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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)**

**CONTINUING CONNECTED TRANSACTIONS**

On 6 May 2013, the Company and Shanghai Refined Machinery entered into the Purchase Agreement, pursuant to which the Company has agreed to purchase the Products from Shanghai Refined Machinery from time to time for a term commencing from 6 May 2013 and ending on 31 December 2013.

As Shanghai Refined Machinery is wholly owned by Refined Holdings, which is in turn wholly owned by Mr. Li Bin, the son of Mr. Li San Yim who is a controlling shareholder of the Company, an executive Director and the chairman of the Group and Ms. Ngai who is a non-executive Director and deputy chairman of the Group, Shanghai Refined Machinery is an associate of Mr. Li San Yim and Ms. Ngai, thus it is a connected person of the Company. Accordingly, the Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

As each of the applicable ratios (other than the profits ratio) under Chapter 14 of the Listing Rules is on an annual basis expected to exceed more than 0.1% but less than 5%, the Purchase Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

The major terms of the Purchase Agreement are set out below:

**THE PURCHASE AGREEMENT**

Date : 6 May 2013

Term : 6 May 2013 to 31 December 2013 (both days inclusive)

\* For identification purposes only

- Parties : (a) Shanghai Refined Machinery; and  
(b) the Company
- Subject : The Company agrees to purchase or procure its subsidiaries to purchase the Products from Shanghai Refined Machinery and Shanghai Refined Machinery agrees to sell the Products to the Company or its subsidiaries in accordance with the terms and conditions of the Purchase Agreement.
- Price and Payment Terms : The purchase price of the Products shall not be (i) higher than the price at which the Company or its subsidiaries would otherwise purchase from its independent suppliers which supply the Products of the same type and quality, and (ii) higher than the price at which Shanghai Refined Machinery would otherwise supply to its independent customers which purchase the Products of the same type and quality.

The Company and Shanghai Refined Machinery shall enter into a rotary drilling purchase contract for each transaction of the purchase of the Products based on the principal terms and conditions set out in the Purchase Agreement. The purchase price of Products for each transaction shall be settled in full within 60 days after shipping of the Products to overseas customers by the Company.

### **Historical transaction records**

For the period from 1 January 2013 and to 3 May 2013, the aggregate amount of the Products purchased by the Company from Shanghai Refined Machinery was approximately RMB3 million (equivalent to approximately HK\$3.78 million). As each of the applicable percentage ratios (other than the profits ratio) was on an annual basis less than 0.1%, the historical transactions were de minimis transactions which were exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

### **Proposed cap amount**

The parties to the Purchase Agreement agree that the aggregate purchase amount in respect of the Purchase Agreement for the year ending 31 December 2013 together with any historical transaction amount in connection with the purchase of the Products by the Company from Shanghai Refined Machinery for the period from 1 January 2013 to 3 May 2013, will not exceed RMB20,000,000. The proposed cap amount is determined with reference to the historical transaction volumes and the anticipated growth in the Company's business and demand for the Products for the period ending 31 December 2013.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE PURCHASE AGREEMENT**

The Company has been reselling the Products to overseas customers in response to the demand of its overseas clients. Instead of manufacturing the Products, the Company purchased the Products from third-party suppliers and re-sold them to its overseas clients, as the sales volume of the Products had been relatively small compared with the overall revenue of the Company as a whole. Since Shanghai Refined Machinery is able to offer the Products of comparative quality but at a more competitive price and to is able to provide adequate technical support to the Company, the Company has started purchasing from Shanghai Refined Machinery since 1 January 2013, instead of from other third-party suppliers, so as to minimize costs, which would in turn increase the profitability of the Group's business as a whole.

## **INFORMATION ON THE GROUP AND SHANGHAI REFINED MACHINERY**

The Group is a leading manufacturer of wheel loaders and one of the major manufacturers of engineering machineries in the PRC. Its core business is the design, manufacture and sale of wheel loaders, excavators, forklifts and road rollers.

Shanghai Refined Machinery is a manufacturer and distributor of engineering machineries and components, including the Products, in the PRC. It is primarily engaged in the development, design and production of engineering machineries, construction machineries, diesel engines and their components, as well as the sale of self-manufactured products and the provision of after-sales services and technical consulting services.

