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 2017

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 2017 (the "Period"), together with the comparative figures for the corresponding period in 2016 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2017

		2017	2016
	NOTES	***RMB'000***	*RMB'000*
REVENUE	*3*	**8,994,097**	5,146,435
Cost of sales		**(6,602,561)**	(3,900,007)
Gross profit		**2,391,536**	1,246,428
Other income	*4*	**42,329**	44,795
Other gains and losses	*4*	**37,767**	35,402
Selling and distribution expenses		**(490,175)**	(354,274)
Administrative expenses		**(227,274)**	(233,375)
Research and development costs		**(381,967)**	(203,439)
Other expenses		**(11,328)**	(17,990)
Finance income	*4*	**110,308**	119,875
Finance costs	*5*	**(47,325)**	(78,357)

* *For identification purpose only*

	NOTES	2017 RMB'000	2016 RMB'000
PROFIT BEFORE TAX	*6*	**1,423,871**	559,065
Income tax expense	*7*	**(377,718)**	(97,142)
PROFIT FOR THE YEAR		**1,046,153**	461,923
Attributable to:			
Owners of the parent		**1,045,635**	461,764
Non-controlling interests		**518**	159
		1,046,153	461,923
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted:			
– For profit For the year	*9*	**RMB0.24**	RMB0.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**1,046,153**	461,923
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**48,589**	30,855
Income tax effect	**(7,288)**	(4,628)
	41,301	26,227
Exchange differences:		
Exchange differences on translation of foreign operations	**159,028**	(331,311)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**200,329**	(305,084)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**200,329**	(305,084)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,246,482**	156,839
Attributable to:		
Owners of the parent	**1,245,925**	156,651
Non-controlling interests	**557**	188
	1,246,482	156,839

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

	NOTES	**2017** **RMB'000**	2016 RMB'000
Non-current assets			
Property, plant and equipment	10	**2,278,567**	2,464,960
Prepaid land lease payments		**179,537**	185,421
Finance lease receivables	11	**1,307**	2,605
Prepayments for property, plant and equipment		**33,428**	31,731
Long-term receivables	12	**157,821**	100,968
Available-for-sale investments		**1,625**	1,625
Derivative financial instruments		**–**	91,807
Deferred tax assets		**351,718**	255,972
Pledged deposits	17	**–**	1,262,438
Total non-current assets		**3,004,003**	4,397,527
Current assets			
Prepaid land lease payments		**5,276**	5,276
Inventories	13	**2,445,637**	1,507,843
Finance lease receivables	11	**37,177**	51,684
Trade and bills receivables	14	**1,969,611**	1,365,336
Due from related parties		**9,967**	5,186
Prepayments, deposits and other receivables	15	**748,630**	692,925
Other current assets	16	**221,891**	211,045
Available-for-sale investments		**2,077,518**	525,855
Equity investments at fair value through profit or loss		**94,258**	108,193
Derivative financial instruments		**105,742**	–
Pledged deposits	17	**1,465,470**	1,205,347
Cash and cash equivalents	17	**1,633,686**	1,130,534
Total current assets		**10,814,863**	6,809,224
Current liabilities			
Trade and bills payables	18	**3,331,044**	1,525,934
Other payables and accruals	19	**825,708**	518,661
Interest-bearing bank borrowings	20	**1,502,866**	–
Due to related parties		**21,659**	7,665
Tax payable		**210,978**	131,612
Provisions		**94,020**	54,536
Deferred income		**400**	546
Total current liabilities		**5,986,675**	2,238,954

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Net current assets		4,828,188	4,570,270
Total assets less current liabilities		7,832,191	8,967,797
Non-current liabilities			
Deposits for finance leases	*11*	18,261	31,749
Interest-bearing bank borrowings	*20*	–	2,150,450
Deferred tax liabilities		71,833	59,390
Provisions		4,494	3,699
Deferred income		7,397	2,797
Total non-current liabilities		101,985	2,248,085
Net assets		7,730,206	6,719,712
Equity			
Equity attributable to owners of the parent			
Issued capital		444,116	444,116
Share premium and reserves		7,283,646	6,272,703
		7,727,762	6,716,819
Non-controlling interests		2,444	2,893
Total equity		7,730,206	6,719,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

1. CORPORATE AND GROUP INFORMATION

Lonking Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands on 11 May 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

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

The principal activities of the Company and its subsidiaries (the "Group") are the manufacture and distribution of wheel loaders, road rollers, excavators, forklifts and other 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 2017. 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 33 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group's subsidiary classified as a disposal group held for sale as at 31 December 2017 is a wholly-owned subsidiary and so no additional information is required to be disclosed.

