LONKING HOLDINGS LIMITED
中國龍工控股有限公司*

(Incorporated in the Cayman Islands with Limited Liability)

(Stock code: 3339)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of Lonking Holdings Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 (the "Period"), together with the comparative figures for the corresponding period in 2011 as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2012

	NOTES	**2012** *RMB'000*	2011 *RMB'000*
Revenue	3	**7,895,964**	12,721,160
Cost of sales		**(6,366,750)**	(9,507,055)
Gross profit		**1,529,214**	3,214,105
Other income	4	**46,316**	93,149
Other gains and losses	4	**(83,300)**	369,509
Selling and distribution expenses		**(382,816)**	(592,782)
Administrative expenses		**(255,988)**	(294,489)
Research and development costs		**(268,030)**	(342,120)
Other expenses		**(5,757)**	(12,427)
Finance income	4	**37,377**	27,992
Finance costs	5	**(341,362)**	(395,153)
Profit before tax	6	**275,654**	2,067,784
Income tax expense	7	**(124,081)**	(337,917)
Profit for the year		**151,573**	1,729,867
Other comprehensive income		**–**	–
Total comprehensive income for the year		**151,573**	1,729,867

	NOTES	2012 RMB'000	2011 RMB'000
Attributable to:			
Owners of the parent		**151,486**	1,729,502
Non-controlling interests		**87**	365
		151,573	1,729,867
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic:			
– For profit for the year	*9*	**RMB0.04**	RMB0.40
Diluted			
– For profit for the year	*9*	**RMB0.04**	RMB0.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2012

	NOTES	**2012** **RMB'000**	2011 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**3,822,103**	3,637,752
Prepaid land lease payments		**320,618**	205,642
Investments in associates		**66,011**	59,218
Finance lease receivables	*10*	**66,346**	446,026
Deferred tax assets		**158,387**	204,529
Prepayments for property, plant and equipment		**158,068**	239,952
Long-term receivables		**122,478**	–
Pledged deposits		**1,000,000**	–
Total non-current assets		**5,714,011**	4,793,119
Current assets			
Prepaid land lease payments		**7,201**	5,383
Inventories	*12*	**2,731,223**	4,379,718
Finance lease receivables	*10*	**215,607**	852,340
Trade and bills receivables	*13*	**2,944,444**	3,130,134
Due from related parties		**1,595**	–
Prepayments, deposits and other receivables	*14*	**1,092,709**	824,690
Pledged deposits	*15*	**84,286**	470,649
Cash and cash equivalents	*15*	**883,051**	1,684,400
Total current assets		**7,960,116**	11,347,314
Current liabilities			
Trade and bills payables	*16*	**1,048,340**	2,723,074
Other payables and accruals		**896,320**	973,513
Interest-bearing bank borrowings	*17*	**1,183,924**	795,425
Convertible bonds	*18*	**–**	24,846
Due to related parties		**6,580**	12,704
Tax payable		**13,899**	127,405
Provisions		**108,020**	150,749
Derivative financial instruments	*18*	**–**	13
Total current liabilities		**3,257,083**	4,807,729
Net current assets		**4,703,033**	6,539,585
Total assets less current liabilities		**10,417,044**	11,332,704

	NOTES	**2012** **RMB'000**	2011 RMB'000
Non-current liabilities			
Deposits for finance leases		**39,879**	108,026
Interest-bearing bank borrowings	*17*	**2,150,643**	1,511,719
Convertible bonds	*18*	**8,151**	825,329
Long-term loan notes	*19*	**1,762,203**	2,205,315
Long-term liabilities		**32,138**	–
Deferred tax liabilities		**83,644**	72,136
Provisions		**22,682**	24,994
Derivative financial instruments	*18*	**739**	178,416
Deferred income		**72,284**	–
Total non-current liabilities		**4,172,363**	4,925,935
Net assets		**6,244,681**	6,406,769
Equity			
Equity attributable to owners of the parent			
Issued capital		**444,116**	444,116
Share premium and reserves		**5,798,312**	5,646,826
Proposed final dividend		**–**	313,661
		6,242,428	6,404,603
Non-controlling interests		**2,253**	2,166
Total equity		**6,244,681**	6,406,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. CORPORATE INFORMATION

Lonking Holdings Limited (the "Company") is incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability under the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands on 11 May 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors, the holding and the ultimate holding company of the Company is China Longgong Group Holdings Limited, which is incorporated in the British Virgin Islands.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries.

