THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Lonking Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.



(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3339)

PROPOSED BONUS ISSUE OF SHARES PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting (the "EGM") of Lonking Holdings Limited (the "Company") to be held at 2/F., Lecture Room, Jucai Office Building, 26 Minyi Road, Xingqiao, Songjiang Industrial, Shanghai 201612, PRC on Friday, 15 October 2010 at 10 a.m. is set out on pages 11 to 13 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

24 September 2010

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

"Articles of Association" the articles of association of the Company (as amended from

time to time)

"associates" has the same meaning as ascribed to it under the Listing

Rules

"Board" the board of Directors

"Bonus Issue" the proposed issue of Bonus Shares on the basis of one Bonus

Share for every existing Share held by the Qualifying Shareholders whose names appear on the register of members of the Company

on the Record Date

"Bonus Shares" new Shares to be issued by way of Bonus Issue by the Company

as described herein

"CCASS" the Central Clearing and Settlement System established and

operated by HKSCC

"Companies Law" the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated

and revised) of the Cayman Islands

"Company" Lonking Holdings Limited, a company incorporated in the

Cayman Islands with limited liability, and the Shares of which

are listed on the Stock Exchange

"Convertible Bonds" US\$287,000,000 zero coupon convertible bonds due 2012 issued

by the Company on 30 April 2007, of which an aggregate amount of US\$3,340,000 remains outstanding as at the Latest Practicable Date and US\$135,000,000 zero coupon convertible bonds due 2014 issued by the Company on 24 August 2009, of which an aggregate amount of US\$135,000,000 remains outstanding as at

the Latest Practicable Date

"Director(s)" director(s) of the Company

DEFINITIONS

"EGM" the extraordinary general meeting of the Company to be held at 2/F., Lecture Room, Jucai Office Building, 26 Minyi Road, Xingqiao, Songjiang Industrial, Shanghai 201612, PRC on Friday, 15 October 2010 at 10 a.m. or any adjournment thereof, to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 11 to 13 of this circular "Group" the Company and its subsidiaries "HK\$" Hong Kong dollars, the lawful currency of Hong Kong "HKSCC" Hong Kong Securities Clearing Company Limited "Hong Kong" the Hong Kong Special Administrative Region of the PRC "Latest Practicable Date" 22 September 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein "Listing Committee" the listing committee of the Stock Exchange "Listing Rules" the Rules Governing the Listing of Securities on the Stock Exchange "Overseas Shareholders" holders of Shares whose addresses as shown on the register of members of the Company on the Record Date are outside Hong Kong "PRC" the People's Republic of China, but for the purposes of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan "Qualifying Shareholders" holders of Shares who are entitled to the Bonus Issue, excluding Overseas Shareholders who the Board, after seeking advice from various overseas counsel(s), considers such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to extend the Bonus Issue to them "Record Date" 15 October 2010, being the date for determining the entitlements to the Bonus Issue

DEFINITIONS

"SFO" the Securities and Futures Ordinance (Chapter 571 of the Laws

of Hong Kong)

"Shareholders" the holders of the Shares

"Shares" the ordinary shares with nominal value of HK\$0.10 each in the

share capital of the Company

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"US\$" United States dollars, the lawful currency of the United States

"%" per cent

EXPECTED TIMETABLE FOR THE BONUS ISSUE

The expected timetable for the Bonus Issue is set out below: Dispatch of the circular and notice of the EGMFriday, 24 September 2010 Last day of trading in Shares on First day of trading in Shares on an Latest time for lodging transfer forms of Shares for registration to qualify for Tuesday, 12 October 2010 Closure of register of members of the Company (both days inclusive) From Wednesday, 13 October 2010 to Friday, 15 October 2010 Latest time for lodging forms of Wednesday, 13 October 2010 Friday, 15 October 2010 Record date for determination of entitlements to the Bonus Shares......Friday, 15 October 2010 Dealings in Bonus Shares on the

Note: All times refer to Hong Kong local time in this circular

Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.



(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3339)

Executive Directors:

Mr. Li San Yim (Chairman)

Mr. Qiu Debo

Mr. Luo Jianru

Dr. Mou Yan Qun

Mr. Chen Chao

Mr. Lin Zhong Ming

Ms. Fang Deqin

Non-executive Director:

Ms. Ngai Ngan Ying

Independent Non-executive Directors:

Mr. Pan Longqing

Dr. Qian Shizheng

Mr. Han Xuesong

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principle place of business in

Hong Kong:

Unit 3413, China Merchants Tower

Shun Tak Centre

168-200 Connaught Road

Central

Hong Kong

24 September 2010

To the Shareholders

Dear Sir/Madam.

PROPOSED BONUS ISSUE OF SHARES PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

The purpose of the circular is to provide you with information regarding (i) the proposed Bonus Issue; and (ii) the proposed increase in the authorised share capital of the Company and to give you the notice of the EGM.

^{*} For identification purposes only

2. PROPOSED BONUS ISSUE

Reference is made to announcement made by the Company dated 26 August 2010 in relation to the Bonus Issue. The Board proposed the Bonus Issue to the Shareholders in recognition of their continual support.

