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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**  
**SUBSCRIPTION IN A FUND**

**THE SUBSCRIPTION**

On 28 October 2019, the Subscriber entered into the Agreements with the General Partner in relation to the Subscription.

**IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Subscription is more than 5% but all of the applicable percentage ratios are less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

**THE SUBSCRIPTION**

On 28 October 2019, the Subscriber entered into the Agreements with the General Partner in relation to the Subscription. The principal terms of the Agreements are set out below.

**(1) The Subscription Agreement**

The Subscriber will subscribe a principal amount of RMB500 million in the Fund as a Limited Partner. The subscription money will be payable in one or more tranches and on the date(s) as notified by the General Partner.

The Subscription will be funded by the internal resources of the Group.



## (2) The Limited Partnership Agreement

### *Term of the Fund*

The Fund has an initial term of ten years (subject to extension) (the “**Fund Term**”) commencing on a date to be specified by the General Partner upon receipt of the first tranche of subscription money (the “**Commencement Date**”).

The Fund Term may further be extended for an additional two years (at the absolute discretion of the General Partner), three years (subject to the approval of the Limited Partners who together have invested in not less than two-thirds of the capital contribution to the Fund) or more than three years (subject to the unanimous consent of the General Partner and the Limited Partners). The Fund may also be terminated prior to the expiry of the Fund Term on the unanimous consent of the General Partner and the Limited Partners.

The Fund may only make investments during the period of five years commencing on the Commencing Date (the “**Investment Term**”).

### *Size of the Fund*

The target fund raising size of the Fund, together with Shenzhen Gaoling Muqi Equity Investment Fund, L.P.\* (深圳高瓴慕祺股權投資基金合夥企業(有限合夥)), its Alternative Investment Vehicle, shall not be more than RMB20,000 million.

### *Scope of investments*

The main investment scope of the Fund shall be enterprises or projects with growth prospects in strategic emerging industries whether in their growth or maturity stage, as well as long-term equity investment in projects that focus on the empowerment of technology for the value-add of traditional enterprises. The Fund and its Alternative Investment Vehicle shall make joint investment in any investment project.

The Fund may invest in equity securities, debt securities and convertible securities. The Fund may not invest in the secondary stock market for the purpose of short-term arbitrage.



## ***Distribution***

The legally distributable portion of the project investment income received by the Fund, after any reasonable appropriation, shall be allocated to all the partners in the proportion of their respective capital contributions in the investment cost of the project, and those allocated to the Limited Partners shall be distributed in the following order:

- (1) firstly, to the Limited Partners, until the total amount received by the Limited Partners equals the amount of their respective capital contribution to the Fund;
- (2) any balance, to the Limited Partners, until the total amount received by the Limited Partners equals an amount equal to 8% annual internal rate of return (the “**Preferential Return**”) based on their respective capital contribution to the Fund calculated from the date of capital contribution up to the date of distribution;
- (3) any balance, to the Special Limited Partner, until the amount received by the Special Limited Partner equals the Preferential Return divided by 80% multiplied by 20%; and
- (4) any balance as to 20% to the Special Limited Partner and as to 80% to the Limited Partners.

## ***Management of the Fund***

### ***(i) The General Partner***

The General Partner has overall authority over, and responsibility, the operations and management of the Fund. The General Partner may only be substituted or removed by the unanimous consent of the Limited Partners on the grounds of intentional misconduct or gross negligence by the General Partner resulting in material loss to the Fund.

### ***(ii) The Consultant committee***

The consultant committee (the “**Consultant Committee**”) shall comprise not more than nine members nominated by the General Partner. The members of the Investment Committee will include representatives of the Limited Partners (who have invested in more than RMB1,000million (or lesser amount as determined by the General Partner)).

### ***(iii) The Limited Partners and the Special Limited Partner***

The Limited Partners and the Special Limited Partner shall not participate in the management of the Fund.



### ***Management fee***

The management fee of the Fund shall be borne by the Limited Partners, payable from bi-annually in advance at a rate of 2% per annum of their respective subscription amounts. Upon the expiry of the Investment Term, the management fee shall be calculated at a rate of 2% per annum of the investment costs of the Limited Partners that have not yet been realised, and shall be payable bi-annually in advance.