The principal activities of the Company and its subsidiaries (the "Group") are the manufacture and distribution of wheel loaders, road rollers, excavators, forklifts and other infrastructure machinery and the provision of finance leases for infrastructure machinery.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures -Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2.3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 replaces the portion of HKAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

3. OPERATING SEGMENT INFORMATION

Year ended 31 December 2012

SEGMENT REVENUE AND RESULTS

	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Total *RMB'000*
Segment revenue	**7,791,273**	**104,691**	**7,895,964**
Segment results	**514,039**	**69,035**	**583,074**
Reconciliation:			
Interest income			**37,377**
Unallocated other income and gains			**1,697**
Corporate and other unallocated expenses			**(5,132)**
Finance costs			**(341,362)**
Profit before tax			**275,654**
Segment assets	**12,532,111**	**1,030,248**	**13,562,359**
Corporate and other unallocated assets			**111,768**
Total assets			**13,674,127**
Segment liabilities	**2,699,253**	**484,201**	**3,183,454**
Corporate and other unallocated liabilities			**4,245,992**
Total liabilities			**7,429,446**

Year ended 31 December 2011

SEGMENT REVENUE AND RESULTS

	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Total *RMB'000*
Segment revenue	12,515,897	205,263	12,721,160
Segment results	2,185,522	166,706	2,352,228
Reconciliation:			
Interest income			27,992
Unallocated other income and gains			95,381
Corporate and other unallocated expenses			(12,664)
Finance costs			(395,153)
Profit before tax			2,067,784
Segment assets	14,333,701	1,342,796	15,676,497
Corporate and other unallocated assets			463,936
Total assets			16,140,433
Segment liabilities	5,003,607	846,404	5,850,011
Corporate and other unallocated liabilities			3,883,653
Total liabilities			9,733,664

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
Wheel loaders	**5,160,573**	**65.4**	8,866,956	69.7
Excavators	**880,070**	**11.1**	1,713,353	13.5
Road rollers	**114,561**	**1.5**	367,480	2.9
Fork lifts	**818,951**	**10.4**	929,296	7.3
Others	**817,118**	**10.3**	638,812	5.0
Subtotal	**7,791,273**	**98.7**	12,515,897	98.4
Finance lease interest income	**104,691**	**1.3**	205,263	1.6
Total	**7,895,964**	**100**	12,721,160	100

There is no single customer from whom the revenue derived accounted for 10% or more of the total revenue of the Group.

4. OTHER INCOME, FINANCE INCOME AND OTHER GAINS AND LOSSES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**37,377**	27,992
Other income		
Government grants	**40,763**	60,184
Penalty income	**4,190**	19,296
Others	**1,363**	13,669
	46,316	93,149

	Group	
	2012	2011
	RMB'000	*RMB'000*
Other gains and losses		
Fair value gain on the derivative component of convertible bonds	**778**	239,996
Loss on redemption of convertible bonds	**(41,354)**	–
Gain on repurchase of long-term loan notes	**9,504**	–
Exchange realignment from convertible bonds	**105**	37,363
Foreign exchange gains	**32,664**	58,018
Loss on disposal of items of property, plant and equipment	**(2,957)**	(2,608)
Allowance for bad and doubtful debts	**(82,040)**	(6,321)
Gain on disposal of obsolete and waste materials	**–**	43,061
	(83,300)	369,509

5. FINANCE COSTS

An analysis of finance costs from operations is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**130,013**	149,522
Interest on long-term loan notes	**182,112**	93,726
Interest on convertible bonds	**64,849**	116,862
Other finance costs	**–**	35,043
Total interest expense on financial liabilities not at fair value through profit or loss	**376,974**	395,153
Less: interest capitalised	**(35,612)**	–
	341,362	395,153

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2012	2011
	RMB'000	*RMB'000*
Cost of inventories sold	**6,366,750**	9,507,055
Depreciation	**329,418**	283,501
Amortisation of land lease payments	**6,517**	8,763
Research and development costs	**268,030**	342,120
Auditors' remuneration	**2,440**	3,020
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	**379,866**	563,833
Contributions to retirement benefit scheme	**40,880**	46,666
Total staff costs	**420,746**	610,499
Foreign exchange differences, net	**32,769**	95,381
Impairment/(reversal of impairment) of financial assets		
– trade receivables *(note 13)*	**32,078**	945
– other receivables *(note 14)*	**50,062**	1
– finance lease receivables *(note 10)*	**(100)**	5,375
	82,040	6,321

	2012	2011
	RMB'000	*RMB'000*
Write-down of inventories to net realisable value	**1,819**	6,312
Product warranty provision	**167,986**	280,978
Loss on redemption of convertible bonds	**41,354**	–
Gain on repurchase of long-term loan notes	**(9,504)**	–
Fair value gain on the derivative component of convertible bonds	**(778)**	(239,996)
Bank interest income	**(37,377)**	(27,992)
Loss on disposal of items of property, plant and equipment	**2,957**	2,608
Gain on disposal of obsolete and waste materials	**–**	(43,061)

7. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
Group:		
Current tax		
Charged for the year	**72,808**	321,246
Overprovision in prior years	**(6,909)**	(23,353)
Withholding tax paid	**532**	–
	66,431	297,893
Deferred tax	**57,650**	40,024
Total tax charge for the year	**124,081**	337,917

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**275,654**		2,067,784	
Tax at the statutory tax rate of 25% (2011: 25%)	**68,780**	**25.0**	516,946	25.0
Income not subject to tax (i)	**(2,571)**	**(0.9)**	(86,855)	(4.2)
Expenses not deductible for tax (ii)	**76,585**	**27.8**	50,632	2.4
Tax effect of tax losses not recognised	**–**	**–**	5,855	0.3
Underprovision/(overprovision) in respect of prior years	**(6,909)**	**(2.5)**	(2,701)	(0.1)
Deferred tax charged at different income tax rates	**(6,674)**	**(2.4)**	291	0.01
Effect of withholding tax	**7,209**	**2.6**	24,978	1.2
Effect of preferential tax rates of 12.5% and 15%	**(12,339)**	**(4.5)**	(171,229)	(8.3)
Tax charge and effective tax rate for the year	**124,081**	**45.1**	337,917	16.3

(i) Income not subject to tax mainly includes a fair value gain on the derivative component of convertible bonds and exchange gains from convertible bonds and long-term loan notes.

(ii) Expenses not deductible for tax purposes generally refer to expenses without proper tax deductible documents and other miscellaneous expenses which are in excess of the allowable tax deduction limit, such as entertainment expenses and advertising expenses.

8. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2011 final of HK$0.09 per share (2010 final: HK$0.10)	**313,661**	355,732
2012 interim of nil per share (2011 interim: HK$0.06)	**–**	209,397
	313,661	565,129

In the annual general meeting held on 25 May 2012, a final dividend of HK$0.09 (2010: HK$0.10) per share in respect of the year ended 31 December 2011 was approved by the shareholders and subsequently paid to the shareholders of the Company.

The Director do not recommend any final dividend for the year ended 31 December 2012.

9. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on:

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**151,486**	1,729,502
Interest on convertible bonds	**–**	116,862
Exchange realignment on convertible bonds	**–**	(37,363)
Fair value gain on the derivative component of convertible bonds	**–**	(239,996)
Profit attributable to ordinary equity holders of the parent, as adjusted for the effect of convertible bonds	**151,486**	1,569,005

	Number of shares	
	2012	2011
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,280,100**	4,280,100
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	**–**	327,611
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**4,280,100**	4,607,711

Because the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2012 and were therefore not included in the calculation of diluted earnings per share.

10. FINANCE LEASE RECEIVABLES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivables comprise:				
Within one year	**235,093**	910,261	**215,607**	852,340
1 to 5 years	**78,627**	493,787	**71,621**	451,401
	313,720	1,404,048	**287,228**	1,303,741
Less: Unearned finance income	**26,492**	100,307	**–**	–
Less: Provision for impairment	**5,275**	5,375	**5,275**	5,375
Present value of minimum lease payment receivables	**281,953**	1,298,366	**281,953**	1,298,366
Analysed as:				
Current			**215,607**	852,340
Non-current			**66,346**	446,026
			281,953	1,298,366

The movements of the provision for impairment of finance lease receivables are as follows:

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**5,375**	–
Impairment losses recognised	**–**	5,375
Write-off *(note 6)*	**(100)**	–
At 31 December	**5,275**	5,375

Effective interest rates of the above finance leases range from 6.8% to 8.95% (2011: 6.8% to 20%) per annum.

Finance lease receivables are secured over the leased infrastructure machinery. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessees.

As at 31 December 2012, the Group's refundable finance lease deposits are as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Current	**113,301**	219,994
Non-current	**39,879**	108,026
	153,180	328,020

The finance lease deposits are non-interest-bearing and are settled on terms according to the lease agreements.

11. PROPERTY, PLANT AND EQUIPMENT

Group

2012	**Buildings**	**Plant and machinery**	**Motor vehicles**	**Furniture and fixtures**	**Construction in progress**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Cost						
At 1 January 2012	**1,324,145**	**2,382,216**	**58,072**	**130,882**	**564,339**	**4,459,654**
Additions	**2,324**	**137,728**	**3,823**	**1,108**	**420,055**	**565,038**
Transfers	**55,230**	**299,295**	**732**	**421**	**(355,678)**	**–**
Disposals	**–**	**(136,328)**	**(1,946)**	**(1,445)**	**–**	**(139,719)**
At 31 December 2012	**1,381,699**	**2,682,911**	**60,681**	**130,966**	**628,716**	**4,884,973**
Accumulated depreciation and impairment						
At 1 January 2012	**180,659**	**562,153**	**26,944**	**52,146**	**–**	**821,902**
Charge for the year	**61,154**	**243,621**	**9,039**	**15,604**	**–**	**329,418**
Disposals	**–**	**(86,413)**	**(898)**	**(1,139)**	**–**	**(88,450)**
At 31 December 2012	**241,813**	**719,361**	**35,085**	**66,611**	**–**	**1,062,870**
Carrying amount						
At 31 December 2012	**1,139,886**	**1,963,550**	**25,596**	**64,355**	**628,716**	**3,822,103**

