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 2015

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 2015 (the "Period") together with the comparative figures for the corresponding period in 2014. 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 2015

		For the six months ended 30 June	
		2015	2014
		Unaudited	
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**2,944,856**	4,484,734
Cost of sales		**(2,181,746)**	(3,340,010)
Gross profit		**763,110**	1,144,724
Other income	*4*	**25,758**	23,719
Other gains and losses	*4*	**(109,304)**	(128,167)
Selling and distribution costs		**(180,657)**	(240,233)
Administrative expenses		**(142,751)**	(129,560)
Research and development costs		**(109,642)**	(162,344)
Other expenses		**(753)**	8,420
Operating profit		**245,761**	516,559
Finance income		**75,196**	42,737
Finance costs		**(59,109)**	(111,503)

	Notes	For the six months ended 30 June **2015** **Unaudited** ***RMB'000***	2014 *RMB'000*
Profit before tax	*5*	**261,848**	447,793
Income tax expense	*6*	**(84,937)**	(101,694)
Profit for the period		**176,911**	346,099
Attributable to:			
Owners of the parent		**176,867**	345,935
Non-controlling interests		**44**	164
		176,911	346,099
Earnings per share			
Basic, profit for the period attributable to ordinary equity holders of the parent *(RMB)*		**0.04**	0.08
Diluted, profit for the period attributable to ordinary equity holders of the parent *(RMB)*		**0.04**	0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015	2014
	Unaudited	
	RMB'000	*RMB'000*
Profit for the period	**176,911**	346,099
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	**(12,995)**	–
Income tax effect	**1,949**	–
	(11,046)	–
Exchange differences on translation of foreign operations	**3,222**	(38,089)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(7,824)**	(38,089)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**–**	–
Other comprehensive income for the period, net of tax	**(7,824)**	(38,089)
Total comprehensive income for the period, net of tax	**169,087**	308,010
Attributable to:		
Owners of the parent	**169,055**	307,846
Non-controlling interests	**32**	164
	169,087	308,010

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 Unaudited RMB'000	31 December 2014 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	8	**3,012,191**	3,264,280
Prepaid land lease payments		**191,857**	197,730
Investments in associates		**4,000**	4,000
Finance lease receivables		**6,507**	552
Deferred tax assets		**253,043**	312,870
Prepayments for property, plant and equipment		**37,678**	41,321
Long-term receivables	9	**77,311**	87,256
Pledged deposits	12	**1,104,707**	956,402
		4,687,294	4,864,411
Current assets			
Prepaid land lease payments		**4,739**	4,819
Inventories	10	**1,560,335**	1,796,322
Finance lease receivables		**76,629**	33,882
Trade and bills receivables	11	**2,414,196**	2,353,861
Due from related parties		**10,640**	8,807
Prepayments, deposits and other receivables		**1,060,302**	1,316,892
Other current assets		**301,926**	300,000
Available-for-sale investments		**287,004**	–
Equity investments at fair value through profit or loss		**165,820**	–
Derivative financial instruments		**34,880**	–
Pledged bank deposits	12	**1,314,797**	1,401,938
Cash and cash equivalents	12	**1,195,068**	1,088,465
		8,426,336	8,304,986
Current liabilities			
Trade and bills payables	13	**941,471**	869,286
Other payables and accruals	14	**442,599**	587,607
Interest-bearing bank borrowings	15	**2,343,051**	2,707,100
Provisions		**81,398**	99,909
Due to related parties		**5,793**	11,447
Deferred income		**6,638**	6,638
Income tax payable		**56,482**	100,114
Dividend due to shareholders	7	**220,312**	–
		4,097,744	4,382,101
Net current assets		**4,328,592**	3,922,885
Total assets less current liabilities		**9,015,886**	8,787,296

