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 2013

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 2013 (the "Period"), together with the comparative figures for the corresponding period in 2012 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2013

	NOTES	**2013** **RMB'000**	2012 *RMB'000*
REVENUE	3	**8,157,523**	7,895,964
Cost of sales		**(6,233,923)**	(6,366,750)
Gross profit		**1,923,600**	1,529,214
Other income	4	**44,814**	46,316
Other gains and losses	4	**(249,235)**	(83,300)
Selling and distribution expenses		**(331,996)**	(382,816)
Administrative expenses		**(267,507)**	(255,988)
Research and development costs		**(315,121)**	(268,030)
Other expenses		**(58,071)**	(5,757)
Finance income	4	**62,788**	37,377
Finance costs	5	**(238,490)**	(341,362)
PROFIT BEFORE TAX	6	**570,782**	275,654
Income tax expense	7	**(90,450)**	(124,081)
PROFIT FOR THE YEAR		**480,332**	151,573

	NOTES	**2013** RMB'000	2012 RMB'000
Attributable to:			
Owners of the parent		**480,046**	151,486
Non-controlling interests		**286**	87
		480,332	151,573
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic:			
– For profit for the year	*9*	**RMB0.11**	RMB0.04
Diluted			
– For profit for the year	*9*	**RMB0.11**	RMB0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2013

	NOTES	**2013** *RMB'000*	2012 *RMB'000*
PROFIT FOR THE YEAR		**480,332**	151,573
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**120,390**	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		**120,390**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		**–**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**120,390**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**600,722**	151,573
Attributable to:			
Owners of the parent		**600,436**	151,486
Non-controlling interests		**286**	87
		600,722	151,573

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	11	**3,720,187**	3,822,103
Prepaid land lease payments		**316,259**	320,618
Investments in associates		**6,000**	66,011
Finance lease receivables	10	**3,485**	66,346
Deferred tax assets		**310,115**	158,387
Prepayments for property, plant and equipment		**44,641**	158,068
Long-term receivables	20	**79,298**	122,478
Pledged deposits	15	**1,002,500**	1,000,000
Total non-current assets		**5,482,485**	5,714,011
Current assets			
Prepaid land lease payments		**7,206**	7,201
Inventories	12	**2,341,643**	2,731,223
Finance lease receivables	10	**22,522**	215,607
Trade and bills receivables	13	**2,938,836**	2,944,444
Due from related parties		**1,933**	1,595
Prepayments, deposits and other receivables	14	**1,553,592**	1,092,709
Pledged deposits	15	**200,009**	84,286
Cash and cash equivalents	15	**995,123**	883,051
Total current assets		**8,060,864**	7,960,116
Current liabilities			
Trade and bills payables	16	**1,100,927**	1,048,340
Other payables and accruals	21	**872,705**	896,320
Interest-bearing bank borrowings	17	**803,058**	1,183,924
Convertible bonds	18	**9,660**	–
Due to related parties		**18,791**	6,580
Tax payable		**126,860**	13,899
Provisions		**119,748**	108,020
Derivative financial instruments	18	**712**	–
Total current liabilities		**3,052,461**	3,257,083
Net current assets		**5,008,403**	4,703,033
Total assets less current liabilities		**10,490,888**	10,417,044

	NOTES	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Deposits for finance leases		**51,461**	39,879
Interest-bearing bank borrowings	*17*	**1,789,396**	2,150,643
Convertible bonds	*18*	**–**	8,151
Long-term loan notes	*19*	**1,636,165**	1,762,203
Long-term liabilities		**–**	32,138
Deferred tax liabilities		**86,482**	83,644
Provisions		**13,310**	22,682
Derivative financial instruments	*18*	**–**	739
Deferred income		**68,671**	72,284
Total non-current liabilities		**3,645,485**	4,172,363
Net assets		**6,845,403**	6,244,681
Equity			
Equity attributable to owners of the parent			
Issued capital		**444,116**	444,116
Share premium and reserves		**6,178,381**	5,798,312
Proposed final dividend	*8*	**220,367**	–
		6,842,864	6,242,428
Non-controlling interests		**2,539**	2,253
Total equity		**6,845,403**	6,244,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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's 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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and 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 – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	*Amendments to HKAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures and HK(SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that there was no change to the classification of the Group's investments in accordance with the requirements of HKFRS 11.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries and associates are included in notes 17 and 18 to the financial statements.

