

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 Announcement of the Company dated 19 June 2017 (the “**Announcement**”). Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Announcement.

On 9 March 2021, Lonking Shanghai Machinery (as asset entrustor), entered into a contract (“**the Contract**”) with Aegon-Industrial Fund Management Co., Ltd. (as asset manager) and Bank of Shanghai (as asset custodian), pursuant to which Lonking Shanghai Machinery agreed to participate in an asset management scheme operated by Aegon-Industrial Fund Management Co., Ltd. with an investment amount of RMB1,120 million, (equivalent to approximately HK\$1,333 million). The Contract will replace the old contracts (the “**Old Contracts**”) including the Fifth Contract, the First and the Fourth Contract mentioned in the announcement. After the Contract is signed, the Old Contracts will be terminated, and the Entrusted Assets under the custody of the asset custodian pursuant to the Old Contract will be transferred to the Contract.

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.

* For identification purposes only

BACKGROUND

On 9 March 2021, Lonking Shanghai Machinery (as asset entrustor), entered into the Contract with Aegon-Industrial Fund Management Co., Ltd. (as asset manager) and Bank of Shanghai (as asset custodian), pursuant to which Lonking Shanghai Machinery agreed to participate in an asset management scheme (the “**Scheme**”) operated by Aegon-Industrial Fund Management Co., Ltd. with an investment amount of RMB1,120 million (equivalent to approximately HK\$1,333 million). The Contract will replace the old contracts (the “**Old Contracts**”) including the Fifth Contract, the First and the Fourth Contract mentioned in the announcement. After the Contract is signed, the Old Contracts will be terminated, and the Entrusted Assets under the custody of the asset custodian pursuant to the Old Contracts will be transferred to the Contract.

To the best information, knowledge and belief of the Directors, and after making all reasonable enquiries, Aegon-Industrial Fund Management Co., Ltd. and Bank of Shanghai, and their respective associates are Independent Third Parties. Lonking Shanghai Machinery is a wholly owned subsidiary of the Company.

The major terms of the Contract are as follows:

Investment amount: Up to RMB1,120 million (equivalent to approximately HK\$1,333 million) which will be funded by the internal resources of the Group, that is, the Entrusted Assets transferred from the Old Contracts. As of the date of this announcement, the total net asset value of the Entrusted Assets under the Old Contracts amounted to approximately RMB1,120 million.

Scope and proportion of
Investment:

Investment under the Scheme will include stocks (including stocks in the second market, new share subscription, private placement, block transaction, stocks of Sci-Tech Innovation Board, depository receipt, etc.), NEEQ selected securities, targeted Hong Kong stocks on Southbound Trading, securities investment funds (including securities investment funds managed by the manager), bonds (including treasury bonds, financial bonds, enterprise bonds, corporate bonds, central bank bills, non-financial corporate debt financing instruments, convertible bonds, exchangeable bonds (including private equity), etc.), cash, bank deposits, interbank certificates of deposit, stock index futures, debt repurchase, securities margin trading, and other financial instruments in compliance with laws, regulations and regulatory requirements and permitted by trustees.

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

The Scheme is mixed products and investment in equity assets, debt assets, commodities and financial derivative assets and the proportion of investment in any type of the assets shall be not more than 80% of the net 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 Bank of Shanghai, respectively calculated based on the investment amount.

(a) Asset management fee (per day) = net value of the Entrusted Assets as at the previous day $\times 1.0\%$ / 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 0.05%/total number of calendar days of the relevant year.

The rate of the asset custodian fee of 0.05% was determined based on the generally accepted rate in banking industry.

Term:	The Contract is valid for one year from 9 March 2021. 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:	This Scheme is a hybrid product. The expected return and expected risk level are higher than fixed-income products and lower than equity products. The risk level of the Scheme is R3 which is determined with reference to the Measures for the Suitability Management of Securities and Futures Investors promulgated by the CSRC.
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.
Withdrawal of Entrusted Assets:	For the remaining term of the Contract, if the net asset value of the Entrusted Assets is more than RMB10,000,000, 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 RMB10,000,000. In the event that the net asset value of the Entrusted Assets is less than RMB10,000,000, early withdrawal is not allowed but the parties to the Contract may by mutual agreement to early terminate the Contract.
Additional Entrusted Assets:	During the validity period of the Contract, the entrustor has the right to add the Entrusted Assets in the form of written notice or instruction.

