LONKING HOLDINGS LIMITED
中國龍工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3339)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the "Board") of Lonking Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 (the "Period") together with the comparative figures for the corresponding period in 2013. The Group's interim results for the Period is unaudited, but have been reviewed by the Company's auditor, Ernst & Young Certified Public Accountant ("Ernst & Young") and approved by the audit committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
		Unaudited	
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**4,484,734**	4,474,080
Cost of sales		**(3,340,010)**	(3,476,561)
Gross profit		**1,144,724**	997,519
Other income	4	**23,719**	8,596
Other gains and losses	4	**(128,167)**	(60,983)
Selling and distribution costs		**(240,233)**	(148,351)
Administrative expenses		**(129,560)**	(124,449)
Research and development costs		**(162,344)**	(145,418)
Other expenses		**8,420**	(1,123)
Operating profit		**516,559**	525,791
Finance income		**42,737**	26,600
Finance costs		**(111,503)**	(136,532)

	Notes	For the six months ended 30 June **2014** **Unaudited** ***RMB'000***	2013 *RMB'000*
Profit before tax	*5*	**447,793**	415,859
Income tax expense	*6*	**(101,694)**	(72,628)
Profit for the period		**346,099**	343,231
Attributable to:			
Owners of the parent		**345,935**	343,164
Non-controlling interests		**164**	67
		346,099	343,231
Earnings per share			
Basic, profit for the period attributable to ordinary equity holders of the parent (RMB)		**0.08**	0.08
Diluted, profit for the period attributable to ordinary equity holders of the parent (RMB)		**0.08**	0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June 2014 Unaudited *RMB'000*	2013 *RMB'000*
Profit for the period		**346,099**	343,231
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(38,089)**	43,307
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(38,089)**	43,307
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**–**	–
Other comprehensive income for the period, net of tax		**(38,089)**	43,307
Total comprehensive income for the period, net of tax		**308,010**	386,538
Attributable to:			
Owners of the parent		**307,846**	386,471
Non-controlling interests		**164**	67
		308,010	386,538

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Assets			
Non-current assets			
Property, plant and equipment	8	**3,425,418**	3,720,187
Prepaid land lease payments		**197,958**	316,259
Investments in associates		**4,000**	6,000
Finance lease receivables		**563**	3,485
Deferred tax assets		**324,024**	310,115
Prepayments for property, plant and equipment		**40,095**	44,641
Long-term receivables	9	**132,125**	79,298
Pledged deposits	12	**1,954,000**	1,002,500
		6,078,183	5,482,485
Current assets			
Prepaid land lease payments		**4,760**	7,206
Inventories	10	**1,869,260**	2,341,643
Finance lease receivables		**11,630**	22,522
Trade and bills receivables	11	**3,156,063**	2,938,836
Due from related parties		**6,125**	1,933
Prepayments, deposits and other receivables		**1,648,844**	1,553,592
Pledged bank deposits	12	**295,071**	200,009
Cash and cash equivalents	12	**741,845**	995,123
		7,733,598	8,060,864
Current liabilities			
Trade and bills payables	13	**1,065,552**	1,100,927
Other payables and accruals	14	**791,395**	872,705
Interest-bearing bank borrowings	15	**1,041,934**	803,058
Convertible bonds		**9,987**	9,660
Provisions		**116,326**	119,748
Due to related parties		**13,593**	18,791
Deferred income		**6,638**	–
Income tax payable		**94,236**	126,860
Due to shareholders		**220,367**	–
Derivative financial instruments		**719**	712
		3,360,747	3,052,461
Net current assets		**4,372,851**	5,008,403
Total assets less current liabilities		**10,451,034**	10,490,888

	Notes	30 June 2014 Unaudited *RMB'000*	31 December 2013 Audited *RMB'000*
Non-current liabilities			
Deposits for finance leases		**–**	51,461
Interest-bearing bank borrowings	*16*	**3,388,632**	1,789,396
Long-term loan notes		**–**	1,636,165
Deferred tax liabilities		**101,875**	86,482
Provisions		**13,529**	13,310
Deferred income		**13,952**	68,671
Total non-current liabilities		**3,517,988**	3,645,485
Net assets		**6,933,046**	6,845,403
Equity			
Issued capital		**444,116**	444,116
Share premium and reserves		**6,486,227**	6,178,381
Proposed dividend		**–**	220,367
Equity attributable to owners of the parent		**6,930,343**	6,842,864
Non-controlling interests		**2,703**	2,539
Total equity		**6,933,046**	6,845,403

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 26 August 2014.

