LONKING 龙工

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 2014

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 2014 (the "Period"), together with the comparative figures for the corresponding period in 2013 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2014

	NOTES	**2014** **RMB'000**	2013 *RMB'000*
REVENUE	*3*	**7,427,206**	8,157,523
Cost of sales		**(5,532,826)**	(6,233,923)
Gross profit		**1,894,380**	1,923,600
Other income	*4*	**43,526**	44,814
Other gains and losses	*4*	**(246,918)**	(249,235)
Selling and distribution expenses		**(437,754)**	(331,996)
Administrative expenses		**(273,658)**	(267,507)
Research and development costs		**(313,043)**	(315,121)
Other expenses		**(2,654)**	(58,071)
Finance income		**103,723**	62,788
Finance costs	*5*	**(167,962)**	(238,490)
PROFIT BEFORE TAX	*6*	**599,640**	570,782
Income tax expense	*7*	**(182,574)**	(90,450)

	NOTES	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR		**417,066**	480,332
Attributable to:			
Owners of the parent		**416,858**	480,046
Non-controlling interests		**208**	286
		417,066	480,332
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic:			
– For profit for the year	*9*	**RMB0.10**	RMB0.11
Diluted			
– For profit for the year	*9*	**RMB0.10**	RMB0.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	NOTES	**2014** **RMB'000**	2013 RMB'000
PROFIT FOR THE YEAR		**417,066**	480,332
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(12,800)**	120,390
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(12,800)**	120,390
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(12,800)**	120,390
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**404,266**	600,722
Attributable to:			
Owners of the parent		**404,058**	600,436
Non-controlling interests		**208**	286
		404,266	600,722

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2014

	NOTES	**2014** **RMB'000**	2013 RMB'000
Non-current assets			
Property, plant and equipment	10	**3,264,280**	3,720,187
Prepaid land lease payments		**197,730**	316,259
Investments in associates		**4,000**	6,000
Finance lease receivables	11	**552**	3,485
Deferred tax assets		**312,870**	310,115
Prepayments for property, plant and equipment		**41,321**	44,641
Long-term receivables	12	**87,256**	79,298
Pledged deposits	16	**956,402**	1,002,500
Total non-current assets		**4,864,411**	5,482,485
Current assets			
Prepaid land lease payments		**4,819**	7,206
Inventories	13	**1,796,322**	2,341,643
Finance lease receivables	11	**33,882**	22,522
Trade and bills receivables	14	**2,353,861**	2,938,836
Due from related parties		**8,807**	1,933
Prepayments, deposits and other receivables	15	**1,316,892**	1,553,592
Other current assets		**300,000**	–
Pledged deposits	16	**1,401,938**	200,009
Cash and cash equivalents	16	**1,088,465**	995,123
Total current assets		**8,304,986**	8,060,864
Current liabilities			
Trade and bills payables	17	**869,286**	1,100,927
Other payables and accruals	18	**587,607**	872,705
Interest-bearing bank borrowings	19	**2,707,100**	803,058
Convertible bonds	20	**–**	9,660
Due to related parties		**11,447**	18,791
Tax payable		**100,114**	126,860
Provisions		**99,909**	119,748
Derivative financial instruments		**–**	712
Deferred income		**6,638**	–

	NOTES	2014 RMB'000	2013 RMB'000
Total current liabilities		**4,382,101**	3,052,461
Net current assets		**3,922,885**	5,008,403
Total assets less current liabilities		**8,787,296**	10,490,888
Non-current liabilities			
Deposits for finance leases		**48,617**	51,461
Interest-bearing bank borrowings	*19*	**1,574,119**	1,789,396
Long-term loan notes	*21*	**–**	1,636,165
Deferred tax liabilities		**115,535**	86,482
Provisions		**9,110**	13,310
Deferred income		**10,633**	68,671
Total non-current liabilities		**1,758,014**	3,645,485
Net assets		**7,029,282**	6,845,403
Equity			
Equity attributable to owners of the parent			
Issued capital		**444,116**	444,116
Share premium and reserves		**6,362,127**	6,178,381
Proposed final dividend	*8*	**220,312**	220,367
		7,026,555	6,842,864
Non-controlling interests		**2,727**	2,539
Total equity		**7,029,282**	6,845,403