## **LISTING RULES IMPLICATIONS**

As Shanghai Refined Machinery is wholly owned by Refined Holdings, which is in turn wholly owned by Mr. Li Bin, the son of Mr. Li San Yim who is a controlling shareholder of the Company, an executive Director and the chairman of the Group and Ms. Ngai who is the non-executive Director and the deputy chairman of the Group, Shanghai Refined Machinery is an associate of Mr. Li San Yim and Ms. Ngai, thus it is a connected person of the Company. Accordingly, the Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

As each of the applicable ratios (other than the profits ratio) under Chapter 14 of the Listing Rules is on an annual basis expected to exceed more than 0.1% but less than 5%, the Purchase Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

At the Board meeting held to approve the Purchase Agreement, Mr. Li San Yim, who is a controlling shareholder of the Company, an executive Director and the chairman of the Group, and Ms. Ngai, who is the wife of Mr. Li San Yim and a non-executive Director and the deputy chairman of the Group, are considered to be interested in the transactions contemplated under the Purchase Agreement and have

abstained from voting in respect of the resolutions proposed to approve the Purchase Agreement. Save for Mr. Li San Yim and Ms. Ngai who have abstained from voting for the resolutions because of their interests in the transactions, the Board, including all the independent non-executive Directors, have unanimously voted in favour of the resolutions proposed to approve the Purchase Agreement.

The Directors (excluding Mr. Li San Yim and Ms. Ngai who have abstained from voting on the resolutions of the Board approving the Purchase Agreement and the transactions contemplated thereunder, but including the independent non-executive Directors) consider that the transactions under the Purchase Agreement are entered into in the usual and ordinary course of business of the Company, and the terms of the Purchase Agreement have been negotiated and will be conducted on an arm's length basis and on normal commercial terms between the Company and Shanghai Refined Machinery. The Directors (excluding Mr. Li San Yim and Ms. Ngai who have abstained from voting on the resolutions of the Board approving the Purchase Agreement and the transactions contemplated thereunder, but including the independent non-executive Directors) are of the view that, as far as the Company and the Shareholders are concerned, the Purchase Agreement and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement.

“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 person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Li Bin”	李斌 (Li Bin*), the son of Mr. Li San Yim and Ms. Ngai;
“Mr. Li San Yim”	李新炎 (Li San Yim*), the spouse of Ms. Ngai, a controlling shareholder of the Company, an executive Director and the chairman of the Group;
“Ms. Ngai”	倪銀英 (Ngai Ngan Ying*), a non-executive Director and the spouse of Mr. Li San Yim;
“PRC”	the People’s Republic of China, and, for the purposes of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region;
“Products”	rotary drilling rigs which are machineries to be used in building foundation projects and may include parts such as dematron machines, drilling buckets, tube drillings and jaws;
“Purchase Agreement”	the framework purchase agreement dated 6 May 2013 entered into by the Company and Shanghai Refined Machinery;
“Refined Holdings”	Refined Holdings Limited, a company incorporated in Hong Kong, and is wholly owned by Mr. Li Bin;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Refined Machinery”	上海銳帆德機械有限公司 (Shanghai Refined Machinery Co. Ltd.*), a company established under the laws of the PRC, and is wholly owned by Refined Holdings;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

*This announcement contains translations between Renminbi and Hong Kong dollar amounts at RMB1.00 = HK\$1.259, being the exchange rate prevailing on 6 May 2013. The translations should not be taken as a representation that the Renminbi could actually be converted into Hong Kong dollar at such rates or at all.*

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

Hong Kong, 6 May 2013

*As at the date of this announcement, Mr. Li San Yim, Mr. Qiu Debo, Mr. Luo Jianru, Mr. Chen Chao, Mr. Lin Zhong Ming, Mr. Zheng Kewen and Mr. Yin Kunlun are the executive directors of the Company; Ms. Ngai Ngan Ying is the non-executive director of the Company; and Mr. Pan Longqing, Dr. Qian Shizheng, Mr. Han Xuesong and Mr. Jin Zhiguo are the independent non-executive directors of the Company.*