Lonking Holdings Limited (the "Company") was incorporated in the Cayman Islands 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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 17 November 2005. The immediate and ultimate holding company of the Group is China Longgong Group Holdings Limited, a limited liability company incorporated in the British Virgin Islands.

The principal activities of the Group are the manufacture and distribution of wheel loaders, road rollers, excavators, forklifts and other infrastructure machinery and the provision of finance leases of construction machinery.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2014 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) effective as of 1 January 2014.

Several new standards and amendments apply for the first time in 2014 by the Group. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard or amendment are described below:

Investment Entities (Amendments to HKFRS 10, HKFRS 12 and HKAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under HKFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under HKFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to HKAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to HKAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to HKAS 36

These amendments remove the unintended consequences of HKFRS 13 *Fair Value Measurement* on the disclosures required under HKAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The Group early adopted these disclosure requirements in the annual consolidated financial statements for the year ended 31 December 2013.

HKFRIC 21 Levies

HKFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., HKAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. The adoption of HKFRIC 21 has no impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3 Seasonality of operations

The Group's operations are not subject to seasonality.

3. OPERATING SEGMENT INFORMATION

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2014 and 2013.

Six months ended 30 June 2014	Sale of construction machinery *RMB'000*	Finance leases of construction machinery *RMB'000*	Total *RMB'000*
Segment revenue	**4,472,406**	**12,328**	**4,484,734**
Results			
Segment results	**574,611**	**10,002**	**584,613**
Reconciliation:			
Finance income			**42,737**
Unallocated other income, gains and losses			**(66,474)**
Unallocated corporate expenses			**(1,580)**
Finance costs			**(111,503)**
Profit before tax			**447,793**

Six months ended 30 June 2013	Sale of construction machinery *RMB'000*	Finance leases of construction machinery *RMB'000*	Total *RMB'000*
Segment revenue	4,443,124	30,956	4,474,080
Results			
Segment results	488,776	17,010	505,786
Reconciliation:			
Finance income			26,600
Unallocated other income, gains and losses			22,712
Unallocated corporate expenses			(2,707)
Finance costs			(136,532)
Profit before tax			415,859

Segment profit represents the profit earned by each segment without allocation of interest income, other income, gains and losses, central administration cost, directors' salaries, and finance costs. This is the measure reported to the chief executive officer for the purpose of resource allocation and performance assessment.

Inter-segment revenues are eliminated on consolidation.

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 2014 and 31 December 2013:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Segment assets:	**13,671,269**	13,380,487
Sale of construction machinery	**13,603,236**	13,322,617
Finance leases of construction machinery	**68,033**	57,870
Corporate and other unallocated assets	**140,512**	162,862
Consolidated assets	**13,811,781**	13,543,349

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Segment liabilities:	**2,446,236**	2,469,384
Sale of construction machinery	**2,297,059**	2,248,523
Finance leases of construction machinery	**149,177**	220,861
Corporate and other unallocated liabilities	**4,432,499**	4,228,562
Consolidated liabilities	**6,878,735**	6,697,946

The following is an analysis of the sales of construction machinery by products and finance lease interest income:

	For the six months ended 30 June			
	2014		2013	
	RMB'000	***%***	*RMB'000*	*%*
Sales of construction machinery:				
Wheel loaders	**2,830,340**	**63.1**	2,914,068	65.1
Excavators	**460,855**	**10.3**	566,482	12.7
Road rollers	**50,103**	**1.1**	56,772	1.3
Forklifts	**626,774**	**14.0**	461,974	10.3
Components	**504,334**	**11.2**	443,828	9.9
Subtotal	**4,472,406**	**99.7**	4,443,124	99.3
Finance lease interest income	**12,328**	**0.3**	30,956	0.7
Total	**4,484,734**	**100**	4,474,080	100