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2014

1. CORPORATE INFORMATION

Lonking Holdings Limited (the "Company") is 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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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, fork lifts 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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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 2014. 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 revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) 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 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 amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) 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 have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation 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, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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*[4]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

3. OPERATING SEGMENT INFORMATION

Year ended 31 December 2014

SEGMENT REVENUE AND RESULTS

	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Total *RMB'000*
Segment revenue	**7,399,132**	**28,074**	**7,427,206**
Segment results	**724,235**	**21,612**	**745,847**
Reconciliation:			
Interest income			**103,723**
Unallocated other income and gains			**(77,864)**
Corporate and other unallocated expenses			**(4,104)**
Finance costs			**(167,962)**
Profit before tax			**599,640**
Segment assets	**12,987,898**	**87,718**	**13,075,616**
Corporate and other unallocated assets			**93,781**
Total assets			**13,169,397**
Segment liabilities	**1,679,106**	**98,259**	**1,777,365**
Corporate and other unallocated liabilities			**4,362,750**
Total liabilities			**6,140,115**

OTHER SEGMENT INFORMATION

Impairment losses recognised in the statement of profit or loss	**207,794**	**–**	**207,794**
Impairment losses reversed in the statement of profit or loss	**(6,907)**	**–**	**(6,907)**
Depreciation and amortisation	**396,712**	**1,765**	**398,477**
Investments in associates	**4,000**	**–**	**4,000**
Capital expenditure*	**101,211**	**7**	**101,218**

* *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 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.*

Revenue derived from major products and services

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

	2014		2013	
	RMB'000	***%***	*RMB'000*	*%*
Wheel loaders	**4,574,813**	**61.6**	5,320,211	65.2
Excavators	**725,325**	**9.8**	781,490	9.6
Road rollers	**85,198**	**1.1**	119,607	1.5
Fork lifts	**1,142,807**	**15.4**	982,719	12.0
Others	**870,989**	**11.7**	905,292	11.1
Subtotal	**7,399,132**	**99.6**	8,109,319	99.4
Finance lease interest income	**28,074**	**0.4**	48,204	0.6
Total	**7,427,206**	**100**	8,157,523	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	
	2014	2013
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**103,723**	62,788
Other income		
Government grants	**22,807**	27,276
Penalty income	**12,392**	11,851
Reversal of inventory provision	**4,487**	–
Others	**3,840**	5,687
	43,526	44,814

	Group	
	2014	2013
	RMB'000	*RMB'000*
Other gains and losses		
Foreign exchange (losses)/gains	**(7,525)**	10,078
Exchange gain from convertible bonds	**7**	2
Impairment of financial assets *(note 6)*	**(205,374)**	(239,401)
Gain/(loss) on disposal of items of property, plant and equipment	**36,320**	(16,395)
Loss on repurchase of long-term loan notes *(note 21)*	**(70,280)**	(3,519)
Loss on redemption of convertible bonds *(note 20)*	**(66)**	–
	(246,918)	(249,235)

5. FINANCE COSTS

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

	Group	
	2014	2013
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**104,330**	88,820
Interest on long-term loan notes	**59,163**	147,890
Interest on discounted bills	**3,995**	–
Interest on convertible bonds *(note 20)*	**474**	1,780
Total interest expense on financial liabilities not at fair value through profit or loss	**167,962**	238,490
Less: interest capitalised	**–**	–
	167,962	238,490

