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 2016

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** *RMB'000*	2015 *RMB'000*
REVENUE	*3*	**5,146,435**	4,829,329
Cost of sales		**(3,900,007)**	(3,730,455)
Gross profit		**1,246,428**	1,098,874
Other income	*4*	**44,795**	41,333
Other gains and losses	*4*	**35,402**	(167,463)
Selling and distribution expenses		**(354,274)**	(327,374)
Administrative expenses		**(233,375)**	(261,430)
Research and development costs		**(203,439)**	(188,972)
Other expenses		**(17,990)**	(6,425)
Finance income	*4*	**119,875**	140,008
Finance costs	*5*	**(78,357)**	(116,052)

* *For identification purpose only*

	NOTES	2016 RMB'000	2015 RMB'000
PROFIT BEFORE TAX	*6*	**559,065**	212,499
Income tax expense	*7*	**(97,142)**	(95,869)
PROFIT FOR THE YEAR		**461,923**	116,630
Attributable to:			
Owners of the parent		**461,764**	116,556
Non-controlling interests		**159**	74
		461,923	116,630
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted:			
– For profit for the year	*9*	**RMB0.11**	RMB0.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2016

	2016	2015
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**461,923**	116,630
OTHER COMPREHENSIVE LOSS		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	**30,855**	(5,000)
Income tax effect	**(4,628)**	750
	26,227	(4,250)
Exchange differences:		
Exchange differences on translation of foreign operations	**(331,311)**	(297,208)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(305,084)**	(301,458)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(305,084)**	(301,458)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**156,839**	(184,828)
Attributable to:		
Owners of the parent	**156,651**	(184,897)
Non-controlling interests	**188**	69
	156,839	(184,828)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2016

	NOTES	**2016** **RMB'000**	2015 RMB'000
Non-current assets			
Property, plant and equipment	*10*	**2,464,960**	2,829,338
Prepaid land lease payments		**185,421**	191,239
Investments in associates		**–**	3,275
Finance lease receivables	*11*	**2,605**	5,049
Prepayments for property, plant and equipment		**31,731**	30,775
Long-term receivables	*12*	**100,968**	114,951
Available-for-sale investments		**1,625**	207,270
Derivative financial instruments		**91,807**	–
Deferred tax assets		**255,972**	263,666
Pledged deposits	*17*	**1,262,438**	2,219,324
Total non-current assets		**4,397,527**	5,864,887
Current assets			
Prepaid land lease payments		**5,276**	5,276
Inventories	*13*	**1,507,843**	1,280,878
Finance lease receivables	*11*	**51,684**	70,790
Trade and bills receivables	*14*	**1,365,336**	1,931,055
Due from related parties		**5,186**	4,863
Prepayments, deposits and other receivables	*15*	**692,925**	686,963
Other current assets	*16*	**211,045**	830,462
Available-for-sale investments		**525,855**	289,200
Equity investments at fair value through profit or loss		**108,193**	138,783
Derivative financial instruments		**–**	61,217
Pledged deposits	*17*	**1,205,347**	204,897
Cash and cash equivalents	*17*	**1,130,534**	1,146,340
Total current assets		**6,809,224**	6,650,724
Current liabilities			
Trade and bills payables	*18*	**1,525,934**	683,555
Other payables and accruals	*19*	**518,661**	522,326
Interest-bearing bank borrowings	*20*	**–**	292,213
Due to related parties		**7,665**	5,953
Tax payable		**131,612**	83,678
Provisions		**54,536**	62,044
Deferred income		**546**	7,038
Total current liabilities		**2,238,954**	1,656,807

	NOTES	2016 RMB'000	2015 RMB'000
Net current assets		**4,570,270**	4,993,917
Total assets less current liabilities		**8,967,797**	10,858,804
Non-current liabilities			
Deposits for finance leases	*11*	**31,749**	45,492
Interest-bearing bank borrowings	*20*	**2,150,450**	4,073,123
Deferred tax liabilities		**59,390**	107,406
Provisions		**3,699**	5,446
Deferred income		**2,797**	3,195
Total non-current liabilities		**2,248,085**	4,234,662
Net assets		**6,719,712**	6,624,142
Equity			
Equity attributable to owners of the parent			
Issued capital		**444,116**	444,116
Share premium and reserves		**6,272,703**	6,177,230
		6,716,819	6,621,346
Non-controlling interests		**2,893**	2,796
Total equity		**6,719,712**	6,624,142

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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").