	Notes	**30 June 2015 Unaudited** *RMB'000*	31 December 2014 *RMB'000*
Non-current liabilities			
Deposits for finance leases		**49,025**	48,617
Interest-bearing bank borrowings	*15*	**1,847,842**	1,574,119
Deferred tax liabilities		**125,328**	115,535
Provisions		**8,520**	9,110
Deferred income		**7,114**	10,633
Total non-current liabilities		**2,037,829**	1,758,014
Net assets		**6,978,057**	7,029,282
Equity			
Issued capital		**444,116**	444,116
Share premium and reserves		**6,531,182**	6,362,127
Proposed dividend		**–**	220,312
Equity attributable to owners of the parent		**6,975,298**	7,026,555
Non-controlling interests		**2,759**	2,727
Total equity		**6,978,057**	7,029,282

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 were authorized for issue in accordance with a resolution of the directors on 27 August 2015.

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 2015 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 2014.

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 2014, 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 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several new standards and amendments apply for the first time in 2015 by the Group. However, they do not have a material impact on 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:

Amendments to HKAS 19 ***Defined Benefit Plans: Employee Contributions***

HKAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

HKFRS 2 *Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

HKFRS 3 *Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination 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, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

HKFRS 8 *Operating Segments*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in HKFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 3 in these financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of his decision making.

HKAS 16 *Property, Plant and Equipment and HKAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in HKAS 16 and HKAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

HKAS 24 *Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

HKFRS 3 *Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within HKFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of HKFRS 3

- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

The Company is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

HKFRS 13 *Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 (or HKAS 39, as applicable). The Group does not apply the portfolio exception in HKFRS 13.

HKAS 40 *Investment Property*

The description of ancillary services in HKAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that HKFRS 3, and not the description of ancillary services in HKAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on HKFRS 3, not HKAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

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 for the Group's operating segments for the six months ended 30 June 2015 and 2014:

Six months ended 30 June 2015	**Sale of construction machinery** *RMB'000*	**Finance leases of construction machinery** *RMB'000*	**Total** *RMB'000*
Segment revenue	**2,933,047**	**11,809**	**2,944,856**
Results			
Segment results	**231,068**	**10,361**	**241,429**
Reconciliation:			
Finance income			**75,196**
Unallocated other income, gains and losses			**5,987**
Unallocated corporate expenses			**(1,655)**
Finance costs			**(59,109)**
Profit before tax			**261,848**

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

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 2015 and 31 December 2014:

	30 June 2015 ***RMB'000***	31 December 2014 *RMB'000*
Segment assets:	**13,038,006**	13,075,616
Sale of construction machinery	**12,898,926**	12,987,898
Finance leases of construction machinery	**139,080**	87,718
Corporate and other unallocated assets	**75,624**	93,781
Consolidated assets	**13,113,630**	13,169,397
Segment liabilities:	**1,840,249**	1,777,365
Sale of construction machinery	**1,751,764**	1,679,106
Finance leases of construction machinery	**88,485**	98,259
Corporate and other unallocated liabilities	**4,295,324**	4,362,750
Consolidated liabilities	**6,135,573**	6,140,115

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			
	2015		2014	
	RMB'000	***%***	*RMB'000*	*%*
Sales of construction machinery:				
Wheel loaders	**1,600,912**	**54.4**	2,830,340	63.1
Excavators	**342,745**	**11.6**	460,855	10.3
Road rollers	**45,778**	**1.6**	50,103	1.1
Forklifts	**557,312**	**18.9**	626,774	14.0
Components	**386,300**	**13.1**	504,334	11.2
Subtotal	**2,933,047**	**99.6**	4,472,406	99.7
Finance lease interest income	**11,809**	**0.4**	12,328	0.3
Total	**2,944,856**	**100**	4,484,734	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	
	2015	2014
	RMB'000	*RMB'000*
Government grants	**10,658**	17,654
Penalty income	**6,619**	3,796
Reversal of inventory provision	**3,392**	–
Others	**5,089**	2,269
	25,758	23,719