6. PROFIT BEFORE TAX

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

	2014 *RMB'000*	2013 *RMB'000*
Cost of inventories sold	**5,532,826**	6,233,923
Depreciation *(note 10)*	**391,750**	356,676
Amortisation of prepaid land lease payments	**6,727**	8,834
Research and development costs	**313,043**	315,121
Auditors' remuneration	**3,951**	2,993
Employee benefit expense (excluding directors' remuneration:		
Wages and salaries	**401,829**	419,826
Contributions to a pension scheme	**33,876**	33,075
Total staff costs	**435,705**	452,901
Foreign exchange differences, net	**(7,518)**	10,080
Impairment of financial assets		
– trade receivables *(note 14)*	**60,754**	47,054
– other receivables *(note 15)*	**144,620**	192,347
– finance lease receivables *(note 11)*	**–**	–
	205,374	239,401
(Reversal of write-down)/write-down of inventories to net realisable value	**(4,487)**	35,224
Product warranty provision	**118,872**	124,847
Loss on redemption of convertible bonds	**66**	–
Loss on repurchase of long-term loan notes	**70,280**	3,519
Bank interest income	**(103,723)**	(62,788)
(Gain)/loss on disposal of items of property, plant and equipment	**(36,320)**	16,395

7. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
Group:		
Current tax		
Charged for the year	**134,122**	255,512
Underprovision/(overprovision) in prior years	**21,254**	(16,172)
Withholding tax paid	**900**	–
	156,276	239,340
Deferred tax	**26,298**	(148,890)
Total tax charge for the year	**182,574**	90,450

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			
	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**599,640**		570,782	
Tax at the statutory tax rate of 25% (2013: 25%)	**149,910**	**25.0**	142,696	25.0
Expenses not deductible for tax (i)	**80,171**	**13.4**	59,308	10.4
Adjustments in respect of current tax of previous periods	**21,254**	**3.5**	(16,172)	(2.8)
Tax losses utilised from previous periods	**(1,851)**	**(0.3)**	(9,612)	(1.7)
Deferred tax charged at different income tax rates	**–**	**–**	2,514	0.4
Effect of withholding tax	**7,576**	**1.3**	4,417	0.8
Effect of preferential tax rates of 15%	**(74,486)**	**(12.4)**	(92,701)	(16.2)
Tax charge and effective tax rate for the year	**182,574**	**30.4**	90,450	15.8

(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.

8. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Proposed final – HK$0.065 (2013: HK$0.065) per ordinary share	**220,312**	220,367

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,280,100,000 (2013: 4,280,100,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the impact of convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

10. PROPERTY, PLANT AND EQUIPMENT

Group

2014	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture and fixtures *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2014	**1,541,843**	**2,983,853**	**60,831**	**130,308**	**378,739**	**5,095,574**
Additions	**6,078**	**17,277**	**5,624**	**1,945**	**66,311**	**97,235**
Transfers	**5,481**	**108,510**	**96**	**12,433**	**(126,520)**	**-**
Disposals	**(19)**	**(22,195)**	**(9,023)**	**(4,149)**	**(147,953)**	**(183,339)**
Exchange realignment	**63**	**-**	**-**	**2**	**-**	**65**
At 31 December 2014	**1,553,446**	**3,087,445**	**57,528**	**140,539**	**170,577**	**5,009,535**
Accumulated depreciation and impairment						
At 1 January 2014	**303,817**	**949,552**	**43,500**	**78,518**	**-**	**1,375,387**
Charge for the year	**69,577**	**299,023**	**6,443**	**16,707**	**-**	**391,750**
Disposals	**(2)**	**(11,664)**	**(6,243)**	**(3,979)**	**-**	**(21,888)**
Exchange realignment	**16**	**-**	**-**	**(10)**	**-**	**6**
At 31 December 2014	**373,408**	**1,236,911**	**43,700**	**91,236**	**-**	**1,745,255**
Carrying amount						
At 31 December 2014	**1,180,038**	**1,850,534**	**13,828**	**49,303**	**170,577**	**3,264,280**

