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 2016

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 2016 (the "Period") together with the comparative figures for the corresponding period in 2015. 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 2016

		For the six months ended 30 June	
		2016	2015
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**2,615,197**	2,944,856
Cost of sales		**(1,997,380)**	(2,181,746)
Gross profit		**617,817**	763,110
Other income	*4*	**17,735**	25,758
Other gains and losses	*4*	**(26,621)**	(109,304)
Selling and distribution costs		**(171,576)**	(180,657)
Administrative expenses		**(115,192)**	(142,751)
Research and development costs		**(91,565)**	(109,642)
Other expenses		**(1,167)**	(753)
Operating profit		**229,431**	245,761

	Notes	For the six months ended 30 June 2016 Unaudited RMB'000	2015 Unaudited RMB'000
Finance income		**79,334**	75,196
Finance costs		**(63,312)**	(59,109)
Profit before tax	*5*	**245,453**	261,848
Income tax expense	*6*	**(45,718)**	(84,937)
Profit for the period		**199,735**	176,911
Attributable to:			
Owners of the parent		**199,667**	176,867
Non-controlling interests		**68**	44
		199,735	176,911
Earnings per share			
Basic, profit for the period attributable to ordinary equity holders of the parent *(RMB)*		**0.05**	0.04

Details of the dividends declared and paid are disclosed in note 7 to the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Profit for the period	**199,735**	176,911
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**(19,364)**	(12,995)
Income tax effect	**2,904**	1,949
	(16,460)	(11,046)
Exchange differences on translation of foreign operations	**(101,894)**	3,222
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(118,354)**	(7,824)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**–**	–
Other comprehensive income for the period, net of tax	**(118,354)**	(7,824)
Total comprehensive income for the period, net of tax	**81,381**	169,087
Attributable to:		
Owners of the parent	**81,464**	169,055
Non-controlling interests	**(83)**	32
	81,381	169,087

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	**30 June 2016 Unaudited** *RMB'000*	31 December 2015 Audited *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*8*	**2,642,452**	2,829,338
Prepaid land lease payments		**188,335**	191,239
Investments in associates		**3,275**	3,275
Finance lease receivables		**5,695**	5,049
Deferred tax assets		**273,863**	263,666
Available-for-sale investments		**1,220**	207,270
Prepayments for property, plant and equipment		**28,291**	30,775
Long-term receivables	*9*	**89,717**	114,951
Pledged deposits		**1,261,938**	2,219,324
		4,494,786	5,864,887
Current assets			
Prepaid land lease payments		**5,276**	5,276
Inventories	*10*	**1,329,739**	1,280,878
Finance lease receivables		**65,720**	70,790
Trade and bills receivables	*11*	**1,696,947**	1,931,055
Due from related parties		**2,114**	4,863
Prepayments, deposits and other receivables	*12*	**665,819**	686,963
Other current assets		**656,347**	830,462
Available-for-sale investments		**475,636**	289,200
Equity investments at fair value through profit or loss		**106,296**	138,783
Derivative financial instruments		**93,704**	61,217
Pledged bank deposits	*13*	**1,111,770**	204,897
Cash and cash equivalents	*13*	**1,664,484**	1,146,340
		7,873,852	6,650,724

	Notes	**30 June 2016 Unaudited** *RMB'000*	31 December 2015 Audited *RMB'000*
Current liabilities			
Trade and bills payables	*14*	**1,167,441**	683,555
Other payables and accruals	*15*	**487,213**	562,607
Interest-bearing bank borrowings	*16*	**1,298,048**	292,213
Provisions		**66,818**	62,044
Due to related parties		**6,290**	5,953
Deferred income		**3,519**	7,038
Income tax payable		**75,946**	83,678
Dividend due to shareholders	*7*	**62,189**	–
		3,167,464	1,697,088
Net current assets		**4,706,388**	4,953,636
Total assets less current liabilities		**9,201,174**	10,818,523
Non-current liabilities			
Deposits for finance leases		**4,722**	5,211
Interest-bearing bank borrowings	*16*	**2,448,574**	4,073,123
Deferred tax liabilities		**95,073**	107,406
Provisions		**5,264**	5,446
Deferred income		**3,196**	3,195
Total non-current liabilities		**2,556,829**	4,194,381
Net assets		**6,644,345**	6,624,142
Equity			
Issued capital		**444,116**	444,116
Share premium and reserves		**6,197,516**	6,177,230
Equity attributable to owners of the parent		**6,641,632**	6,621,346
Non-controlling interests		**2,713**	2,796
Total equity		**6,644,345**	6,624,142

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 were authorized for issue in accordance with a resolution of the directors on 29 August 2016.

