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 2011

The board of directors (the "Board") of Lonking Holdings Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 (the "Period"), together with the comparative figures for the corresponding period in 2010 as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2011

	NOTES	**2011** *RMB'000*	2010 *RMB'000*
Revenue	3	**12,721,160**	12,019,933
Cost of sales		**(9,507,055)**	(8,593,391)
Gross profit		**3,214,105**	3,426,542
Other income	4	**93,149**	36,844
Other gains and losses	4	**369,509**	(2,316)
Selling and distribution costs		**(592,782)**	(616,665)
Administrative expenses		**(294,489)**	(246,826)
Research and development costs		**(342,120)**	(241,200)
Other expenses		**(12,427)**	(18,265)
Finance income	4	**27,992**	10,058
Finance costs	5	**(395,153)**	(206,010)
Profit before tax	6	**2,067,784**	2,142,162
Income tax expense	7	**(337,917)**	(375,845)
Profit for the year		**1,729,867**	1,766,317
Other comprehensive income		**–**	–
Total comprehensive income for the year		**1,729,867**	1,766,317

* *for identification purposes only*

	NOTES	2011 RMB'000	2010 RMB'000
Attributable to:			
Owners of the parent		**1,729,502**	1,765,606
Non-controlling interests		**365**	711
		1,729,867	1,766,317
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic:			
– For profit for the year	*9*	**0.40**	0.41
Diluted			
– For profit for the year	*9*	**0.34**	0.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2011

	NOTES	**2011** **RMB'000**	2010 RMB'000
Non-current assets			
Property, plant and equipment		**3,637,752**	3,034,171
Prepaid land lease payments		**205,642**	194,721
Investments in associates		**59,218**	–
Finance lease receivables	*10*	**446,026**	2,344,321
Deferred tax assets		**204,529**	220,087
Prepayments for property, plant and equipment		**239,952**	128,942
Loan receivables	*11*	**–**	20,736
Total non-current assets		**4,793,119**	5,942,978
Current assets			
Prepaid land lease payments		**5,383**	4,479
Inventories	*12*	**4,379,718**	3,539,417
Finance lease receivables	*10*	**852,340**	935,699
Trade and bills receivables	*13*	**3,130,134**	1,780,647
Prepayments, deposits and other receivables	*14*	**824,690**	624,739
Pledged deposits	*15*	**470,649**	328,327
Cash and cash equivalents	*15*	**1,684,400**	306,235
Total current assets		**11,347,314**	7,519,543
Current liabilities			
Trade and bills payables	*16*	**2,723,074**	3,073,767
Other payables and accruals		**973,513**	787,957
Interest-bearing bank borrowings	*17*	**795,425**	1,471,658
Convertible bonds	*18*	**24,846**	–
Due to related parties		**12,704**	7,035
Income tax payable		**127,405**	221,867
Provisions		**150,749**	179,225
Derivative financial instruments	*18*	**13**	–
Total current liabilities		**4,807,729**	5,741,509
Net current assets		**6,539,585**	1,778,034
Total assets less current liabilities		**11,332,704**	7,721,012

	NOTES	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Deposits for finance leases		**108,026**	271,214
Interest-bearing bank borrowings	*17*	**1,511,719**	970,995
Convertible bonds	*18*	**825,329**	770,677
Long-term loan notes	*19*	**2,205,315**	–
Deferred tax liabilities		**72,136**	47,670
Provisions		**24,994**	–
Derivative financial instruments	*18*	**178,416**	418,425
Total non-current liabilities		**4,925,935**	2,478,981
Net assets		**6,406,769**	5,242,031
Equity			
Equity attributable to owners of the parent			
Issued capital		**444,116**	444,116
Share premium and reserves		**5,646,826**	4,440,382
Proposed final dividend		**313,661**	355,732
		6,404,603	5,240,230
Non-controlling interests		**2,166**	1,801
Total equity		**6,406,769**	5,242,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. CORPORATE INFORMATION