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(e) 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 rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 41 to the financial statements.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(g) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

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 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
HKFRS 14	*Regulatory Deferral Accounts*[4]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

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

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.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

3. OPERATING SEGMENT INFORMATION

Year ended 31 December 2013

SEGMENT REVENUE AND RESULTS

	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Total *RMB'000*
Segment revenue	**8,109,319**	**48,204**	**8,157,523**
Segment results	**710,304**	**34,744**	**745,048**
Reconciliation:			
Interest income			**62,788**
Unallocated other income and gains			**6,561**
Corporate and other unallocated expenses			**(5,125)**
Finance costs			**(238,490)**
Profit before tax			**570,782**
Segment assets	**13,322,617**	**57,870**	**13,380,487**
Corporate and other unallocated assets			**162,862**
Total assets			**13,543,349**
Segment liabilities	**2,248,523**	**220,861**	**2,469,384**
Corporate and other unallocated liabilities			**4,228,562**
Total liabilities			**6,697,946**

OTHER SEGMENT INFORMATION

Impairment losses recognised in the statement of profit or loss	**283,436**	**–**	**283,436**
Impairment losses reversed in the statement of profit or loss	**(8,811)**	**–**	**(8,811)**
Depreciation and amortisation	**363,505**	**2,005**	**365,510**
Investments in associates	**6,000**	**–**	**6,000**
Capital expenditure*	**321,606**	**–**	**321,606**

* *Capital expenditure consists of additions to property, plant and equipment and intangible assets including assets from the acquisition of a subsidiary.*

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

OTHER SEGMENT INFORMATION

Impairment losses recognised in the statement of profit or loss	92,715	–	92,715
Impairment losses reversed in the statement of profit or loss	(5,398)	(3,458)	(8,856)
Depreciation and amortisation	334,084	1,851	335,935
Investments in associates	66,011	–	66,011
Capital expenditure	687,497	852	688,349

Revenue derived from major products and services

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

	2013		2012	
	RMB'000	***%***	*RMB'000*	*%*
Wheel loaders	**5,320,211**	**65.2**	5,160,573	65.4
Excavators	**781,490**	**9.6**	880,070	11.1
Road rollers	**119,607**	**1.5**	114,561	1.5
Fork lifts	**982,719**	**12.0**	818,951	10.4
Others	**905,292**	**11.1**	817,118	10.3
Subtotal	**8,109,319**	**99.4**	7,791,273	98.7
Finance lease interest income	**48,204**	**0.6**	104,691	1.3
Total	**8,157,523**	**100**	7,895,964	100

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

Geographical information

The Group's operations are substantially located in Mainland China and substantially all non-current assets of the Group are located in Mainland China. Therefore no further analysis of geographical information is presented.

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**62,788**	37,377
Other income		
Government grants	**27,276**	40,763
Penalty income	**11,851**	4,190
Others	**5,687**	1,363
	44,814	46,316

	Group 2013	2012
	RMB'000	*RMB'000*
Other gains and losses		
Foreign exchange gains	**10,078**	32,664
Exchange gain from convertible bonds	**2**	105
Allowance for doubtful debts *(note 6)*	**(239,401)**	(82,040)
Loss on disposal of items of property, plant and equipment	**(16,395)**	(2,957)
Gain/(loss) on repurchase of long-term loan notes	**(3,519)**	9,504
Fair value gain on the derivative component of convertible bonds	**–**	778
Loss on redemption of convertible bonds	**–**	(41,354)
	(249,235)	(83,300)

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group 2013	2012
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**88,820**	130,013
Interest on long-term loan notes	**147,890**	182,112
Interest on convertible bonds *(note 18)*	**1,780**	64,849
Total interest expense on financial liabilities not at fair value through profit or loss	**238,490**	376,974
Less: interest capitalised	**–**	(35,612)
	238,490	341,362

