7,468	14.936%	7.337%
Mr. Lu Jen-Chieh	Shine Art	Beneficial owner	467	0.934%	0.459%
Ms. Hsieh Pei-Chen	Shine Art	Beneficial owner	454	0.908%	0.446%

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Substantial Shareholders' interests and short positions in shares and underlying shares of the Company**

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

<b>Name of substantial shareholder</b>	<b>Nature of interest</b>	<b>Number of ordinary shares held <sup>(Note 1)</sup></b>	<b>Approximate number of shareholding</b>
Shine Art	Beneficial owner	324,225,000 (L)	49.125%
Friendly Holdings	Beneficial owner	91,080,000 (L)	13.80%
Mr. Liu Fang Jung ("Mr. Liu")	Interest in a controlled corporation <sup>(Note 2)</sup>	91,080,000 (L)	13.80%
Ms. Su Su-Mei ("Ms. Su")	Interest of spouse <sup>(Note 3)</sup>	326,879,000 (L)	49.52%

*Notes:*

1. The letter "L" denotes the person's long position in the shares.
2. The Company was directly owned as to 13.80% by Friendly Holdings which was directly held as to 100% by Mr. Liu. Accordingly, by virtue of the SFO, Mr. Liu is deemed to be interested in the same number of shares of the Company held by Friendly Holdings.
3. Ms. Su is the spouse of Mr. Lin. Under the SFO, Ms. Su is deemed to be interested in the same number of shares of the Company in which Mr. Lin is interested.
4. Mr. Lin is a director of Shine Art.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, none of the Directors is also a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the SFO.

### 3. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group.

### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

### 5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, save as disclose above, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired, disposed of by or leased to any member of the Group.

### 6. DIRECTORS' INTEREST IN CONTRACTS

Save for the service contracts entered into between the Group and the Directors and share option scheme, share award scheme of the Company, there was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant to the business of the Group.

### 7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

### 8. MATERIAL CONTRACT

The following contracts (not being contracts entered into in the ordinary course of business of the Group) were entered into by the Group within two years immediately preceding the Latest Practicable Date, which are, or may be material.

- (a) the asset transfer agreement dated 27 August 2021 entered into between Shinelong (Suzhou) and Zhangpu Construction Bureau of Kunshan Municipality\* (昆山市張浦鎮建設局) in relation to the disposal of real estate, which were located at 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC, and certain machinery and equipment at a consideration of approximately RMB15.1 million;

- (b) the State-owned Construction Land Use Rights Grant Contract (國有建設用地使用權出讓合同) entered into between Shinelong (Suzhou) and Kunshan Natural Resources and Planning Bureau\* (昆山市自然資源和規劃局) dated 23 November 2021, in relation to the acquisition of land use right of the land with an area of approximately 27,519 square meters at a consideration of approximately RMB6.9 million;
- (c) the purchase agreement entered into between Shinelong (Suzhou) and Dees Hydraulic Industrial (Kunshan) Co., Ltd.\* (迪斯油壓工業(昆山)有限公司) dated 6 May 2022 in relation to the purchase of the equipment at a consideration of approximately RMB8.5 million;
- (d) the Construction Contract, terms of which are set out in this circular; and
- (e) the purchase agreement entered into between Shinelong(Suzhou) and Dees Hydraulic Industrial (Kunshan) Co., Ltd.\* (迪斯油壓工業(昆山)有限公司) dated 22 July 2022 in relation to the purchase of the equipment at a consideration of approximately RMB19.3 million.

## 9. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111 Cayman Islands;
- (b) The principal place of business of the Company in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, which will be relocated to 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong with effect from 15 August 2022;
- (c) The Hong Kong Branch Share Registrar and Transfer Office of the Company is Tricor Investor Services Limited, which is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, and will change its address to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from 15 August 2022;
- (d) The company secretary of the Company is Ms. Shen Xuejuan (沈雪娟);
- (e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.shinlone.com.cn](http://www.shinlone.com.cn)) from the date of this circular up to 14 days thereafter:

- (a) the material contracts referred to in paragraph headed "MATERIAL CONTRACTS" of this appendix; and
- (b) the letter from the Board as set forth in this circular.