4. OTHER INCOME AND OTHER GAINS AND LOSSES

An analysis of the Group's other income is as follows:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Government grants	**17,654**	3,222
Penalty income	**3,796**	3,683
Others	**2,269**	1,691
	23,719	8,596

An analysis of the Group's other gains and losses is as follows:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Exchange realignment from convertible bonds	**5**	166
Loss on repurchase of long-term loan notes	**(70,280)**	–
Gain/(loss) on disposal of items of property, plant and equipment	**37,611**	(1,927)
Allowance for bad and doubtful debts	**(99,304)**	(81,768)
Foreign exchange gain	**3,801**	22,546
	(128,167)	(60,983)

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses	**3,340,010**	3,476,561
Staff costs, including directors' remuneration	**206,371**	202,621
Contribution to retirement benefit scheme	**16,913**	16,738
Amortisation of lease payments for land	**3,599**	3,670
Depreciation of property, plant and equipment	**194,296**	183,015
Bad debt provision	**99,304**	81,768

and after crediting:

Interest income on bank deposits	**42,737**	26,600
Income-related government grants	**17,654**	3,222

6. INCOME TAX

The major components of income tax expense in the interim condensed consolidated statement of comprehensive income are:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Current income tax expense	**100,210**	119,427
Deferred income tax expense related to origination and reversal of deferred taxes	**1,484**	(46,799)
	101,694	72,628

7. DIVIDENDS PAID AND PROPOSED

The directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

The proposed final dividend of HKD0.065 per ordinary share for the year ended 31 December 2013 was declared payable and approved by the shareholders at the annual general meeting of the Company on 28 May 2014 and was paid on 8 August 2014.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired assets with a cost of RMB54,990,000 (six months ended 30 June 2013: RMB192,799,000), including property, plant and machinery in the People's Republic of China (the "PRC").

Assets with a net book value of RMB161,162,000 were disposed of by the Group during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB11,083,000), resulting in a net gain on disposal of RMB37,611,000 (net loss in six months ended 30 June 2013: RMB1,927,000).

9. LONG-TERM RECEIVABLES

Long-term receivables are the receivables mature within 2 years but greater than 12 months according to the credit terms, and included the following items:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
Trade receivables *(note 11)*	**117,908**	41,397
Other receivables *(note 12)*	**14,217**	37,901
	132,125	79,298

10. INVENTORIES

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
Raw materials	**614,763**	743,851
Work in progress	**116,342**	145,170
Finished goods	**1,138,155**	1,452,622
	1,869,260	2,341,643

11. TRADE AND BILLS RECEIVABLES

The Group allows credit periods from 3 months up to 12 months to its trade customers except for some customers with good credit history and relationships, with whom longer credit terms are agreed.

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
Trade receivables	**2,586,403**	2,083,175
Impairment	**(154,217)**	(144,540)
Less: Non-current portion *(note 9)*	**(117,908)**	(41,397)
	2,314,278	1,897,238
Bills receivable	**841,785**	1,041,598
	3,156,063	2,938,836

The aged analysis of trade and bills receivables is as follows:

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
0-90 days	**2,003,338**	1,407,967
91-180 days	**152,211**	299,914
181-360 days	**118,968**	175,318
Over 1 year	**39,761**	14,039
	2,314,278	1,897,238

Bills receivable are aged within six months at the end of each reporting period. No bills receivable were pledged to banks by the Group as security to get short-term credit facilities in this period (31 December 2013: nil).

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 only a portion of the receivables is expected to be recovered.

12. CASH AND CASH EQUIVALENTS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Cash and bank balances	**2,990,916**	2,197,632
Less: Pledged for long term bank loans	**(1,954,000)**	(1,000,000)
Pledged for short term bank loans	**(271,625)**	(185,000)
Pledged for bank acceptance bills	**(20,946)**	(15,009)
Pledged for others	**(2,500)**	(2,500)
	741,845	995,123

Pledged bank deposits represent deposits pledged to banks to secure bank borrowings or facilities are therefore classified as current or non-current assets accordingly.

13. TRADE AND BILLS PAYABLES

The aged analysis of trade and bills payables is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
0-180 days	**936,634**	1,005,243
181 days-1 year	**102,952**	52,265
1-2 years	**5,458**	18,263
2-3 years	**9,278**	12,657
Over 3 years	**11,230**	12,499
	1,065,552	1,100,927

The bills payable are aged within six months at the end of each reporting period.