6. PROFIT BEFORE TAX

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

	2013	2012
	RMB'000	*RMB'000*
Cost of inventories sold	**6,233,923**	6,366,750
Depreciation *(note 11)*	**356,676**	329,418
Amortisation of prepaid land lease payments	**8,834**	6,517
Research and development costs	**315,121**	268,030
Auditors' remuneration	**2,993**	2,440
Employee benefit expense		
(excluding directors' remuneration)		
Wages and salaries	**419,826**	379,866
Contributions to a retirement benefit scheme	**33,075**	40,880
Total staff costs	**452,901**	420,746
Foreign exchange differences, net	**10,080**	32,769
Impairment/(reversal of impairment) of financial assets		
– trade receivables *(note 13)*	**47,054**	32,078
– other receivables *(note 14)*	**192,347**	50,062
– finance lease receivables *(note 10)*	**–**	(100)
	239,401	82,040
Write-down of inventories to net realisable value	**35,224**	1,819
Product warranty provision	**124,847**	167,986
Loss on redemption of convertible bonds	**–**	41,354
Loss/(gain) on repurchase of long-term loan notes	**3,519**	(9,504)
Fair value gain on the derivative component of convertible bonds	**–**	(778)
Bank interest income	**(62,788)**	(37,377)
Loss on disposal of items of property, plant and equipment	**16,395**	2,957

7. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
Group:		
Current tax		
Charged for the year	**255,512**	72,808
Overprovision in prior years	**(16,172)**	(6,909)
Withholding tax paid	**–**	532
	239,340	66,431
Deferred tax	**(148,890)**	57,650
Total tax charge for the year	**90,450**	124,081

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			
	2013		2012	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**570,782**		275,654	
Tax at the statutory tax rate of 25% (2012: 25%)	**142,696**	**25.0**	68,780	25.0
Income not subject to tax	**–**	**–**	(2,571)	(0.9)
Expenses not deductible for tax *(i)*	**59,308**	**10.4**	76,585	27.7
Overprovision in respect of prior years	**(16,172)**	**(2.8)**	(6,909)	(2.5)
Tax losses utilised from previous periods	**(9,612)**	**(1.7)**	–	–
Deferred tax charged at different income tax rates	**2,514**	**0.4**	(6,674)	(2.4)
Effect of withholding tax	**4,417**	**0.8**	7,209	2.6
Effect of preferential tax rates of 12.5% and 15%	**(92,701)**	**(16.2)**	(12,339)	(4.5)
Tax charge and effective tax rate for the year	**90,450**	**15.9**	124,081	45.1

(i) 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

	2013	2012
	RMB'000	*RMB'000*
Proposed final – HK$0.065 (2012: nil) per ordinary share	**220,367**	–

9. EARNINGS PER SHARE

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

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**480,046**	151,486
Interest on convertible bonds	**–**	–
Exchange realignment on convertible bonds	**–**	–
Fair value gain on the derivative component of convertible bonds	**–**	–
Profit attributable to ordinary equity holders of the parent, as adjusted for the effect of convertible bonds	**480,046**	151,486

	Number of shares	
	2013	2012
	'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	**–**	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**4,280,100**	4,280,100

The convertible bonds had an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2013 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	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivables comprise:				
Within one year	**25,892**	235,093	**22,522**	215,607
One to five years	**6,189**	78,627	**5,383**	71,621
	32,081	313,720	**27,905**	287,228
Less: Unearned finance income	**4,176**	26,492	**–**	–
Less: Provision for impairment	**1,898**	5,275	**1,898**	5,275
Present value of minimum lease payment receivables	**26,007**	281,953	**26,007**	281,953
Analysed as:				
Current			**22,522**	215,607
Non-current			**3,485**	66,346
			26,007	281,953

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

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**5,275**	5,375
Impairment losses recognised *(note 6)*	**–**	(100)
Write-off	**(3,377)**	–
At 31 December	**1,898**	5,275

The effective interest rates of the above finance leases range from 7.05% to 8.80% (2012: 6.8% to 8.95%) 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 2013, the Group's refundable finance lease deposits are as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Current *(note 21)*	**23,435**	113,301
Non-current	**51,461**	39,879
	74,896	153,180