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

11. FINANCE LEASE RECEIVABLES

	Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivables comprise:				
Within one year	**35,714**	25,892	**33,882**	22,522
One to five years	**2,583**	6,189	**2,450**	5,383
	38,297	32,081	**36,332**	27,905
Less: Unearned finance income	**1,965**	4,176	**-**	-
Less: Provision for impairment	**1,898**	1,898	**1,898**	1,898
Present value of minimum lease payment receivables	**34,434**	26,007	**34,434**	26,007
Analysed as:				
Current			**33,882**	22,522
Non-current			**552**	3,485
			34,434	26,007

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

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**1,898**	5,275
Write-off	**–**	(3,377)
At 31 December	**1,898**	1,898

The effective interest rates of the above finance leases range from 6.0% to 8.8% (2013: 7.05% to 8.80%) 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 2014, the Group's refundable finance lease deposits are as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Current *(note 18)*	**4,745**	23,435
Non-current	**48,617**	51,461
	53,362	74,896

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

12. 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	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables *(note 14)*	**76,457**	41,397
Other receivables *(note 15)*	**10,799**	37,901
	87,256	79,298

The long-term trade receivables are non-interest-bearing and the long-term other receivables bear interest at approximately 3%-8.4% per annum.

13. INVENTORIES

	Group 2014 RMB'000	2013 RMB'000
Raw materials	**560,163**	743,851
Work in progress	**104,579**	145,170
Finished goods	**1,131,580**	1,452,622
	1,796,322	2,341,643

14. TRADE AND BILLS RECEIVABLES

	Group 2014 RMB'000	2013 RMB'000
Trade receivables	**2,112,187**	2,083,175
Impairment	**(187,644)**	(144,540)
Less: Non-current portion *(note 12)*	**(76,457)**	(41,397)
	1,848,086	1,897,238
Bills receivable	**505,775**	1,041,598
	2,353,861	2,938,836

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:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**1,316,127**	1,407,967
3 to 6 months	**265,729**	299,914
6 months to 1 year	**234,706**	175,318
More than 1 year	**31,524**	14,039
	1,848,086	1,897,238

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

	Group	
	2014	2013
	RMB'000	*RMB'000*
At 1 January	**144,540**	97,486
Impairment losses recognised *(note 6)*	**60,754**	47,054
Amount written off as uncollectible	**(17,650)**	–
At 31 December	**187,644**	144,540

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB187,644,000 (2013: RMB144,540,000) with a carrying amount before provision of RMB474,067,000 (2013: RMB514,896,000).

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	
	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,616,356**	1,313,552
Less than 1 month past due	**128,295**	333,055
1 to 3 months past due	**45,091**	150,395
3 months to 1 year past due	**51,770**	91,983
Over 1 year past due	**6,574**	8,253
	1,848,086	1,897,238

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 2014, the Group had no bills receivable pledged to banks to get short-term credit facilities (2013: Nil).

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments	**227,115**	239,808	**–**	–
Deductible value-added tax	**144,289**	190,753	**–**	–
Deposits	**11,685**	20,132	**–**	–
Total	**383,089**	450,693	**–**	–
Other receivables:				
Loan receivables	**986,418**	1,167,746	**–**	–
Less: non-current portion *(note 12)*	**(10,799)**	(37,901)	**–**	–
Less: impairment	**(308,537)**	(203,263)	**–**	–
Net loan receivables	**667,082**	926,582	**–**	
Other miscellaneous receivables	**268,795**	178,391	**616**	606
Less: impairment	**(2,074)**	(2,074)	**–**	–
Net other miscellaneous receivables	**266,721**	176,317	**616**	606
Total other receivables	**933,803**	1,102,899	**616**	606
Grand total	**1,316,892**	1,553,592	**616**	606

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

	Group	
	2014	2013
	RMB'000	*RMB'000*
At 1 January	**205,337**	69,415
Impairment losses recognised *(note 6)*	**144,620**	192,347
Amount written off as uncollectible	**(39,346)**	(56,425)
At 31 December	**310,611**	205,337

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 RMB310,611,000 (2013: RMB205,337,000) with a carrying amount before provision of RMB994,390,000 (2013: RMB1,160,855,000).