2011	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2011	1,059,813	1,847,115	46,384	85,228	545,552	3,584,092
Additions	28,430	99,347	14,299	43,264	731,018	916,358
Transfers	236,482	470,166	552	5,031	(712,231)	–
Disposals	(580)	(34,412)	(3,163)	(2,641)	–	(40,796)
At 31 December 2011	1,324,145	2,382,216	58,072	130,882	564,339	4,459,654
Accumulated depreciation and impairment						
At 1 January 2011	126,317	371,050	18,331	34,223	–	549,921
Charge for the year	54,474	196,687	11,776	20,564	–	283,501
Disposals	(132)	(5,584)	(3,163)	(2,641)	–	(11,520)
At 31 December 2011	180,659	562,153	26,944	52,146	–	821,902
Carrying amount						
At 31 December 2011	1,143,486	1,820,063	31,128	78,736	564,339	3,637,752

12. INVENTORIES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Raw materials	**826,198**	1,197,593
Work in progress	**155,032**	211,540
Finished goods	**1,749,993**	2,970,585
	2,731,223	4,379,718

13. TRADE AND BILLS RECEIVABLES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**2,493,863**	2,444,862
Impairment	**(97,486)**	(66,568)
Less: Non-current portion	**(20,182)**	–
	2,376,195	2,378,294
Bills receivable	**568,249**	751,840
	2,944,444	3,130,134

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three to six months, extending up to twelve to eighteen months for some customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**1,514,186**	1,775,503
3 to 6 months	**323,767**	528,581
6 months to 1 year	**538,242**	74,210
	2,376,195	2,378,294

The movements in the provision for impairment of trade receivables are as follows:

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**66,568**	65,623
Impairment losses recognised *(note 6)*	**32,078**	945
Amount written off as uncollectible	**(1,160)**	–
At 31 December	**97,486**	66,568

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB97,486,000 (2011: RMB66,568,000) with a carrying amount before provision of RMB97,486,000 (2011: RMB66,568,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and full provision was made for these individually impaired trade receivables.

The impairment recognised represents the difference between the carrying amount of these receivables and the present value of the expected proceeds.

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,837,953**	2,304,084
Less than 1 month past due	**292,854**	68,060
1 to 3 months past due	**199,159**	6,150
3 months to 1 year past due	**46,229**	–
	2,376,195	2,378,294

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Bills receivable are aged within 6 months at the end of the reporting period. At 31 December 2012, the Group has pledged bills receivable of RMB70,616,000 to banks to get short-term credit facilities (2011: Nil) (note 24).

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments	**228,958**	348,944	**–**	–
Deductible value-added tax	**158,312**	385,761	**–**	–
Deposits	**21,450**	12,006	**–**	–
Total	**408,720**	746,711	**–**	–
Other receivables：				
Loan receivables	**785,065**	16,580	**–**	–
Less: non-current portion	**(102,296)**	–	**–**	–
Less: impairment	**(53,420)**	–	**–**	–
Net loan receivables	**629,349**	16,580	**–**	–
Other miscellaneous receivables	**70,635**	80,752	**626**	2,016
Less: impairment	**(15,995)**	(19,353)	**–**	–
Net other miscellaneous receivables	**54,640**	61,399	**626**	2,016
Total other receivables	**683,989**	77,979	**626**	2,016
Grand total	**1,092,709**	824,690	**626**	2,016

The movement in the provision for impairment of other receivables is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**19,353**	19,352
Impairment losses recognised *(note 6)*	**50,062**	1
At 31 December	**69,415**	19,353

The carrying amounts of financial assets included in prepayments, deposits and other receivables approximate to their fair values.

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**924,621**	2,092,473	**60,337**	311,926
Time deposits	**1,042,716**	62,576	**–**	57,762
	1,967,337	2,155,049	**60,337**	369,688
Less: Pledged cash and bank balances and time deposits:				
Pledged for long term bank loans *(note 17)*	**(1,000,000)**	–	**–**	–
Pledged for short term bank loans *(note 17)*	**(40,000)**	–	**–**	–
Pledged for bank acceptance bills *(note 16)*	**(44,286)**	(470,649)	**–**	–
Cash and cash equivalents	**883,051**	1,684,400	**60,337**	369,688

Original currency	**US$**	**HK$**	**EUR**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2012	81,343	4,192	65
As at 31 December 2011	74,987	3,090	67

16. TRADE AND BILLS PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**881,239**	1,793,168
Bills payable	**167,101**	929,906
	1,048,340	2,723,074

An aged analysis of the trade and bills payable as at the end of the reporting period, based on the invoice date, is as follows:

	2012	2011
	RMB'000	*RMB'000*
Within 6 months	**947,535**	2,674,804
6 months to 1 year	**48,799**	21,842
1 to 2 years	**34,786**	16,317
2 to 3 years	**9,706**	3,831
Over 3 years	**7,514**	6,280
	1,048,340	2,723,074

Bills payable are aged within 6 months at the end of the reporting period and secured by pledged bank deposits (note 15) and bills receivable (note 13).