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 construction machinery and the provision of finance leases for construction machinery.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non- controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

  (i) the materiality requirements in HKAS 1;

  (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

  (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

  (iv) that the share of other comprehensive income 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 of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

  HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[2]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

Year ended 31 December 2016

	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Financial investment *RMB'000*	Total *RMB'000*
Segment revenue	**5,136,949**	**9,486**	**–**	**5,146,435**
Segment results	**307,751**	**6,720**	**44,875**	**359,346**
Reconciliation:				
Interest income				**119,875**
Unallocated other income and gains				**163,470**
Corporate and other unallocated expenses				**(5,269)**
Finance costs				**(78,357)**
Profit before tax				**559,065**
Segment assets	**9,550,454**	**81,551**	**936,900**	**10,568,905**
Corporate and other unallocated assets				**637,846**
Total assets				**11,206,751**
Segment liabilities	**2,233,697**	**53,999**	**–**	**2,287,696**
Corporate and other unallocated liabilities				**2,199,343**
Total liabilities				**4,487,039**
OTHER SEGMENT INFORMATION				
Impairment losses recognised in the statement of profit or loss	**184,230**	**–**	**–**	**184,230**
Impairment losses reversed in the statement of profit or loss	**(827)**	**–**	**–**	**(827)**
Depreciation and amortisation	**385,574**	**29**	**–**	**385,603**
Capital expenditure*	**23,579**	**–**	**–**	**23,579**

* *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 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	83,455	16,769	38,210	138,434
Reconciliation:				
Interest income				140,008
Unallocated other income and gains				54,378
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.*

Revenue derived from major products and services

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

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Wheel loaders	**2,614,723**	**50.8**	2,556,684	52.9
Excavators	**586,350**	**11.4**	518,527	10.7
Road rollers	**73,366**	**1.4**	79,634	1.7
Forklifts	**1,220,207**	**23.7**	1,026,681	21.3
Others	**642,303**	**12.5**	628,293	13.0
Subtotal	**5,136,949**	**99.8**	4,809,819	99.6
Finance lease interest income	**9,486**	**0.2**	19,510	0.4
Total	**5,146,435**	**100**	4,829,329	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

	2016	2015
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**119,875**	140,008
Other income		
Government grants	**19,465**	24,018
Penalty income	**1,533**	15,290
Others	**23,797**	2,025
	44,795	41,333

	2016	2015
	RMB'000	*RMB'000*
Other gains and losses		
Foreign exchange gains	**163,470**	54,378
Impairment of financial assets *(note 6)*	**(170,297)**	(234,747)
Impairment of construction in progress *(note 6)*	**–**	(15,850)
Loss on disposal of items of property, plant and equipment	**(2,371)**	(8,729)
Gains from loan receivables	**31,667**	30,462
Gains from derivative instruments		
Fair value gains, net:	**13,208**	7,748
Equity investments at fair value through profit or loss		
– held for trading	**(30,590)**	(61,217)
Derivative instruments		
– transactions not qualifying as hedges	**30,590**	61,217
Share of profits and losses of associates	**(275)**	(725)
	35,402	(167,463)

5. FINANCE COSTS

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

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	**78,332**	114,027
Interest on discounted bills	**25**	2,025
Total interest expense on financial liabilities not at fair value through profit or loss	**78,357**	116,052

