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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 2015

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2015

	NOTES	**2015** *RMB'000*	2014 *RMB'000*
REVENUE	*3*	**4,829,329**	7,427,206
Cost of sales		**(3,730,455)**	(5,532,826)
Gross profit		**1,098,874**	1,894,380
Other income	*4*	**41,333**	43,526
Other gains and losses	*4*	**(167,463)**	(246,918)
Selling and distribution expenses		**(327,374)**	(437,754)
Administrative expenses		**(261,430)**	(273,658)
Research and development costs		**(188,972)**	(313,043)
Other expenses		**(6,425)**	(2,654)
Finance income	*4*	**140,008**	103,723
Finance costs	*5*	**(116,052)**	(167,962)

* *For identification purpose only*

	NOTES	2015 RMB'000	2014 RMB'000
PROFIT BEFORE TAX	*6*	**212,499**	599,640
Income tax expense	*7*	**(95,869)**	(182,574)
PROFIT FOR THE YEAR		**116,630**	417,066
Attributable to:			
Owners of the parent		**116,556**	416,858
Non-controlling interests		**74**	208
		116,630	417,066
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic:			
– For profit for the year	*8*	**RMB0.03**	RMB0.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	2015	2014
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**116,630**	417,066
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	**(5,000)**	–
Income tax effect	**750**	–
	(4,250)	–
Exchange differences on translation of foreign operations	**(297,208)**	(12,800)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(301,458)**	(12,800)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(301,458)**	(12,800)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(184,828)**	404,266
Attributable to:		
Owners of the parent	**(184,897)**	404,058
Non-controlling interests	**69**	208
	(184,828)	404,266

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2015

	NOTES	2015 RMB'000	2014 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		**2,829,338**	3,264,280
Prepaid land lease payments		**191,239**	197,730
Investments in associates		**3,275**	4,000
Finance lease receivables	*9*	**5,049**	552
Prepayments for property, plant and equipment		**30,775**	41,321
Long-term receivables		**114,951**	87,256
Available-for-sale investments		**207,270**	–
Deferred tax assets		**263,666**	312,870
Pledged deposits	*13*	**2,219,324**	956,402
Total non-current assets		**5,864,887**	4,864,411
Current assets			
Prepaid land lease payments		**5,276**	4,819
Inventories	*10*	**1,280,878**	1,796,322
Finance lease receivables	*9*	**70,790**	33,882
Trade and bills receivables	*11*	**1,931,055**	2,353,861
Due from related parties		**4,863**	8,807
Prepayments, deposits and other receivables	*12*	**686,963**	1,316,892
Other current assets		**830,462**	–
Available-for-sale investments		**289,200**	300,000
Equity investments at fair value through profit or loss		**138,783**	–
Derivative financial instruments		**61,217**	–
Pledged deposits	*13*	**204,897**	1,401,938
Cash and cash equivalents	*13*	**1,146,340**	1,088,465
Total current assets		**6,650,724**	8,304,986
Current liabilities			
Trade and bills payables	*14*	**683,555**	869,286
Other payables and accruals		**562,607**	587,607
Interest-bearing bank borrowings	*15*	**292,213**	2,707,100
Due to related parties		**5,953**	11,447
Tax payable		**83,678**	100,114
Provisions		**62,044**	99,909
Deferred income		**7,038**	6,638
Total current liabilities		**1,697,088**	4,382,101

	NOTES	2015 RMB'000	2014 RMB'000 (Restated)
Net current assets		**4,953,636**	3,922,885
Total assets less current liabilities		**10,818,523**	8,787,296
Non-current liabilities			
Deposits for finance leases	*9*	**5,211**	48,617
Interest-bearing bank borrowings	*15*	**4,073,123**	1,574,119
Deferred tax liabilities		**107,406**	115,535
Provisions		**5,446**	9,110
Deferred income		**3,195**	10,633
Total non-current liabilities		**4,194,381**	1,758,014
Net assets		**6,624,142**	7,029,282
Equity			
Equity attributable to owners of the parent			
Issued capital		**444,116**	444,116
Share premium and reserves		**6,177,230**	6,582,439
		6,621,346	7,026,555
Non-controlling interests		**2,796**	2,727
Total equity		**6,624,142**	7,029,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. CORPORATE AND GROUP 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").