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Exchange realignment from convertible bonds	**–**	5
Loss on repurchase of long-term loan notes	**–**	(70,280)
(Loss)/gain on disposal of items of property, plant and equipment	**(2,700)**	37,611
Allowance for bad and doubtful debts	**(112,591)**	(99,304)
Fair value gains, net:		
Equity investments at fair value through profit or loss		
– held for trading	**(34,180)**	–
Compensation terms for investment	**34,880**	
Investment income	**1,926**	–
Foreign exchange gain	**3,361**	3,801
	(109,304)	(128,167)

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses	**2,181,746**	3,340,010
Staff costs, including directors' remuneration	**166,884**	206,371
Contribution to a retirement benefit scheme	**17,144**	16,913
Amortisation of lease payments for land	**2,621**	3,599
Depreciation of property, plant and equipment	**194,139**	194,296
Bad debt provision	**112,591**	99,304

and after crediting:

Interest income on bank deposits	**75,196**	42,737
Income-related government grants	**10,658**	17,654

6. INCOME TAX EXPENSE

The Group calculates the income tax expense for the current period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current income tax expense	**13,368**	100,210
Deferred income tax expense relating to origination and reversal of temporary differences	**71,569**	1,484
Income tax expense recognised in statement of profit or loss	**84,937**	101,694

7. DIVIDEND DUE TO SHAREHOLDERS

The directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

The proposed final dividend of HK$0.065 per ordinary share for the year ended 31 December 2014 was declared payable and approved by the shareholders at the annual general meeting of the Company on 28 May 2015 and was paid on 5 August 2015.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired assets with a cost of RMB45,225,000 (six months ended 30 June 2014: RMB54,990,000), including property, plant and machinery in the People's Republic of China (the "PRC").

Assets with a net book value of RMB103,169,000 were disposed of by the Group during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB161,162,000), resulting in a net loss on disposal of RMB2,700,000 (net gain in the six months ended 30 June 2014: RMB37,611,000).

9. LONG-TERM RECEIVABLES

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
Trade receivables *(note 11)*	**76,584**	76,457
Other receivables	**727**	10,799
	77,311	87,256

10. INVENTORIES

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Raw materials	**551,856**	560,163
Work in progress	**107,693**	104,579
Finished goods	**900,786**	1,131,580
	1,560,335	1,796,322

11. TRADE AND BILLS RECEIVABLES

The Group allows credit periods from 6 months up to 12 months to its trade customers. Longer credit terms may be offered to some customers with good credit history and relationships.

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
Trade receivables	**2,426,839**	2,112,187
Impairment	**(217,077)**	(187,644)
Less: Non-current portion *(note 9)*	**(76,584)**	(76,457)
	2,133,178	1,848,086
Bills receivable	**281,018**	505,775
	2,414,196	2,353,861

The aged analysis of trade receivables is as follows:

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
0-90 days	**1,600,069**	1,316,127
91-180 days	**261,483**	265,729
181-360 days	**236,890**	234,706
Over 1 year	**34,736**	31,524
	2,133,178	1,848,086

Bills receivable are aged within six months at the end of each reporting period. Bills receivable amounting to RMB94,289,000 were pledged to banks by the Group as security for short-term credit facilities in this period (31 December 2014: 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 2015 *RMB'000*	31 December 2014 *RMB'000*
Cash and bank balances	**1,195,068**	1,088,465
Time deposits	**2,419,504**	2,358,340
Less: Pledged for long-term bank loans	**(1,101,320)**	(954,000)
Pledged for bank acceptance bills - non-current	**(887)**	(2,402)
Pledged for bank acceptance bills - current	**(14,797)**	(14,438)
Pledged for short-term bank loans	**(1,300,000)**	(1,385,000)
Pledged for others	**(2,500)**	(2,500)
	1,195,068	1,088,465

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 2015 *RMB'000*	31 December 2014 *RMB'000*
0-180 days	**840,363**	784,856
181 days-1 year	**51,759**	43,357
1-2 years	**23,141**	12,215
2-3 years	**6,847**	17,473
Over 3 years	**19,361**	11,385
	941,471	869,286