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*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

Year ended 31 December 2017

	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Financial investment *RMB'000*	Total *RMB'000*
Segment revenue	**8,988,970**	**5,127**	**–**	**8,994,097**
Segment results	**1,227,998**	**2,353**	**234,285**	**1,464,636**
Reconciliation:				
Interest income				**110,308**
Unallocated other income and gains				**(95,328)**
Corporate and other unallocated expenses				**(8,420)**
Finance costs				**(47,325)**
Profit before tax				**1,423,871**
Segment assets	**11,165,605**	**49,866**	**2,499,409**	**13,714,880**
Corporate and other unallocated assets				**103,986**
Total assets				**13,818,866**
Segment liabilities	**4,437,375**	**96,537**	**–**	**4,533,912**
Corporate and other unallocated liabilities				**1,554,748**
Total liabilities				**6,088,660**
OTHER SEGMENT INFORMATION				
Impairment losses recognised in the statement of profit or loss	**107,873**	**7,913**	**–**	**115,786**
Impairment losses reversed in the statement of profit or loss	**(12,437)**	**–**	**–**	**(12,437)**
Depreciation and amortisation	**359,337**	**1**	**–**	**359,338**
Capital expenditure*	**200,379**	**–**	**–**	**200,379**

* *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 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.*

Revenue derived from major products and services

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

	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Wheel loaders	**4,825,850**	**53.7**	2,614,723	50.8
Excavators	**1,329,501**	**14.8**	586,350	11.4
Road rollers	**118,876**	**1.3**	73,366	1.4
Forklifts	**1,826,349**	**20.3**	1,220,207	23.7
Others	**888,394**	**9.8**	642,303	12.5
Subtotal	**8,988,970**	**99.9**	5,136,949	99.8
Finance lease interest income	**5,127**	**0.1**	9,486	0.2
Total	**8,994,097**	**100**	5,146,435	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

	2017	2016
	RMB'000	*RMB'000*
Finance income		
Bank interest income *(note 6)*	**110,308**	119,875
Other income		
Government grants	**31,178**	19,465
Penalty income	**2,257**	1,533
Others	**8,894**	23,797
	42,329	44,795

	2017	2016
	RMB'000	*RMB'000*
Other gains and losses		
Foreign exchange (losses)/gains	**(95,328)**	163,470
Impairment of financial assets *(note 6)*	**(97,942)**	(170,297)
Gains/(losses) on disposal of items of property, plant and equipment *(note 6)*	**2,159**	(2,371)
Gains from loan receivables and available-for-sale investments	**221,077**	31,667
Gains from derivative instruments	**13,208**	13,208
Fair value gains/(losses), net:		
Equity investments at fair value through profit or loss – held for trading	**(13,935)**	(30,590)
Derivative instruments – transactions not qualifying as hedges	**13,935**	30,590
Provision for inventories	**(5,407)**	–
Share of profits and losses of associates	**–**	(275)
	37,767	35,402

5. FINANCE COSTS

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

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	**47,325**	78,332
Interest on discounted bills	**–**	25
Total interest expense on financial liabilities not at fair value through profit or loss	**47,325**	78,357

6. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**6,602,561**	3,900,007
Depreciation *(note 10)*	**353,454**	379,785
Amortisation of prepaid land lease payments	**5,884**	5,818
Research and development costs	**381,967**	203,439
Auditor's remuneration	**2,520**	2,550
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**518,242**	323,890
Contributions to a pension scheme	**32,543**	28,870
Total staff costs	**550,785**	352,760
Foreign exchange differences, net	**(95,328)**	163,470
Impairment of financial assets		
– trade receivables *(note 14)*	**81,644**	146,802
– other receivables *(note 15)*	**16,298**	23,495
	97,942	170,297
Write-down of inventories to net realisable value *(note 4)*	**5,407**	13,106
Product warranty provision:		
Additional provision	**146,899**	72,520
Bank interest income	**(110,308)**	(119,875)
(Gains)/losses on disposal of items of property, plant and equipment *(note 4)*	**(2,159)**	2,371
Fair value (gains)/losses, net:		
Equity investments at fair value through profit or loss		
– held for trading	**13,935**	30,590
Derivative instruments		
– transactions not qualifying as hedges	**(13,935)**	(30,590)

7. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax		
Charged for the year	**296,887**	91,535
(Overprovision)/underprovision in prior years	**(11,514)**	292
Withholding tax paid	**182,936**	50,265
	468,309	142,092
Deferred tax	**(90,591)**	(44,950)
Total tax charge for the year	**377,718**	97,142

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:

	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**1,423,871**		559,065	
Tax at the statutory tax rate of 25% (2016: 25%)	**355,968**	**25.0**	139,766	25.0
Expenses not deductible for tax (i)	**27,070**	**1.8**	18,153	3.2
Effect on opening deferred tax balance due to increase in rates	**–**	**–**	(1,348)	(0.2)
Adjustments in respect of current tax of previous periods	**(11,514)**	**(0.8)**	292	0.1
Tax losses utilised from previous periods	**(4,709)**	**(0.3)**	(4,993)	(0.9)
Tax incentives on eligible R&D expenditures	**(19,258)**	**(1.4)**	–	–
Effect of withholding tax	**190,143**	**13.4**	6,004	1.1
Effect of the preferential tax rate of 15%	**(159,982)**	**(11.2)**	(60,732)	(10.9)
Tax charge and effective tax rate for the year	**377,718**	**26.5**	97,142	17.4

(i) Expenses not deductible for tax purposes generally refer to expenses without proper tax deductible documents and other miscellaneous expenses which are in excess of the allowable tax deduction limit, such as entertainment expenses.

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Proposed final – HK$0.16 (2016: HK$0.062) per ordinary share	**548,195**	234,982

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 (2016: 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 2017 and 2016.

10. PROPERTY, PLANT AND EQUIPMENT

	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 2017	**1,612,209**	**3,072,065**	**50,610**	**142,044**	**54,687**	**4,931,615**
Additions	**1,462**	**17,754**	**1,299**	**4,245**	**175,619**	**200,379**
Transfers	**939**	**105,825**	**732**	**850**	**(108,346)**	**–**
Disposals	**(13,253)**	**(80,710)**	**(1,017)**	**(5,285)**	**(6,868)**	**(107,133)**
Exchange realignment	**(1,370)**	**–**	**–**	**(24)**	**–**	**(1,394)**
At 31 December 2017	**1,599,987**	**3,114,934**	**51,624**	**141,830**	**115,092**	**5,023,467**
Accumulated depreciation						
At 1 January 2017	**519,191**	**1,796,517**	**43,828**	**107,119**	**–**	**2,466,655**
Charge for the year	**71,165**	**274,778**	**1,600**	**5,911**	**–**	**353,454**
Disposals	**(2,294)**	**(69,456)**	**(974)**	**(2,223)**	**–**	**(74,947)**
Exchange realignment	**(234)**	**–**	**–**	**(28)**	**–**	**(262)**
At 31 December 2017	**587,828**	**2,001,839**	**44,454**	**110,779**	**–**	**2,744,900**
Carrying amount						
At 31 December 2017	**1,012,159**	**1,113,095**	**7,170**	**31,051**	**115,092**	**2,278,567**

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture and fixtures *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 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						
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

11. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivables comprise:				
Within one year	**38,826**	53,946	**37,177**	51,684
One to five years	**1,365**	4,700	**1,307**	4,503
	40,191	58,646	**38,484**	56,187
Less: Unearned finance income	**1,707**	2,459	**–**	–
Less: Provision for impairment	**–**	1,898	**–**	1,898
Present value of minimum lease payment receivables	**38,484**	54,289	**38,484**	54,289
Analysed as:				
Current			**37,177**	51,684
Non-current			**1,307**	2,605
			38,484	54,289

The movement of the provision for impairment of finance lease receivables is as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**1,898**	1,898
Write-off	**(1,898)**	–
At 31 December	**–**	1,898

The effective interest rates of the above finance leases range from 6% to 9.5% (2016: 6% to 9.5%) 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 2017, the Group's refundable finance lease deposits are as follows:

	2017	2016
	RMB'000	*RMB'000*
Current *(note 19)*	**7,723**	11,756
Non-current	**18,261**	31,749
	25,984	43,505

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:

	2017	2016
	RMB'000	*RMB'000*
Trade receivables *(note 14)*	**157,821**	100,968

The long-term trade receivables bear interest at approximately 4% to 7% per annum.

13. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**841,263**	534,782
Work in progress	**228,340**	148,076
Finished goods	**1,376,034**	824,985
	2,445,637	1,507,843

14. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**2,389,558**	1,755,310
Impairment	**(458,791)**	(401,069)
Less: Non-current portion *(note 12)*	**(157,821)**	(100,968)
	1,772,946	1,253,273
Bills receivable	**196,665**	112,063
	1,969,611	1,365,336

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 ageing 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:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**1,273,565**	841,074
3 to 6 months	**267,311**	147,029
6 months to 1 year	**188,452**	108,286
More than 1 year	**43,618**	156,884
	1,772,946	1,253,273

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**401,069**	285,504
Impairment losses recognised *(note 6)*	**81,644**	146,802
Amount written off as uncollectible	**(23,922)**	(31,237)
At 31 December	**458,791**	401,069

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB458,791,000 (2016: RMB401,069,000) with a carrying amount before provision of RMB777,174,000 (2016: RMB727,621,000).

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 ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,414,218**	658,759
Less than 1 month past due	**133,331**	80,908
1 to 3 months past due	**42,844**	34,204
3 months to 1 year past due	**12,485**	146,008
Over 1 year past due	**9,506**	6,842
	1,612,384	926,721

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 aged within 6 months at the end of the reporting period. At 31 December 2017, the Group had no bills receivable pledged to banks to get short-term credit facilities (2016: Nil).

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Prepayments	**370,970**	155,033
Deductible value-added tax	**59,643**	59,019
Deposits	**8,989**	4,661
Total	**439,602**	218,713
Other receivables:		
Loan receivables	**547,911**	636,762
Less: impairment	**(403,697)**	(406,480)
Net loan receivables	**144,214**	230,282
Other miscellaneous receivables	**173,425**	244,628
Less: impairment	**(8,611)**	(698)
Net other miscellaneous receivables	**164,814**	243,930
Total other receivables	**309,028**	474,212
Grand total	**748,630**	692,925

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**407,178**	396,729
Impairment losses recognised *(note 6)*	**16,298**	23,495
Amount written off as uncollectible	**(11,168)**	(13,046)
At 31 December	**412,308**	407,178

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 RMB412,308,000 (2016: RMB407,178,000) with a carrying amount before provision of RMB521,458,000 (2016: RMB644,241,000).

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 represent 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% p.a. and mainly repaid within 18 to 24 months.

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

An ageing 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:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**102,652**	108,263
3 to 6 months	**–**	807
6 months to 1 year	**125**	338
More than 1 year	**41,437**	120,874
	144,214	230,282

16. OTHER CURRENT ASSETS

	2017	2016
	RMB'000	*RMB'000*
Loans and receivables, at fair value	**221,891**	211,045

17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017	2016
	RMB'000	*RMB'000*
Cash and bank balances	**1,633,686**	1,130,534
Time deposits	**1,465,470**	2,467,785
	3,099,156	3,598,319
Less: Pledged cash and bank balances and time deposits:		
Pledged for long-term bank loans	**–**	(1,261,938)
Pledged for short-term bank loans *(note 20)*	**(1,261,938)**	(954,000)
Pledged for bank acceptance bills *(note 18)*	**(202,344)**	(241,964)
Pledged for others	**(1,188)**	(9,883)
Cash and cash equivalents	**1,633,686**	1,130,534

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

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

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

Original Currency	**US$**	**HK$**
	RMB'000	*RMB'000*
As at 31 December 2017	**41,520**	**8,297**
As at 31 December 2016	547,652	4,944

18. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**1,359,772**	860,679
Bills payable	**1,971,272**	665,255
	3,331,044	1,525,934

An ageing analysis of the trade and bills payable as at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**3,234,919**	1,465,266
6 months to 1 year	**65,143**	23,210
1 to 2 years	**19,035**	7,978
2 to 3 years	**5,170**	6,371
Over 3 years	**6,777**	23,109
	3,331,044	1,525,934

Bills payable aged within 6 months at the end of the reporting period and secured by pledged bank deposits amounting to RMB202,344,000 (2016: RMB241,964,000) (note 17).