Basis of Bonus Issue

Subject to the conditions as set out under the heading "Conditions of the Bonus Issue" below, the Bonus Issue is proposed to be made on the basis of one Bonus Share for every existing Share held by the Qualifying Shareholders on the Record Date. On the basis of 2,140,050,000 existing Shares in issue as at the Latest Practicable Date, and assuming that no further Shares will be issued or repurchased before the Record Date, 2,140,050,000 Bonus Shares will be issued pursuant to the Bonus Issue.

Record Date and Closure of Register of Members

The Bonus Shares will be issued to the Qualifying Shareholders. Arrangements for Overseas Shareholders are further elaborated below under the paragraph headed "Overseas Shareholders".

The register of members of the Company will be closed from Wednesday, 13 October 2010 to Friday, 15 October 2010, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the Bonus Issue, all transfers of Shares must be duly completed, accompanied by the relevant share certificates and lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 12 October 2010.

Conditions of the Bonus Issue

The Bonus Issue is conditional, among other things, upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM for approving the Bonus Issue:
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Bonus Shares; and
- (iii) compliance with the relevant legal procedures and requirements under the Companies Law to effect the Bonus Issue.

The Directors confirm that none of the Shareholders will be required to abstain from voting in respect of the resolution approving the Bonus Issue at the EGM.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Bonus Shares. Save for the Convertible Bonds being listed on the Singapore Exchange Securities Trading Limited, no part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

Fractions of Bonus Shares

The Company will not allot any fractions of the Bonus Shares. Bonus Shares representing fractional entitlement will be aggregated and issued to a nominee to be nominated by the Directors. Such Bonus Shares (if any) will be sold and the net proceeds, after deducting the related expenses therefrom, will be retained by the Company for its own benefits.

Reasons for the Bonus Issue

The Board believes that the Bonus Issue is a return to the continual support of the Shareholders. In addition, the Board believes that the Bonus Issue will enhance the liquidity of the Shares in the market and thereby enlarging the Company's shareholder and capital base.

Status of Bonus Shares

The Bonus Shares, upon issued, will rank pari passu with the Shares then existing in all respects, including the entitlement of receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Bonus Shares.

Overseas Shareholders

Overseas Shareholders will not be allotted the Bonus Shares if the Directors consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. In such circumstances, arrangements will be made for the Bonus Shares which would otherwise have been issued to the Overseas Shareholders, if any, to be sold in the market as soon as practicable after dealing in the Bonus Shares commences. Any proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Overseas Shareholders, if any, pro-rata to their respective shareholdings and will be posted to them, at their own risk, unless the amount falling to be distributed to any such persons is less than HK\$100, in which case it will be retained for the benefit of the Company.

Based on the register of members of the Company as at the Latest Practicable Date, the Company has no Overseas Shareholder.

Adjustments to Convertible Bonds

Implementation of the Bonus Issue will lead to adjustments to the conversion/exercise price and/or number of Shares to be issued upon conversion of the Convertible Bonds. The Company will notify the respective holders of the Convertible Bonds regarding the adjustments to be made pursuant to the terms and conditions of the Convertible Bonds and details of such adjustments will be disclosed by way of announcement. Save for the Convertible Bonds, the Company has no outstanding options, warrants or convertible securities to subscribe for any Shares.

Expected Timetable

The expected timetable for the Bonus Issue is set out on page 4 of this circular.

Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

Certificate for Bonus Shares

Subject to fulfillment of the conditions of the Bonus Issue as set out above, certificates for the Bonus Shares are expected to be dispatched by ordinary post on or before Monday, 25 October 2010 at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company on the Record Date.

Subject to the granting of listing of, and permission to deal in, the Bonus Shares on the Stock Exchange, the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonus Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Dealings in the Bonus Shares are expected to commence on Wednesday 27 October 2010.

3. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$500,000,000 comprising 5,000,000,000 Shares of HK\$0.10 each, of which 2,140,050,000 Shares are in issue. Assuming that no further Shares will be issued or repurchased before the Record Date, upon issuance of 2,140,050,000 Bonus Shares, 719,900,000 Shares will remain unissued in the share capital of the Company.

The Board proposes to increase the authorised share capital of the Company from HK\$500,000,000 to HK\$2,000,000,000 by the creation of an additional 15,000,000,000 new Shares of HK\$0.10 each. Such new Shares, upon issued and fully paid, shall rank pari passu in all respects with the existing Shares.

The proposed increase in authorised share capital of the Company by creating additional 15,000,000,000 new Shares is determined by taking into account the Bonus Issue as well as the Company's need for flexibility to issue new Shares for future expansion and growth and is conditional upon, among others, the passing of an ordinary resolution by the Shareholders to be proposed at the EGM. The Board is of the view that the proposed increase in authorised share capital of the Company will provide flexibility to the Company in determining its future business plan, and is therefore in the interest of the Shareholders.

