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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)

**DISCLOSEABLE TRANSACTION RELATING TO AN INVESTMENT IN
AN ASSET MANAGEMENT SCHEME**

Reference is made to the Circular of the Company dated 14 August 2017 (the “**Circular**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 24 November 2017, Lonking (Shanghai) Forklift Co., Ltd. (as asset entrustor), entered into a contract (“**the Fifth Contract**”) with Aegon-Industrial Fund Management Co.,Ltd. (as asset manager) and Industrial Bank Co., Ltd. (as asset custodian), pursuant to which Lonking (Shanghai) Forklift Co., Ltd. agreed to participate in an asset management scheme operated by Aegon-Industrial Fund Management Co.,Ltd. with an investment amount of RMB500,000,000 (equivalent to approximately HK\$590,000,000).

One or more of the applicable percentage ratios in respect of the investment amount under the Contract are more than 5% but less than 25%, the entering of the Contract constitutes discloseable transactions of the Company and are subject to the reporting and announcement requirements, but exempt from the Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

BACKGROUND

On 24 November 2017, Lonking (Shanghai) Forklift Co., Ltd. (as asset entrustor), entered into the Contract with Aegon-Industrial Fund Management Co.,Ltd. (as asset manager) and Industrial Bank Co., Ltd. (as asset custodian), pursuant to which Lonking (Shanghai) Forklift Co., Ltd. agreed to participate in an asset management scheme (the “**Scheme**”) operated by Aegon-Industrial Fund Management Co.,Ltd. with an investment amount of RMB500,000,000 (equivalent to approximately HK\$590,000,000). To the best information, knowledge and belief of the Directors, and after making

* *For identification purposes only*

all reasonable enquiries, Aegon-Industrial Fund Management Co., Ltd. and Industrial Bank Co., Ltd., and their respective associates are Independent Third Parties. Lonking (Shanghai) Forklift Co., Ltd. is a wholly owned subsidiary of the Company.

The major terms of the Fifth Contract are as follows:

Investment amount: Up to RMB500,000,000 (equivalent to approximately HK\$590,000,000) which will be funded by the internal resources of the Group.

Scope and proportion of Investment: Investment will include cash, bank deposits, interbank certificates of deposit and other money market instruments with good liquidity which are recognized by CSRC and the People's Bank of China, shares (including new shares and private placement), subjects of Hong Kong stocks on Shanghai Hong Kong Stock Connect (滬港通) and Shenzhen Hong Kong Stock Connect (深港通), bonds (including treasury bonds, financial bonds, enterprise bonds, corporate bonds, debt repurchase, central bank bills, non-financial corporate debt financing instruments, convertible bonds, exchangeable bonds (including private equity), asset-backed securities and other bonds), securities investment funds (including securities investment funds managed by AEGON-INDUSTRIAL Fund).

Such investment is not applicable to the securities of the Company.

The proportion of investment in shares (including new shares) shall be not more than 80% of the net asset value of the Scheme by market capitalization; the proportion of investment in bonds (including newly issued bonds) and exchangeable private placement bonds shall be not more than 100% of the total asset value of the Scheme by market capitalization.

Fee: In addition to other charges and expenses, the Company shall pay asset management fee and asset custodian fee to Aegon-Industrial Fund Management Co.,Ltd. and Industrial Bank Co., Ltd., respectively calculated based on the investment amount.

(a) Asset management fee (per day) = net value of the Entrusted Assets as at the previous day x 1.0%/total number of calendar days of the relevant year

The rate of the asset management fee of 1.0% was determined based on the average rates of 1 to 2% of similar products offered by Aegon-Industrial Fund Management Co.,Ltd. to its individual customers other than the Group as adjusted in accordance with different situations of specific customers and agreed between the asset manager and the asset entrustor. Taking into account the tailor-made features of the products offered by Aegon-Industrial Fund Management Co.,Ltd. to its individual customers, the asset management fee of the Scheme has been adjusted with reference to the scale, the term, the investment scope and the specific terms and conditions of the above comparable products.

The Directors are of the view that the asset management fee is fair and reasonable as (a) it was determined by making reference to the “2-20” fee model (the “**Fee Model**”) for private equity funds which is widely adopted by the market that private equity fund management companies charge about 2% of the fund size as asset management fee and about 20% of the investment return as the performance-based management fee; (b) the Group shall monitor whether Aegon-Industrial Fund Management Co.,Ltd. has been charging the asset management fee in accordance with the Fee Model; and (c) the asset management fee was determined by taking into account the scale, the term, the investment scope and the specific terms and conditions of the Scheme.

(b) Asset custodian fee (per day) = net value of the Entrusted Assets as at the previous day x 0.08%/total number of calendar days of the relevant year.

The rate of the asset custodian fee of 0.08% was determined based on the generally accepted rate in banking industry.

Term:

The Contract is valid for one year from 24 November 2017. The Contract can be extended on a basis of one year cycle if no written objection is raised by the asset entrustor within one month before the expiry of the Contract. During the term of the Contract, the asset entrustor can request the termination of the Contract in writing. The date of the termination of the Contract is determined subject to no objections confirmed by the asset manager and the asset custodian. Upon the termination of the Contract, the parties to the Contract should liquidate the Entrusted Assets in accordance with the Contract.