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

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

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

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

The principal activities of the Company and its subsidiaries (the "Group") are the manufacture and distribution of wheel loaders, road rollers, excavators, forklifts and other infrastructure machinery and the provision of finance leases for the infrastructure 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, 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 certain buildings and 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 for the year ended 31 December 2011. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendment	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK (IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) **HKAS 24 (Revised) *Related Party Disclosures***

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 37 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First– time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation– Offsetting Financial Assets and Financial Liabilities*[6]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2015
6 Effective for annual periods beginning on or after 1 January 2014

The Group is in the process of making an assessment of the impact of these new and revised HKASs upon initial application. So far, these new and revised HKASs are unlikely to have a significant impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

2011

SEGMENT REVENUE AND RESULTS

	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Total *RMB'000*
Segment revenue	**12,515,897**	**205,263**	**12,721,160**
Segment results	**2,185,522**	**166,706**	**2,352,228**
Reconciliation:			
Interest income			**27,992**
Unallocated other income and gains			**95,381**
Corporate another unallocated expenses			**(12,664)**
Finance costs			**(395,153)**
Profit before tax			**2,067,784**
Segment assets	**12,438,059**	**1,342,796**	**13,780,855**
Corporate and other unallocated assets			**2,359,578**
Total assets			**16,140,433**
Segment liabilities	**3,346,656**	**646,404**	**3,993,060**
Corporate and other unallocated liabilities			**5,740,604**
Total liabilities			**9,733,664**

2010

SEGMENT REVENUE AND RESULTS

	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Total *RMB'000*
Segment revenue	11,816,652	203,281	12,019,933
Segment results	2,205,173	156,456	2,361,629
Reconciliation:			
Interest income			10,058
Unallocated other expenses			(14,162)
Corporate another unallocated expenses			(9,353)
Finance costs			(206,010)
Profit before tax			2,142,162
Segment assets	9,281,347	3,326,525	12,607,872
Corporate and other unallocated assets			854,649
Total assets			13,462,521
Segment liabilities	2,903,337	1,415,861	4,319,198
Corporate and other unallocated liabilities			3,901,292
Total liabilities			8,220,490

Revenue from major product and services

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

	2011		2010	
	RMB'000	*%*	*RMB'000*	*%*
Wheel loaders	**8,866,956**	**69.7**	8,343,376	69.4
Excavators	**1,713,353**	**13.5**	1,956,841	16.3
Road rollers	**367,480**	**2.9**	469,124	3.9
Fork lifts	**929,296**	**7.3**	585,536	4.9
Others	**638,812**	**5.0**	461,775	3.8
Subtotal	**12,515,897**	**98.4**	11,816,652	98.3
Finance lease interest income	**205,263**	**1.6**	203,281	1.7
Total	**12,721,160**	**100**	12,019,933	100

There is no single customer from whom the revenue derived accounted for 10% or more of the total revenue of the Group.

4. OTHER INCOME, FINANCE INCOME AND OTHER GAINS AND LOSSES

	Group	
	2011	2010
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**27,992**	10,058
Other income		
Government grants	**60,184**	17,989
Others	**32,965**	18,855
	93,149	36,844

	Group	
	2011	2010
	RMB'000	*RMB'000*
Other gains and losses		
Fair value gain/(loss) on derivative component of convertible bonds	**239,996**	(85,380)
Gain on redemption of convertible bonds	**–**	41,047
Exchange realignment from convertible bonds	**37,363**	20,562
Foreign exchange gains	**58,018**	12,186
(Loss)/Gain on disposal of property, plant and equipment	**(2,608)**	1,278
Allowance for bad and doubtful debts	**(6,321)**	2,530
Write-off of finance lease receivables	**–**	(5,763)
Gain on disposal of obsolete and waste raw materials	**43,061**	11,224
	369,509	(2,316)