The Company currently has no intention to issue any part of the new authorized share capital of the Company upon the approval of the Shareholders having been obtained in respect of the increase in the authorized share capital of the Company at the EGM.

4. EGM

A notice convening the EGM is set out on pages 11 to 13 of this circular.

A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the EGM shall be voted by poll. No Shareholders are required to abstain from voting at the EGM. Further announcement on the results of the poll vote will be made by the Company after the EGM.

5. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

6. RECOMMENDATION

The Directors consider that the Bonus Issue and the increase in the authorised share capital of the Company are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Lonking Holdings Limited
Li San Yim
Chairman

NOTICE OF EGM



(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3339)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Lonking Holdings Limited (the "Company") will be held at 2/F., Lecture Room, Jucai Office Building, 26 Minyi Road, Xingqiao, Songjiang Industrial, Shanghai 201612, PRC on Friday, 15 October 2010 at 10:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications the following ordinary resolutions:

ORDINARY RESOLUTIONS

- 1. "THAT, subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting and agreeing to grant listing of and permission to deal in the Bonus Shares (as hereinafter defined):
 - (a) upon the recommendation of the directors of the Company (the "Directors"), a sum of HK\$214,005,000 being part of the amount standing to the credit of the share premium account and/or retained earnings account of the Company, or such larger sum as may be necessary to give effect to the bonus issue of shares pursuant to this resolution, be capitalized and accordingly the Directors be and are hereby authorized and directed to apply such sum in paying up in full at par not less than 2,140,050,000 shares ("Bonus Shares") of HK\$0.1 each in the capital of the Company, and that such Bonus Shares shall be allotted and distributed, credited as fully paid up at par, to and amongst those shareholders whose names appear on the register of members of the Company on 15 October 2010 (the "Record Date") and whose addresses as shown in such register are in Hong Kong or whose addresses as shown in such register are outside Hong Kong if the Directors do not consider it necessary or expedient to exclude such shareholders of the Company on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, on the basis of one Bonus Share for every one existing issued share of HK\$0.1 each in the capital of the Company held by them respectively on the Record Date;

^{*} For identification purposes only

NOTICE OF EGM

- (b) in case where the address of any holder of Shares as shown on the register of members of the Company at the close of business on the Record Date is outside Hong Kong (the "Overseas Shareholders") and upon making relevant enquiries, the Directors consider the exclusion of such Overseas Shareholders is necessary or expedient, the Bonus Shares shall not be issued to such Overseas Shareholders (the "Excluded Shareholders") but shall be aggregated and sold in the market as soon as practicable after dealings in the Bonus Shares commences. Any net proceeds of such sale, after deduction of expenses, of HK\$100 or more, will be distributed in Hong Kong dollars to the relevant Excluded Shareholders, unless the amount falling to be distributed to any such person is less than HK\$100 in which case it will be retained for the benefit of the Company;
- (c) no fractional Bonus Shares shall be issued, allowed and distributed and all Bonus Shares representing fractions shall be aggregated and sold for the benefit of the Company;
- (d) the shares to be issued pursuant to this resolution shall, subject to the articles of association of the Company, rank pari passu in all respects with the shares of HK\$0.1 each in the capital of the Company in issue on the Record Date, except that they will not rank for the bonus issue of shares mentioned in this resolution; and
- (e) the Directors be authorised to do all acts and things as any be necessary and expedient in connection with the allotment and issue of the Bonus Shares, including, but not limited to, determining the amount to be capitalized out of the share premium account and/or retained earnings account of the Company and the number of Bonus Shares to be allotted and distributed in the manner referred to in paragraph (a) of this resolution."
- 2. "THAT the authorised share capital of the Company be increased from HK\$500,000,000 divided into 5,000,000,000 shares to HK\$2,000,000,000 divided into 20,000,000,000 shares of HK\$0.1 each by the creation of an additional 15,000,000,000 Shares of HK\$0.1 each; and the Directors be and hereby authorised to do all such acts and things and execute all such documents they consider necessary or expedient to give effect to the increase in the authorised share capital of the Company."

By Order of the Board

Lonking Holdings Limited

Li San Yim

Chairman

Hong Kong, 24 September 2010

NOTICE OF EGM

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principle place of business in Hong Kong: Unit 3413, China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong

Notes:

- 1. The register of members of the Company will be closed from Wednesday, 13 October 2010 to Friday, 15 October 2010, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m., Tuesday, 12 October 2010.
- 2. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend. A proxy need not be a member of the Company.
- 3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
- 4. In order to be valid, the form of proxy must be lodged at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
- 5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- 6. Where there are joint holders of any shares in the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- 7. As at the date of this notice, Mr. Li San Yim, Mr. Qiu Debo, Mr. Luo Jianru, Dr. Mou Yan Qun, Mr. Chen Chao, Mr. Lin Zhong Ming and Ms. Fang Deqin are the executive Directors, Ms. Ngai Ngan Ying is the non-executive Director and Mr. Pan Longqing, Dr. Qian Shizheng and Mr. Han Xuesong are the independent non-executive Directors.