6. PROFIT BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold	**3,900,007**	3,730,455
Depreciation *(note 10)*	**379,785**	390,400
Amortisation of prepaid land lease payments	**5,818**	6,034
Research and development costs	**203,439**	188,972
Auditor's remuneration	**2,550**	3,003
Employee benefit expense		
(excluding directors' remuneration):		
Wages and salaries	**323,890**	296,278
Contributions to a pension scheme	**28,870**	32,652
Total staff costs	**352,760**	328,930
Foreign exchange differences, net	**163,470**	54,378
Impairment of financial assets		
– trade receivables *(note 14)*	**146,802**	103,147
– other receivables *(note 15)*	**23,495**	131,600
Impairment of construction in progress *(note 10)*	**–**	15,850
	170,297	250,597
Write-down of inventories to net realisable value	**13,106**	4,311
Product warranty provision:		
Additional provision	**72,520**	76,555
Bank interest income	**(119,875)**	(140,008)
Loss on disposal of items of property, plant and equipment	**2,371**	8,729
Fair value (gains)/losses, net:		
Equity investments at fair value through profit or loss		
– held for trading	**30,590**	61,217
Derivative instruments		
– transactions not qualifying as hedges	**(30,590)**	(61,217)

7. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax		
Charged for the year	**91,535**	77,621
Underprovision/(overprovision) in prior years	**292**	(27,077)
Withholding tax paid	**50,265**	3,500
	142,092	54,044
Deferred tax	**(44,950)**	41,825
Total tax charge for the year	**97,142**	95,869

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:

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**559,065**		212,499	
Tax at the statutory tax rate of 25% (2015: 25%)	**139,766**	**25.0**	53,125	25.0
Expenses not deductible for tax (i)	**18,153**	**3.2**	43,733	20.5
Effect on opening deferred tax balance due to increase in rates	**(1,348)**	**(0.2)**	–	–
Adjustments in respect of current tax of previous periods	**292**	**0.1**	(27,077)	(12.7)
Tax losses utilised from previous periods	**(4,993)**	**(0.9)**	(1,945)	(0.9)
Tax losses not recognised	**–**	**–**	50,998	24.0
Effect of withholding tax	**6,004**	**1.1**	2,804	1.3
Effect of the preferential tax rate of 15%	**(60,732)**	**(10.9)**	(25,769)	(12.1)
Tax charge and effective tax rate for the year	**97,142**	**17.4**	95,869	45.1

(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

	2016	2015
	RMB'000	*RMB'000*
Proposed final – HK$0.062 (2015: HK$0.017) per ordinary share	**234,982**	61,178

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,280,100,000 (2015: 4,280,100,000) in issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

10. PROPERTY, PLANT AND EQUIPMENT

2016	**Buildings**	**Plant and machinery**	**Motor vehicles**	**Furniture and fixtures**	**Construction in progress**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Cost						
At 1 January 2016	**1,605,039**	**3,071,480**	**54,938**	**145,272**	**72,700**	**4,949,429**
Additions	**8,221**	**2,759**	**–**	**1,513**	**11,086**	**23,579**
Transfers	**510**	**10,881**	**203**	**888**	**(12,482)**	**–**
Disposals	**(2,887)**	**(13,055)**	**(4,531)**	**(5,654)**	**(16,617)**	**(42,744)**
Exchange realignment	**1,326**	**–**	**–**	**25**	**–**	**1,351**
At 31 December 2016	**1,612,209**	**3,072,065**	**50,610**	**142,044**	**54,687**	**4,931,615**
Accumulated depreciation and impairment						
At 1 January 2016	**445,749**	**1,511,549**	**45,661**	**101,282**	**15,850**	**2,120,091**
Charge for the year	**73,591**	**292,717**	**2,408**	**11,069**	**–**	**379,785**
Disposals	**(333)**	**(7,749)**	**(4,241)**	**(5,256)**	**(15,850)**	**(33,429)**
Exchange realignment	**184**	**–**	**–**	**24**	**–**	**208**
At 31 December 2016	**519,191**	**1,796,517**	**43,828**	**107,119**	**–**	**2,466,655**
Carrying amount						
At 31 December 2016	**1,093,018**	**1,275,548**	**6,782**	**34,925**	**54,687**	**2,464,960**