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 2016 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 2015.

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 2015, 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 2016. 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 2016 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:

HKFRS 14 ***Regulatory Deferral Accounts***

HKFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of HKFRS. Entities that adopt HKFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. HKFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing HKFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to HKFRS 11 ***Joint Arrangements: Accounting for Acquisitions of Interests***

The amendments to HKFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant HKFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the.Group as there has been no interest acquired in a joint operation during the period.

Amendments to HKAS 16 ***and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments clarify the principle in HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

Amendments to HKAS 16 and HKAS 41 *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of HKAS 41 Agriculture. Instead, HKAS 16 will apply. After initial recognition, bearer plants will be measured under HKAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of HKAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, HKAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not have any bearer plants.

Amendments to HKAS 27 *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying HKFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of HKFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to HKFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January2016. They include:

HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in HKFRS 5. This amendment must be applied prospectively.

HKFRS 7 *Financial Instruments: Disclosures*

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to HKFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

HKAS 19 *Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

HKAS 34 *Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

Amendments to HKAS 1 *Disclosure Initiative*

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify:

- The materiality requirements in HKAS 1

- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated

- That entities have flexibility as to the order in which they present the notes to financial statements

- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under HKFRS 10 Consolidated Financial Statements. The amendments to HKFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to HKFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to HKAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

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 2016 and 2015:

Six months ended 30 June 2016	Sale of construction machinery *RMB'000*	Finance leases of construction machinery *RMB'000*	Financial investments *RMB'000*	Total *RMB'000*
Segment revenue	**2,610,525**	**4,672**	**–**	**2,615,197**
Segment results	**164,799**	**4,180**	**34,111**	**203,090**
Reconciliation:				
Interest income				**79,334**
Unallocated other income and gains				**28,644**
Corporate and other unallocated expenses				**(2,303)**
Finance costs				**(63,312)**
Profit before tax				**245,453**

Six months ended 30 June 2015	Sale of construction machinery *RMB'000*	Finance leases of construction machinery *RMB'000*	Financial investments *RMB'000*	Total *RMB'000*
Segment revenue	2,933,047	11,809	–	2,944,856
Segment results	228,442	10,361	2,626	241,429
Reconciliation:				
Interest income				75,196
Unallocated other income and gains				5,987
Corporate and other unallocated expenses				(1,655)
Finance costs				(59,109)
Profit before tax				261,848

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 2016 and 31 December 2015:

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Segment assets:	**11,722,262**	12,438,981
Sale of construction machinery	**10,283,296**	10,800,053
Finance leases of construction machinery	**106,983**	113,466
Financial investments	**1,331,983**	1,525,462
Corporate and other unallocated assets	**646,376**	76,630
Consolidated assets	**12,368,638**	12,515,611

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Segment liabilities:	**1,894,568**	1,427,102
Sale of construction machinery	**1,821,322**	1,349,779
Finance leases of construction machinery	**73,246**	77,323
Financial investments	**–**	–
Corporate and other unallocated liabilities	**3,829,725**	4,464,367
Consolidated liabilities	**5,724,293**	5,891,469

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

	For the six months ended 30 June			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Sales of construction machinery:				
Wheel loaders	**1,306,836**	**50.0**	1,600,912	54.4
Excavators	**323,720**	**12.4**	342,745	11.6
Road rollers	**36,438**	**1.4**	45,778	1.6
Forklifts	**620,557**	**23.7**	557,312	18.9
Components	**322,974**	**12.3**	386,300	13.1
Subtotal	**2,610,525**	**99.8**	2,933,047	99.6
Finance lease interest income	**4,672**	**0.2**	11,809	0.4
Total	**2,615,197**	**100.0**	2,944,856	100.0

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	
	2016	2015
	RMB'000	*RMB'000*
Government grants	**7,888**	10,658
Penalty income	**2,530**	6,619
Reversal of inventory provision	**5,775**	3,392
Others	**1,542**	5,089
	17,735	25,758

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Loss on disposal of items of property, plant and equipment	**(2,484)**	(2,700)
Allowance for bad and doubtful debts	**(89,375)**	(112,591)
Fair value gains, net:		
Equity investments at fair value through profit or loss – held for trading	**(32,487)**	(34,180)
Compensation terms for investment	**39,238**	34,880
Investment income	**27,360**	1,926
Foreign exchange gain	**31,127**	3,361
	(26,621)	(109,304)

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses	**1,997,380**	2,181,746
Staff costs, including directors' remuneration	**180,107**	166,884
Contribution to a retirement benefit scheme	**14,429**	17,144
Amortisation of lease payments for land	**2,924**	2,621
Depreciation of property, plant and equipment	**190,888**	194,139
Bad debt provision	**89,375**	112,591

and after crediting:

Interest income on bank deposits	**79,334**	75,196
Income-related government grants	**7,888**	10,658

6. INCOME TAX

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	
	2016	2015
	RMB'000	*RMB'000*
Current income tax expense	**47,844**	13,368
Deferred income tax expense relating to origination and reversal of temporary differences	**(2,126)**	71,569
Income tax expense recognised in statement of profit or loss	**45,718**	84,937

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 2016 (six months ended 30 June 2015: Nil).