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**149,522**	81,087
Interest on long-term loan notes	**93,726**	–
Interest on convertible bonds	**116,862**	124,923
Other finance costs	**35,043**	–
	395,153	206,010

6. PROFIT BEFORE TAX

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

	2011 *RMB'000*	2010 *RMB'000*
Cost of inventories sold	**9,507,055**	8,593,391
Depreciation	**283,501**	203,910
Amortisation of land lease payments	**8,763**	4,371
Research and development costs	**342,120**	241,200
Auditors' remuneration	**3,020**	3,023
Employee benefit expense (excluding directors' remuneration *(note 8)*)		
Wages and salaries	**563,833**	515,822
Contributions to retirement benefit scheme	**46,666**	40,420
Total staff costs	**610,499**	556,242
Foreign exchange differences, net	**95,381**	32,748
Impairment of financial assets		
– trade receivables *(note 13)*	**945**	(6,159)
– other receivables *(note 13)*	**1**	3,629
– finance lease receivables *(note 10)*	**5,375**	5,763
	6,321	3,233
Write-down of inventories to net realisable value	**6,312**	–
Product warranty provision	**280,978**	221,916
Fair value (gain)/loss on derivative component of convertible bonds	**(239,996)**	85,380
Bank interest income	**(27,992)**	(10,058)
Loss/(gain) on disposal of items of property, plant and equipment	**2,608**	(1,278)
Gain on disposal of obsolete or waste materials	**(43,061)**	(11,224)

7. INCOME TAX EXPENSE

	2011 *RMB'000*	2010 *RMB'000*
Group:		
Current tax		
PRC Enterprise Income Tax ("EIT")	**321,246**	414,725
Under provision/(over provision) of EIT in prior years	**(23,353)**	2,140
Withholding tax paid	**–**	5,422
	297,893	422,287
Deferred tax	**40,024**	(46,442)
Total tax charge for the year	**337,917**	375,845

A reconciliation of the income 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, is as follows:

	Group			
	2011		2010	
	RMB'000	*%*	*RMB'000*	*%*
Profit before taxation	**2,067,784**		2,142,162	
Tax at the statutory tax rate of 25% (2010: 25%)	**516,946**	**25.0**	535,541	25.0
Income not subject to tax *(i)*	**(86,855)**	**(4.2)**	(18,454)	(0.8)
Expenses not deductible for tax *(ii)*	**50,632**	**2.4**	58,392	2.7
Tax effect of tax losses not recognised	**5,855**	**0.3**	8,098	0.4
Utilisation of tax losses previously not recognised	**–**		(9,875)	(0.5)
Under provision/(over provision) in respect of prior years	**(2,701)**	**(0.1)**	2,140	0.1
Deferred tax charged at different income tax rate	**291**	**0.01**	8,944	0.4
Effect of withholding tax	**24,978**	**1.2**	28,317	1.3
Effect of preferential tax rates of 12.5% and 15%	**(171,229)**	**(8.3)**	(237,258)	(11.1)
Tax charge and effective tax rate for the year	**337,917**	**16.3**	375,845	17.5

(i) Income not subject to tax mainly includes fair value gain on derivative component of convertible bonds and exchange gains from convertible bonds and long term loan notes.

(ii) 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 and advertising expenses.

8. DIVIDENDS

	2011	2010
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2010 final of HK$0.1 per share (2009 final: HK$ 0.07)	**355,732**	130,734
2011 interim of HK$0.06 per share (2010 interim: HK$0.10)	**209,397**	184,001
	565,129	314,735

In the annual general meeting held on 20 May 2011, a final dividend of HK$ 0.10 (2009: HK$0.07) per share in respect of the year ended 31 December 2010 was approved by the shareholders and subsequently paid to the shareholders of the Company.

An interim dividend of HK$0.06 (2010: HK$0.10) per share in respect of the six months ended 30 June 2011 was approved by the board of directors on 24 August 2011 and subsequently paid to the shareholders of the Company.