2015	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2015	1,553,446	3,087,445	57,528	140,539	170,577	5,009,535
Additions	45,661	8,292	553	4,334	21,553	80,393
Transfers	101,557	12,250	119	4,430	(118,356)	–
Disposals	(96,768)	(36,507)	(3,262)	(4,052)	(1,074)	(141,663)
Exchange realignment	1,143	–	–	21	–	1,164
At 31 December 2015	1,605,039	3,071,480	54,938	145,272	72,700	4,949,429
Accumulated depreciation and impairment						
At 1 January 2015	373,408	1,236,911	43,700	91,236	–	1,745,255
Charge for the year	74,006	298,450	4,643	13,301	–	390,400
Impairment	–	–	–	–	15,850	15,850
Disposals	(1,780)	(23,812)	(2,682)	(3,271)	–	(31,545)
Exchange realignment	115	–	–	16	–	131
At 31 December 2015	445,749	1,511,549	45,661	101,282	15,850	2,120,091
Carrying amount						
At 31 December 2015	1,159,290	1,559,931	9,277	43,990	56,850	2,829,338

11. FINANCE LEASE RECEIVABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivables comprise:				
Within one year	**53,946**	73,965	**51,684**	70,790
One to five years	**4,700**	7,259	**4,503**	6,947
	58,646	81,224	**56,187**	77,737
Less: Unearned finance income	**2,459**	3,487	**–**	–
Less: Provision for impairment	**1,898**	1,898	**1,898**	1,898
Present value of minimum lease payment receivables	**54,289**	75,839	**54,289**	75,839
Analysed as:				
Current			**51,684**	70,790
Non-current			**2,605**	5,049
			54,289	75,839

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

	2016	2015
	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 9.5% (2015: 6.0% to 8.8%) per annum.

Finance lease receivables are secured over the leased construction machinery. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessees.

As at 31 December 2016, the Group's refundable finance lease deposits are as follows:

	2016	2015
	RMB'000	*RMB'000*
Current *(note 19)*	**11,756**	13,739
Non-current	**31,749**	45,492
	43,505	59,231

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

12. LONG-TERM RECEIVABLES

Long-term receivables are the receivables which would mature within two years according to the credit terms, and include the following items:

	2016	2015
	RMB'000	*RMB'000*
Trade receivables *(note 14)*	**100,968**	112,320
Other receivables *(note 15)*	**–**	2,631
	100,968	114,951

The long-term trade receivables are non-interest-bearing and the long-term other receivables bear interest at approximately 4%-7% per annum.

13. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**534,782**	447,583
Work in progress	**148,076**	93,030
Finished goods	**824,985**	740,265
	1,507,843	1,280,878

14. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**1,755,310**	2,103,343
Impairment	**(401,069)**	(285,504)
Less: Non-current portion *(note 12)*	**(100,968)**	(112,320)
	1,253,273	1,705,519
Bills receivable	**112,063**	225,536
	1,365,336	1,931,055

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:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**841,074**	912,140
3 to 6 months	**147,029**	327,069
6 months to 1 year	**108,286**	354,697
More than 1 year	**156,884**	111,613
	1,253,273	1,705,519

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

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**285,504**	187,644
Impairment losses recognised *(note 6)*	**146,802**	103,147
Amount written off as uncollectible	**(31,237)**	(5,287)
At 31 December	**401,069**	285,504

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB401,069,000 (2015: RMB285,504,000) with a carrying amount before provision of RMB727,621,000 (2015: RMB719,795,000).

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:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**658,759**	1,005,661
Less than 1 month past due	**80,908**	130,233
1 to 3 months past due	**34,204**	99,883
3 months to 1 year past due	**146,008**	25,878
Over 1 year past due	**6,842**	9,573
	926,721	1,271,228

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 2016, the Group had no bills receivable pledged to banks to get short-term credit facilities (2015: Nil).