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

The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

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

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

2.1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. 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 of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The Annual Improvements to HKFRSs 2011-2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 Fair Value Measurement: 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 amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 Investment Property: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there is no acquisition of investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

4 No mandatory effective yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

Year ended 31 December 2015

	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Financial investment *RMB'000*	Total *RMB'000*
Segment revenue	**4,809,819**	**19,510**	**–**	**4,829,329**
Segment results	**83,456**	**16,769**	**38,210**	**138,435**
Reconciliation:				
Interest income				**140,008**
Unallocated other income and gains				**54,377**
Corporate and other unallocated expenses				**(4,269)**
Finance costs				**(116,052)**
Profit before tax				**212,499**
Segment assets	**10,800,053**	**113,466**	**1,525,462**	**12,438,981**
Corporate and other unallocated assets				**76,630**
Total assets				**12,515,611**
Segment liabilities	**1,349,779**	**77,323**	**–**	**1,427,102**
Corporate and other unallocated liabilities				**4,464,367**
Total liabilities				**5,891,469**
OTHER SEGMENT INFORMATION				
Impairment losses recognised in the statement of profit or loss	**275,342**	**–**	**–**	**275,342**
Impairment losses reversed in the statement of profit or loss	**(20,434)**	**–**	**–**	**(20,434)**
Depreciation and amortisation	**395,673**	**761**	**–**	**396,434**
Investments in associates	**3,275**	**–**	**–**	**3,275**
Capital expenditure*	**80,393**	**–**	**–**	**80,393**

* *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 2014

	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.*

Revenue derived from major products and services

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

	2015		2014	
	RMB'000	***%***	*RMB'000*	*%*
Wheel loaders	**2,556,684**	**52.9**	4,574,813	61.6
Excavators	**518,527**	**10.7**	725,325	9.8
Road rollers	**79,634**	**1.7**	85,198	1.1
Fork lifts	**1,026,681**	**21.3**	1,142,807	15.4
Others	**628,293**	**13.0**	870,989	11.7
Subtotal	**4,809,819**	**99.6**	7,399,132	99.6
Finance lease interest income	**19,510**	**0.4**	28,074	0.4
Total	**4,829,329**	**100**	7,427,206	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

	2015	2014
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**140,008**	**103,723**
Other income		
Government grants	**24,018**	22,807
Penalty income	**15,290**	12,392
Reversal of inventory provision	**–**	4,487
Others	**2,025**	3,840
	41,333	**43,526**

	2015	2014
	RMB'000	*RMB'000*
Other gains and losses		
Foreign exchange gains/(losses)	**54,378**	(7,525)
Exchange gain from convertible bonds	**–**	7
Impairment of financial assets *(note 6)*	**(234,747)**	(205,374)
Impairment of construction in progress	**(15,850)**	–
(Loss)/gain on disposal of items of property, plant and equipment	**(8,729)**	36,320
Gain from loan receivables	**30,462**	–
Fair value gains, net:		
Equity investments at fair value through profit or loss – held for trading	**(61,217)**	–
Compensation terms for investment	**68,965**	–
Share of profits and losses of joint ventures and associates	**(725)**	–
Loss on repurchase of long-term loan notes	**–**	(70,280)
Loss on redemption of convertible bonds	**–**	(66)
	(167,463)	(246,918)

5. FINANCE COSTS

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

	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans (including convertible bonds)	**114,027**	163,967
Interest on discounted bills	**2,025**	3,995
Total interest expense on financial liabilities not at fair value through profit or loss	**116,052**	167,962
Less: interest capitalised	**–**	–
	116,052	167,962