The trade and bills payables are non-interest-bearing. The carrying amounts of the trade and bills payables approximate to their fair values.

17. INTEREST-BEARING BANK BORROWINGS

Group	**2012**			2011		
	Effective interest rate (%)	**Maturity**	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – unsecured	**5.21**	**2013**	**20,000**	3.22 – 7.22	2012	700,225
Current portion of long term bank loans – unsecured	**4.31 – 5.99**	**2013**	**973,869**	4.86 – 7.28	2012	95,200
Bank loans – secured *(note 15)*	**2.91**	**2013**	**190,055**	–	–	–
			1,183,924			795,425
Non-current						
Bank loans – unsecured	**4.86 – 6.65**	**2014 – 2015**	**316,643**	4.86 – 7.28	2013 – 2014	1,511,719
Bank loans – secured *(note 15)*	**2.54**	**2015**	**1,834,143**	–	–	–
			2,150,643			1,511,719
			3,334,567			2,307,144

Company	**2012**			2011		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – secured *(note 15)*	**2.91**	**2013**	**190,055**	4 – 6.5	2012	495,046
Current portion of long term bank loans – unsecured	**4.31**	**2013**	**353,869**	–	–	–
			543,924			495,046
Non-current						
Bank loans – unsecured			**–**	1.89 – 3.7	2013 – 2014	64,499
Bank loans – secured *(note 15)*	**2.54**	**2015**	**1,834,143**	–	–	–
			2,378,067			559,545

	Group		**Company**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Analysed into:				
Within one year	**1,183,924**	795,425	**543,924**	495,046
In the second year	**295,000**	866,719	**–**	64,499
In the third to fifth years, inclusive	**1,855,643**	645,000	**1,834,143**	–
	3,334,567	2,307,144	**2,387,067**	559,545

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are as follows:

Original currency	**US$**	**HK$**	**EUR**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2012	376,001	–	–
As at 31 December 2011	196,794	115,930	4,228

Certain of the Group and the Company's bank loans are secured by (note 15):

i) the pledge of certain of the Group's short-term time deposits amounting to RMB40,000,000 for short-term loans (2011: Nil);

ii) the pledge of certain of the Group's long-term time deposits amounting to RMB1,000,000,000 for long-term loans(2011:Nil).

18. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company	Liability component *RMB'000*	Derivative component *RMB'000*	Total *RMB'000*
As at 31 December 2012			
2007 Convertible Bonds *(i)*	–	–	–
2009 Convertible Bonds *(ii)*	8,151	739	8,890
	8,151	739	8,890
As at 31 December 2011			
2007 Convertible Bonds *(i)*	24,846	13	24,859
2009 Convertible Bonds *(ii)*	825,329	178,416	1,003,745
	850,175	178,429	1,028,604

(i) 2007 Convertible Bonds

Convertible Bonds of US$287 million were issued by the Company on 30 April 2007 (the "2007 Convertible Bonds") at an issue price of US$10,000 per Convertible Bond of US$10,000. The 2007 Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited. Each Convertible Bond entitles the holder to convert to one ordinary share of the Company at the initial conversion price of HK$20.4525 (the "2007 Conversion Price"), but subject to anti-dilutive adjustment as stated in the offering circular on 27 April 2007 (the "2007 Offering Circular").

The movements of the liability component and the derivative component of the 2007 Convertible Bonds for the year are set out below:

Group and Company	Liability component *RMB'000*	Derivative component *RMB'000*	Total *RMB'000*
2007 Convertible Bonds:			
As at 1 January 2011	24,286	1,890	26,176
Exchange realignment	(1,107)	–	(1,107)
Interest expense	1,667	–	1,667
Changes in fair value	–	(1,877)	(1,877)
As at 31 December 2011	24,846	13	24,859
Exchange realignment	(88)	–	(88)
Interest expense	571	–	571
Redemption	(25,329)	(13)	(25,342)
As at 31 December 2012	–	–	–

(ii) 2009 Convertible Bonds

Convertible Bonds of US$135 million were issued by the Company on 24 August 2009 (the "2009 Convertible Bonds") at an issue price of US$10,000 per Convertible Bond of US$10,000. The 2009 Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited. Each of the 2009 Convertible Bonds entitles the holder to convert to one ordinary share of the Company at the initial conversion price of HK$7.00 (the "2009 Conversion Price"), but subject to anti-dilutive adjustment as stated in the offering circular on 6 August 2009 (the "2009 Offering Circular"). On 12 September 2012, the 2009 Conversion Price has been revised to HK$3.10 after an anti-dilutive adjustment.