A final dividend of HK$0.09 per ordinary share (equivalent to RMB313,661,000 in total) for the year ended 31 December 2011 has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting to be held in May 2012.

9. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on:

	2011	2010
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,729,502**	1,765,606
Interest on convertible bonds	**116,861**	19,139
Exchange realignment on convertible bonds	**(37,363)**	(982)
Fair value gain on derivative component of convertible bonds	**(239,996)**	(20,096)
Gain on redemption of convertible loan notes	**–**	(41,047)
Profit attributable to ordinary equity holders of the parent, before interest, gains and losses on convertible bonds	**1,569,004**	1,724,584

	Number of shares	
	2011	2010
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,280,100**	4,280,100
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	**327,611**	115,302
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**4,607,711**	4,395,402

10. FINANCE LEASE RECEIVABLES

	Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	2011	2010	**2011**	2010
	RMB'000	*RMB$'000*	***RMB'000***	*RMB'000*
Finance lease receivables comprise:				
Within one year	**910,261**	969,328	**852,340**	935,699
In more than one year but not more than five years	**493,787**	2,573,890	**451,401**	2,344,321
	1,404,048	3,543,218	**1,303,741**	3,280,020
Less: Unearned finance income	**100,307**	263,198	**–**	–
Less: Provision for impairment	**5,375**	–	**5,375**	–
Present value of minimum lease payment receivables	**1,298,366**	3,280,020	**1,298,366**	3,280,020
Analysed as:				
Current			**852,340**	935,699
Non-current			**446,026**	2,344,321
			1,298,366	3,280,020

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

	2011	2010
	RMB'000	*RMB'000*
At 1 January	**–**	–
Impairment losses recognised	**5,375**	5,763
Write-off	**–**	(5,763)
At 31 December	**5,375**	–

Unguaranteed residual values of assets leased under finance leases are nil. There are no contingent rents recognised in the income for the year.

Effective interest rates of the above finance leases range from 6.8% to 20% (2010: 6.8% to 18%) per annum.

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

As at 31 December 2011, the Group received refundable finance lease deposits as follows:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Current	**219,994**	178,588
Non-current	**108,026**	271,214
	328,020	449,802

11. LOAN RECEIVABLES

	Group	
	2011	2010
	RMB'000	*RMB'000*
Fixed-rate loan receivables		
Due within one year	**16,580**	12,802
Due over one year but not more than two years	**–**	6,726
Due over two years but not more than five years	**–**	14,010
	16,580	33,538
Less: Amounts due within one year	**16,580**	12,802
	–	20,736

The loan receivables carry annual interest rates ranging from 7.74% to 13.00%. The amounts of loan receivables within one year are included in other receivables.

12. INVENTORIES

	Group	
	2011	2010
	RMB'000	*RMB'000*
Raw materials	**1,197,593**	1,035,680
Work in progress	**211,540**	171,167
Finished goods	**2,970,585**	2,332,570
	4,379,718	3,539,417

13. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**2,444,862**	1,046,582
Impairment	**(66,568)**	(65,623)
	2,378,294	980,959
Bills receivable	**751,840**	799,688
	3,130,134	1,780,647

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 three month, extending up to six months for major 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:

	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**1,775,503**	972,083
3 to 6 months	**528,581**	7,963
6 months to 1 year	**74,210**	913
	2,378,294	980,959

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

	2011	2010
	RMB'000	*RMB'000*
At 1 January	**65,623**	71,782
Impairment losses recognised/(reversed)	**945**	(6,159)
At 31 December	**66,568**	65,623

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**2,304,084**	980,046
Less than 1 month past due	**68,060**	311
1 to 3 months past due	**6,150**	602
	2,378,294	980,959

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 are aged within 6 months at the end of the reporting period. At 31 December 2011, no bills receivable were pledged to banks by the Group to get short-term credit facilities (2010: RMB166,470,868).