The proposed final dividend of HK$0.017 per ordinary share for the year ended 31 December 2015 was declared payable and approved by the shareholders at the annual general meeting of the Company on 26 May 2015 and was paid on 5 July 2016.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired assets with a cost of RMB11,402,000 (six months ended 30 June 2015: RMB45,225,000), including property, plant and machinery in the People's Republic of China (the "PRC").

Assets with a net book value of RMB7,740,000 were disposed of by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB103,169,000), resulting in a net loss on disposal of RMB2,484,000 (net loss in the six months ended 30 June 2015: RMB2,700,000).

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 2016	31 December 2015
	RMB'000	*RMB'000*
Trade receivables *(note 11)*	**89,661**	112,320
Other receivables *(note 12)*	**56**	2,631
	89,717	114,951

10. INVENTORIES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Raw materials	**486,696**	447,583
Work in progress	**101,633**	93,030
Finished goods	**741,410**	740,265
	1,329,739	1,280,878

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 2016 *RMB'000*	31 December 2015 *RMB'000*
Trade receivables	**2,052,115**	2,103,343
Impairment	**(352,782)**	(285,504)
Less: Non-current portion *(note 9)*	**(89,661)**	(112,320)
	1,609,672	1,705,519
Bills receivable	**87,275**	225,536
	1,696,947	1,931,055

The aged analysis of trade receivables is as follows:

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
0 – 90 days	**1,020,353**	912,140
91 – 180 days	**231,441**	327,069
181 – 360 days	**281,519**	354,697
Over 1 year	**76,359**	111,613
	1,609,672	1,705,519

Bills receivable are aged within six months at the end of each reporting period. The Group had no bills receivable pledged to banks to get short-term credit facilities (31 December 2015: 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. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Prepayments	**90,040**	85,523
Deductible value-added tax	**64,807**	74,684
Deposits	**6,201**	6,343
Total	**161,048**	166,550
Other receivables:		
Loan receivables	**700,647**	735,075
Less: non-current portion *(note 9)*	**(56)**	(2,631)
Less: impairment	**(403,518)**	(394,632)
Net loan receivables	**297,073**	337,812
Other miscellaneous receivables	**208,396**	184,698
Less: impairment	**(698)**	(2,097)
Net other miscellaneous receivables	**207,698**	182,601
Total other receivables	**504,771**	520,413
Grand total	**665,819**	686,963

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

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 their repurchase of machines. The collection of receivables of sales financed by leasing was not favourable 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 repay the outstanding lease amount to the leasing companies once the account is overdue for more than 3 months. Accordingly, the Group would extend loans to the sales agencies to help them with the settlement of repurchase. The sales agencies were required to repay within 3 months as it would normally take 3 months for resale of the machines. The Group would enter into instalment contract agreements with sales agencies if the repurchased machines had been sold again. The instalments would be arranged at interest rates ranging from 4% to 7% per annum and would mainly be repaid within 18 to 24 months.

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

13. CASH AND CASH EQUIVALENTS

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Cash and bank balances	**1,664,484**	1,146,340
Time deposits	**2,373,708**	2,424,221
Less: Pledged for long-term bank loans	**(1,261,938)**	(2,215,938)
Pledged for bank acceptance bills	**(80,934)**	(34,620)
Pledged for short-term bank loans	**(1,023,500)**	(156,500)
Pledged for others	**(7,336)**	(17,163)
	1,664,484	1,146,340

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

14. TRADE AND BILLS PAYABLES

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

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
0 – 180 days	**1,087,296**	530,802
181 days-1 year	**20,730**	88,534
1 – 2 years	**16,680**	40,177
2 – 3 years	**27,043**	8,869
Over 3 years	**15,692**	15,173
	1,167,441	683,555

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Accrued sales rebate	**216,568**	248,486
Salary and wages payable	**39,234**	59,960
Advances from customers	**46,881**	35,750
Payable for acquisition of property, plant and equipment	**3,170**	5,755
Non-derecognised endorsement bills and trade receivables	**1,707**	8,060
Deposit for finance leases	**51,296**	54,020
Other taxes payable	**5,272**	35,189
Other payables	**86,004**	81,528
Other accrued expenses	**37,081**	33,859
	487,213	562,607

16. INTEREST-BEARING BANK BORROWINGS

During the six-month period ended 30 June 2016, the Group repaid short-term bank loans of US$107,250,000 (equivalent to RMB711,196,000).The short-term loans bear interest at rates ranging from 1.826% to 1.829% per annum.

