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**LONKING 龍工**

**LONKING HOLDINGS LIMITED**

**中國龍工控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3339)**

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 14 November 2007.

In view of the expiry of the Master Purchase Agreement in 31 December 2009, the Company has on 7 December 2009 entered into the Renewed Master Purchase Agreement, pursuant to which the Group will purchase the Parts from Jinlong from time to time for a term commencing from 1 January 2010 and ending on 31 December 2012.

Jinlong is held as to approximately 82.67% by Mr. Ngai. Mr. Ngai is the brother of Ms. Ngai Ngan Ying, the deputy chairman and non-executive director of the Company, and thus is an associate of Ms. Ngai Ngan Ying. Accordingly, Jinlong is a connected person and the transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and are exempt from the independent shareholders' approval requirement under the Listing Rules by virtue of the fact that each of the relevant percentage ratios (other than the profit ratio) in respect of the purchase amount is less than 2.5% on an annual basis.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Renewed Master Purchase Agreement are fair and reasonable and that they are arrived at after arm's length negotiations, upon normal commercial terms and in the interest of the Shareholders as a whole. The Renewed Master Purchase Agreement will be subject to the annual review requirement and the reporting requirement under Rules 14A.37 to 14A.41 and Rules 14A.45 and 14A.46 of the Listing Rules respectively.

## **RENEWED MASTER PURCHASE AGREEMENT**

- Date: 7 December 2009
- Term: Commencing from 1 January 2010 and ending on 31 December 2012.
- Parties: (a) Jinlong as supplier. Jinlong is currently engaged in the business of manufacture and sale of the Parts.
- (b) the Company (for itself and on behalf of its subsidiaries) as the purchaser
- Subject: Pursuant to the Renewed Master Purchase Agreement, the Group will purchase the Parts from Jinlong from time to time during the term of the Renewed Master Purchase Agreement
- Price: The Parts will be sold to the Group by Jinlong at a purchase price to be determined based on the estimated cost incurred by Jinlong in providing the Parts plus a profit which is agreed between Jinlong and the relevant member of the Group as being no more than 25% of the actual cost incurred by Jinlong. The purchase price of the Parts to be sold to the Group by Jinlong is determined based on arm's length negotiation between the Group and Jinlong and compares favourably with (i) what Jinlong offers to independent third party customers and (ii) the purchase costs offered to the Company by independent third party suppliers.

### **Historical transaction records**

For the two years ended on 31 December 2008 and the nine months ending on 30 September 2009, the aggregate purchase amount (including value added tax) by the Group from Jinlong for the purchase of the Parts amounted to approximately RMB7 million, RMB37 million and RMB34 million (equivalent to approximately HK\$8 million, HK\$42million and HK\$39 million respectively).

### **Annual caps**

The Directors expect that the aggregate purchase amounts of the Parts to be purchased by the Group from Jinlong pursuant to the transactions under the Renewed Master Purchase Agreement for each of the three financial years ending 31 December 2012 will increase as compared to the aggregate purchase amounts of the Parts for each of the three financial years ending 31 December 2009 at the time the Master Purchase Agreement was entered into in 2007, due to the increased demand of the Group for Parts in view of the increased demand for powertrains. The Directors estimate that the aggregate purchase amounts of the Parts to be purchased by the Group from Jinlong pursuant to the transactions under the Renewed Master Purchase Agreement for each of the three financial years ending 31 December 2012 will not exceed RMB57 million (including value added tax), RMB64 million (including value added tax) and RMB71 million (including value added tax) (equivalent to approximately HK\$70 million,

HK\$79 million and HK\$88 million respectively). In particular, the aggregate purchase amounts of the Parts to be purchased by the Group from Jinlong pursuant to the transactions under the Renewed Master Purchase Agreement for the financial year ending 31 December 2010 is RMB57 million, representing an increase of 26% compared with the aggregate purchase amount for the nine months ended 30 September 2009. Such increase is because the Company expects an increase in the demand of wheel loader and road roller products in 2010, resulting in a significant increase of quantity of Parts required to be purchased by the Group from Jinlong. The amounts are determined with reference to the historical values of such transaction and the estimated increase in the growth of the Group's business and thus the Group's demand for the Parts.