The movements of the liability component and the derivative component of the 2009 Convertible Bonds for the year are set out below:

Group and Company	**Liability component** *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
2009 Convertible Bonds:			
As at 1 January 2011	746,391	416,535	1,162,926
Exchange realignment	(36,256)	–	(36,256)
Interest expense	115,194	–	115,194
Changes in fair value	–	(238,119)	(238,119)
As at 31 December 2011	825,329	178,416	1,003,745
Exchange realignment	(17)	–	(17)
Interest expense	64,278	–	64,278
Redemption	(881,439)	(176,899)	(1,058,338)
Changes in fair value	–	(778)	(778)
As at 31 December 2012	8,151	739	8,890

19. LONG-TERM LOAN NOTES

In June 2011, the Company issued senior notes (the "Notes") in an aggregate principal amount of US$350 million which will mature on 3 June 2016. The Notes bear interest from and including 3 December 2011 at the rate of 8.50% per annum, and are payable semi-annually in arrears on June 3 and December 3 of each year.

Optional redemption of the Notes

From 3 June 2014 to the applicable date of the redemption, the Company may, on any one or more occasions during the 12-month period beginning on 3 June of the years indicated below, redeem all or any part of the Notes, at the redemption prices (expressed as percentages of the principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Redemption price
2014	104.250%
2015 and thereafter	102.125%

The Company may at its option redeem the Notes, in whole but not in part, at any time prior to 3 June 2014, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium, and accrued and unpaid interest, if any, as of the redemption date. At any time and from time to time prior to 3 June 2014, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 108.50% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, as of the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the original issue date remain outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

During the year ended 31 December 2012, the Group and the Company repurchased for cash up to US$69,640,000 in the principal amount of its outstanding US$350,000,000 8.5% senior notes due 2016 and recognised a gain of RMB9,504,000 on repurchase in profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

The domestic economic environment was complicated and full of challenges in 2012. During the reporting period, the Group achieved the consolidated turnover of RMB7,896 million, representing a decrease of 37.93% compared with that of the previous fiscal year. The decrease was mainly due to the sharp reduction in sales volume of the Group resulting from the persistent weak demand for construction machinery from mainland China and the slowdown of growth of fixed assets investment. Affected by the factors such as change of product mix for sale and adjustment of excavators marketing strategy during the period, the average unit price of products reduced. Meanwhile, the production for the period reduced as compared to last year, resulting in a relatively higher unit sales cost, which led to a decrease in overall gross margin from 25.27% in 2011 to 19.37% in 2012. Gross profit from operation was approximately RMB1,529 million, representing a decrease of 52.42% as compared to approximately RMB3,214 million in last year. The Group recorded net profit of approximately RMB152 million in 2012, representing a decrease of 91.24% as compared to approximately RMB1,730 million in the corresponding period of last year. The decrease was mainly attributable to the followings: (1) the significant decrease in gross profit from operation; (2) the change of fair value of the convertible bonds during the period, resulting in a significant decrease in profit or loss as compared to last year; and (3) the significant increase of allowance for bad debts of receivables due to the change of business environment.

During the year, the northern regions of the PRC remained as the Company's principal marketing regions. Revenue from these regions amounted to approximately RMB2,207 million, representing 26% of our total turnover. Revenue from the northwestern regions of the PRC was approximately RMB948 million, accounting for approximately 12% of our total turnover, representing a slight decrease from 15% in last year. Revenue from other regions represented a substantially same percentage of our total turnover as last year with insignificant change. The turnover from export significantly increased as compared to last year, amounting to approximately RMB565 million (2011: approximately RMB470 million), representing 7% of our total turnover.

ANALYSIS OF PRODUCTS

Wheel Loaders

The revenue generated from wheel loader represented approximately 65.36% of total Group's turnover, representing a small drop from last year (2011: approximately 69.70% of total Group's turnover).

ZL50 series continued to be the main revenue source of the Group with turnover for the year reaching RMB4,148 million, a decrease of 44.80% compared with that of last year. ZL30 series continued to be the second largest revenue source of the Group with turnover reaching RMB786 million, a decrease of approximately 18.85% compared with that of last year. ZL40 series accounted for a small proportion in the overall sales with turnover reaching RMB24 million, representing only approximately 0.30% of the total turnover. The turnover from mini wheel loader amounted to RMB177 million, a decrease of 47.82% compared with that of last year.