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Prepayments	**155,033**	85,523
Deductible value-added tax	**59,019**	74,684
Deposits	**4,661**	6,343
Total	**218,713**	166,550
Other receivables		
Loan receivables	**636,762**	735,075
Less: non-current portion *(note 12)*	**–**	(2,631)
Less: impairment	**(406,480)**	(394,632)
Net loan receivables	**230,282**	337,812
Other miscellaneous receivables	**244,628**	184,698
Less: impairment	**(698)**	(2,097)
Net other miscellaneous receivables	**243,930**	182,601
Total other receivables	**474,212**	520,413
Grand total	**692,925**	686,963

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

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**396,729**	310,611
Impairment losses recognised *(note 6)*	**23,495**	131,600
Amount written off as uncollectible	**(13,046)**	(45,482)
At 31 December	**407,178**	396,729

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 RMB407,178,000 (2015: RMB396,729,000) with a carrying amount before provision of RMB644,241,000 (2015: RMB743,479,000).

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

A large portion of other receivables includes the loan receivables to sales agencies for its repurchase of machines. The collection of receivables of sales financed by leasing went worse due to the deterioration of external operating environment. According to the finance lease agreements, the sales agencies were required to fulfil the obligation to repurchase the machines and pay the outstanding lease amount back to the lease companies once there is an overdue balance for more than three months. The Group lent to the sales agencies for the settlement of repurchase. The sales agencies were required to pay off within three months as it normally takes three months to resell the machines. The Group would enter into instalment contracts with sales agencies if the repurchased machines had been sold again. The instalments would be arranged at interest rates of ranging from approximately 4% to 7% interest rate p.a. and mainly repaid within 18 to 24 months.

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

An aged analysis of the loan receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Within 3 months	**108,263**	109,354
3 to 6 months	**807**	357
6 months to 1 year	**338**	5,174
Over 1 year	**120,874**	225,558
	230,282	340,443

16. OTHER CURRENT ASSETS

	2016 ***RMB'000***	2015 *RMB'000*
Loans and receivables	**211,045**	830,462

17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 ***RMB'000***	2015 *RMB'000*
Cash and bank balances	**1,130,534**	1,146,340
Time deposits	**2,467,785**	2,424,221
	3,598,319	3,570,561
Less: Pledged cash and bank balances and time deposits:		
Pledged for long-term bank loans *(note 20)*	**(1,261,938)**	(2,215,938)
Pledged for short-term bank loans *(note 20)*	**(954,000)**	(156,500)
Pledged for bank acceptance bills *(note 18)*	**(241,964)**	(34,620)
Pledged for others	**(9,883)**	(17,163)
Cash and cash equivalents	**1,130,534**	1,146,340

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

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

The Group's pledged bank deposits and certain bank balances and cash that are denominated in currencies other than the functional currencies of the respective group entities are as follows:

	US$	**HK$**
	RMB'000	*RMB'000*
Original currency		
As at 31 December 2016	**547,652**	4,944
As at 31 December 2015	13,786	2,216

18. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**860,679**	648,155
Bills payable	**665,255**	35,400
	1,525,934	683,555

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:

	2016	2015
	RMB'000	*RMB'000*
Within 6 months	**1,465,266**	530,802
6 months to 1 year	**23,210**	88,534
1 to 2 years	**7,978**	40,177
2 to 3 years	**6,371**	8,869
Over 3 years	**23,109**	15,173
	1,525,934	683,555

Bills payable were aged within 6 months at the end of the reporting period and secured by pledged bank deposits amounting to RMB241,964,000 (2015: RMB34,620,000) (note 17).