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

Due to regulatory restrictions in the PRC, special asset management plan in which Aegon-Industrial Capital Management (Shanghai) Co., Ltd. (formerly known as “**Shanghai AEGON Rui Zhong Asset Management Co., Ltd.**”) acted as the manager in the Old Contract failed to participate in certain type of asset investment. In order to comply with the regulatory compliance requirements in the PRC, the Company shall appoint Aegon-Industrial Fund Management Co., Ltd. (hereinafter referred to as “**Aegon-Industrial Fund Management**”), the parent company of Aegon-Industrial Capital Management (Shanghai) Co., Ltd., as the manager to participate in a certain type of asset investment by entering into the Contract. After the agreement of all parties, the special asset management plan under the Old Contract entered into between Lonking Shanghai Machinery and Aegon-Industrial Capital Management (Shanghai) Co., Ltd. is now terminated, and the new contract is signed again. The Contract will replace the Old Contract, with Aegon-Industrial Fund Management acting as the manager to achieve diversification of investment products. This will be in line with the Company's expectation of return on investment. 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 Machinery is a wholly owned subsidiary of the Company which is primarily engaged in manufacture and distribution of wheel loaders.

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.

Bank of Shanghai 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 Capital Management (Shanghai) Co., LTD.”	Aegon-Industrial Capital Management (Shanghai) Co., LTD. (興證全球資本管理(上海)有限公司, formerly known as , Shanghai AEGON Rui Zhong Asset Management Co., Ltd.* (上海興全睿眾資產管理有限公司), a company established in the PRC with limited liability which is licensed by the CSRC and a wholly-owned subsidiary of AEGON-INDUSTRIAL Fund;
“AEGON-INDUSTRIAL Fund Management Co., Ltd.”	AEGON-INDUSTRIAL Fund Management Co., Ltd. (興證全球基金管理有限公司), 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;

“Announcement”	the announcement of the Company dated 19 June 2017 regarding the discloseable transaction of the Company in relation to the Fifth Contract;
“Bank of Shanghai”	Bank of Shanghai Co., Ltd. (上海銀行股份有限公司), 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;
“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;
“First Contract”	the asset management contract dated 28 May 2015, as amended by the supplemental agreement dated 10 June 2015 by adding an additional investment amount of RMB100,000,000, entered into between Lonking Shanghai Machinery (as asset entrustor), Shanghai AEGON Rui Zhong (as asset manager) and Bank of Shanghai (as asset custodian) with a total investment amount of RMB300,000,000 (equivalent to approximately HK\$368,000,000), details of which are disclosed in the announcements of the Company dated 28 May 2015 and 10 June 2015;
“Fourth Contract”	the asset management contract dated 23 September 2015 entered into between Lonking Shanghai Machinery (as asset entrustor), Shanghai AEGON Rui Zhong (as asset manager) and Bank of Shanghai (as asset custodian) with an investment amount of RMB200,000,000 (equivalent to approximately HK\$243,000,000), details of which are disclosed in the announcement of the Company dated 23 September 2015;
“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;
“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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lonking Shanghai Machinery”	Lonking Shanghai Machinery Co., Ltd. (龍工(上海)機械製造有限公司), a company established in the PRC with limited liability which is interested as to 99.89% by the Company and 0.11% by Shanghai Longgong Machinery Limited (上海龍工機械有限公司), a company which is owned as to 39.5% and 60.5% by Mr. Li San Yim, an executive Director and the spouse of Ms. Ngai, and Ms. Ngai Ngan Ying, a non-executive Director and the spouse of Mr. Li, respectively;
“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

“The Contract”	the contract dated 9 March 2021 entered into between Lonking Shanghai Machinery (as asset entrustor), Aegon-Industrial Fund Management Co., Ltd. (as asset manager) and Bank of Shanghai (as asset custodian) with investment amount of RMB1,120 million (equivalent to approximately HK\$1,333 million) in the asset management scheme managed by Aegon-Industrial Fund Management Co., Ltd.;
“The Fifth Contract”	the supplemental contract dated 19 June 2017 entered into between Lonking Shanghai Machinery (as asset entrustor), Shanghai AEGON Rui Zhong (as asset manager) and Bank of Shanghai (as asset custodian) which amended the First Contract and the Fourth Contract by adding an additional investment amount of RMB500,000,000 (equivalent to approximately HK\$579,000,000) in the asset management scheme managed by Shanghai AEGON Rui Zhong;
“%”	per cent.

This announcement contains translations between Renminbi and Hong Kong dollars amounts at RMB1.00 = HK\$1.19, being the exchange rate prevailing as at the date of this announcement. These translations shall not be taken as are presentation 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, 9 March 2021

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.