6. PROFIT BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**3,730,455**	5,532,826
Depreciation	**390,400**	391,750
Amortisation of prepaid land lease payments	**6,034**	6,727
Research and development costs	**188,972**	313,043
Auditors' remuneration	**3,003**	3,603
Employee benefit expense		
(excluding directors' remuneration):		
Wages and salaries	**296,278**	401,829
Contributions to a pension scheme	**32,652**	33,876
Total staff costs	**328,930**	435,705
Foreign exchange differences, net	**54,378**	(7,518)
Impairment of financial assets		
– trade receivables *(note 11)*	**103,147**	60,754
– other receivables *(note 12)*	**131,600**	144,620
Impairment of construction in progress	**15,850**	–
	250,597	205,374
Write-down/(reversal of write-down) of inventories to net realisable value	**4,311**	(4,487)
Product warranty provision:		
Additional provision	**76,555**	118,872
Loss on redemption of convertible bonds	**–**	66
Loss on repurchase of long-term loan notes	**–**	70,280
Bank interest income	**(140,008)**	(103,723)
Loss/(gain) on disposal of items of property, plant and equipment	**8,729**	(36,320)
Fair value (gains)/losses, net:		
Equity investments at fair value through profit or loss		
– held for trading	**61,217**	–
Derivative instruments		
– transactions not qualifying as hedges	**(68,965)**	–

7. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Group:		
Current tax		
Charged for the year	**77,621**	145,216
(Overprovision)/underprovision in prior years	**(27,077)**	10,160
Withholding tax paid	**3,500**	900
	54,044	156,276
Deferred tax	**41,825**	26,298
Total tax charge for the year	**95,869**	182,574

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:

	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**212,499**		599,640	
Tax at the statutory tax rate of 25% (2014: 25%)	**53,125**	**25.0**	149,910	25.0
Expenses not deductible for tax *(i)*	**43,733**	**20.5**	80,171	13.4
Adjustments in respect of current tax of previous periods	**(27,077)**	**(12.7)**	10,160	1.6
Tax losses utilised from previous periods	**(1,945)**	**(0.9)**	(1,851)	(0.3)
Tax losses not recognised	**50,998**	**24.0**	11,094	1.8
Effect of withholding tax	**2,804**	**1.3**	7,576	1.3
Effect of the preferential tax rate of 15%	**(25,769)**	**(12.1)**	(74,486)	(12.4)
Tax charge and effective tax rate for the year	**95,869**	**45.1**	182,574	30.4

(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

	2015	2014
	RMB'000	*RMB'000*
Proposed final – HK$0.017 (2014: HK$0.065) per ordinary share	**61,178**	220,312

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

9. FINANCE LEASE RECEIVABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	2015	2014	**2015**	2014
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Finance lease receivables comprise:				
Within one year	**73,965**	35,714	**70,790**	33,882
One to five years	**7,259**	2,583	**6,947**	2,450
	81,224	38,297	**77,737**	36,332
Less: Unearned finance income	**3,487**	1,965	**–**	-
Less: Provision for impairment	**1,898**	1,898	**1,898**	1,898
Present value of minimum lease payment receivables	**75,839**	34,434	**75,839**	34,434
Analysed as:				
Current			**70,790**	33,882
Non-current			**5,049**	552
			75,839	34,434

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

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**1,898**	1,898
Write-off	**–**	–
At 31 December	**1,898**	1,898

The effective interest rates of the above finance leases range from 6% to 8.8% (2014: 6.0% to 8.8%) 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 2015, the Group's refundable finance lease deposits are as follows:

	2015	2014
	RMB'000	*RMB'000*
Current	**54,020**	4,745
Non-current	**5,211**	48,617
	59,231	53,362

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

10. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**447,583**	560,163
Work in progress	**93,030**	104,579
Finished goods	**740,265**	1,131,580
	1,280,878	1,796,322

11. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**2,103,343**	2,112,187
Impairment	**(285,504)**	(187,644)
Less: Non-current portion	**(112,320)**	(76,457)
	1,705,519	1,848,086
Bills receivable	**225,536**	505,775
	1,931,055	2,353,861

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:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**912,140**	1,316,127
3 to 6 months	**327,069**	265,729
6 months to 1 year	**354,697**	234,706
More than 1 year	**111,613**	31,524
	1,705,519	1,848,086

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

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**187,644**	144,540
Impairment losses recognised *(note 6)*	**103,147**	60,754
Amount written off as uncollectible	**(5,287)**	(17,650)
At 31 December	**285,504**	187,644

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB285,504,000 (2014: RMB187,644,000) with a carrying amount before provision of RMB719,795,000 (2014: RMB474,067,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

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:

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,005,661**	1,616,356
Less than 1 month past due	**130,233**	128,295
1 to 3 months past due	**99,883**	45,091
3 months to 1 year past due	**25,878**	51,770
Over 1 year past due	**9,573**	6,574
	1,271,288	1,848,086

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 2015, the Group had no bills receivable pledged to banks to get short-term credit facilities (2014: Nil).