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

19. OTHER PAYABLES AND ACCRUALS

	2017	2016
	RMB'000	*RMB'000*
Accrued sales rebate	**360,208**	225,133
Other payables	**88,522**	90,070
Salary and wages payable	**115,034**	73,546
Advances from customers	**45,926**	38,339
Other taxes payable	**142,746**	38,632
Other accrued expenses	**29,060**	37,408
Deposit for finance leases *(note 11)*	**7,723**	11,756
Payable for acquisition of property, plant and equipment	**35,657**	3,686
Dividend payable	**832**	91
	825,708	518,661

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

20. INTEREST-BEARING BANK BORROWINGS

	2017			2016		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – secured	**1.99-2.93**	**2018**	**1,502,866**	–	–	–
Non-current						
Bank loans – secured			**–**	1.52-3.87	2018	2,150,450
			1,502,866			2,150,450

	2017	2016
	RMB'000	*RMB'000*
Analysed into:		
Within one year	**1,502,866**	–
In the second year	**–**	2,150,450
	1,502,866	2,150,450

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

Original Currency	**US$**
	RMB'000
As at 31 December 2017	**1,502,866**
As at 31 December 2016	2,150,450

Certain of the Group's bank loans are secured by the pledge of certain of the Group's short-term time deposits amounting to RMB1,261,938,000 for short-term loans (2016: RMB954,000,000) (note 17).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

2017 saw a pick-up in global economy. China achieved a better-than-expected economic growth. After a prolonged low for more than five years, the construction machinery industry has maintained the recovery trend since the second half of 2016, driven by a significant increase in the market demand for major construction machinery products. Riding the momentum of the macroeconomic growth, growing investment in fixed assets and renewal and upgrading of construction machinery equipment, the Group further strengthened and magnified its key advantages in product quality, service and value-for-money. While ensuring risks under control, the Group focused on improving its market presence both domestically and internationally by consolidating its strong business segment and improving the market share of its weak business segment so as to further facilitate its leading position in the industry. Meanwhile, adhering to the marketing strategy of "Back to Basics for Being Resilient", the Group continued to refine and improve its risk control system, heighten the control over receivables, inventory and costs, and optimize project investment and financial planning. During the reporting period, both of the Group's development and asset quality were improved and greatly outperformed its peers. During the reporting period, the Group's total revenue increased by RMB3,848 million to RMB8,994 million from RMB5,146 million in the same period of 2016, representing a year-on-year growth of 74.76%. During the reporting period, the consolidated gross profit margin of the Group steadily increased by 2.37 percentage points to 26.59% from 24.22%. The Group achieved net profit of approximately RMB1,046 million in 2017, representing a year-on-year increase of 126.48%. The significant increase in net profit was mainly attributable to the substantial revenue increase, improved consolidated gross profit margin and effective control over management expense and finance expense during the period.

The northern regions of the PRC remained as the Company's principal marketing regions. Revenue from northern regions increased 98% to approximately RMB1,959 million (2016: approximately RMB989 million), representing 22% of our total turnover. Revenue from eastern regions of the PRC increased 87% to RMB1,439 million (2016: approximately RMB768 million), accounting for approximately 16% of our total turnover. In respect of our overseas market, during the year, the Group's sales revenue recorded an significant increase of 59% to approximately RMB686 million (2016: approximately RMB434 million). While ensuring risks under control, the Group will remain committed to the development of overseas market. Consequently, the sales generating from overseas market are expected to show an uptrend against the improved peripheral environment.

ANALYSIS OF PRODUCTS

In 2017, the construction machinery industry witnessed an overall recovery amid the atmosphere where favorable policies on investment in fixed assets were launched, with investments in infrastructure continued to be made in various provinces and cities in China. Sales of various products of the Group all recorded a relatively substantial increase during the year 2017. Our focus remains to be the sales of our major products, including wheel loaders, excavator, fork lifts, road rollers and components. During the year, there has been little change in the percentage of the sales of various products to total sales over last year.

Wheel Loaders

The revenue generated from wheel loader amounted to approximately RMB4,826 million, representing approximately 54% of total Group's turnover, representing an obvious increase from last year (2016: RMB2,615 million, approximately 51% of total Group's turnover).

ZL50 series continued to be the main revenue source of the Group with turnover for the year reaching RMB4,111 million, an increase of 93% compared with that of last year. ZL30 series continued to be the second largest revenue source of the Group with turnover reaching RMB374 million, an increase of approximately 53% compared with that of last year. ZL40 series accounted for a small proportion in the overall sales with turnover reaching RMB37 million, representing only approximately 0.4% of the total turnover. ZL60 series recorded approximately RMB101 million in sales, representing only 1% of the total turnover. The turnover from mini wheel loader amounted to RMB204 million, an increase of 22% compared with that of last year.