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

11. PROPERTY, PLANT AND EQUIPMENT

Group

2013	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 2013	1,381,699	2,682,911	60,681	130,966	628,716	4,884,973
Additions	1,410	44,903	200	839	269,774	317,126
Transfers	161,050	358,030	602	69	(519,751)	–
Disposals	(892)	(101,991)	(652)	(1,529)	–	(105,064)
Exchange realignment	(1,424)	–	–	(37)	–	(1,461)
At 31 December 2013	1,541,843	2,983,853	60,831	130,308	378,739	5,095,574
Accumulated depreciation and impairment						
At 1 January 2013	241,813	719,361	35,085	66,611	–	1,062,870
Charge for the year	62,044	272,620	8,852	13,160	–	356,676
Disposals	(67)	(42,429)	(437)	(1,191)	–	(44,124)
Exchange realignment	27	–	–	(62)	–	(35)
At 31 December 2013	303,817	949,552	43,500	78,518	–	1,375,387
Carrying amount						
At 31 December 2013	1,238,026	2,034,301	17,331	51,790	378,739	3,720,187

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

12. INVENTORIES

	Group	
	2013	2012
	RMB'000	*RMB'000*
Raw materials	**743,851**	826,198
Work in progress	**145,170**	155,032
Finished goods	**1,452,622**	1,749,993
	2,341,643	2,731,223

13. TRADE AND BILLS RECEIVABLES

	Group 2013 *RMB'000*	2012 *RMB'000*
Trade receivables	**2,083,175**	2,493,863
Impairment	**(144,540)**	(97,486)
Less: Non-current portion *(note 20)*	**(41,397)**	(20,182)
	1,897,238	2,376,195
Bills receivable	**1,041,598**	568,249
	2,938,836	2,944,444

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 six to twelve months, extending up to eighteen to twenty-four 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:

	2013 *RMB'000*	2012 *RMB'000*
Within 3 months	**1,407,967**	1,514,186
3 to 6 months	**299,914**	323,767
6 months to 1 year	**175,318**	538,242
More than 1 year	**14,039**	–
	1,897,238	2,376,195

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

	2013 *RMB'000*	2012 *RMB'000*
At 1 January	**97,486**	66,568
Impairment losses recognised *(note 6)*	**47,054**	32,078
Amount written off as uncollectible	**–**	(1,160)
At 31 December	**144,540**	97,486

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB144,540,000 (2012: RMB97,486,000) with a carrying amount before provision of RMB514,896,000 (2012: RMB97,486,000).

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 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.

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,313,552**	1,837,953
Less than 1 month past due	**333,055**	292,854
1 to 3 months past due	**150,395**	199,159
3 months to 1 year past due	**91,983**	46,229
Over 1 year past due	**8,253**	–
	1,897,238	2,376,195

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 were aged within 6 months at the end of the reporting period. At 31 December 2013, the Group had no bills receivable pledged to banks to get short-term credit facilities (2012: RMB70,616,000).

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments	**239,808**	228,958	**–**	–
Deductible value-added tax	**190,753**	158,312	**–**	–
Deposits	**20,132**	21,450	**–**	–
Total	**450,693**	408,720	**–**	–
Other receivables:				
Loan receivables	**1,167,746**	785,065	**–**	–
Less: non-current portion	**(37,901)**	(102,296)	**–**	–
Less: impairment	**(203,263)**	(53,420)	**–**	–
Net loan receivables	**926,582**	629,349	**–**	–
Other miscellaneous receivables	**178,391**	70,635	**606**	626
Less: impairment	**(2,074)**	(15,995)	**–**	–
Net other miscellaneous receivables	**176,317**	54,640	**606**	626
Total other receivables	**1,102,899**	683,989	**606**	626
Grand total	**1,553,592**	1,092,709	**606**	626

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**69,415**	19,353
Impairment losses recognised *(note 6)*	**192,347**	50,062
Amount written off as uncollectible	**(56,425)**	–
At 31 December	**205,337**	69,415

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

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB205,337,000 (2012: RMB69,415,000) with a carrying amount before provision of RMB1,160,855,000 (2012: RMB69,415,000).

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

A large portion of other receivables includes the loan receivables to sales agencies for its repurchase of machines. The collection of receivables of sales financed by leasing went worse due to the deterioration of external operating environment. According to the finance lease agreements, the sales agencies were required to fulfil the obligation to repurchase the machines and pay the outstanding lease amount back to the lease companies once there is an overdue balance for more than three months. The Group lent to the sales agencies for the settlement of repurchase. And the sales agencies were required to pay off within 3 months as it normally takes 3 months to resale the machines. The Group would enter into instalment contracts with sales agencies if the repurchased machines had been sold again. The instalments would be arranged at approximately a 6.8% interest rate p.a. and mainly repaid within 18 to 24 months.