### ***Transferability***

Except with the consent of the General Partner, a Limited Partner's interest in the Fund shall not be transferable and shall not create any encumbrance over its interest in the Fund.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

The Company considers that the Subscription will allow the Company to maximise the utilisation of its surplus cash with an aim to obtain a better return. Having taken into account the experience of the General Partner in investment and fund operations, the Company considers that the Subscription will provide the Group with better return than deposits generally offered by commercial banks and increase the Group's overall earnings in the long run. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

The capital commitment payable by the Subscriber was determined after arm's length negotiations between the General Partner and the Subscriber with reference to the projected capital requirement of the Fund.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **(1) The Company and the Subscriber**

The Group 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.

The Subscriber is a wholly-owned subsidiary of the Company. It is primarily engaged in, manufacturing and distribution of wheel loaders.



## (2) The General Partner and the Special Limited Partner

The General Partner is Shenzhen Gaoling Tiancheng Investment III Co., Ltd.\* (深圳高瓴天成三期投資有限公司), which is ultimately owned by six Chinese natural persons and mainly engaged in investment and investment consultation business.

The Special Limited Partner is Shenzhen Gaoling Tiancheng Investment Consultation Center III, L.P.\* (深圳高瓴天成三期投資諮詢中心(有限合夥)), which is ultimately owned by six Chinese natural persons and mainly engaged in investment and investment consultation business.

The fund manager determined by the General Partner in accordance with Article 6.1.1 of the Partnership Agreement is Zhuhai Gaoling Equity Investment Management Ltd.\* (珠海高瓴股權投資管理有限公司) (“**Zhuhai Gaoling**”). Zhuhai Gaoling was established on 8 October 2013 and has been a private equity fund manager registered with the Asset Management Association of China (<http://www.amac.org.cn/>) since 26 May 2014 with the registered number P1002820, which is mainly engaged in equity investment, investment management, investment fund, fund management and asset management business. The General Partner, the Special Limited Partner and the Manager are affiliated companies of each other.

To the best information, knowledge and belief of the Directors, and after making all reasonable enquiries, each of the Fund, the Special Limited Partner and the General Partner and their respective ultimate beneficial owner are third parties independent of the Company and its connected persons.

## IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratios (as defined in the Listing Rules) in respect of the Subscription is more than 5 % but all of them are less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and, announcement under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Agreements”	the Subscription Agreement and the Limited Partnership Agreement
“Alternative Investment Vehicle”	a vehicle that invests in a project on a joint and parallel basis
“Board”	the board of Directors
“Commencement Date”	has the meaning ascribed to it under the paragraph headed “ <i>Investment term of the Fund</i> ” of this announcement



“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
“Consultant Committee”	has the meaning ascribed to it under the paragraph headed “ <i>Management of the Fund</i> ” of this announcement
“Directors”	the directors of the Company
“Fund”	Shenzhen Gaoling Kunqi Equity Investment Fund, L.P.* (深圳高瓴坤祺股權投資基金合夥企業(有限合夥))
“Fund Term”	has the meaning ascribed to it under the paragraph headed “ <i>Investment term of the Fund</i> ” of this announcement
“General Partner”	Shenzhen Gaoling Tiancheng Investment III Co., Ltd.* (深圳高瓴天成三期投資有限公司), a company established in the PRC with limited liability.
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investment Term”	has the meaning ascribed to it under the paragraph headed “Term of the Fund” of this announcement
“Limited Partner”	the limited partner of the Fund (excluding the Special Limited Partner)
“Limited Partnership Agreement”	the agreement dated 28 October 2019 entered into between the Subscriber, the other Limited Partner and the General Partner in respect of the Fund
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	Zhuhai Gaoling Equity Investment Management Ltd.* (珠海高瓴股權投資管理有限公司) and other managers engaged or determined by the General Partner pursuant to the Agreements
“Preferential Return”	has the meaning ascribed to it under the paragraph headed “ <i>Distribution</i> ” of this announcement



“Shareholders”	holders of the Shares
“Special Limited Partner”	Shenzhen Gaoling Tiancheng Investment Consultation Center III, L.P.* 深圳高瓴天成三期投資諮詢中心(有限合夥), an associate Company of the General Partner
“Subscriber”	Lonking (Fujian) Machinery Company Limited* (龍工(福建)機械有限公司)
“Shares”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Fund by the Subscriber
“Subscription Agreement”	the agreement dated 28 October 2019 entered into between the Subscriber and the General Partner in relation to the Subscription
“%”	per cent.

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

Hong Kong, 28 October 2019

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

\* *For identification purposes only*