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deposits and other receivables	**109,338**	73,250	**2,016**	164
Less: Impairment	**(19,353)**	(19,352)	**–**	–
	89,985	53,898	**2,016**	164
Prepayments	**348,944**	287,641	**–**	–
Deductible value-added tax	**385,761**	283,200	**–**	–
	824,690	624,739	**2,016**	164

The movement in the provision for impairment of other receivables is as follows:

	Group	
	2011	2010
	RMB'000	*RMB'000*
At 1 January	**19,352**	15,723
Impairment losses recognised	**1**	3,629
At 31 December	**19,353**	19,352

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**2,092,473**	630,019	**311,926**	9,123
Time deposits	**62,576**	4,543	**57,762**	–
	2,155,049	634,562	**369,688**	9,123
Less: Pledged time deposits:			**–**	–
Pledged for bank acceptance bills *(note 16)*	**(470,649)**	(328,327)	**–**	–
Cash and cash equivalents	**1,684,400**	306,235	**369,688**	9,123

Original currency	**US$**	**HK$**	**EUR**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2011	74,987	3,090	67
As at 31 December 2010	42,674	3,055	9

16. TRADE AND BILLS PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**1,793,168**	1,623,545
Bills payable	**929,906**	1,450,222
	2,723,074	3.073,767

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:

	2011	2010
	RMB'000	*RMB'000*
Within 6 months	**2,674,804**	2,993,033
6 months to 1 year	**21,842**	68,702
1 to 2 years	**16,317**	4,746
2 to 3 years	**3,831**	4,999
Over 3 years	**6,280**	2,287
	2,723,074	3,073,767

Bills payable are aged within 6 months at the end of the reporting period and secured by pledged bank deposits (note 15).

The trade and bills payable are non-interest-bearing. The carrying amounts of the trade and bills payables approximate to their fair value.

17. INTEREST-BEARING BANK BORROWINGS

Group		**2011**			2010	
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – unsecured	**3.22 – 7.22**	**2012**	**700,225**	1.63 – 5.56	2011	1,184,638
Current portion of long term bank loans – unsecured	**4.86 – 7.28**	**2012**	**95,200**	1.89 – 6.09	2011	287,020
			795,425			1,471,658
Non-current						
Bank loans – unsecured	**4.86 – 7.28**	**2013 – 2014**	**1,511,719**	1.89 – 6.09	2012 – 2014	970,995
			2,307,144			2,442,653

Company		**2011**			2010	
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – unsecured	**1.73 – 6.5**	**2012**	**495,046**	1.63 – 5.56	2011	43,026
Current portion of long term bank loans – unsecured	**–**		**–**	2.95 – 6.95	2011	120,020
			495,046			163,046
Non-current						
Bank loans – unsecured	**1.69 – 4.31**	**2013 – 2014**	**64,499**	1.64 – 6.95	2012 – 2014	287,250
			559,545			450,296

	Group		**Company**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Analysed into:				
Within one year	**795,425**	1,471,658	**495,046**	163,046
In the second year	**866,719**	211,683	**64,499**	158,945
In the third to fifth years, inclusive	**645,000**	749,312	**–**	128,305
	2,307,144	2,442,653	**559,545**	450,296

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

Original currency	**US$**	**HK$**	**EUR**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2011	196,794	115,930	4,228
As at 31 December 2010	256,217	225,124	–

18. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company	**Liability component** *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
As at 31 December 2011			
2007 Convertible Bonds *(i)*	24,846	13	24,859
2009 Convertible Bonds *(ii)*	825,329	178,416	1,003,745
	850,175	178,429	1,028,604
As at 31 December 2010			
2007 Convertible Bonds *(i)*	24,286	1,890	26,176
2009 Convertible Bonds *(ii)*	746,391	416,535	1,162,926
	770,677	418,425	1,189,102

(i) 2007 Convertible Bonds

Convertible Bonds of US$287 million were issued by the Company on 30 April 2007 ("2007 Convertible Bonds") at an issue price of US$10,000 per Convertible Bond of US$10,000. The 2007 Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited. Each Convertible Bond entitles the holder to convert to one ordinary share of the Company at the initial conversion price of HK$20.4525 (the "2007 Conversion Price"), but subject to anti-dilutive adjustment as stated in the offering circular on 27 April 2007 ("2007 Offering Circular"). On 23 June 2011, the 2007 Conversion Price has been revised to HK$4.51 after anti-dilutive adjustment.