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Prepayments	**85,523**	227,115
Deductible value-added tax	**74,684**	144,289
Deposits	**6,343**	11,685
Total	**166,550**	383,089
Other receivables:		
Loan receivables	**735,075**	986,418
Less: non-current portion	**(2,631)**	(10,799)
Less: impairment	**(394,632)**	(308,537)
Net loan receivables	**337,812**	667,082
Other miscellaneous receivables	**184,698**	268,795
Less: impairment	**(2,097)**	(2,074)
Net other miscellaneous receivables	**182,601**	266,721
Total other receivables	**520,413**	933,803
Grand total	**686,963**	1,316,892

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

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**310,611**	205,337
Impairment losses recognised *(note 6)*	**131,600**	144,620
Amount written off as uncollectible	**(45,482)**	(39,346)
At 31 December	**396,729**	310,611

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 RMB396,729,000 (2014: RMB310,611,000) with a carrying amount before provision of RMB743,479,000 (2014: RMB994,390,000).

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015	2014
	RMB'000	*RMB'000*
Cash and bank balances	**1,146,340**	1,088,465
Time deposits	**2,424,221**	2,358,340
	3,570,561	3,446,805
Less: Pledged cash and bank balances and time deposits:		
Pledged for long-term bank loans *(note 15)*	**(2,215,938)**	(954,000)
Pledged for short-term bank loans *(note 15)*	**(156,500)**	(1,385,000)
Pledged for bank acceptance bills *(note 14)*	**(34,620)**	(2,809)
Pledged for others	**(17,163)**	(16,531)
Cash and cash equivalents	**1,146,340**	1,088,465

14. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**648,155**	865,576
Bills payable	**35,400**	3,710
	683,555	869,286

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:

	2015	2014
	RMB'000	*RMB'000*
Within 6 months	**530,802**	784,856
6 months to 1 year	**88,534**	43,357
1 to 2 years	**40,177**	12,215
2 to 3 years	**8,869**	17,473
Over 3 years	**15,173**	11,385
	683,555	869,286

Bills payable were aged within 6 months at the end of the reporting period and secured by pledged bank deposits amounting to RMB34,620,000 (2014: RMB2,809,000) *(note 13)*.

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

15. INTEREST-BEARING BANK BORROWINGS

	2015			2014		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – unsecured	**–**	**–**	**–**	5.85	2015	21,500
Bank loans – secured *(note 13)*	**2.42 – 2.46**	**2016**	**292,213**	2.26 – 3.88	2015	2,685,600
			292,213			2,707,100
Non-current						
Bank loans – secured *(note 13)*	**1.39 – 3.53**	**2017-2018**	**4,073,123**	2.73 – 3.53	2017	1,574,119
			4,365,336			4,281,219

	2015	2014
	RMB'000	*RMB'000*
Analysed into:		
Within one year	**292,213**	2,707,100
In the second year	**1,670,484**	–
In the third to fifth years, inclusive	**2,402,639**	1,574,119
	4,365,336	4,281,219

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

	US$	HK$
	RMB'000	*RMB'000*
Original currency		
As at 31 December 2015	**4,365,336**	**–**
As at 31 December 2014	4,180,829	78,890

Certain of the Group's bank loans are secured by *(note 13)*:

i) the pledge of certain of the Group's short-term time deposits amounting to RMB156,500,000 for short-term loans (2014: RMB1,385,000,000); and

ii) the pledge of certain of the Group's long-term time deposits amounting to RMB2,215,938,000 for long-term loans (2014: RMB954,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

The economic environment was complex in 2015. With the continuous global economic downturn and increasing downward pressure on the domestic economy, the construction machinery industry continued to adjust at low levels. Market demand for construction machinery went sluggish. Facing with negative factors such as increasing product competition in construction machinery and weakening product demands, the company has been taken every possible measure to manage business risk, transform and upgrade product lines, and enhance product quality, which have strengthened the product standing in major markets. During the reporting period, the Group has achieved a total revenue of RMB4,829 million, decreased RMB2,598 million compared to RMB7,427 million in the same period of 2014, down 34.98%. Consolidated gross profit margin of the Group dropped from 25.51% to 22.75% during the reporting period. The relatively stable consolidated gross profit margin of the company was mainly attributed to factors such as the maximized advantages of vertical integration, purchasing transportation resource integration, strengthening internal management, and falling price of bulk materials. The Group has achieved a net profit of about RMB117 million in 2015, down 72.04% compared to the same period of last year. The change in net profit is mainly due to a reduced gross profit caused by decrease in sales and increased income tax expenses.