Other receivables also include miscellaneous borrowings for sales agencies' daily operation needs.

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

	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**89,112**	78,835
3 to 6 months	**298,733**	214,627
6 months to 1 year	**217,826**	438,183
Over 1 year	**358,812**	–
	964,483	731,645

An aged analysis of the loan receivables that are not individually nor collectively considered to be impaired, based on the due dates, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**964,483**	710,042
Less than 3 months past due	**–**	21,603
	964,483	731,645

Loan 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.

Loan 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.

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**995,123**	924,621	**45,404**	60,337
Time deposits	**1,202,509**	1,042,716	**–**	–
	2,197,632	1,967,337	**45,404**	60,337
Less: Pledged cash and bank balances and time deposits:				
Pledged for long term bank loans *(note 17)*	**(1,000,000)**	(1,000,000)	**–**	–
Pledged for short term bank loans *(note 17)*	**(185,000)**	(40,000)	**–**	–
Pledged for bank acceptance bills *(note 16)*	**(15,009)**	(44,286)	**–**	–
Pledged for others	**(2,500)**	–	**–**	–
Cash and cash equivalents	**995,123**	883,051	**45,404**	60,337

The Group's pledged bank deposits and certain bank balances and cash that are denominated in currencies other than the functional currencies of the respective group entities are as follows:

Original currency	**US$**	**HK$**	**EUR**	**JPY**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013	63,922	10,293	27	23
As at 31 December 2012	81,343	4,192	65	–

16. TRADE AND BILLS PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**1,096,747**	881,239
Bills payable	**4,180**	167,101
	1,100,927	1,048,340

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:

	2013	2012
	RMB'000	*RMB'000*
Within 6 months	**1,005,243**	947,535
6 months to 1 year	**52,265**	48,799
1 to 2 years	**18,263**	34,786
2 to 3 years	**12,657**	9,706
Over 3 years	**12,499**	7,514
	1,100,927	1,048,340

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

The trade and bills payables are non-interest-bearing.

17. INTEREST-BEARING BANK BORROWINGS

Group	**2013**			2012		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – unsecured	–	–	–	5.21	2013	20,000
Current portion of long term bank loans – unsecured	**5.54 – 6.15**	**2014**	**95,000**	4.31 – 5.99	2013	973,869
Bank loans – secured *(note 15)*	**1.87 – 3.88**	**2014**	**708,058**	2.91	2013	190,055
			803,058			1,183,924
Non-current						
Bank loans – unsecured	**5.85**	**2015**	**21,500**	4.86 – 6.65	2014 – 2015	316,500
Bank loans – secured *(note 15)*	**2.41**	**2015**	**1,767,896**	2.54	2015	1,834,143
			1,789,396			2,150,643
			2,592,454			3,334,567

Company		**2013**			2012	
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – secured *(note 15)*	**3.25 – 3.88**	**2014**	**370,778**	2.91	2013	190,055
Current portion of long term bank loans – unsecured			**–**	4.31	2013	353,869
			370,778			543,924
Non-current						
Bank loans – secured *(note 15)*	**2.41**	**2015**	**1,767,896**	2.54	2015	1,834,143
			2,138,674			2,378,067

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Analysed into:				
Within one year	**803,058**	1,183,924	**370,778**	543,924
In the second year	**1,789,396**	295,000	**1,767,896**	–
In the third to fifth years, inclusive	**–**	1,855,643	**–**	1,834,143
	2,592,454	3,334,567	**2,138,674**	2,378,067

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$**	**HK$**
	RMB'000	*RMB'000*
As at 31 December 2013	**2,397,334**	**78,620**
As at 31 December 2012	2,378,067	–

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 RMB185,000,000 for short-term loans (2012: RMB40,000,000); and

ii) the pledge of certain of the Group's long term time deposits amounting to RMB1,000,000,000 for long-term loans (2012: RMB1,000,000,000).