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

14. OTHER PAYABLES AND ACCRUALS

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Accrued sales rebate	**185,124**	228,610
Salary and wages payable	**37,525**	76,943
Advances from customers	**27,140**	52,450
Payable for acquisition of property, plant and equipment	**22,992**	5,732
Non-derecognised endorsement bills and trade receivables	**20,483**	40,654
Deposit for finance leases	**10,048**	4,745
Other taxes payable	**6,557**	11,708
Other payables	**97,110**	128,794
Other accrued expenses	**35,620**	37,971
	442,599	587,607

15. INTEREST-BEARING BANK BORROWINGS

During the six-month period ended 30 June 2015, the Group repaid short-term bank loans of US$42,750,000 (equivalent to RMB263,659,000), HK$100,000,000 (equivalent to RMB78,890,000) and RMB21,500,000. The short-term loans bear interest at rates ranging from 2.28% to 2.37% per annum.

The Group obtained a long-term bank loan of US$45,000,000 (equivalent to RMB273,723,000). The long-term loans bear interest at rates ranging from 2.27% to 3.58% 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 RMB1,300,000,000 for short-term loans (31 December 2014: RMB1,385,000,000);

ii) the pledge of certain of the Group's long-term time deposits amounting to RMB1,101,320,000 for long-term loans (31 December 2014: RMB954,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

As influenced by the slowdown of macro economy and fixed assets investment, the demand for the construction machinery remained weak and the overall sales volume in the industry declined. Exposing to the change of macro economic environment, the Company actively took a series of practicable measures to constantly control marketing risk, continuously complete products structure and quality and vigorously improve services. Under the backdrop of continuously sluggish demand and sharp market competition, the Company kept and enhanced the leading position of its major products during the reporting period. Assets quality and financial position recorded further optimization. Total revenue for the period decreased by RMB1,540 million or 34.34% from RMB4,485 million of the corresponding period of 2014 to RMB2,945 million. During the Period, the consolidated gross profit margin of the Group grew from 25.52% to 25.91%, remaining at a relatively stable level, mainly due to the vertical integration of the Group, consolidation of resources of the Company, enhancement of internal management and continuously low prices of bulk materials. In the first half of 2015, the Group recorded net profit of approximately RMB177 million, representing a year-on year decline of 48.88%, mainly attributable to the decrease of gross profit and control of financial expense as a result of reduce of the sales revenue.

GEOGRAPHICAL RESULTS

As impacted by the slowdown of growth rate of fixed asset investment in China, demand in every region of China remained sluggish, and the sales from all regions recorded a significant decrease.

In northern region of PRC, the company's principal marketing area, for the period ended on 30 June 2015, sales decreased by 45.9% to RMB564 million (Six months ended 30 June 2014: RMB1,042 million), which was accounted for 19.1% of the Group's total turnover as compared to 23.2% over the same period of 2014.

Sales from central region and eastern region represented approximately 13.9% and 14.2% of our total turnover respectively as compared to 16.8% and 14.3% of our total turnover respectively over the same period of 2014. Sales from central region decreased by 45.7% to RMB409 million and sales from eastern region decreased by 35.0% to RMB418 million.

Sales from northeastern region increased by 52.8% to RMB91 million while sales from northwestern region decreased by 53.4% to RMB281 million. Sales from northeastern and northwestern region represented approximately 3.1% and 9.6% of our total turnover respectively. In southwestern region of PRC, sales declined significantly from the previous fiscal year over the same corresponding period to RMB339 million (Six months ended 30 June 2014: RMB471 million).

During the period under review, the Group realized revenue of approximately RMB412 million in the overseas market as compared to RMB309 million over the same period of 2014. This was mainly attributable to the fact that the Group work to further improve and strengthen distributorships in the overseas market. Sales from overseas represented approximately 14.0% of our total turnover as compared to 6.9% of our total turnover over the same period of 2014.