During the year, revenue from each region in overall PRC domestic market showed a significant decrease due to a sluggish demand. The revenue from each region, as a percentage of the Group's total turnover remains the nearly same compared with last year. The northern regions of the PRC remained as the Company's principal marketing regions. Revenue from northern regions amounted to approximately RMB842 million, representing 17% of our total turnover. Revenue from eastern regions of the PRC was approximately RMB629 million, accounting for approximately 13% of our total turnover. In respect of our overseas market, during the year, the Group's sales revenue recorded a slightly decrease of 2.9% to approximately RMB677 million (2014: approximately RMB697 million).

ANALYSIS OF PRODUCTS

Wheel Loaders

The revenue generated from wheel loader represented approximately 52.94% of total Group's turnover, representing an obvious drop from last year (2014: approximately 61.60% of total Group's turnover).

ZL50 series continued to be the main revenue source of the Group with turnover for the year reaching RMB2,043 million, a decrease of 45.69% compared with that of last year. ZL30 series continued to be the second largest revenue source of the Group with turnover reaching RMB340 million, a decrease of approximately 41.79% compared with that of last year. ZL40 series accounted for a small proportion in the overall sales with turnover reaching RMB27 million, representing only approximately 0.57% of the total turnover. ZL60 series recorded approximately RMB33 million in sales, representing only 0.66% of the total turnover. The turnover from mini wheel loader amounted to RMB114 million, a decrease of 7.82% compared with that of last year.

Excavators

Affected by the factors such as slowdown of growth of infrastructure investment, the sales of excavators declined significantly resulting in a drop of turnover by 28.51% to RMB519 million (2014: RMB725 million).

Fork Lifts and Road Rollers

Relatively less affected by the growth of fixed assets investment, revenue generated from fork lifts represented an increasing percentage of our total turnover reaching 21.26% (2014: 15.39%). During the year, turnover from fork lifts decreased by 10.16% to approximately RMB1,027 million (2014: RMB1,143 million).

Revenue from road rollers reached RMB80 million, representing a decrease of 6.53% compared with that of last year.

Components

The sales generated from components amounted to approximately RMB523 million for the year ended 31 December 2015, a decrease of 27.42% compared with the corresponding period last year (2014: RMB721 million), accounting for approximately 10.83% of the total turnover of the Group.

Finance Lease Interest

Turnover from interest income of finance lease represented approximately 0.40% of the Group's total turnover in the year of 2015. The finance lease business has been reduced by the Group gradually.

FINANCIAL REVIEW

Cash and Bank Balance

The cash position of the Group was strong during the year. As at 31 December 2015, the Group had bank balance and cash of approximately RMB1,146 million (31 December 2014: approximately RMB1,088 million).

Compared with last year, cash and bank balances increased by approximately RMB58 million, which is generated as a result of net cash inflow of around RMB1,722 million from operating activities, the net cash outflow of RMB1,157 million from investing activities and the net cash outflow of RMB508 million from financing activities and effect of foreign exchange rate changes of RMB1 million.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 31 December 2015 was approximately RMB6,624 million, a 5.76% decrease from approximately RMB7,029 million as at 31 December 2014. The current ratio of the Group at 31 December 2015 was 3.92 (2014: 1.90).

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, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares and any other listed securities.

As at 31 December 2015, the gross gearing ratio (defined as total liabilities over total assets) was approximately 47.07% (31 December 2014: 46.62%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB80 million (2014: approximately RMB97 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.

Finance Income

The Group's finance income was RMB140 million for the year ended 31 December 2015 as compared to RMB104 million for the year ended 31 December 2014. The increase was mainly due to the result of significant increase of long-term time deposits pledged by the Group for bank borrowings during the year.