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 2013			
2009 Convertible Bonds *(i)*	**9,660**	**712**	**10,372**
As at 31 December 2012			
2009 Convertible Bonds *(i)*	8,151	739	8,890

(i) 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 2012	825,329	178,416	1,003,745
Exchange gain	(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
Exchange gain/(loss)	3	(5)	(2)
Exchange realignment	(274)	(22)	(296)
Interest expense	1,780	–	1,780
As at 31 December 2013	**9,660**	**712**	**10,372**

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 2013, the Group and the Company repurchased up to US$12,000,000 in the principal amount of its outstanding US$350,000,000 8.5% senior notes due 2016 and recognised a loss of RMB3,519,000 on repurchase in statement of profit or loss.

20. LONG-TERM RECEIVABLES

Long-term receivables are the receivables which would mature within two years according to the credit terms, and include the following items:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables *(note 13)*	**41,397**	20,182
Other receivables *(note 14)*	**37,901**	102,296
	79,298	122,478

The carrying amounts of long-term receivables approximate to their fair values. The long-term trade receivables are non-interest-bearing and the long-term other receivables bear interest at approximately 6.8% per annum.

21. OTHER PAYABLES AND ACCRUALS

Group

	2013	2012
	RMB'000	*RMB'000*
Accrued sales rebate	**230,532**	98,519
Other payables	**212,145**	182,193
Non-derecognised endorsement bills and trade receivables	**186,600**	364,785
Advances from customers	**85,469**	32,934
Salary and wages payable	**67,624**	45,900
Payable for acquisition of property, plant and equipment	**27,537**	33,427
Other accrued expenses	**25,750**	16,802
Deposit for finance leases *(note 10)*	**23,435**	113,301
Other taxes payable	**13,613**	8,459
	872,705	896,320

Company

	2013	2012
	RMB'000	*RMB'000*
Other payables	**18,325**	13,188

Other payables are non-interest-bearing and have different credit terms within one year.

22. CONTINGENT LIABILITIES

Certain sales of the Group were funded by finance leases entered into by the end-user customers and PRC domestic banks or other finance lease providers. Under the guarantee agreements entered into between the Group and the PRC domestic banks, where the end-user customers and their guarantors fail to perform their payment obligations, the Group will repurchase the equipment from the banks or other finance lease providers to settle the outstanding amounts and the related interest. As at 31 December 2013, the Group's contingent liabilities for such repurchase obligation amounted to RMB1,107,623,000 (31 December 2012: RMB1,074,042,000) (before deduction of the security deposits paid by the end-user customers and the interest on undue rent). The directors of the Company considered that the fair value of the financial guarantees as at 31 December 2013 was insignificant.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

In 2013, the Group's consolidated turnover increased by 3.3% to RMB8,158 million (2012: approximately RMB7,896 million). Due to the efforts in boosting cost efficiency and the continued declining of material costs during the year, the Group's gross profit margin rose to 23.6% from 19.4% over the same period last year. Gross profit from operation was approximately RMB1,924 million, representing an increase of 25.8% as compared to approximately RMB1,529 million in the previous fiscal year. The Group recorded net profit of approximately RMB480 million in 2013, representing an increase of 216.9% as compared to approximately RMB152 million over the corresponding period last year. The increase was mainly due to factors such as (i) the increase in the gross profit from operation and (ii) the decrease in financial costs.

During the year, the northern regions of the PRC remained as the Company's principal marketing regions. Revenue from these regions dropped to 22.5% of our total turnover (2012: approximately 25.7% of our total turnover). Revenue from the eastern regions of the PRC accounted for 3.5% of our total turnover, an insignificant change as compared to 4.1% last year. As a result of rising demand for infrastructure construction in the central and western region, revenue from these regions increased substantially with 20.6% of increase from the sales in the central regions and 16.6% of increase from the sales in the southwestern regions. Sales from eastern and southern regions grew by 11.0% and 21.9% to RMB944 million and RMB742 million, respectively. Overseas Sales grew mildly by 8.6% to approximately RMB673 million (2012: approximately RMB620 million).

ANALYSIS OF PRODUCTS

Wheel Loaders

The turnover generated from wheel loader amounted to RMB5,320 million, representing approximately 65.2% of total Group's turnover (2012: approximately 65.4% of total Group's turnover).

ZL50 series continued to be the main revenue source of the Group with turnover for the year reaching RMB4,338 million, a small increase of 4.6% compared with that of last year. ZL30 series continued to be the second largest revenue source of the Group with turnover reaching RMB713 million, a decrease of approximately 9.4% compared with that of last year. The operating revenue from ZL60 series increased by 212.5% to RMB79 million this year (2012: approximately RMB25 million) due to an increased market demand. ZL40 series accounted for a small proportion in the overall sales with turnover reaching RMB34 million, representing only approximately 0.4% of the total turnover. The turnover from mini wheel loader amounted to RMB157 million, representing a decrease of 11.6% from last year.