Excavators

Affected by the factors such as slowdown of growth of infrastructure investment, the sales of excavators declined significantly resulting in a drop of turnover by 48.63% to RMB880 million (2011: RMB1,713 million).

Fork Lifts and Road Rollers

Relatively less affected by the growth of fixed assets investment, revenue generated from fork lifts represented an increasing percentage of our total turnover reaching 10.37% (2011: 7.31%). During the year, turnover from fork lifts decreased by 11.87% to approximately RMB819 million (2011: RMB929 million).

Revenue from road rollers reached RMB115 million, representing a decrease of 68.83% compared with that of last year.

Components

The sales generated from components amounted to approximately RMB585 million for the year ended 31 December 2012, a decrease of 7.51% compared with the corresponding period last year (2011: RMB632 million), accounting for approximately 7.41% of the total turnover of the Group.

Finance Lease Interest

Turnover from interest income of finance lease represented approximately 1.33% of the Group's total turnover in the year of 2012, representing a drop of 49% from last year to RMB105 million (2011: represented approximately 1.61% of the Group's turnover). The drop was due to the fact that finance lease business was gradually reduced by the Group.

FINANCIAL REVIEW

Cash and Bank Balance

The cash position of the Group was strong during the year. As at 31 December 2012, the Group had bank balance and cash of approximately RMB883 million (31 December 2011: approximately RMB1,684 million).

Compared with last year, cash and bank balances decreased by approximately RMB801 million, which is generated as a result of net cash inflow of around RMB1,079 million from operating activities, the net cash outflow of RMB1,129 million from investing activities and the net cash outflow of RMB751 million from financing activities.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 31 December 2012 was approximately RMB6,245 million, a 2.53% decrease from approximately RMB6,407 million as at 31 December 2011. The current ratio of the Group at 31 December 2012 was 2.44 (2011: 2.36).

The directors believed that the Group will be in a strong and healthy position and has sufficient resources in support of its working capital requirement and meet its foreseeable capital expenditure.

Capital Structure

During the year, the Company has not redeemed any of its shares.

2007 Convertible Bonds

During the year, the Company has received the notice from the bondholders to require the Company to redeem all of the outstanding 2007 Convertible Bonds on 30 April 2012, the maturity date for redemption. After the market closed on the maturity date, the Company has redeemed an aggregate principal amount of US$3,340,000 of convertible bonds in the aggregate amount of approximately US$4 million (equivalent to HK$31 million). Upon the maturity date for redemption and as at the date of this announcement, the Company has no outstanding issued 2007 Convertible Bonds.

2009 Convertible Bonds

During the year, the Company has received early redemption notices from the bondholders to redeem an aggregate principal amount of US$125,660,000 of 2009 Convertible Bonds on 6 August 2012. After the market closed on 24 August 2012, the Company redeemed an aggregate principal amount of US$125,660,000 of convertible bonds in the applicable aggregate redemption price of approximately US$157 million (equivalent to approximately HK$1,215 million).

The Company has also repurchased an aggregate principal amount of US$8,190,000 of 2009 Convertible Bonds. There are US$1,150,000 in principal amount of 2009 Convertible Bonds outstanding as at 31 December.

Long-term Loan Notes

During the year ended 31 December 2012, the Group and the Company repurchased with cash of up to US$69,640,000 in principal amount of its outstanding US$350,000,000 8.50% senior notes due 2016 and recognised a gain of RMB9,504,000 on the repurchase in profit or loss.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares and any other listed securities during the period.

As at 31 December 2012, the gross gearing ratio (defined as total liabilities over total assets) was approximately 54.33% (31 December 2011: 60.31%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB565 million (2011: approximately RMB916 million) in line with a series of strategic transformation and production transformation by the Group.

The capital expenditures were financed by the internal resources and general borrowings of the Group.

Details of the movement in property, plant and equipment of the Group are set out in note 11 to the consolidated financial statements.

Capital Commitment

As at 31 December 2012, the Group had contracted but not included in the financial statements expenditures of approximately RMB85 million in respect of acquisition of property, plant and equipment (31 December 2011: approximately RMB175 million).

PROSPECT

The pace of expansion of production capacity in the industry has significantly slowed down as compared to the fast growth in previous years. Looking ahead to 2013, as operating environment will remain fairly severe, the recovery of construction machinery industry will take some time. Nevertheless, the Group is facing a very favorable opportunity to develop. The national macroeconomic policy of "stable growth" will further stimulate the domestic demand. It is expected that production and sales will maintain a slow growth while operating conditions will be gradually improved. The overall situation will be better than that in the past year.