The long-term loans bear interest at rates ranging from 1.73% to 3.96% per annum.

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

i) the pledge of certain of the Group's short-term time deposits amounting RMB1,023,500,000 for short-term loans (31 December 2015: RMB156,500,000);

ii) the pledge of certain of the Group's long-term time deposits amounting RMB1,261,938,000 for long-term loans (31 December 2015: RMB2,215,938,000).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

The domestic and international economic developments are still facing considerable difficulties as evidenced by the increasing downward pressure on the prevailing macroeconomic environment and the overcapacity in the traditional energy and manufacturing sectors. Against such backdrop, China's economy has entered a "new norm". Exposing to unfavorable factors such as sluggish demand for construction machinery, lower-than-expected market recovery and intensifying product competition, the Company has pressed forward amid the challenging climate and taken appropriate measures. The Company has adopted fluid and flexible marketing strategies pursuant to which the Company adhered to the risk control principle and stepped up efforts to transform and upgrade product lines whilst strengthening product awareness and service awareness, so as to increase the market share of its products. During the reporting period, the Group achieved a total revenue of RMB2,615 million, representing a decrease of RMB330 million or 11.19% as compared to RMB2,945 million in the same period of 2015. During the reporting period, the consolidated gross profit margin of the Group dropped from 25.91% to 23.62% whereas that of the Company dropped 2.29 percentage points. The overall gross profit margin remained relatively stable, mainly attributed to factors such as the increased revenue contribution from forklifts, continuous integration of purchasing transportation resource, low purchase price of steels, the main raw material, over the same period of last year, maximized advantages of the Group's vertical integration and continual enhancement in internal management. The Group achieved a net profit of approximately RMB200 million in the first half of 2016, up 12.90% as compared to the same period of last year. The change in net profit was mainly due to a reduced gross profit caused by decrease in sales, period costs savings such as administrative expenses, as well as the decrease in income tax expenses.

GEOGRAPHICAL RESULTS

During the period ended 30 June 2016, the ratio of turnover in each region in the PRC over total turnover respectively is insignificantly different, reflecting that the demand in each region is relatively mild and tends to be stable.

Northern region of PRC is the Company's principal market area, which accounted for 20.7% of the Group's total turnover. Sales from northern region in the PRC decreased 4.2% to RMB540 million as compared to the same period of last year (for the six months ended 30 June 2015: RMB564 million).

Sales from eastern region and northeastern region represented approximately 17.9% and 4.2% respectively. Sales from eastern region of PRC increased by 11.8% to RMB467 million and sales from northeastern region increased by 20.5% to RMB110 million.

Sales from southern region in the PRC decreased 29.1% from the previous fiscal year over the same corresponding period to RMB297 million (Six months ended 30 June 2015: RMB419 million) while sales from northwestern region in the PRC decreased by 20.2% to RMB225 million (Six months ended 30 June 2015: RMB281 million).

Sales from southwestern region and central region represented approximately 13.7% and 16.4% respectively. Sales from southwestern region increased by 5.5% to RMB357 million and sales from southern region increased by 4.8% to RMB428 million.

Sales from overseas market recorded approximately RMB186 million, representing a decrease of nearly 54.8% as compared to the corresponding period of last year (for the six months ended 30 June 2015: RMB412 million) due to a continuous sluggish demand. We will work to further improve and strengthen distributorships in the overseas market.

PRODUCTS ANALYSIS

Wheel Loaders

Wheel loader again remained as the Company's main revenue driver and achieved a turnover of approximately RMB1,307 million, which accounted for approximately 50.0% of the Company's turnover for the period. Although turnover from mini loader series accounted for only approximately 3.0% of the Group's total turnover, turnover from mini loader series significantly increased by 30.4% to RMB78 million when compared with the corresponding period in 2015, this was mainly attributable to a stable demand of mini loader series in PRC. ZL50 series achieved a turnover of approximately RMB1,067 million for the period, representing a decrease of 17.7% when compared with the corresponding period in 2015. ZL30 is the second largest revenue contributor and has achieved a turnover of approximately RMB129 million, representing a decrease of 37.3% when compared to the corresponding period of last year. The revenue generated from ZL40 decreased 12.1% to approximately RMB13 million.

