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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
IN RELATION TO THE
DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY**

The Board announces that on 21 January 2021, the Vendors (including Vendor A and Vendor B, both being a wholly-owned subsidiary of the Company), jointly entered into the Agreement with the Purchaser, pursuant to which, the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the 100% equity interest in the Target Company at a aggregated cash consideration of RMB745 million (equivalent to approximately HK\$893 million).

As one or more of the applicable percentage ratio in respect of the Disposal exceed 5% but all are less than 25% under Rule 14.07 of the Listing Rules, the Disposal constitutes a discloseable transaction for the Company and the Disposal is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE DISPOSAL

As at the date of this announcement, the Target Company is owned as to 82.8672% by Vendor A and 17.1328% by Vendor B, therefore the Vendors (including both Vendor A and Vendor B) jointly own 100% equity interest in the Target Company.

The Board announces that on 21 January 2021, the Vendors jointly entered into the Agreement with the Purchaser. Pursuant to which, the Vendor A has agreed to sell, and the Purchaser has agreed to purchase 82.8672% equity interest in the Target Company); the Vendor B has agreed to sell, and the Purchaser has agreed to purchase 17.1328% equity interest in the Target Company. A cash consideration of approximately RMB745 million (including tax) (equivalent to approximately HK\$893 million) was paid in aggregate by the Purchaser to the Vendors (including both Vendor A and Vendor B) for 100% equity interests in the Target Company.

* *For identification purposes only*

The Agreement

The principal terms of the Agreement are set out below:

- Date:** 21 January 2021
- Parties:**
- (1) the Vendors including Vendor A and Vendor B, both being a wholly-owned subsidiary of the Company; and
 - (2) the Purchaser.
- Target Company:** 河南龍工機械製造公司 (Henan Longgong Machinery Manufacturing Co., Ltd.*), a limited liability company (sino-foreign joint venture) incorporated in the PRC.
- Consideration:** Pursuant to the Agreement, the total aggregated cash consideration for the Disposal is approximately RMB745 million (equivalent to approximately HK\$893 million).
- The total consideration has been arrived at based on normal commercial terms after arm's length negotiations between the Vendors and the Purchaser and was determined with reference to the actual investment cost of the Group.
- Conditions Precedent:** The conditions precedent for the Disposal are as follows:
- (1) Within 5 working days after the execution of this agreement, the Purchaser and the Vendors shall jointly open a common account of the Target Company, and the Vendors shall remit the funds of RMB475 million collected and deposited by the Target Company in its account to the common account of the Target Company. There are no restrictions on the account such as seizure and freezing;
 - (2) Within 5 working days after the execution of this agreement, the board of directors of the Target Company has delivered a valid resolution document agreeing to the transfer of the equity interest in the Target Company by the Vendors, and the Vendors (including both Vendor A and Vendor B) have explicitly waived their respective pre-emptive right for the transfer of the equity interest of the Target Company in writing;

Payment and settlement

- (1) Upon the execution of this agreement, the Purchaser shall pay the first equity transfer payment of RMB50 million (the “**First Equity Transfer Payment**”) to the account of the Vendor B within 5 working days after all conditions precedent stipulated in this agreement being fulfilled;
- (2) Within 5 working days after the Vendor B receiving the above-mentioned First Equity Transfer Payment, the Vendor B and the Purchaser shall jointly apply to the local government authority of the Target Company for registration of equity change, and within 2 working days after obtaining the acceptance certificate from the government authority for equity change, the Purchaser shall pay the second equity transfer payment of RMB50 million (the “**Second Equity Transfer Payment**”) to the account of the Vendor B;
- (3) Within 5 working days after the Vendor B receiving the Second Equity Transfer Payment, the Vendors and the Purchaser shall complete the following simultaneously:
 - (3.1) The Vendors and the Purchaser shall jointly open a common account of the transferee company, and the Purchaser shall also open a special bank account for foreign exchange payment (mainly used to pay the Vendor A the equity transfer payment and withhold and pay taxes);
 - (3.2) The Vendors and the Purchaser shall jointly apply to the local government authority of the Target Company for the registration of equity change, and obtain the acceptance certificate from the government authority for equity change;
- (4) After 2 working days upon obtaining the acceptance certificate from the government authority for equity change as mentioned in (3.2) above, the Purchaser shall transfer the equity transfer payment of 82.8672% of the equity interest owned by Vendor A in the Target Company (the “**Total Equity Transfer Payment**”), which is approximately RMB617 million in total to the bank account designated by the Vendor A.

- (5) Within 5 working days after the Vendor A receiving the Total Equity Transfer Payment as mentioned in (4) above, the Vendors and the Purchaser shall release the common administration of the common accounts of the transferee and of the Target Company;
- (6) Within 180 days after the equity transfer of the Target Company, in case that the Vendors do not materially violate the agreement and prejudice the interests of the Target Company and the Purchaser, and the Purchaser shall pay the Vendors the remaining transfer payment of RMB28 million for the equity transfer (the “**Remaining Equity Transfer Payment**”).

COMPLETION

Upon completion of the Disposal and the transfer of the equity interest of the Target Company, the Vendors and the Purchaser shall sign the assets handover confirmation letter after completion of the transfer of all assets as well as the information under joint administration.