Finance Costs

The Group's finance cost was RMB116 million for the year ended 31 December 2015, representing an decrease of 30.9% as compared to RMB168 million for the year ended 31 December 2014. It was mainly due to the decrease of interest accrued to the long-term loan Notes which has been fully repuchased by the Company in the year of 2014.

Research and Development Costs

The Group maintained an reasonable input in research and devlopment activities. The Group's research and development costs was RMB189 million for the year ended 31 December 2015, representing an decrease of 39.6% as compared to RMB313 million for the year ended 31 December 2014. It was mainly because that the Group reduced the relevant expenses in consideration of the significant overall fall in turnover.

Selling and Distribution Expenses

The Group's distribution and selling expenses was RMB327 million for the year ended 31 December 2015, representing an decrease of 25.2% as compared to RMB438 million for the year ended 31 December 2014. Such a decrease in distribution and selling expeses was in line with the overall decrease in the Group's turnover.

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 31 December 2015, the Group had contracted but not included in the financial statements expenditures of approximately RMB20 million in respect of acquisition of property, plant and equipment (31 December 2014: approximately RMB34 million).

PROSPECT

In recent years, the construction machinery industry in China has encountered a "new norm": because of the severely depressed environment, the industry needs to run the business in an extremely difficult phase characterized by significant downside risks and fragility. Risks such as overcapacity, slow accounts receivable turnover, and vicious market competition are still persistent. Facing adverse challenges, the company will seize every opportunity to redefine business during this transformation, improve marketing strategies, enhance management skills, and dedicate ourselves to the construction machinery business by continuously producing high quality products such as loaders, forklifts, excavators, four major pavement machinery products and other core components. The company will continuously improve and refine its management and operating system, enhance quality and services management, boost technological research and development capabilities, promote product transformation and upgrades, increase product reliability, improve product quality, promote environmentally friendly products, and increase the brand awareness and social influence of our products. The company will continue to strengthen risk management practices, adopt fluid and flexible marketing strategies, integrate and optimize supply and transport efficiency, enhance cost control and expense management, improve efficiency and effectiveness of management decisions, adopt in-depth development in both domestic and foreign markets, balance the development of all types of construction machinery products, and strive to increase market share of the product. The company will continue to build and maintain an effective team, conduct business with integrity, strengthen and expand the enterprise to achieve greater development. With faith and our commitment to excellence, the company will grow and prosper in the near future.

CORPORATE GOVERNANCE

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

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

Code Provision A.1.8

As stipulated in the Code provision A.1.8 of 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. Three 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

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.

Code Provision A.2.1

During the year, Mr. Qiu De Bo ("Mr. Qiu") tendered his resignation as an executive director of the Company and the chief executive officer with effect from 21 December 2015. Following Mr. Qiu's resignation, the Board has appointed Mr. Li San Yim ("Mr. Li"), an executive director of the Company and the chairman of the Board to act as the chief executive officer concurrently with effect from 21 December 2015. As Mr. Li serves as both the chairman of the Board and the chief executive officer of the Group, such practice deviates from code provision A.2.1 of the CG Code. The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Li to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

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

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

Audit Committee

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

The annual results for the year ended 31 December 2015 have been reviewed by the audit committee of the Company.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

DIVIDENDS

A final dividend of HKD0.065 per share as a result of the operation of 2014 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 Directors recommend the payment of a final dividend of HKD0.017 per share for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 24 May 2016 to Thursday, 26 May 2016, both days inclusive, during which period no transfers of shares will be effected. All transfers, accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Ltd (at shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30 p.m. on Monday, 23 May 2016 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 26 May 2016.

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, 3 June 2016. To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 1 June 2016 to Friday, 3 June 2016, 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, 31 May 2016.

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, 26 May 2016. 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, 28 March 2016

As at the date of this announcement, Mr. Li San Yim, Mr. Chen Chao, Mr. Luo Jian Ru, Mr. Zheng Ke Wen and Mr. Yin Kun Lun are the executive Directors; Ms. Ngai Ngan Ying is the non-executive Director; and Dr. Qian Shi Zheng, Mr. Jin Zhi Guo, Mr. Wu Jian Ming and Mr. Chen Zhen are the independent non-executive Directors.