The movements of the liability component and derivative component of the 2007 Convertible Bonds for the year are set out below:

Group and Company	**Liability component** *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
2007 Convertible Bonds:			
As at 1 January 2010	714,117	113,498	827,615
Exchange realignment	982	–	982
Interest expense	19,139	–	19,139
Redeemed	(709,952)	(91,512)	(801,464)
Changes in fair value	–	(20,096)	(20,096)
As at 31 December 2010	24,286	1,890	26,176
Exchange realignment	(1,107)	–	(1,107)
Interest expense	1,667	–	1,667
Changes in fair value	–	(1,877)	(1,877)
As at 31 December 2011	24,846	13	24,859

(ii) 2009 Convertible Bonds

Another Convertible Bonds of US$135 million were issued by the Company on 24 August 2009 ("2009 Convertible Bonds") at an issue price of US$10,000 per Convertible Bonds of US$10,000. The 2009 Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited. Each 2009 Convertible Bonds entitles the holder to convert to one ordinary share of the Company at the initial conversion price of HK$7.00 (the "2009 Conversion Price"), but subject to anti-dilutive adjustment as stated in the offering circular on 6 August 2009 ("2009 Offering Circular"). On 23 June 2011, the 2009 Conversion Price has been revised to HK$3.26 after an anti-dilutive adjustment

The movements of the liability component and derivative component of the 2009 Convertible Bonds for the year since issuance are set out below:

Group and Company	**Liability component** *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
2009 Convertible Bonds:			
As at 1 January 2010	662,151	311,059	973,210
Exchange realignment	(21,544)	–	(21,544)
Interest expense	105,784	–	105,784
Changes in fair value	–	105,476	105,476
As at 31 December 2010	746,391	416,535	1,162,926
Exchange realignment	(36,256)	–	(36,256)
Interest expense	115,194	–	115,194
Changes in fair value	–	(238,119)	(238,119)
As at 31 December 2011	825,329	178,416	1,003,745

19. LONG-TERM LOAN NOTES

In June 2011, the Company issued senior notes (the "Notes") in the aggregate principal amount of US$350 million which will mature on 3 June 2016. The Notes bear interest from and including 3 December 2011 at the rate of 8.50% per annum, payable semi-annually in arrears on June 3 and December 3 of each year.

Optional redemption of the Notes

From 3 June 2014 to the applicable date of the redemption, the Company may on any one or more occasions during the 12-month period beginning on 3 June of the years indicated below redeem all or any part of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Redemption price
2014	104.250%
2015 and thereafter	102.125%

The Company may at its option redeem the Notes, in whole but not in part, at any time prior to 3 June 2014, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium, and accrued and unpaid interest, if any, as of the redemption date. At any time and from time to time prior to 3 June 2014, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 108.50% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, as of the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the original issue date remain outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

MANAGEMENT DISCUSSION AND ANALYSIS

Result and Business Review

Due to the macro-economic regulatory measures stipulated by the PRC government, sales for the year were slowed down. Consolidated sales for the fiscal year increased by 5.8% from the previous fiscal year to RMB12,721 million. Gross profit from operation was approximately RMB3,214 million, representing a decrease of 6.2% as compared to approximately RMB3,427 million. Overall gross margin decreased form 28.5% to 25.3%. We contribute the decrease of gross margin to the followings:

(1) The rise of the overall manufacturing cost due to the macro-economic regulatory measures and the cost pressure of the industry;

(2) The reduction of the average price due to the operation model adjustments made by the management after considering the risks associated with the excavator market