The consideration under the Renewed Master Purchase Agreement will be satisfied by internal funds of the Company. The Company will pay the relevant purchase amounts of the Parts to Jinlong in full amount by way of remittance or bank's acceptance bill within 60 days of the day when the Company recognises the purchase from Jinlong in its financial accounts, which shall be the 15th and 25th day of each month immediately after the Company receives the value added tax invoices issued by Jinlong.

## **REASONS FOR THE PROPOSED CONTINUING CONNECTED TRANSACTIONS**

The Group has been sourcing the Parts from Jinlong since November 2004. Given that both Longgong Fujian (being a member of the Group) and Jinlong are located in Longyan City in the Fujian Province and are located in close proximity to each other, the transactions contemplated under the Renewed Master Purchase Agreement will allow speedy transportation of the Parts from Jinlong to the Group. Besides, the price of the Parts offered by Jinlong to the Group is at cost plus margin based on arms length negotiation between Jinlong and the Group. In view of the foregoing, the Directors therefore are of the view that the entering into of the Renewed Master Purchase Agreement will benefit the Group as a whole and allow the Group to enhance its operational efficiency.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Jinlong is owned as to 82.67% by Mr. Ngai. Mr. Ngai is the brother of Ms. Ngai Ngan Ying, the deputy chairman and non-executive director of the Company, and thus is an associate of Ms. Ngai Ngan Ying. Accordingly, it is a connected person and the transactions contemplated under the Renewed Master Purchase Agreement constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and are exempt from the independent shareholders' approval requirement under the Listing Rules by virtue of the fact that each of the relevant percentage ratios (other than the profit ratio) in respect of the purchase amount is less than 2.5% on an annual basis.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Renewed Master Purchase Agreement (including the annual caps) are fair and reasonable and that they are arrived at after arm's length negotiations, upon normal commercial terms and in the interest of the Company and the Shareholders as a whole. The Renewed Master Purchase Agreement will be subject to the annual review requirement and the reporting requirement under Rules 14A.37 to 14A.41 and Rules 14A.45 and 14A.46 of the Listing Rules respectively.

## INFORMATION OF THE GROUP

The Group is principally engaged in the manufacture of wheel loaders and other infrastructure machinery in the PRC. It also manufactures axles and transmissions, which are critical components for wheel loaders.

## DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Lonking Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Jinlong”	龍岩市金隆機械有限公司 (Longyan City Jinlong Machinery Company Limited), a company incorporated in the PRC with limited liability on 21 June 2004 and owned as to approximately 82.67% by Mr. Ngai as at the date of this announcement
“Longgong Fujian”	龍工（福建）機械有限公司 (Longgong (Fujian) Machinery Company Limited), a wholly foreign owned enterprise incorporated in the PRC on 15 September 2004 and a wholly owned subsidiary of the Company
“Longgong Shanghai”	龍工（上海）機械制造有限公司 (Longgong (Shanghai) Machinery Company. Limited*), a sino-foreign equity joint venture incorporated in the PRC on 13 August 2004 and a subsidiary of the Company
“Master Purchase Agreement”	the master purchase agreement dated 14 November 2007 between the Company (for itself and on behalf of its subsidiaries) and Jinlong, pursuant to which the Group agrees to purchase the Parts from Jinlong from time to time

“Mr. Ngai”	Mr. Ngai Ngan Gin, the brother of Ms. Ngai Ngan Ying, the deputy chairman and non-executive director of the Company, and thus an associate of Ms. Ngai Ngan Ying
“Parts”	rims, which are familiarly called steel rims, and are equipped with tyres and bridges to form a part of a powertrain
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Renewed Master Purchase Agreement”	the renewed master purchase agreement dated 7 December 2009 between the Company (for itself and on behalf of its subsidiaries) and Jinlong, pursuant to which the terms of the Master Purchase Agreement were renewed
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

*In this announcement, the exchange rate of HK\$1.00 = RMB0.8809 is used for illustrative purpose.*

By Order of the Board  
**Lonking Holdings Limited**  
**Li San Yim**  
*Chairman*

Hong Kong, 7 December 2009

*As at the date of this announcement, Mr. Li San Yim, Mr. Qiu Debo, Mr. Luo Jianru, Dr. Mou Yan Qun, Mr. Chen Chao, Mr. Lin Zhong Ming are the executive directors of the Company; Ms. Ngai Ngan Ying and Ms. Fang Deqin are the non-executive directors of the Company; and Mr. Pan Longqin, Dr. Qian Shizheng and Mr. Han Xuesong are the independent non-executive directors of the Company.*

\* *For identification purposes only*