14. OTHER PAYABLES AND ACCRUALS

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
Advances from customers	**45,390**	85,469
Deposit for finance leases	**55,117**	23,435
Non-derecognised endorsement bills and trade receivables	**135,145**	186,600
Salary and wages payable	**48,122**	67,624
Payable for acquisition of property, plant and equipment	**11,893**	27,537
Other taxes payable	**16,526**	13,613
Accrued sales rebate	**260,165**	230,532
Other payables	**184,485**	212,145
Other accrued expenses	**34,552**	25,750
	791,395	872,705

15. BANK BORROWINGS

During the six-month period ended 30 June 2014, the Group obtained short-term bank loan of US$42,750,000 (equivalent to RMB263,032,000), and repaid short-term bank loan of US$5,000,000 (equivalent to RMB30,764,000). The short-term loans bear interest at rates ranging from 1.83% to 6.15% per annum.

The Group obtained long-term bank loans of US$257,250,000 (equivalent to RMB1,582,808,000). The long-term loans bear interest at rates ranging from 2.32% to 5.85% per annum.

Certain of the Group and the Company's bank loans are secured by (note 12):

i) the pledge of certain of the Group's short term time deposits amounting to RMB271,625,000 for short-term loans (31 December 2013: RMB185,000,000);

ii) the pledge of certain of the Group's long term time deposits amounting to RMB1,954,000,000 for long-term loans(31 December 2013: RMB1,000,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

Under the backdrop of an external environment in which the macro economy was stabilizing while still facing relatively high downward pressure, in particular demand for construction machinery remained sluggish, the Company achieved satisfactory results in increasing income and reducing costs. The overall results for the first half of the year was basically the same with the corresponding period of last year. Total revenue for the six months ended 30 June 2014 slightly increased by RMB10 million or 0.2% from RMB4,474 million of the corresponding period of last year to RMB4,484 million. During the reporting period, the consolidated gross profit margin of the Group increased from 22.3% to 25.5%, mainly attributable to a decrease of RMB136.6 million in operating costs as a result of consolidation of the procurement and transportation processes, optimization of material procurement, enhancement of the Group's procurement power and improvement of the internal production and operation management. Profit attributable to equity holders of the Group for the period remained basically stable, amounting to RMB346 million, up by 0.8% as compared with RMB343 million of the corresponding period of 2013.

GEOGRAPHICAL RESULTS

During the period ended 30 June 2014, the ratio of turnover in each region in the PRC over total turnover respectively is insignificantly different, reflecting that the demand in each region is relatively mild and tends to be stable.

Northern region of PRC is the Company's principal market area, which accounted for 23.2% of the Group's total turnover. Sales from northern region in the PRC decreased 9.0% to RMB1,042 million as compared to the same period of last year (for the six months ended 30 June 2013: RMB1,145 million).

Sales from eastern region in the PRC increased 19.5% from the previous fiscal year over the same corresponding period to RMB643 million (Six months ended 30 June 2013: RMB538 million) while sales from northwestern region in the PRC decreased by 11.5% to RMB604 million (Six months ended 30 June 2013: RMB683 million).

Sales from central region and southern region represented approximately 16.8% and 10.2% respectively. Sales from central region increased by 5.3% to RMB752 million and sales from southern region increased by 8.3% to RMB458 million. Sales from northeastern region of PRC increased by 8.9% to RMB193 million.

Sales from overseas market recorded approximately RMB309 million, representing an increase of nearly 11.9% as compared to the corresponding period of last year (for the six months ended 30 June 2013: RMB276 million). We will work to further improve and strengthen distributorships in the overseas market.

PRODUCTS ANALYSIS

Wheel Loaders

Wheel loader again remained as the Company's main revenue driver and achieved a turnover of approximately RMB2,830 million, which accounted for approximately 63.1% of the Company's turnover for the period. ZL50 series achieved a turnover of approximately RMB2,352 million for the period, representing a decrease of 2.4% when compared with the corresponding period in 2013. ZL30 is the second largest revenue contributor and has achieved a turnover of approximately RMB339 million, representing a decrease of 9.7% when compared to the corresponding period of last year.