During the year, the northern regions of the PRC continuously remained as the Company's principal marketing regions and represented approximately 29.37% of our total turnover (2010: 19.69%). The northwestern regions represented approximately 15.42% of our total turnover for the year (2010: 12.58%). Turnover of the southern regions accounted for approximately 7.34% of our total turnover (2010: 11.26%). Revenue of each of the northeastern, eastern, southwestern and central regions accounted for approximately 6.14%, 10.55%, 8.46% and 12.43% of our total turnover respectively (2010: representing 6.8%, 12.64%, 12.58% and 16.58% respectively), a decrease from the same period of the previous year. The turnover from export was RMB470 million, representing an increase of 45.33%.

Analysis of Products

Wheel Loaders

The revenue generated from wheel loader represented approximately 69.70% of total Group's turnover which was basically the same as that of last year (2010: approximately 69.41% of total Group's turnover).

ZL50 series continued to be the main revenue source of the Group with turnover for the year reaching RMB7,523 million, an increase of 3.53% compared with that of last year. ZL30 series continued to be the second largest revenue source of the Group with turnover reaching RMB969 million, an increase of approximately 15.34% compared with that of last year. ZL40 series accounted for a small proportion in the overall sales with turnover reaching RMB28 million, representing only approximately 0.22% of the total turnover. The turnover from mini wheel loader amounted to RMB346 million, an increase of 61.71% compared with that of last year.

Excavators

The turnover from excavators dropped by approximately 12.44% to RMB1,713 million (2010: RMB1,957 million).

Fork Lifts and Road Rollers

During the year, the Group has sold 16,100 fork lifts with turnover increasing by 58.71% to approximately RMB929 million (2010: 10,468 fork lifts were sold with a turnover of RMB586 million). The increase was mainly attributable to the gradual establishment of the brand presence in the industry thanks to the continuous expansion of our sales channels. Turnover from road rollers reached RMB367 million, representing a decrease of 21.67% compared with that of 2010 (2010: turnover of RMB469 million), which was due to adjustments in demand caused by the slowdown in the investment of fixed assets like highways, ports and cities and towns.

Components

The sales generated from components amounted to approximately RMB632 million for the year ended 31 December 2011, an increase of 40.51% compared with the corresponding period last year (2010: RMB450 million), accounting for approximately 4.97% of the total turnover of the Group.

Finance Lease Interest

Turnover from interest income of finance lease represented 1.6% of the Group's total revenue in the year of 2011, representing a small drop from last year (2010: represented approximately 1.7% of the Group's turnover).

Financial Review

Cash and Bank Balance

The cash position of the Group was strong during the year. As at 31 December 2011, the Group had bank balance and cash of approximately RMB1,684 million (31 December 2010: approximately RMB306 million). Bank deposits of approximately RMB471 million (31 December 2010: RMB328 million) were pledged by the Group to secure payable notes issued by banks for procurement of raw materials.

Compared with last year, cash and bank balances increased by approximately RMB1,378 million, which is generated as a result of net cash inflow of around RMB1,299 million from operating activities, the net cash outflow of RMB1,246 million from investing activities and the net cash inflow of RMB1,326 million from financing activities.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 31 December 2011 was approximately RMB6,407 million, a 22.2% increase from approximately RMB5,242 million as at 31 December 2010.

The current ratio of the Group at 31 December 2011 was 2.36.

The directors believed that the Group will be able to support its demand for operational capital and satisfy the expected capital expenditure with its ample resources.

Capital Structure

During the year, the Company has not redeemed any of its shares.

During the year, the Company has issued senior notes in the aggregate principal amount of USD350 million on 3 June 2011. The notes bear interest at the rate of 8.5% per annum and will mature on 3 June 2016.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares and any other listed securities during the period.