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

19. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	*RMB'000*
Accrued sales rebate	**225,133**	248,486
Other payables	**90,070**	81,528
Salary and wages payable	**73,546**	59,960
Advances from customers	**38,339**	35,750
Other taxes payable	**38,632**	35,189
Other accrued expenses	**37,408**	33,859
Deposit for finance leases *(note 11)*	**11,756**	13,739
Payable for acquisition of property, plant and equipment	**3,686**	5,755
Dividend payable	**91**	–
Non-derecognised endorsement bills and trade receivables	**–**	8,060
	518,661	522,326

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

20. INTEREST-BEARING BANK BORROWINGS

	2016			2015		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – secured	**–**	**–**	**–**	2.42 - 2.46	2016	292,213
Non-current						
Bank loans – secured	**1.52 - 3.87**	**2018**	**2,150,450**	1.39 - 3.53	2017 - 2018	4,073,123
			2,150,450			4,365,336

	2016	2015
	RMB'000	*RMB'000*
Analysed into:		
Within one year	**–**	292,213
In the second year	**2,150,450**	1,670,484
In the third to fifth years, inclusive	**–**	2,402,639
	2,150,450	4,365,336

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

	US$
	RMB'000
Original currency	
As at 31 December 2016	**2,150,450**
As at 31 December 2015	4,365,336

Certain of the Group's bank loans are secured by (note 17):

i) the pledge of certain of the Group's short-term time deposits amounting to RMB954,000,000 for short-term loans (2015: RMB156,500,000); and

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

In the past year, with the slowdown of world economy and trade growth, the obvious domestic structural problems and increasing pressure of economic downturn, construction machinery industry was also caught in the difficult situation. In the face of such unfavorable factors as weak demand for construction machinery and competitive market, etc., the Company upheld cohesive spirit and integrity, adhered to risk control, strengthened product awareness and sense of service, took good opportunities to expand the market share as market began to recovery in the second half of the year and National III Emission Standard was put into use since the second quarter. During the reporting period, the Company achieved total revenue of RMB5,146 million, with an increase of RMB317 million from RMB4,829 million in the same period in 2015, representing a year-on-year growth of 6.57%. During the reporting period, the consolidated gross profit margin of the Group increased from 22.75% to 24.22%, with a stable increase of 1.47%. This was mainly due to the product settlement price adjustment according to the National III Emission Standard, the Group's overall procurement bargaining power, the increased contribution of fork lifts, the continuous integration of procurement and transportation resources, the Group's vertical integrative advantages and the strengthened internal management, etc. The Group achieved net profit of approximately RMB462 million in 2016, representing a year-on-year increase of 296.06%. The change in net profit was mainly due to the increase in gross profit brought about by the increase in sales and the decrease in sales cost, the increase in foreign exchange earnings, and the reduction in expenses such as financial expenses.

During the year, the northern regions of the PRC remained as the Company's principal marketing regions. Revenue from northern regions amounted to approximately RMB989 million, representing 19% of our total turnover. Revenue from eastern regions of the PRC was approximately RMB768 million, accounting for approximately 15% of our total turnover, representing a significant increase of 22% over the year 2015. There is no significant change in the turnover of other PRC regions and as a percentage of the Group's total turnover is almost the same with last year. In respect of our overseas market, during the year, the Group's sales revenue recorded an obvious decrease of 36% to approximately RMB434 million (2015: approximately RMB677 million). As affected by the macro economic policy, our export business still maintained complex and austere.

ANALYSIS OF PRODUCTS

All the sales of Lonking's major products recorded an increase due to overall recovery of the market.

Wheel Loaders

The revenue generated from wheel loader accounted for approximately 51% of the Group's total turnover, representing a small increase from last year to approximately RMB2,615 million (2015: RMB2,557 million, representing approximately 53% of the Group's total turnover). After experiencing many years' adjustment, the revenue generated from wheel loader as a percentage of the total turnover has declined significantly. And contribution to total turnover from the Group's other products is also expected as such products become matured.

ZL50 series continued to be the main revenue source of the Group with turnover for the year reaching RMB2,131 million, an increase of 4% over the year 2015. ZL30 series continued to be the second largest revenue source of the Group with turnover reaching RMB245 million, representing a decrease of 28% as compared with the previous year. ZL40 and ZL60 series accounted for a small proportion in the overall sales with turnover reaching RMB32 million and RMB41 million respectively, representing only approximately 1% and 1% respectively of the total turnover.