Risk-return profile:	The risk-return profile of the Scheme is “relatively high risk and relatively high return”.
Expected return:	Floatable return with no guaranteed profits.
Composition of cash income available for distribution:	The composition of cash income available for distribution is the cash that can be allocated to asset entrustor, after deducting all the taxes and expenses payable by the Entrusted Assets from the carrying cash value of the Entrusted Assets in custody in the custodial account. The net asset value of the Entrusted Assets after the distribution of income should be no less than RMB30,000,000.
Withdrawal of Entrusted Assets:	The Entrusted Assets is not allowed to be withdrawn within 3 working days from depositing the investment amount. For the remaining term of the Contract, if the net asset value of the Entrusted Assets is more than RMB30,000,000, partial withdrawal of the Entrusted Assets is allowed, provided that the net asset value of the remaining Entrusted Assets after withdrawal shall not be less than RMB30,000,000. In the event that the net asset value of the Entrusted Assets is less than RMB30,000,000, early withdrawal is not allowed but the parties to the Contract may by mutual agreement to early terminate the Contract.
Risk Exposure and Stop Loss:	The initial Net Entrusted Assets Unit Value is RMB1.00. The Scheme has set a stop loss value of the Net Entrusted Assets Unit Value of RMB0.80, and upon the Net Entrusted Assets Unit Value of the Scheme on a trade day hitting the stop loss value, the asset manager should notify the entrustor before 17:00 on the day after hitting the stop loss value. After negotiation between the asset entrustor and the asset manager, the asset entrustor has the right to stop loss and close-out. The scheme’s close-out level is monitored by the manager and the custodian shall not monitor it.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACT

By entering into the Contract, the Group intends to further improve the capital usage efficiency and investment return of the Group. The Directors (including independent non-executive Directors) are of the opinion that the terms of the Contract are fair and reasonable and are in the interests of the Group and the Shareholders as whole.

INFORMATION OF THE PARTIES TO THE CONTRACT

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

Lonking (Shanghai) Forklift Co., Ltd. is a wholly owned subsidiary of the Company which is primarily engaged in manufacture and distribution of forklifts.

Aegon-Industrial Fund Management Co.,Ltd. is a company established in the PRC with limited liability and is a non wholly-owned subsidiary controlled by Industrial Securities Co., Ltd. which is licensed by the CSRC to engage in business in providing specific asset management services, etc. to its clients.

Industrial Bank Co., Ltd. is a licensed bank established under the laws of the PRC which is principally engaged in banking and financial business, including public deposits; short-, medium-, and long-term loans; domestic and international settlement; bills acceptance and discounting; issuance of financial bonds; agency services and underwriting of government bonds; trading of government and financial bonds; interbank lending and borrowing; foreign exchange trading; bank card services; letter of credit and guarantee services; collection of receivables and insurance services; safe deposit box services; credit investigation, advisory and witnessing services; and other business activities approved by regulatory authorities in the PRC.

LISTING RULES IMPLICATIONS

One or more of the applicable percentage ratios in respect of the investment amount under the Contract are more than 5% but less than 25%, the entering of the Contract constitutes discloseable transactions of the Company and are subject to the reporting and announcement requirements, but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“AEGON-INDUSTRIAL Fund Management Co., Ltd.” AEGON-INDUSTRIAL Fund Management Co., Ltd. (興全基金管理有限公司), a company established in the PRC with limited liability, a non wholly-owned subsidiary controlled by Industrial Securities Co., Ltd. (興業證券股份有限公司) and an Independent Third Party;

“Industrial Securities Co., Ltd.” Industrial Securities Co., Ltd, a national integrated securities company which was one of the first batch of companies obtaining the approval of CSRC;

“Industrial Bank Co., Ltd.”	Industrial Bank Co., Ltd. (興業銀行股份有限公司), a licensed bank established under the laws of the PRC and an Independent Third Party;
“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;
“The Fifth Contract”	the contract dated 24 November 2017 entered into between Lonking (Shanghai) Forklift Co., Ltd. (as asset entrustor), Aegon-Industrial Fund Management Co.,Ltd. (as asset manager) and Industrial Bank Co., Ltd. (as asset custodian) with investment amount of RMB500,000,000 (equivalent to approximately HK\$590,000,000) in the asset management scheme managed by Aegon-Industrial Fund Management Co.,Ltd.;
“CSRC”	the China Securities Regulatory Commission;
“Director(s)”	the director(s) of the Company;
“Entrusted Assets”	the assets, as the subject matter of the Contract, that the asset entrustor has the right to legally dispose of and entrust the asset manager to manage, and such assets are under custody of the asset custodian pursuant to the Contract;
“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 PRC;
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lonking (Shanghai) Forklift Co., Ltd.”	Lonking (Shanghai) Forklift Co., Ltd. (龍工(上海)叉車有限公司), a company established in the PRC with limited liability which is a wholly-owned subsidiary of the Company and primarily engaged in manufacture and distribution of forklifts.

“Net Entrusted Assets Unit Value”	the net asset value of the Entrusted Assets (after deducting the fees, charges and expenses payable under the Scheme) divided by the total number of units of the Scheme as at the calculation date;
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, Taiwan and the Macau Special Administrative Region;
“RMB”	Renminbi, the lawful currency of the PRC;
“Scheme”	has the meaning as set out in the paragraph headed “BACKGROUND” in this announcement;
“Share(s)”	ordinary share(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 dollars amounts at RMB1.00=HK\$1.18, being the exchange rate prevailing as at the date of this announcement. These translations shall 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, 24 November 2017

As at the date of this announcement, Mr. Li San Yim, Mr. Chen Chao, Mr. Luo Jian Ru, Mr. Zheng Ke Wen and Mr. Yin Kun Lun are the executive Directors; Ms. Ngai Ngan Ying is the non-executive Director; and Dr. Qian Shi Zheng, Mr. Wu Jian Ming and Mr. Chen Zhen are the independent non-executive Directors.