Overall, demand in wheel loader remained sluggish as impacted by the slow economic recovery.

Fork Lifts and Road Rollers

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

The turnover from fork lifts amounted to approximately RMB621 million (six months ended 30 June 2015: RMB557 million), representing an significant increase of 11.5% compared to the corresponding period of last year.

The operating revenue from road rollers amounted to RMB36 million, representing a decrease of 20.4% compared to the corresponding period of last year, which was mainly due to a decrease in demand of road rollers influenced by the macro-economic environment.

Excavator

Sales from excavators series slightly decreased 5.6% to approximately RMB324 million (for the six months ended 30 June 2015: RMB343 million) and we see the demand for the excavator series remained weak as a result of the slowdown of macro economy and fixed assets investment.

Components

The sales generated from components amounted to approximately RMB323 million for the period, representing an decrease of 16.4% as compared to the same period in 2015.

Finance Lease Interest

Turnover from finance lease interest amounted to approximately RMB4.7 million, representing a decrease of 60.4%, as compared to the same period of last year, which was due to the fact that finance lease business was gradually reduced by the Group since 2011.

FINANCIAL REVIEW

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

Cash and Bank Balance

As at 30 June 2016, the Group had bank balances and cash of approximately RMB1,664 million (31 December 2015: approximately RMB1,146 million) and pledged bank deposit of approximately RMB2,374 million (31 December 2015: approximately RMB2,424 million). Compared with last year, the cash and bank balance increased about RMB518 million, which was as a result of net cash inflow of RMB1,052 million from operating activities, net cash inflow of RMB207 million from investing activities and net cash outflow of RMB720 million from financing activities and effect of foreign exchange rate changes of RMB21 million.

The pledged deposit balance at 30 June 2016 decreased approximately RMB50 million. Details of pledged Bank deposit for the period ended 30 June 2016 are set out in Note 13 to the interim results.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 30 June 2016 was approximately RMB6,644 million, an 0.30% increase from approximately RMB6,624 million as at 31 December 2015.

The current ratio of the Group at 30 June 2016 was 2.49 (31 December 2015: 3.92). The Directors believed that the Group has sufficient resources to support its working capital requirement and meet its foreseeable capital expenditure.

Capital Structure

During the period ended on 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company'shares and any other listed securities.

As at 30 June 2016, the gross gearing ratio (defined as total liabilities over total assets) was approximately 46.3% (as at 31 December 2015: 47.1%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB11 million (six months ended 30 June 2015: approximately RMB45 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 2016, the Group had contracted but not included in the financial statements in respect of acquisition of property, plant and equipment amounting to approximately RMB12 million (31 December 2015: approximately RMB20 million).

PROSPECT

Following the global economic slowdown, the entire construction machinery industry has entered a "new norm" of extremely difficult phase characterized by significant downside risks and fragility such as increased market competition, accumulated risk factors and substantially persistent overcapacity. Facing various challenges along with the industrial development, the Company will diligently excel ourselves, effectively arouse crisis awareness, refine and implement its corporate governance and management respectively, and enhance the training to improve self-discipline of employees. The Company will generally enhance its operating effectiveness, explore and develop the market for its products and improve the sales channel management. The Company will continue to dedicate ourselves to the construction machinery business by producing high quality products such as loaders, forklifts, excavators, four major pavement machinery products and other core components. Internally we will strengthen the management based on the product-oriented strategy and system-building oriented approach. On the other hand, adhering to the fluid and flexible marketing strategies, we focused to increase our market share as the priority and integrate the marketing channels. The Company will also expand the R&D and related resources for new products and technologies, promote technological innovation, focus on the research of key parts and components, develop the marketable transformed product lines, research, develop and launch new products, particularly vigorously drive the development of the environmentally intelligent products. In addition, the Company will enhance the brand influence and awareness to continue to maintain the leading position of the core products in the domestic market, further cultivate the forklift market and increase the market share of its forklift products. The Company will pursue its prudent and healthy operation philosophy and business integrity principle to ensure a healthy development of win-win relationship with its distributors. On one hand, we will consolidate the domestic market share, and further explore the international market on the other hand. Aligning with our commitment, the Company will continue to push forward the risk control, cost optimization, exploring potential profits, team building and service innovation with dedication to the drive the sustainable and healthy development of the Group.

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 26 May 2016 (the "2016 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 26 May 2016, 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 2016 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 on 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares and any other listed securities.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: HK$0 cents per share).

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2016 interim report for the six months ended 30 June 2016 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, 29 August 2016

* *For identification purpose only*

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