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 3%-8.4% 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:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**153,808**	89,112
3 to 6 months	**9,479**	298,733
6 months to 1 year	**273,749**	217,826
Over 1 year	**240,845**	358,812
	677,881	964,483

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:

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	**666,133**	964,483
Less than 3 months past due	**11,748**	-
	677,881	964,483

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.

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**1,088,465**	995,123	**3,891**	45,404
Time deposits	**2,358,340**	1,202,509	**–**	–
	3,446,805	2,197,632	**3,891**	45,404
Less: Pledged cash and bank balances and time deposits:				
Pledged for long-term bank loans *(note 19)*	**(954,000)**	(1,000,000)	**–**	–
Pledged for short-term bank loans *(note 19)*	**(1,385,000)**	(185,000)	**–**	–
Pledged for bank acceptance bills *(note 17)*	**(16,840)**	(15,009)	**–**	–
Pledged for others	**(2,500)**	(2,500)	**–**	–
Cash and cash equivalents	**1,088,465**	995,123	**3,891**	45,404

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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 2014	**8,291**	**1,473**	**–**	**–**
As at 31 December 2013	63,922	10,293	27	23

17. TRADE AND BILLS PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**865,576**	1,096,747
Bills payable	**3,710**	4,180
	869,286	1,100,927

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:

	2014	2013
	RMB'000	*RMB'000*
Within 6 months	**784,856**	1,005,243
6 months to 1 year	**43,357**	52,265
1 to 2 years	**12,215**	18,263
2 to 3 years	**17,473**	12,657
Over 3 years	**11,385**	12,499
	869,286	1,100,927

Bills payable were aged within 6 months at the end of the reporting period and secured by pledged bank deposits (note 16).

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

18. OTHER PAYABLES AND ACCRUALS

Group

	2014	2013
	RMB'000	*RMB'000*
Accrued sales rebate	**228,610**	230,532
Other payables	**128,794**	212,145
Salary and wages payable	**76,943**	67,624
Advances from customers	**52,450**	85,469
Non-derecognised endorsement bills and trade receivables	**40,654**	186,600
Other accrued expenses	**37,971**	25,750
Other taxes payable	**11,708**	13,613
Payable for acquisition of property, plant and equipment	**5,732**	27,537
Deposit for finance leases *(note 11)*	**4,745**	23,435
	587,607	872,705

Company

	2014	2013
	RMB'000	*RMB'000*
Other payables	**11,452**	18,325

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

19. INTEREST-BEARING BANK BORROWINGS

Group		**2014**			2013	
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Current portion of longterm bank loans – unsecured	**5.85**	**2015**	**21,500**	5.54 – 6.15	2014	95,000
Bank loans – secured *(note 16)*	**2.26 – 3.88**	**2015**	**2,685,600**	1.87 – 3.88	2014	708,058
			2,707,100			803,058
Non-current						
Bank loans – unsecured	**–**	**–**	**–**	5.85	2015	21,500
Bank loans – secured *(note 16)*	**2.73 – 3.53**	**2017**	**1,574,119**	2.41	2015	1,767,896
			1,574,119			1,789,396
			4,281,219			2,592,454

Company		**2014**			2013	
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – secured *(note 16)*	**2.26 – 3.88**	**2015**	**2,685,600**	3.25 – 3.88	2014	370,778
Non-current						
Bank loans – secured *(note 16)*	**2.73 – 3.53**	**2017**	**1,574,119**	2.41	2015	1,767,896
			4,259,719			2,138,674

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Analysed into:				
Within one year	**2,707,100**	803,058	**2,685,600**	370,778
In the second year	**–**	1,789,396	**–**	1,767,896
In the third to fifth years, inclusive	**1,574,119**	–	**1,574,119**	–
	4,281,219	2,592,454	**4,259,719**	2,138,674

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 2014	**4,180,829**	**78,890**
As at 31 December 2013	2,397,334	78,620

Certain of the Group and the Company's bank loans are secured by (note 16):

i) the pledge of certain of the Group's short-term time deposits amounting to RMB1,385,000,000 for short-term loans (2013: RMB185,000,000); and

ii) the pledge of certain of the Group's long-term time deposits amounting to RMB954,000,000 for long-term loans (2013: RMB1,000,000,000).