Wheel Loaders remain to be the main sales products of the Group and have become increasingly established and take up a higher market share, although the percentage of its sales to total sales shows a sign of decline.

Excavators

The revenue generated from excavators accounted for approximately 15% of the Group's total turnover, representing a significant increase of 127% from last year to approximately RMB1,330 million (2016: RMB586 million, representing approximately 11% of the Group's total turnover. With the overall recovery of the construction machinery industry, the sales of excavator, a cutting-edge product on which the Group has been focused in recent years, are expected to grow at a rate far above that of other products, and show a fast-growing momentum.

Fork Lifts and Road Rollers

Revenue generated from fork lifts represented 20% of our total turnover for the year of 2017 (2016: 24%). During the year, turnover from fork lifts increased by 50% to approximately RMB1,826 million (2016: RMB1,220 million). Since fork lifts has become a new source of growth in the Group's profits in recent years, the Group has been committed to the development of various fork lift products, which are well received by customers.

Revenue from road rollers reached RMB119 million, representing an increase of 62% compared with that of last year (2016: approximately RMB73 million).

Components

The sales generated from components amounted to approximately RMB742 million for the year ended 31 December 2017, an increase of 29% compared with the corresponding period last year (2016: RMB573 million), accounting for approximately 8% of the total turnover of the Group.

Finance Lease Interest

Turnover from interest income of finance lease represented approximately only 0.1% of the Group's total turnover in the year of 2017. The finance lease business has been reduced by the Group gradually.

FINANCIAL REVIEW

Cash and Bank Balance

The cash position of the Group was strong during the year. As at 31 December 2017, the Group had bank balance and cash of approximately RMB1,634 million (31 December 2016: approximately RMB1,131 million).

Compared with last year, cash and bank balances increased by approximately RMB503 million, which is generated as a result of net cash inflow of around RMB1,592 million from operating activities, the net cash outflow of RMB1,411 million from investing activities and the net cash inflow of RMB320 million from financing activities and effect 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 2017 was approximately RMB7,730 million, a 15% increase from approximately RMB6,720 million as at 31 December 2016. The current ratio of the Group at 31 December 2017 was 1.81 (2016: 3.04).

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 2017, the gross gearing ratio (defined as total liabilities over total assets) was approximately 44.06% (31 December 2016: 40.04%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB200 million (2016: approximately RMB24 million) in line with a series of strategic transformation and production transformation by the Group.

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

Capital Commitment

As at 31 December 2017, the Group had contracted but not included in the financial statements expenditures of approximately RMB22 million in respect of acquisition of property, plant and equipment (31 December 2016: approximately RMB12 million).

Other Gains and Losses

During the year, other gains and losses were approximately RMB38 million, broadly flat with the corresponding period last year. This was mainly due to the foreign exchange loss incurred by a substantial RMB appreciation compared with the last year and investment gains from financial assets acquired by the Group.

Besides, provision for bad debts during the year also reduced by approximately RMB72 million compared with the last year.

Research and Development Costs

The Group attaches great importance to the improvement of its competitiveness and investment in research and development. With the improvement of economic condition, the Group will continue to increase its investment in research and development. During the year, research and development costs increased by approximately RMB179 million compared with the last year.

Finance Costs

During the year, finance costs significantly decreased by approximately RMB31 million compared with the corresponding period last year, primarily due to the decrease in interest of loans as a large amount of loans decreased as a result of maturity or early repayment.

Income Tax

During the year, income tax significantly increased by approximately RMB281 million compared with the corresponding period last year, primarily due to a substantial increase in profit before tax. Besides, the effective tax rate in 2017 increased to 26.5% from 17.4% in 2016 as a result of the increase in withholding income tax provided for in relation to the dividend paid by a subsidiary of the Group in Mainland China to its offshore holding company, as well as the effect of favourable tax rate of 15% enjoyed by some subsidiaries of the Group as “High and New Technology Enterprises” compared with the legal tax rate of 25%.

Inventories

As of 31 December 2017, inventories increased by 62.2% to approximately RMB2,446 million (as of 31 December 2016: inventories of approximately RMB1,508 million). This was mainly attributable to increased stock of the finished products, unfinished products and raw materials at the end of the period resulting from the continuous improvement in sales during the year.