Excavators

The operating revenue for excavator amounted to RMB 781 million for the year ended 31 December 2013, or an decrease of 11.2% from last year (2012: approximately RMB880 million).

Fork Lifts and Road Rollers

Fork lifts increased approximately 20.0% to approximately RMB983 million this year when compared with the same period in 2012 (2012: approximately RMB819 million) because of a slight recovery of demand.

Revenue from road rollers amounted to RMB120 million for the year ended 31 December 2013, or an increase of 4.4% from last year (2012: approximately RMB115 million).

Components

The sales revenue generated from components amounted to approximately RMB769 million for the year ended 31 December 2013, an increase of 31.5% compared with the corresponding period last year (2012: RMB585 million), accounting for approximately 9.4% of the total turnover of the Group.

Finance Lease Interest

Turnover from interest income of finance lease represented approximately 0.6% of the Group's total turnover in the year of 2013, representing a drop of 54.0% from last year to RMB 48 million (2012: represented approximately 1.3% of the Group's turnover and RMB105 million).

The drop was due to the fact that finance lease business was gradually reduced by the Group.

FINANCIAL REVIEW

Other gains and losses

The other losses, net of the Group increased by 199.2% to RMB249 million for the year ended 31 December 2013 from RMB83 million for 2012, which was primarily attributable to a significant increase in allowance for bad and doubtful debts.

Finance Costs

The finance costs of the Group decreased by 30.1% to RMB238 million for the year ended 31 December 2013 from RMB341 million for the year ended 31 December 2012, which was primarily attributed to decreased interest on convertible bonds and long-term loan notes.

During the year of 2012, Company had redeemed or repurchased all of the outstanding 2007 Convertible Bonds and the major proportion of 2009 Convertible Bonds. There were only US$1,150,000 in principal amount of 2009 Convertible Bonds outstanding as at 31 December 2012. As a result, the interest incurred on Convertible Bonds in 2013 decreased significantly.

The Company had also repurchased US$69,640,000 of its outstanding US$350,000,000 8.50% senior notes due 2016 during the year of 2012 and US$12,000,000 of its outstanding US$280,360,000 8.50% senior notes due 2016 during the year of 2013. As a result, the interest incurred on the long-term loan in 2013 decreased significantly.

Cash and Bank Balance

As at 31 December 2013, the Group had bank balance and cash of approximately RMB995 million(31 December 2012: approximately RMB 883 million).

Compared with last year, the cash and bank balance increased about RMB112 million, which is generated as a result of net cash inflow of around RMB1,576 million from operating activities, net cash outflow of RMB319 million from investing activities, and net cash outflow of RMB1,147 million from financing activities and effect of foreign exchange rate changes of RMB2 million.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 31 December 2013 was approximately RMB6,845 million, a 9.60% increase from approximately RMB6,245 million as at 31 December 2012. The current ratio of the Group at 31 December 2013 was 2.64 (2012: 2.44).

During the Year, the Group financed its operations with internally generated cash flow, and the bank borrowings.

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.

2009 Convertible Bonds

During the year, the Company has not repurchased, sold or redeemed any convertible bonds. There are US$1,150,000 in principal amount of 2009 Convertible Bonds outstanding as at 31 December 2013.

Long-term Loan Notes

During the year ended 31 December 2013, the Group and the Company repurchased with cash of up to US$12,000,000 in principal amount of its outstanding US$286,000,000 8.50% senior notes due 2016 and recognised a loss of RMB3,519,000 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 2013, the gross gearing ratio (defined as total liabilities over total assets) was approximately 49.46% (31 December 2012: 54.33%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB317 million (2012: approximately RMB565 million) in line with the strategic transformation and improvement of production facilities 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.

Acquisition and disposals

There was no material acquisition or disposal during the year.

Capital Commitment

As at 31 December 2013, the Group had contracted but not included in the financial statements expenditures of approximately RMB65 million in respect of acquisition of property, plant and equipment (31 December 2012: approximately RMB 85 million).