PRODUCTS ANALYSIS

Wheel Loaders

Sales from wheel loaders series, our major products for the six months under review decreased 43.4% to RMB1,601 million (six months ended 30 June 2014: RMB2,830 million) due to the industry demand substantially reduced. Among which, revenue generated from ZL50 and ZL30 showed a decrease of 44.9% and 39.1% respectively, representing 44% and 7% of total revenue respectively. Revenue from ZL40 series decreased 30.1% to approximately RMB14.8 million (six months ended 30 June 2014: RMB21 million). Wheel loader remained as the Company's main revenue driver.

Excavator

For the six months ended 30 June 2015, sales from excavator series amounted to RMB343 million, representing a decrease of 25.6% as compared to the same period in 2014 (six months ended 30 June 2014: RMB461 million).

Fork Lifts and Road Rollers

Sales from fork lifts series decreased 11.2% to RMB557 million for the Period (six months ended 30 June 2014: RMB627 million). Revenue generated from fork lifts series represented approximately 18.9% of our total turnover. Sales from our road rollers amounted to RMB46 million, representing a decrease of 8.0% as compared to the same period in 2014 (six months ended 30 June 2014: RMB50 million).

Components

The sales generated from components amounted to approximately RMB386 million for the Period, representing a decrease of 23.4% as compared to the same period in 2014 (six months ended 30 June 2014: RMB504 million).

Finance Lease Interest Income

Turnover from finance lease interest decreased 4.1% to approximately RMB11.8 million for the Period, representing only 0.4% of our total turnover because the finance lease business was gradually reduced by the Group since 2011 (six months ended 30 June 2014: approximately RMB12.3 million).

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.

Cash and Bank Balance

As at 30 June 2015, the Group had cash and bank balances of approximately RMB1,195 million (31 December 2014: approximately RMB1,088 million) and pledged bank deposit of approximately RMB2,420 million (31 December 2014: approximately RMB2,358 million). Compared with last year, the cash and bank balances increased by about RMB107 million, which was as a result of net cash inflow of RMB758 million from operating activities, net cash outflow of RMB420 million from investing activities and net cash outflow of RMB231 million from financing activities.

The pledged deposit balance at 30 June 2015 increased by approximately RMB62 million.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 30 June 2015 was approximately RMB6,978 million, a decrease of 0.73% from approximately RMB7,029 million as at 31 December 2014.

The current ratio of the Group at 30 June 2015 was 2.06 (31 December 2014: 1.90). 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 six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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 2015, the gross gearing ratio (defined as total liabilities over total assets) was approximately 46.79% (31 December 2014: 46.62%).

Capital Expenditure

During the Period, the Group acquired property, plant and equipment of approximately RMB45 million (six months ended 30 June 2014: approximately RMB55 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.

Exposure in Exchange Rate Fluctuation

The Group adopts a prudent treasury and hedging 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. 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 30 June 2015, the Group had contracted but not included in the financial statements in respect of acquisition of property, plant and equipment amounting to approximately RMB24 million (31 December 2014: approximately RMB34 million).

PROSPECT

Looking into the next half of 2015, the international and domestic environment of economy will remain complex and austere. As affected by the macro economic policy, the construction machinery sector will experience a long period of adjustment and integration. The growth of demand across the sector will remain slowdown in the coming period, and the risk of over capacity is unable to be released effectively. Facing various market challenges, the Company will focus on the construction machinery industry and improve its products including wheel loaders, fork lifts, excavators, road rollers and core components, constantly raise its own technological research and development capacity, pay attention to the quality of products, improve brand awareness, leverage the marketing and service advantage while keeping risk controllable, constantly consolidate supply and transportation optimization resources, enhance cost control and expense management, deeply develop both international and domestic market, continue to promote the balanced development of every kind of complete machines and vigorously improve the market share. The Company believes that it will seize market opportunity upon a slight recovery of the industry, positively develop and obtain more stable and excellent performance in the future, endeavor to create value for the customers and bring best return for the shareholders.

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 2015 (the "2015 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 2015, 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 2015 have been reviewed by the external auditors of the Company.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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 six months ended 30 June 2015 (six months ended 30 June 2014: HK$0 cents per share).

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2015 interim report for the six months ended 30 June 2015 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, 27 August 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 and Mr. Yin Kun Lun 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*