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CHINA INFRASTRUCTURE MACHINERY HOLDINGS LIMITED

中國龍工控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3339)

CONTINUING CONNECTED TRANSACTIONS

The Company announced that on 14 November 2007, Jinlong entered into the Master Purchase Agreement, pursuant to which the Group will purchase the Parts from Jinlong from time to time for a term commencing from 14 November 2007 and ending on 31 December 2009.

Jinlong is held as to approximately 82.67% by Mr. Ngai. Mr. Ngai is the brother of Ms. Ngai Ngan Ying, the deputy chairman and non-executive director of the Company, and thus is an associate of Ms. Ngai Ngan Ying. Accordingly, Jinlong is a connected person and the transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and are exempt from the independent shareholders' approval requirement under the Listing Rules by virtue of the fact that each of the relevant percentage ratios (other than the profit ratio) in respect of the purchase amount is less than 2.5% on an annual basis.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Master Purchase Agreement are fair and reasonable and that they are arrived at after arm's length negotiations, upon normal commercial terms and in the interest of the Shareholders as a whole. The Master Purchase Agreement will be subject to the annual review requirement and the reporting requirement under Rules 14A.37 to 14A.41 and Rules 14A.45 and 14A.46 of the Listing Rules respectively.

MASTER PURCHASE AGREEMENT

Date: 14 November 2007

Term: commencing from 14 November 2007 and ending on 31 December 2009

Parties: (a) Jinlong as supplier. Jinlong is currently engaged in the business of manufacture and sale of the Parts
(b) the Company (for itself and on behalf of its subsidiaries) as the purchaser

Subject: Pursuant to the Master Purchase Agreement, the Group will purchase the Parts from Jinlong from time to time during the term of the Master Purchase Agreement

Price: The Parts will be sold to the Group by Jinlong at a purchase price to be determined based on the estimated cost incurred by Jinlong in providing the Parts plus a profit which is agreed between Jinlong and the relevant member of the Group as being no more than 25% of the actual cost incurred by Jinlong. The purchase price of the Parts to be sold to the Group by Jinlong is determined based on arm's length negotiation between the Group and Jinlong.

Historical transaction records

For the two years ended on 31 December 2006 and the nine months ending on 30 September 2007, the aggregate purchase amount (including value added tax) by the Group from Jinlong for the purchase of the Parts amounted to approximately RMB1.57 million, RMB4.02 million and RMB22.16 million (equivalent to approximately HK\$1.62 million, HK\$4.14 million and HK\$22.84 million respectively).

Annual caps

The Directors estimate that the aggregate purchase amounts of the Parts to be purchased by the Group from Jinlong pursuant to the transactions under the Master Purchase Agreement for each of the three financial years ending 31 December 2009 will not exceed RMB40 million (including value added tax), RMB60 million (including value added tax) and RMB67 million (including value added tax) (equivalent to approximately HK\$41.24 million, HK\$61.86 million and HK\$69.07 million respectively). The amounts are determined with reference to the historical values of such transaction and the estimated increase in the growth of the Group's business and thus the Group's demand for the Parts. Both Longgong Fujian (being a member of the Group) and Jinlong are located in Longyan City in the Fujian Province, and Longgong Fujian is the only company within the Group who currently sources the Parts from Jinlong. Given that Longgong Fujian has relocated its plant by the end of December 2006, its production capacity has been increased, thus pushing up its demand for the Parts. Further, Longgong Shanghai has been sourcing the Parts from other suppliers. However, it is expected that Longgong Shanghai will also relocate its plant between May and September 2008, the production demand of Longgong Shanghai will be temporarily assumed by Longgong Fujian during such period, and therefore the annual cap for the financial year ending 31 December 2008 will be increased significantly.

REASONS FOR THE PROPOSED CONTINUING CONNECTED TRANSACTIONS

The Group has been sourcing the Parts from Jinlong since November 2004. Given that both Longgong Fujian (being a member of the Group) and Jinlong are located in Longyan City in the Fujian Province and are located in close proximity to each other, the transactions contemplated under the Master Purchase Agreement will allow speedy transportation of the Parts from Jinlong to the Group. Besides, the price of the Parts offered by Jinlong to the Group is cost plus margin based on arm's length negotiation between Jinlong and the Group. In view of the foregoing, the Directors therefore are of the view that the entering into of the Master Purchase Agreement will benefit the Group as a whole and allow the Group to enhance its operational efficiency.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jinlong is owned as to 82.67% by Mr. Ngai. Mr. Ngai is the brother of Ms. Ngai Ngan Ying, the deputy chairman and non-executive director of the Company, and thus is an associate of Ms. Ngai Ngan Ying. Accordingly, it is a connected person and the transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and are exempt from the independent shareholders' approval requirement under the Listing Rules by virtue of the fact that each of the relevant percentage ratios (other than the profit ratio) in respect of the purchase amount is less than 2.5% on an annual basis.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Master Purchase Agreement (including the annual caps) are fair and reasonable and that they are arrived at after arm's length negotiations, upon normal commercial terms and in the interest of the Company and the Shareholders as a whole. The Master Purchase Agreement will be subject to the annual review requirement and the reporting requirement under Rules 14A.37 to 14A.41 and Rules 14A.45 and 14A.46 of the Listing Rules respectively.

INFORMATION OF THE GROUP

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

DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Infrastructure Machinery 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 persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Jinlong”	龍岩市金隆機械有限公司 (Longyan City Jinlong Machinery Company Limited), a company incorporated in the PRC with limited liability on 21 June 2004 and owned as to approximately 82.67% by Mr. Ngai as at the date of this announcement
“Longgong Fujian”	龍工(福建)機械有限公司 (Longgong (Fujian) Machinery Company Limited), a wholly foreign owned enterprise incorporated in the PRC on 15 September 2004 and a wholly owned subsidiary of the Company

“Longgong Shanghai”	龍工(上海)機械製造有限公司 (Longgong (Shanghai) Machinery Company. Limited), a sino-foreign equity joint venture incorporated in the PRC on 13 August 2004 and a subsidiary of the Company
“Master Purchase Agreement”	the master purchase agreement dated 14 November 2007 between the Company (for itself and on behalf of its subsidiaries) and Jinlong, pursuant to which the Group agrees to purchase the Parts from Jinlong from time to time
“Mr. Ngai”	Mr. Ngai Ngan Gin, the brother of Ms. Ngai Ngan Ying, the deputy chairman and non-executive director of the Company, and thus an associate of Ms. Ngai Ngan Ying
“Parts”	rims, which are familiarly called steel rims, are equipped with tyres and bridges to form a part of powertrain
“PRC”	The People’s Republic of China
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

In this announcement, the exchange rate of HK\$1.00 = RMB0.97 is used for illustrative purpose.

By Order of the Board
China Infrastructure Machinery Holdings Limited
Li San Yim
Chairman

Hong Kong, 14 November 2007

As at the date of this announcement, Mr. Li San Yim, Mr. Qiu Debo, Mr. Luo Jianru, Dr. Mou Yan Qun, Mr. Chen Chao, Mr. Lin Zhongming and Dr. Zhang Hong are the executive directors of the Company. Ms. Ngai Ngan Ying and Ms. Fang Deqin are non-executive directors of the Company. Professor Yang Hongqi, Dr. Qian Shizheng and Mr. Lo Peter are the independent non-executive directors of the Company.

* *For identification purpose only*