The turnover from mini wheel loader amounted to RMB167 million, a significant increase of 46% as compared with previous year. It is expected that demand for mini wheel loader will further increase.

Excavators

Demand for excavator increased 13% to approximately RMB586 million, as a result of a recovery of market demand for this series.

Fork Lifts and Road Rollers

Demand for fork lifts of the Group remains strong. During the year, the turnover of fork lifts increased 19% to approximately RMB1,220 million (2015: approximately RMB1,027 million), which became a kind of product with growth potential under the Group. The Group will constantly introduce different kinds of fork lifts products and improve their quality and after-sales service; as a result, forklift series products will certainly become a new growth point.

Sales of road rollers slid down continuously, decreased by 8% to approximately RMB73 million (2015: approximately RMB80 million) as compared to the same period of last year, which was mainly due to the continuous sluggish demand from the market for such kind of products.

Components

The sales generated from components amounted to approximately RMB573 million for the year ended 31 December 2016, an increase of 10% as compared with the corresponding period of last year (2015: RMB523 million), accounting for approximately 11% of the total turnover of the Group.

Finance Lease Interest

Turnover from interest income of finance lease accounted for approximately 0.2% of the Group's total turnover in the year of 2016, representing a drop of 51% from last year to RMB9 million (2015: RMB20 million, represented approximately 0.4% of the Group's turnover). The drop was due to the fact that finance lease business was gradually reduced by the Group.

FINANCIAL REVIEW

Cash and Bank Balance

The cash position of the Group was strong during the year. As at 31 December 2016, the Group had bank balance and cash of approximately RMB1,131 million (31 December 2015: approximately RMB1,146 million).

Compared with last year, cash and bank balances decreased by approximately RMB16 million, which is generated as a result of net cash inflow of around RMB1,960 million from operating activities, net cash inflow of RMB646 million from investing activities, the net cash outflow of RMB2,625 million from financing activities and an affect of foreign exchange rate changes of RMB2 million.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 31 December 2016 was approximately RMB6,720 million, an increase of 1.4% from approximately RMB6,624 million as at 31 December 2015. The current ratio of the Group at 31 December 2016 was 3.04 (2015: 4.01).

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 2016, the gross gearing ratio (defined as total liabilities over total assets) was approximately 40.04% (31 December 2015: 47.07%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB24 million (2015: approximately RMB80 million) in line with a series of strategic transformation and production transformation by the Group.

Capital Commitment

As at 31 December 2016, the Group had contracted but not included in the financial statements expenditures of approximately RMB12 million in respect of acquisition of property, plant and equipment (31 December 2015: approximately RMB20 million)

Inventories

Inventories as at 31 December 2016 was approximately RMB1,508 million, an increase of approximately RMB227 million from approximately RMB1,281 million as at 31 December 2015. The significant increase as at the end of the year was mainly attributable to increased stock resulting from the pick-up in sales since the fourth quarter of 2016 and the expected continuous improvement in sales at the beginning of 2017 of the Group.

Trade and Bills Receivables

As of 31 December 2016, trade and bills receivables decreased by 29.30% as compared with last year to approximately RMB1,365 million (as of 31 December 2015: trade and bills receivables of approximately RMB1,931 million). This was primarily due to the decrease in net receivables as a result of the substantial improvement in recoverability, the sharp drop in turnover days for the year and the gradual increment in bad debt provision year by year of trade receivables for previous years.

Other Current Assets

Other current assets decreased to approximately RMB211 million from approximately RMB830 million for last year, mainly attributable to the fact that our principal-guaranteed and fixed-income financial products purchased in 2015 have become matured while the similar financial products newly purchased during the year were less than that of the previous year.

Trade and Bills Payables

As of 31 December 2016, trade and bills payables drastically increased by 129.23% as compared with last year to approximately RMB1,526 million (as of 31 December 2015: trade and bills payables of approximately RMB684 million). This was mainly attributable to the increase in procurement and stock resulting from the pick-up in sales since the fourth quarter of 2016 and the expected continuous improvement in sales at the beginning of 2017 of the Group. Meanwhile, more bills payables were issued by the Group to secure sufficient cash flows.