As at 31 December 2011, the gross gearing ratio (defined as total liabilities over assets) was approximately 60.31% (31 December 2010: 61.06%)

Capital Expenditure

During the period, the Group acquired property, plant and equipment approximately RMB916 million (2010: approximately RMB483 million) in order to expand the production capacity of its four bases in Fujian, Shanghai, Jiangxi and Henan. The capital expenditures were fully financed by the convertible loan notes, long-term notes, bank borrowings and internal sources of the Group.

Capital Commitment

As at 31 December 2011, the Group had contracted but not included in the financial statements expenditures of approximately RMB175 million in respect of acquisition of property, plant and equipment (31 December 2010: approximately RMB251 million).

Prospect

The year 2012 will be a watershed for the development of the construction machinery production industry in the PRC, in which the entire industry switch from the stage of an overall vigorous growth, which was sustained for years, to a "medium-speed" development stage featuring steady growth rate. In the medium-long run, the construction machinery in the PRC still possesses a strong growth momentum. By ensuring the smooth implementation of the projects such as water resources under construction, electricity, railways and major equipment, the PRC government plays a vital role in stimulating the demand of the machinery market. Meanwhile, the construction machinery market will be given with a huge room for development as a result of the fast urbanization process in The PRC as well as the implementation of the affordable housing construction policy. With the increasing recognition of the construction machinery products made in China by the international market, the cost-effective products will only attract more foreign customers. In the backdrop of an optimistic macro environment in the PRC, construction machinery industry may, however, encounter situations such as over-production, intensifying competitions, continuous rising of cost for production factors and weak demand in the short-term. As a result, market opportunities are made for well-prepared enterprises.

Based on the aforementioned, we will advance in a prudent manner in 2012. Leveraging on the reform of management and operation, active adjustments will be made. Leveraging on Longking's competitive edge, we will seek a new breakthrough and a sweet spot to achieve solid development. In 2012, we will step up our efforts in maintaining our leading position in the loader industry, facilitating steady development of excavators production industry as well as magnifying our market competitiveness of fork lifts and road rollers. By seizing both domestic and international markets, we will promote Lonking brand presence, create core competitiveness and maximize the returns for the general investors.

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 had during the year complied with all the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules

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

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

Audit Committee

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

The annual results for the year ended 31 December 2011 have been reviewed by the audit committee of the Company.

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

During the year, the Company has not redeemed any of its shares.

During the year, the Company has issued senior notes in the aggregate principal amount of USD350 million on 3 June 2011. The Note will bear interest at the rate of 8.5% per annum and will mature on 3 June 2016.

Save as disclosed above, neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's shares or any other listed securities during the period.

DIVIDENDS

An interim dividend of HKD0.06 per share amounting to HKD257 million (equivalent to RMB209 million) was paid to the shareholders during the year. The board of directors (the "Board") has proposed a final dividend of HKD0.09 per ordinary share for the year ended 31 December 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 31 May 2012 to Monday, 4 June 2012, both days inclusive, during which period no transfers of shares will be effected. To determine entitlement to the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Ltd (at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30 p.m. on Wednesday, 30 May 2012.

SCOPE OF WORK OF ERNST & YOUNG CERTIFIED PUBLIC ACCOUNTANT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December, 2011 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Ernst & Young Certified Public Accountant to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2011. The work performed by Ernst & Young Certified Public Accountant 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 Certified Public Accountant on the Preliminary Announcement.

PUBLICATION OF FINANCIAL INFORMATION

This annual result announcement is published on the Stock Exchange's webstie (www.hkex.com.hk) and the Company's webstite (www.lonking.cn). 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 2012

As at the date of this announcement, Mr. Li San Yim, Mr. Qiu Debo, Mr. Luo Jianru,, Mr. Chen Chao, Mr. Lin Zhong Ming and Ms. Fang Deqin are the executive directors of the Company, Ms. Ngai Ngan Ying is the non-executive directors of the Company and Mr. Pan Longqing, Dr. Qian Shizheng and Mr. Han Xuesong are the independent non-executive directors of the Company.