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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)

DISCLOSEABLE TRANSACTION

DISPOSAL OF ASSETS

THE DISPOSAL

The Board announces that on 27 August 2021, Shinlong (Suzhou), a wholly owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which Shinlong (Suzhou) agreed to sell and the Purchaser agreed to purchase the Disposal Assets at the Consideration of RMB15,058,800.

LISTING RULES IMPLICATIONS

As at least one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% and all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL

Reference is made to the voluntary announcement of the Company dated 18 August 2021 in relation to the Investment Framework Agreement and the Asset Transfer Framework Agreement (the “**Announcement**”). As disclosed in the Announcement, pursuant to the Investment Framework Agreement, among others, (i) Shinlong (Suzhou) agreed to 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 (a) procure the listing and transfer process of the New Land to Shinlong (Suzhou), and (b) if the Zhangpu Government fails to complete the listing and transfer process of the New Land to Shinlong (Suzhou) or Shinlong (Suzhou) fails to bid the New Land, the Zhangpu Government will procure the transfer of the Guaranteed Land and the buildings thereon to Shinlong (Suzhou).

In respect of the Disposal, on 27 August 2021, Shinelong (Suzhou), a wholly owned subsidiary of the Company, and the Purchaser entered into the Agreement, of which the principal terms are summarised below:

Date

27 August 2021 (after trading hours)

Parties

Shinelong (Suzhou) (*as the vendor*)

Zhangpu Construction Bureau of Kunshan Municipality* (昆山市張浦鎮建設局) (*as the purchaser*)

The Agreement

Pursuant to the Agreement, Shinelong (Suzhou) conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Disposal Assets upon the terms contained therein.

Disposal Assets

Real estate located at 2 Middle Yangguang Road, Zhangpu Town, Kunshan City, Jiangsu Province, the PRC (including houses and buildings with property certificate of gross floor area of approximately 4,127 square meters, houses and buildings without property certificate of gross floor area of approximately 246 square meters and land use right with area of approximately 7,873 square meters), and certain machinery and equipment. Currently, the Disposal Assets are mainly used by the Group as workshop for testing and adjustment, trial production of moulds and office building.

Based on the latest unaudited consolidated management accounts of the Group as at 30 June 2021, and on the assumption that the Disposal has been completed on 30 June 2021, upon receipt of the Consideration of RMB15,058,800 and taking into account the carrying value of the Disposal Assets of approximately RMB3,886,600 as at 30 June 2021, the Group expects to record in its consolidated income statement an estimated gain (before income tax) from the Disposal of approximately RMB7,936,100. However, the actual gain or loss from the Disposal to be recorded by the Group will be calculated based on the financial position of the Group on the date of the completion and is subject to audit and maybe subject to change.

The Company currently intends to use the proceeds from the Disposal for funding the possible acquisition of land in the future and general working capital of the Group.

Consideration

The Consideration is RMB15,058,800.

The Consideration was determined after arm's length negotiation between the parties with reference to the appraised value of the Disposal Assets of RMB15,058,800 prepared by the Appraisal Company, an independent valuer, as of 12 March 2021.

Terms of payment

The Consideration is payable by the Purchaser in the following manner:

- (a) RMB4,517,640, equivalent to 30% of the Consideration, is payable by the Purchaser as deposit to Shinelong (Suzhou) within 10 business days after the execution of the Agreement (the “**Deposit**”);
- (b) RMB4,517,640, equivalent to 30% of the Consideration, is payable by the Purchaser to Shinelong (Suzhou) within 10 business days after both parties have completed the registration or filing of the change in property right; and
- (c) the balance payment of RMB6,023,520, equivalent to 40% of the Consideration, is payable by the Purchase to Shinelong (Suzhou) within 10 business days after the relocation and hand over of the Disposal Assets to the Purchaser.

Completion

Upon receipt of the Deposit, Shinelong (Suzhou) shall cooperate with the Purchaser to proceed the registration or filing of the change in property right and pay taxes.

Pursuant to the Agreement, the Purchaser agreed that Shinelong (Suzhou) can continue to use the Disposal Assets free of charge until Shinelong (Suzhou) completes the construction of new plant and relocation to the new plant, and Shinelong (Suzhou) shall hand over the Disposal Assets to the Purchaser within 30 days after Shinelong (Suzhou) has relocated to new plant.

Completion of the registration or filing in the change in property right of the Disposal Assets is conditional upon, among others, Shinelong (Suzhou) and the Purchaser having obtained all relevant requisite approvals, consents, exemptions and authorisations required under the relevant laws and regulations.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As set out in the Announcement, it has been the Group's intention to expand, centralise and consolidate the Group's operation. Pursuant to the Investment Framework Agreement and the Asset Transfer Framework Agreement, the Zhangpu Government will procure the transfer of the New Land or the Guaranteed Land to Shinelong (Suzhou) and Shinelong (Suzhou) can continue to use the Disposal Assets free of charge until Shinelong (Suzhou) has relocated to new plant. The Directors believe that the arrangement with the Zhangpu Government pursuant to the Investment Framework Agreement provides an opportunity for the Group to realise its plan on consolidating the Group's operation and the Disposal, being part of such arrangement, is beneficial for the long-term development of the Group.

The Directors, including the independent non-executive Directors, are of the view that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable, and the Disposal has no material impact to the operation of the Group and is in the interests of the Group and the Shareholders.

INFORMATION OF THE GROUP, SHINELONG (SUZHOU), THE PURCHASER AND THE ZHANGPU GOVERNMENT

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 Zhangpu Government is a local governmental body of the PRC.

The Purchaser is a government institution under the Zhangpu Government and responsible for the construction and management in Zhangpu town.

To the best of the Directors' knowledge, information and belief by having made all reasonable enquiries, the Purchaser, the Zhangpu Government and their respective associates are third parties independent of the Company and its connected persons as at the date of this announcement.

LISTING RULES IMPLICATIONS

As at least one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% and all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is 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:

“Agreement”	the asset transfer agreement dated 27 August 2021 entered into between Shinelong (Suzhou) and the Purchaser in respect of the Disposal
“Appraisal Company”	Kunshan Xinheng land real estate appraisal cost consulting Co., Ltd* (昆山信衡土地房地產評估造價諮詢有限公司), an independent valuer appointed by the Purchaser
“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 (勛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
“Consideration”	the consideration of RMB15,058,800 in respect of the Disposal payable by the Purchaser to Shinelong (Suzhou)
“Connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Disposal Assets by Shinelong (Suzhou) to the Purchaser pursuant to the Agreement
“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 currently owned by Shinelong (Suzhou)
“Group”	the Company and its subsidiaries

“Guaranteed Land”	a piece of land of approximately 34,844 square meters owned by Kunshan Zhangpu Asset Management Co., Ltd* (昆山市張浦資產經營有限責任公司)
“Investment Framework Agreement”	the investment framework agreement dated 18 August 2021 entered into by Shinelong (Suzhou) and the Zhangpu Government
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Land”	a piece of state-owned industrial construction land with an area of approximately 27,519 square meters
“Purchaser”	Zhangpu Construction Bureau of Kunshan Municipality* (昆山市張浦鎮建設局)
“PRC”	the People’s Republic of China
“Shareholders”	shareholders of the Company
“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
“Zhangpu Government”	Zhangpu Town People’s Government of Kunshan Municipality*(昆山市張浦鎮人民政府)

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

Hong Kong, 27 August 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*