Upon completion of the Agreement, the Target Company will be held as to 100% by the Purchaser. It will cease to be a subsidiary of the Company and will no longer be consolidated into the financial statements of the Company. The Purchaser becomes the sole owner of the Target Company and has the complete rights and obligations of the underlying equity.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company is located at the interchange area of Zhengzhou Metro Line 5 and 12. The local government requisitioned part of Target Company’s land for construction of the subway. During the construction of the subway, Target Company’s production and operation activities were affected to a certain extent. In order to cooperate with local construction of governmental public facilities, Target Company ceased its daily operations in 2015. In order to improve asset utilization efficiency and revitalize idle assets, the Company decided to sell non-core businesses to strengthen the Group’s financial conditions and asset liquidity, which is conducive to the Group’s business integration combination.

The Directors (including the independent non-executive Directors) are of the views that the terms of the Agreement and the Disposal is being carried out in the ordinary and normal course of business of the Company, under normal commercial terms, and is fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Target Company will cease to be the subsidiary of the Company and be consolidated in the Group.

Subject to audit, it is estimated that the Group will recognise a gain from the Disposal of approximately RMB206 million (equivalent to HK\$247 million), which is calculated based on the proceeds from the Disposal less the book value of the unaudited net assets of the Target Company as at 30 June 2020 and subject to the tax and expenses incurred and related to the transaction (if any). Such calculation is only an estimated provide for illustrative purposes and the accounting treatment of the Disposal will be subject to further review by the auditors of the Company.

USE OF PROCEEDS FROM THE DISPOSAL

The net proceeds from the Disposal will be used for: (i) approximately RMB617 million will be paid to the Vendor A for the general working capital of the Group (ii) Approximately RMB128 million will be used to fund the production and operation of the Vendor B.

INFORMATION OF THE PARTIES

The Vendors include Vendor A and Vendor B, both being a wholly-owned subsidiary of the Company. The Vendor A is a wholly-owned subsidiary of the Company, which is a investment holding company incorporated in the British Virgin Islands; The Vendor B is a wholly-owned subsidiary of the Company, which is a company established in the PRC with limited liability and principally engaged in the manufacture and distributions of axles, gear boxes, hydraulic components, high-precision pumps and valve products.

The Purchaser is a company established in the PRC with limited liability and principally engaged in real estate development and operation; house leasing; business management consulting; business Information consulting; corporate image planning; business information consulting; corporate image planning; public relations activity planning; interior and exterior decoration engineering design and construction; urban distribution; building material sales; engaged in the import and export of goods and technology. The Purchaser is an independent third party of the Company..

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

The Group is a leading manufacturer of wheel loaders and one of the major manufacturers of engineering machineries in the PRC and is principally engaged in the production and sale and finance leasing of construction machinery, namely the wheel loaders, the excavators, the forklifts and the road rollers.

INFORMATION OF THE PARTIES

The Target Company is a company (sino-foreign joint venture) incorporated in the PRC with limited liability and principally engaged in manufacture of new technology and equipment for agricultural machinery, and the manufacture and sale of construction machinery, trailers and parts; import and export of goods and technologies. As of the date of this announcement, the company's total assets as of June 30, 2020 amounted to approximately RMB518 million and net assets as of 30 June 2020 amounted to approximately RMB517 million.

According to the audit reports, operation result of the Target Company for the two years ended 31 December 2018 and 31 December 2019 are set out as follows:

	For the year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,653	1,616
(Loss) profit before taxation	2,343	(225)
(Loss) profit after taxation	2,343	(225)

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio in respect of the Disposal exceed 5% but all are less than 25% under Rule 14.07 of the Listing Rules, the Disposal constitutes a discloseable transaction for the Company and the Disposal is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Agreement”	the agreement dated 21 January 2021 entered into between the Vendors and the Purchaser in relation to the Disposal;
“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

“Common Account of Target Company”	The bank account opened in the name of the Target Company through the entering into a regulatory agreement by all parties with the Bank, and is jointly supervised by the Vendors and the Purchaser, to supervise the bank balance in the book of the Target Company;
“Common Account of the transferee company”	The bank account opened in the name of the Purchaser through the entering into a regulatory agreement by all parties with the Bank, and is jointly supervised by the Vendors and the Purchaser, to temporarily deposit the bank balance of the Target Company;
“Director(s)”	the director(s) of the Company;
“Disposal”	The disposal of 82.8672% and 17.1328% equity interest in the Target Company by the Vendor A and the Vendor B respectively, that is, jointly 100% totally equity interest in the Target Company by the Vendors to the Purchaser pursuant to the Agreement;
“Group”	the Company and its subsidiaries as at the date of this announcement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Purchaser”	河南富田興海實業有限公司 (Henan Futian Xinghai Industrial Co., Ltd.*), a limited liability company established under the laws of the PRC which is an independent third party of the Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules; and

“Target Company”	河南龍工機械製造公司 (Henan Longgong Machinery Manufacturing Co., Ltd.*), a limited liability company (sino-foreign joint venture) incorporated in the PRC;
“Vendors”	Include Vendor A (China Dragon Development Holdings Limited) and Vendor B 龍工(上海)精工液壓有限公司 (Lonking (Shanghai) Precision Hydraulic Component Co., Ltd.*), both being a wholly-owned subsidiary of the Company as at the date of this announcement.
“Vendor A”	China Dragon Development Holdings Limited, which is a investment holding company incorporated in the British Virgin Island;
“Vendor B”	Lonking (Shanghai) Precision Hydraulic Component Co., Ltd. (龍工(上海)精工液壓有限公司), which is established in the PRC with limited liability and principally engaged in the manufacture and distributions of axles, gear boxes, hydraulic components, high-precision pumps and valve products.

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** *For illustration purpose, amount in RMB in this announcement have been translated to HK\$ at HK\$1.00 = RMB0.8340.*

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

Hong Kong, 21 January 2021

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.