The revenue generated from ZL40 increased 16.4% to approximately RMB21 million. The turnover from the mini loader decreased 5.0% to RMB 80 million. Overall, demand in wheel loader remained sluggish as impacted by the slow economic recovery.

Excavator

Sales from excavators series decreased 18.6% to approximately RMB461 million (for the six months ended 30 June 2013: RMB566 million). The decrease of revenue was primarily attributable to price reduction to different extent as promotion strategies adopted by the Group, which resulted in the selling price of this series decreasing when compared to the corresponding period of last year and a reduced demand as a result of the slowdown in domestic economic growth.

Fork Lifts and Road Rollers

The Group has established strong brand awareness for fork lifts series and effort has been made to expand market share in order to further strengthen its leading position in the industry.

The turnover from fork lifts amounted to approximately RMB627 million (six months ended 30 June 2013: RMB462 million), representing an significant increase of 35.7% compared to the corresponding period of last year.

The operating revenue from road rollers amounted to RMB50 million, representing a decrease of 11.7% compared to the corresponding period of last year, which was mainly due to a decrease in demand of road rollers influenced by the macro-economic environment.

Components

The sales generated from components amounted to approximately RMB488 million for the period, representing an increase of 13.0% as compared to the same period in 2013.

Finance Lease Interest

Turnover from finance lease interest amounted to approximately RMB12 million, representing a decrease of 60.2%, as compared to the same period of last year, which was due to the fact that finance lease business was gradually reduced by the Group since 2011.

FINANCIAL REVIEW

The Group financed its operations from internally generated cash flow, bank borrowings and accumulated retained earnings. The Group adopted a prudent finance strategy in managing the Group's financing needs. The Group believes that its cash holding, cash flow from operation, future revenue and available banking facilities will be sufficient to fund its working capital requirements.

Selling and Distribution Costs

Selling and distribution costs increased by 61.9% to approximately RMB240 million during the period under review. It was mainly due to the significant increase in transportation fee and machine logistic service fee.

Cash and Bank Balance

As at 30 June 2014, the Group had bank balances and cash of approximately RMB742million (31 December 2013: approximately RMB995 million) and pledged bank deposit of approximately RMB2,249 million (31 December 2013: approximately RMB 1,203 million). Compared with last year, the cash and bank balance decreased about RMB253 million, which was as a result of net cash inflow of RMB764 million from operating activities, net cash inflow of RMB66 million from investing activities and net cash outflow of RMB1,083 million from financing activities.

The pledged deposit balance at 30 June 2014 increased approximately RMB1,046 million. Details of pledged Bank deposit for the period ended 30 June 2014 are set out in Note 12 to the interim results.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 30 June 2014 was approximately RMB6,933 million, an 1.29% increase from approximately RMB6,845 million as at 31 December 2013.

The current ratio of the Group at 30 June 2014 was 2.30 (31 December 2013: 2.64). The Directors believed that the Group has sufficient resources to support its working capital requirement and meet its foreseeable capital expenditure.

Capital Structure

During the period ended on 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

2009 Convertible Bonds

During the period ended on 30 June 2014, neither the Company nor any of its subsidiaries purchased,sold or redeemed any of the convertible bonds. There are US$1,150,000 in principal amount of 2009 Convertible Bonds outstanding as at 30 June 2014.

Long-term Loan Notes

During the period ended on 30 June 2014, the Company redeemed all its outstanding Notes due 2016 in principal amount of US$268,360,000 on 3 June 2014 (the"**Redemption Date**") at a redemption price (the "**Redemption Price**") equal to 104.250% of the principal amount. There are no Notes outstanding as at 30 June 2014.

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 30 June 2014, the gross gearing ratio (defined as total liabilities over total assets) was approximately 49.8% (as at 31 December 2013: 49.5%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB 55 million (six months ended 30 June 2013: approximately RMB193 million) in line with a series of strategic transformation and production transformation by the Group.