20. CONVERTIBLE BONDS

Group and Company	Liability component *RMB'000*	Derivative component *RMB'000*	Total *RMB'000*
As at 31 December 2014			
2009 Convertible Bonds *(i)*	–	–	–
As at 31 December 2013			
2009 Convertible Bonds *(i)*	9,660	712	10,372

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.

Group and Company

	Liability component *RMB'000*	Derivative component *RMB'000*	Total *RMB'000*
2009 Convertible Bonds:			
As at 1 January 2013	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
Exchange gain	(7)	–	(7)
Exchange realignment	59	8	67
Interest expense *(note 5)*	474	–	474
Redemption	(10,186)	(720)	(10,906)
As at 31 December 2014	–	–	–

During the year ended 31 December 2014, the Company redeemed the remaining US$1,150,000 of the face value (equivalent to RMB8,912,000) of the issued 2009 Convertible Bonds, and the Group and the Company recognised a loss of RMB66,000 on redemption in statement of profit or loss.

21. 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 2013 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 2013, 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 2013, 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 2014, the Group and the Company repurchased all the remaining 8.5% senior notes due 2016 in the amount of US$268,360,000 and recognised a loss of RMB70,280,000 on repurchase in statement of profit or loss.

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 2014, the Group's contingent liabilities for such repurchase obligation amounted to RMB469,003,575 (31 December 2013:RMB1,107,623,000) (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 2014 was insignificant.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

As influenced by the transformation of macro economy and the slowdown of fixed assets investment, the overall demand across the construction machinery market remained sluggish. Revenue of companies in the machinery industry generally recorded negative growth. Given such circumstances, the Company strictly monitored the risks while proactively explored new growth sources, maintaining an overall stable operation during the year. During the Reporting Period, the Group recorded a gross revenue of RMB7,427 million, decreased by RMB730 million or 8.95% from RMB8,157 million of the corresponding period of 2013. During the Reporting Period, the consolidated gross profit margin of the Group increased from 23.58% to 25.51%, mainly attributable to the decrease of some raw materials price and the adjustment of products structure, improvement of technology, strengthened management, consolidation of procurement and transportation of resources. During the year of 2014, the Group recorded a net profit of approximately RMB417 million, representing a year-on-year decrease of 13.17%, which was mainly due to the decrease of gross profit, increase of operation expenses, decrease of financial costs and increase of income tax expenses, etc.

During the year, the northern regions of the PRC remained as the Company's principal marketing regions. Revenue from northern regions amounted to approximately RMB1,498 million, representing 20% of our total turnover. Revenue from eastern regions of the PRC was approximately RMB965 million, accounting for approximately 13% of our total turnover, representing a slight decrease of 2.2% over the year 2013. There is no significant change in the turnover of other regions and as a percentage of the Group's total turnover is almost the same with last year. In respect of our overseas market, during the year, the Group's sales revenue recorded a slightly increase of 3.6% to approximately RMB697 million (2013: approximately RMB673 million).

ANALYSIS OF PRODUCTS

Wheel Loaders

The revenue generated from wheel loader accounted for approximately 61.6% of the Group's total turnover, representing a small drop from last year (2013: approximately 65.2% of the Group's total turnover).

ZL50 series continued to be the main revenue source of the Group with turnover for the year reaching RMB3,762 million, a decrease of 13.3% over the year 2013. ZL30 series continued to be the second largest revenue source of the Group with turnover reaching RMB584 million, representing a decrease of 18.0% as compared with the previous year. ZL40 and ZL60 series accounted for a small proportion in the overall sales with turnover reaching RMB34 million and RMB70 million respectively, representing only approximately 0.46% and 0.95% respectively of the total turnover.