PROSPECT

The construction machinery industry is still in downshift, albeit with a sign of slow recovery. Uncertainties will remain due to the serious overcapacity lingering in the industry and fierce competition at home and abroad. Nevertheless, the steady development trend of the market also provides a better environment for the Company to stay ahead of the curve. We expect the correction across the industry will be favorable for our long-term and sustainable stable growth.

The Group will focus on optimization and integration, with reference to its own conditions, to upgrade the transformation and step up innovations. Specifically, the Group will establish and improve a marketing model in line with the new market situation to tap on domestic market and further explore international business, while strengthening risk management and market research to uplift service capabilities. To continue the focus on R&D investment, the Company will cooperate with domestic and international engineering organizations and academic institutions to establish a multi-level, wide-range and open research platform to upgrade the overall level of manufacturing processes. A series of well-developed and marketable products and components will be rolled out to cater for various user needs and enhance the competitiveness of our offerings.

The Group will lay stress on the development of overseas market and international business. We envisage that as the global economic recovery is to proceed, the demand for construction machinery will be driven by the growing overseas infrastructure construction, thus leading to an improvement in our revenue from overseas markets.

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 emphasizes 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 Corporate Governance Code and Corporate Governance Report ("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 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 provision A.6.7 of CG Code, independent non-executive directors and other non-executive directors shall attend general meetings. Four independent non-executive directors were unable to attend annual general meeting of the Company held on 28 May 2013 (the "2013 AGM") due to other important engagement.

Code Provision A.4.3

Mr. Qian Shi Zheng has been appointed as an independent non-executive Director for more than nine years since February 2005. Pursuant to Code A.4.3 of the CG Code, (a) having served the Company for more than nine years could be relevant to the determination of an independent non-executive director's independence and (b) if an independent non-executive director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Mr. Qian has extensive experience in the finance and accounting fields. He provide a wide range of expertise and experience which can meet the requirement of Group's business and his participant in the Board brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interest of the shareholders have been duly considered.

The Company has received from Mr. Qian a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Mr. Qian has not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Directors consider Mr. Qian to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Accordingly, Mr. Qian shall be subject to retirement rotation and re-election by way of a separate resolution to be approved by the Shareholders at the forthcoming Annual General Meeting, the notice of Annual General Meeting will be published and sent to the shareholders of the Company in due course.

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 2013 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.

2009 Convertible Bonds

During the year, the Company has not purchased, sold or redeemed any convertible bonds. There are US$1,150,000 in principal amount of 2009 Convertible Bonds outstanding as at 31 December 2013.

Long-term Loan Notes

During the year ended 31 December 2013, the Group and the Company repurchased with cash of up to US$12,000,000 in principal amount of its outstanding US$286,000,000 8.50% senior notes due 2016 and recognised a loss of RMB3,519,000 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 2013, the gross gearing ratio (defined as total liabilities over total assets) was approximately 49.46% (31 December 2012: 54.33%).

DIVIDENDS

There were no any dividend paid out during the year.

The board of directors (the "Board") has proposed a final dividend of HKD0.065 per ordinary share for the year ended 31 December 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 23 May 2014 to Wednesday, 28 May 2014, 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 Limited (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, 22 May 2014 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 2014.

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be payable to the shareholders whose names appear on the register of members of the Company on Friday, 6 June 2014. To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 4 June 2014 to Friday, 6 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, shareholders of our Company must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with our 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, no later than 4:30 p.m. on Tuesday, 3 June 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at held at Meeting Room 508, 5/F., Jucai Office Building, 26 Minyi Road, Xingqiao, Songjiang Industrial, Shanghai 201612, the People's Republic of China on Wednesday, 28 May 2014. The notice of annual general meeting will be published and sent to the shareholders of the Company in due course.

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, 26 March 2014

As at the date of this announcement, Mr. Li San Yim, Mr. Qiu Debo, Mr. Chen Chao, Mr. Luo Jianru, Mr. Zheng Ke Wen, Mr. Yin Kun Lun, and Mr. Lin Zhong Ming are the executive directors of the Company, Ms. Ngai Ngan Ying is the non-executive director of the Company and Mr. Pan Longqing, Dr. Qian Shizheng, Mr. Jin Zhi Guo and Mr. Wu Jian Ming are the independent non-executive directors of the Company.

* *For identification purpose only*