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

Disposal of Land Use Right and Property

On 15 May 2014, Henan Longgong Machinery Manufacuring Co., Ltd.* (河南龍工機械製造有限公司, the "Vendor"), a wholly-owned subsidiary of the Company, and the Zhengzhou Economic and Technological Development Zone, Henan Province, PRC (the "Purchaser") entered into the Agreement (which is supplemented by an agreement dated 27 June 2014), pursuant to which the Vendor agreed to dispose of, and the Purchaser agreed to resume and purchase the land use right (the "Land Use Right") granted by the Purchaser to the Vendor in respect of the development of the land parcel with a total floor area of approximately 815.16 mu in Zhengzhou Economic and Technological Development Zone and the buildings and plants under construction thereon (the "Property") for a total consideration of approximately RMB 254 million (equivalent to approximately HK$315 million) (the "Disposal").

Please refer to the announcement (the "Announcement") of the Company dated 29 June 2014 in relation to the Disposal for further details. In addition, the Company would like to clarify that the gain from the Disposal (rather than the "net proceeds from the Disposal" as stated in the Announcement) amount to approximately RMB32 million (equivalent of approximately HK$41 million), after taking into account the tax and the expenses expected to accrue to the Group and the deferred income which represented government grants received related to the Land Use Right and the Property.

Capital Commitment

As at 30 June 2014, the Group had contracted but not included in the financial statements in respect of acquisition of property, plant and equipment amounting to approximately RMB 51 million (31 December 2013: approximately RMB65 million).

PROSPECT

In 2014, the global economy maintained weak growth momentum with slowdown in the emerging economies. As domestic demand is facing downward risk and the construction machinery industry constantly undergoes adjustments and changes, the industry will witness a relatively stable and polarized development trend. Affected by the changes in the macro economic environment, challenges confronting the construction machinery industry, such as low utilization rate, sluggish market demand, excessive production capacity and increasing risk in trade receivables, will be further demonstrated. Facing increasingly intensified market competition, the Group will monitor closely changes in market conditions, so as to strategically position its businesses. Adhering to a low risk profile and flexible marketing strategy, the Group will proactively expand sales channels and exploit new markets, so as to find ways to raise its market share. By implementing control system and firmly establishing the principles on cost and profitability, the Group will continue to optimize product design and carry out technology improvement, so as to achieve upgrading of products and improve product profit margin. Focusing on business development, the Group will make strenuous efforts to achieve comprehensive optimization of indicators and exploit the international market, with an aim to increase global sales and increase its market share in the international market. Given the tremendous potential in the fork lift market, the Group will seize the opportunity to launch new products and enhance marketing efforts, so as to improve the segment's position in the Group and in the industry.

CORPORATE GOVERNANCE

The Board is committed to maintaining and ensuring high standards of corporate governance practices. 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 ("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 2014 (the "2014 AGM") due to other important engagement.

Code Provision A.4.3

Mr. Qian Shi Zheng ("Mr. Qian") 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 provides 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 approved by the Shareholders at the Annual General Meeting. At the Annual General Meeting of the Company held on 28 May 2014, a separate resolution to re-elect Mr. Qian, a retiring Director, as an independent non-executive Director was passed by the Shareholders by way of poll.

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.

Review of the Interim Results

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

The interim results for the six months ended 30 June 2014 have been reviewed by the external auditors of the Company.

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

During the period ended on 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

2009 Convertible Bonds

During the period ended on 30 June 2014, neither the Company nor any of its subsidiaries purchased,sold or redeemed any of the convertible bonds. There are US$1,150,000 in principal amount of 2009 Convertible Bonds outstanding as at 30 June 2014.

Long-term Loan Notes

During the period ended on 30 June 2014, the Company redeemed all its outstanding Notes due 2016 in principal amount of US$268,360,000 on 3 June 2014 (the"**Redemption Date**") at a redemption price (the "**Redemption Price**") equal to 104.250% of the principal amount. There are no Notes outstanding as at 30 June 2014.

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.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the year ended 30 June 2014 (six months ended 30 June 2013: HK$0 cents per share).

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2014 interim report for the six months ended 30 June 2014 will be despatched to the shareholders at the appropriate time and will at the same time be published on the Stock Exchange's website (www.hkex.com.hk).

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

Hong Kong, 26 August 2014

As at the date of this announcement, Mr. Li San Yim, Mr. Qiu Debo, Mr. Chen Chao, Mr. Luo Jianru, Mr. Zheng Kewen, 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*