The turnover from mini wheel loader amounted to RMB124 million, a decrease of 21.0% as compared with previous year.

Excavators

Due to the continuous adverse impact of depressed macro-environment, demand for excavators was weak and sales risk exposure increased. The Group adopted prudent sales policy and strictly controlled the risk, which led to a decrease of 7.2% in sales revenue as compared to that of last year, amounted to approximately RMB725 million (2013: approximately RMB781 million).

Fork Lifts and Road Rollers

Demand for fork lifts of the Group still strong despite of the adverse impact of sluggish economy situation and continuous weak demand for other construction machinery. During the year, the turnover of fork lifts increased 16.3% to approximately RMB1,143 million (2013: approximately RMB983 million), which became a kind of product with growth potential under the Group. The Group will constantly introduce different kinds of fork lifts products and improve their quality and after-sales service; as a result, forklift series products will certainly become a new growth point.

Sales of road rollers slid down continuously, decreased by 28.8% to approximately RMB85 million (2013: approximately RMB120 million) as compared to the same period of last year, which was mainly due to the continuous sluggish demand from the market for such kind of products.

Components

The sales generated from components amounted to approximately RMB721 million for the year ended 31 December 2014, a decrease of 6.3% as compared with the corresponding period of last year (2013: RMB769 million), accounting for approximately 9.7% of the total turnover of the Group.

Finance Lease Interest

Turnover from interest income of finance lease accounted for approximately 0.38% of the Group's total turnover in the year of 2014, representing a drop of 41.8% from last year to RMB28 million (2013: RMB48 million, represented approximately 0.6% of the Group's turnover). The drop was due to the fact that finance lease business was gradually reduced by the Group.

FINANCIAL REVIEW

Cash and Bank Balance

The cash position of the Group was strong during the year. As at 31 December 2014, the Group had bank balance and cash of approximately RMB1,088 million (31 December 2013: approximately RMB995 million).

Compared with last year, cash and bank balances decreased by approximately RMB93 million, which is generated as a result of net cash inflow of around RMB1,960 million from operating activities, net cash outflow of RMB121 million from investment activities and the net cash outflow of RMB1,746 million from financing activities.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 31 December 2014 was approximately RMB7,029 million, an increase of 2.69% from approximately RMB6,845 million as at 31 December 2013. The current ratio of the Group at 31 December 2014 was 1.90 (2013: 2.64).

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 ended 31 December 2014, the Company has redeemed all the Convertible Bonds outstandings in an aggregate principal amount of US$1,150,000. Upon the redemption of the Convertible Bonds, there are no outstanding Convertible Bonds as at 31 December 2014.

Long-term Loan Notes

During the year ended 31 December 2014, the Group and the Company repurchased 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 outstandings as at 31 December 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 31 December 2014, the gross gearing ratio (defined as total liabilities over total assets) was approximately 46.62% (31 December 2013: 49.46%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB97 million (2013: approximately RMB 317 million) in line with a series of strategic transformation and production transformation by the Group.

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

Details of the movement in property, plant and equipment of the Group are set out in note 10 to the consolidated financial statements.

Selling and distribution expenses

Selling and distribution expense in 2014 increased by 31.9% to approximately RMB438 million (2013: approximately RMB332 million), which was mainly due to the significant growth in transportation fee assumed by the sales subsidiaries, which was undertook by distributors last year.

Finance Costs

Finance costs decreased by 29.6% to approximately RMB168 million (2013: approximately RMB238 million) for the year of 2014. Such a decrease was mainly due to the decrease of interest accrued to the Long-term loan Notes which has been fully repurchased by the Company during the period.

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 RMB254 million (equivalent to approximately HK$315 million) (the "Disposal").

Details of the Disposal are set out in the announcement (the "Announcement") of the Company dated 29 June 2014. 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.

Exposure in Exchange Rate Fluctuation

The Group adopts a prudent treasury and hedgeing policy consistently.