Other Profits and Losses

During the year, other profits and losses was approximately RMB35 million, a significant increase of approximately RMB203 million as compared with the corresponding period of last year. This is mainly attributable to the facts that the foreign exchange gain increased by significantly since RMB weakened against HK$ and US$ by 7% during the year and a lot of foreign exchange gain arose from the sharp increase of RMB-denominated borrowings within the Group; at the same time, there was a decrease in bad debt provision as compared with that of last year due to the sustained improvement in recoverability of trade receivables by strict control of risks amid the overall improvement in economy during the year.

Administrative Expenses

During the year, the administrative expenses decreased by approximately RMB28 million as compared with the corresponding period of last year, mainly due to the fact that the Company cut down its expenditure in salary and benefits expenses.

Financial Costs

During the year, the financial costs sharply decreased by approximately RMB38 million as compared with the corresponding period of last year, mainly due to the sharp decline in interest on borrowings as compared with that of last year resulting from the substantial decrease in borrowings during the year.

PROSPECT

In 2017, China's supply side reform will enter into a critical period, the national economy will be stable and trending good, and construction machinery will also usher in a stable stage of development. The Company will seize the opportunity, take advantage of it, and continue to concentrate on construction machinery industry to develop four host products (loaders, fork lifts, excavators, road rollers) and core components stronger and excellent. We will consolidate corporate management basis, improve the corporate governance mechanism, intensively and comprehensively enhance the management level of the Company, do a good job in process tracking and product after-sales service, increase R & D investment, continue to enhance our own technology R & D capabilities, enhance product reliability, pay attention to product quality, and improve product brand influence and attention. In addition, we will continue to explore and develop the market, improve channel management capabilities, with focus on enhancing market share, integrate marketing channels, establish smooth information channels, use flexible marketing strategy, and occupy and deeply cultivate the excavators market in the city, to increase the market share of our products. While exploring and developing domestic market, we will also optimize our export product structure, improve the construction of overseas marketing network, and expand the proportion of exports. We will continuously consolidate and optimize our dominating terrain features, and continue to consolidate the industry leader status of our main core products. In fork lifts market, we will optimize the allocation of procurement and transportation resources, strengthen cost control and expense management, improve decision-making efficiency and level, continue to practice Lonking's robust business style, and establish a sound risk control and management mechanism, to ensure the healthy development of the Company and dealers "really and flexibly". We will promote Lonking's big family culture, create a good family atmosphere, improve staff stability and satisfaction, be highly concerned about the survival and development of partners, and achieve real win-win, to ensure the healthier and longer-term development of the Company. At last, we will stay true to our initial determination, seize the opportunity, and strive to create a new situation in the development of Lonking undertaking.

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.

Code Provision A.2.1

As stipulated in the Code Provision A.2.1 of CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Li San Yim ("Mr. Li"), an executive director of the Company and the chairman of the Board has been appointed by the Board to act as the chief executive office concurrently since 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, risk management and financial reporting matters and reviewed the financial results of the Group. The directors of the Company are of the opinion that the preparation of such financial results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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 and other listed securities.

DIVIDENDS

A final dividend of HKD0.017 per share as a result of the operation of 2015 amounting to HKD73 million (Equivalent to RMB61 million) was paid to the shareholders during the year. There were no any interim dividend paid out during the year.

The board of directors (the "Board") has proposed a final dividend of HKD0.062 per ordinary share for the year ended 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfers of shares will be effected. All transfer documents, accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited (at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30 p.m. on Monday, 22 May 2017 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 Tuesday, 6 June 2017. To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 2 June 2017 to Tuesday, 6 June 2017, 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 Thursday, 1 June 2017.

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 Friday, 26 May 2017. 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 2017

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. Wu Jian Ming and Mr. Chen Zhen are the independent non-executive Directors.