Trade and Bills Receivables

As of 31 December 2017, trade and bills receivables increased by 44.3% to approximately RMB1,970 million (as of 31 December 2016: trade and bills receivables of approximately RMB1,365 million). This was primarily due to the improvement in sales of the overall industry, with substantially increased sales in the second half of the year as compared with the corresponding period of last year, as well as significant improvement in turnover days of the trade receivables of the Company over last year.

Pledged Deposits

As of 31 December 2017, the pledged deposit balance decreased by RMB1,002 million compared with last year. This was mainly due to recovery of security deposits for the loans upon maturity of large bank loans during the year.

Trade and Bills Payables

As of 31 December 2017, trade and bills payables increased by 118.3% to approximately RMB3,331 million (as of 31 December 2016: trade and bills payables of approximately RMB1,526 million). This was mainly attributable to increased stock of materials and components at the end of the period by the Group resulting from generally robust sales in the construction machinery market during the year, most of which were settled by using bank notes.

PROSPECT

2018 is a crucial year in carrying out the 13th Five-Year Plan of China (2016-2020). The economy of China will continue to develop in a stable and positive manner. Against the backdrop of global recovery, the construction machinery industry is expected to maintain a rapid growth. Taking the opportunity, the Group will make timely plans to seek for more businesses and larger market shares in line with its marketing principle of "Back to Basics for Being Resilient". It will remain committed to the construction machinery industry, further develop its four major products (i.e. loaders, fork lifts, excavators and road rollers) and related core components, and improve its presence in both domestic and overseas market. Besides, it will always adhere to the agency system, promote Lonking's culture as a big family, further strengthen its three major advantages in quality, service and value-for-money, draw up market and region development plans and strive to refine the market to improve the market share of the Group's products. While continuously consolidating the leading position of its core products in the industry, the Group will steadily expand its excavator business for larger market share and, given the rapid growth in the demand for industrial vehicles, increase the investment in forklift project and strengthen the development of forklift products to improve its sales and market-awareness. The Group will further highlight its product quality as well as after-sale services, ensuring better and higher quality services are rendered to the best satisfaction of its customers from time to time. Process follow-up and management will be duly conducted complying with the system and policies to be established by the Group. It will put more efforts in team-building, value the subjectivity and creativity of its team members, optimize management procedures and ensure a reasonable allocation of human resources. Control over manufacturing costs and related expenses occurred during the period will be heightened to strike a better balance among costs, efficiency and development. By maximizing its advantages of better quality control and higher efficiency arising from vertical integration, the Group will further explore the potential of management and quality, and establish a production and operation management system as a supplement to its existing governance mechanism in order to improve the management on a group basis. Concentrating on the product and product quality, the Group will refine all products from each segment, introduce and cultivate top professionals, increase investment in scientific and technological research and development and promote their transformation, and strictly monitor the development process to improve its brand awareness and recognition.

CORPORATE GOVERNANCE

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

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

Code Provision A.1.8

As stipulated in the Code provision A.1.8 of CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company has not yet made this insurance arrangement as the board of directors considers that the director liability insurance has not yet been identified on the market with reasonable insurance premium while providing adequate suitable security to directors.

Code Provision A.6.7

As stipulated in the Code Provision A.6.7 of CG Code, independent non-executive directors and other non-executive directors shall attend general meetings. Three independent non-executive directors were unable to attend annual general meeting of the Company held on 26 May 2017 (the "2017 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 2017, 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 officer 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 and financial reporting matters and reviewed the financial results of the Group.

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2017 have been reviewed by the audit committee of the Company. The figures in respect of this announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's external auditor, Ernst & Young Certified Public Accountants (the "Ernst & Young"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

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 HKD0.062 per share as a result of the operation of 2016 amounting to HKD265 million (equivalent to RMB235 million) was paid to the shareholders during the year. There were no any interim dividend paid out during the year.

The Directors recommend the payment of a final dividend of HKD0.16 per share for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 24 May 2018 to Tuesday, 29 May 2018, 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, Computershare Hong Kong Investor Services Limited (at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai Hong Kong), for registration not later than 4:30 p.m. on Wednesday, 23 May 2018 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 29 May 2018.

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 Wednesday, 6 June 2018. To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 4 June 2018 to Wednesday, 6 June 2018, 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 Friday, 1 June 2018.

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 Tuesday, 29 May 2018. 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, 27 March 2018

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.