The Group's operations were mainly conducted in China and the majority of the businesses were transacted in Renminbi except for the Group's bank borrowings related to overseas sources, details of the Group's bank borrowings that are denominated in currencies other than Renminbi are set out in Note 19 to the Group's consolidated financial statements. The Board is of the view that the Group's operating cash flow and liquidity is not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will continue to pay close attention to the fluctuations of the relevant currency foreign exchange rate, and may adopt proper measures to reduce the currency risk exposures of the Group when appropriate.

Capital Commitment

As at 31 December 2014, the Group had contracted but not included in the financial statements expenditures of approximately RMB34 million in respect of acquisition of property, plant and equipment (31 December 2013: approximately RMB65 million)

PROSPECT

The global economy in 2015 will maintain its recovery trend, but uncertainties increased. The development of the domestic economy has entered into a new normal situation. After more than a decade of high speed development, construction machinery industry has stepped into a relatively stable period and the construction machinery market has also moved into a selective period with characteristics of restructuring and updating.

With response to the in-depth adjustment, the Company will insist on manufacturing good products as always, providing users with premium services by keeping on technology innovation and quality optimization, and taking advantage of the price. The Company developed domestic and international markets in a parallel way, monitoring and controlling marketing risks strictly, committing to explore international market and managing to acquire more market shares by flexible marketing strategies. The Group's loaders maintained its leading position in the domestic market. Efforts on expanding the network coverage of fork lifts and enhancing its ability to generate profit have been conducted in parallel, which increased its contribution to the Group's earnings and vertical integration. In respect of excavator, risk controllable will still be the precondition in the process of development. By excavating with internal excavator, lower its costs and make rational adjustment; while constantly optimize its development quality, promote the concept of "quality priority, price rational", share its profit with terminal users, achieving a win-win condition for the Company, distributors and users. Under the results of vertical integration, the Company made full use of its existing capability and cost control advantage and expanded the after marketing job for accessories market and the machine accessories.

The Company will take fully advantages of the market adjustment, making efforts to complete and implement mechanisms, insisting on the concept of institutional corporation governance by strengthening the consolidation of internal resources, optimizing its management of production and distribution plans, making reasonable arrangement for its production, taking effective measures to increase profit and reduce expenses from research and development, procurement, manufacture and marketing, thus to improve efficiency of human resources and ensure the further improvement in management of three items of expenses and cost control.

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.

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.

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 ended 31 December 2014, the Company has redeemed all the Convertible Bonds outstandings in an aggregate principal amount of US$1,150,000. Upon the redemption of the Convertible Bonds, there are no outstanding Convertible Bonds as at 31 December 2014.

Long-term Loan Notes

During the year ended 31 December 2014, the Group and the Company repurchased 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 outstandings as at 31 December 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 31 December 2014, the gross gearing ratio (defined as total liabilities over total assets) was approximately 46.62% (31 December 2013: 49.46%).

DIVIDENDS

A final dividend of HKD0.065 (Equivalent to RMB0.051) per share as a result of the operation of 2013 amounting to HKD278 million (Equivalent to RMB220 million) was paid to the shareholders during the year. There were no any interim 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 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 26 May 2015 to Thursday, 28 May 2015, both days inclusive, during which period no transfers of shares will be effected. All transfer documents, accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited (at shops 1712- 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30 p.m. on Friday, 22 May 2015 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 2015.

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, 5 June 2015. To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 3 June 2015 to Friday, 5 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, shareholders of the Company must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 2 June 2015.

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 Thursday, 28 May 2015. 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, 30 March 2015

As at the date of this announcement, Mr. Li San Yim, Mr. Qiu De Bo, Mr. Chen Chao, Mr. Luo Jian Ru, 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 Dr. Qian Shi Zheng, Mr. Jin Zhi Guo, Mr. Wu Jian Ming and Mr. Chen Zhen are the independent non-executive directors of the Company.

* *For identification purpose only*