While focusing on the development of our four major products namely, wheel loaders, excavators, forklifts and road rollers as a strategy, the Group will continue to control the risks strictly, endeavor to optimize inventory and keep improving the overall operation efficiency and quality of assets, striving to achieve progress while maintaining stability. With sound customer base and continuously improving marketing capability and after-sales service level, Lonking will enhance its ability to withstand risks so as to maintain its competitiveness in the industry. The Group will keep increasing investment in technology research and development with an aim to play a cost advantage while improving the quality of products and core components self-manufacturing capability and to gradually optimize the product structure.

Looking forward, the Group will invest more resources to explore overseas markets, accelerate the construction of service team and market network and achieve the sustainable development of international business in an orderly manner. We believe that further exploration of overseas markets will gradually hedge the operating risk of single market (i.e. domestic market).

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices (the "Code")

The Board is committed to maintaining and ensuring high standards of corporate governance practices. The Board emphases on maintaining a quality Board with balance of skill set of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the directors, the Company has adopted and complied with the principles and applicable code provisions of Code on Corporate Governance and Corporate Governance Report ("New CG Code") (formerly known as Code on Corporate Governance practices ("old CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarized as below.

Code Provision A.1.8

As stipulated in the Code provision A.1.8 of New CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company has not yet made this insurance arrangement as the board of directors considers that the director liability insurance has not yet been identified on the market with reasonable insurance premium while providing adequate suitable security to directors.

Code Provision A.6.7

As stipulated in the Code p rovision A.6.7 of New CG Code, independent non-executive directors and other non-executive directors shall attend general meetings. Three independent non-executive directors were unable to attend annual general meeting of the Company held on 25 May 2012 (the "2012 AGM") due to other important engagement.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors, who have confirmed that they had complied with the required standard set out in the Model Code for the year.

Audit Committee

The audit committee, together with the management and the external auditors, has reviewed constantly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group.

The annual results for the year ended 31 December 2012 have been reviewed by the audit committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company has not redeemed any of its shares.

2007 Convertible Bonds

During the year, the Company has received the notice from the bondholders to require the Company to redeem all of the outstanding 2007 convertible bonds on 30 April 2012, the maturity date for redemption. After the market closed on the maturity date, the Company has redeemed an aggregate principal amount of US$3,340,000 of convertible bonds in the aggregate amount of US$4,046,577 (Equitable to HK$31 million). Upon the maturity date for redemption and as the date of this announcement, the Company has no outstanding issued 2007 convertible bonds.

2009 Convertible Bonds

During the year, the Company has received early redemption notices from the holders of US$125,660,000 aggregate principal amount of the 2009 Convertible Bonds on 6 August 2012. After the market closed on24 August 2012, the Company redeemed the US$125,660,000 aggregate principal amount of Convertible Bonds at the applicable aggregate redemption price of US$156,720,638.8 (equivalent to approximately HK$1,215,000,000).

The Company has also repurchased an aggregate of US$8,190,000 in principal amount of the 2009 Convertible Bonds. There are US$1,150,000 in principal amount of the 2009 Convertible Bonds outstanding as at the end of 31 December 2012.

Long-term Loan Notes

During the year ended 31 December 2012, the Group and the Company repurchased with cash of up to US$69,640,000 in principal amount of its outstanding US$350,000,000 8.50% senior notes due 2016 and recognised a gain of RMB9,504,000 on the repurchase in profit or loss.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares and any other listed securities during the period.

Save as disclosed above, neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's shares or any other listed securities during the year.

DIVIDENDS

A final dividend of HKD0.09 (equivalent to RMB0.07) per share as a result of the operation of 2011 amounting to HKD385 million (equivalent to RMB314 million) was paid to the shareholders during the year. There were no any interim dividend paid out during the year.

The Directors do not recommend any final dividend for the year ended 31 December 2012

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 24 May 2013 to Tuesday, 28 May 2013, both days inclusive, during which period no transfers of shares will be effected. All transfers, accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Ltd (at shops 1712– 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30 p.m. on Thursday, 23 May 2013 in order to identify Shareholders who are entitled to attend and vote at the annual general meeting of the Company (the "Entitlement to AGM"). The record date for the Entitlement to AGM will be on 28 May 2013.

PUBLICATION OF FINANCIAL INFORMATION

This preliminary results announcement and the annual report will be dispatched to the shareholders at the appropriate time and will be at the same time be published on the Stock Exchange's website (www.hkex.com.hk) as well as the Company's website (www.lonking.cn).

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

Hong Kong, 28 March 2013

At the date of the announcement, Mr. Li San Yim, Mr. Qiu Debo, Mr. Luo Jianru, Mr. ChenChao, Mr. Lin Zhong Ming, Mr. Zheng KeWen and Mr. Yin Kun Lun are the executive directors, Ms. Ngai Ngan-Ying is the non-executive directors and Mr. Pan Longqing, Dr. QianShizheng, Mr. HanXuesong and Mr. Jin Zhi Guo are the independent non-executive directors.

* *For identification purpose only*