LONKING 龙工

LONKING HOLDINGS LIMITED

中國龍工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3339

Interim Report 2013

* For Identification Purpose Only

CONTENTS

FINANCIAL HIGHLIGHTS

The table below sets forth the consolidated financial summary of Lonking Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred as to the "Group").

Current period	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*	Change (+/–)
Turnover	4,474,080	4,723,552	-5.28%
Operating profits:			
– excluding unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	525,791	503,939	+4.34%
– including unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	525,791	595,426	-11.69%
EBITDA:			
– excluding unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	739,076	676,722	+9.21%
– including unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	739,076	768,209	-3.79%
Profit attributable to equity parent	343,164	276,248	+24.22%
Per share data	*RMB*	*RMB*	
Basic earnings per share(1)#:			
– excluding foreign exchange gain and the fair value changes in derivatives components of convertible bonds	0.08	0.04	+100%
– including foreign exchange gain and the fair value changes in derivatives components of convertible bonds	0.08	0.06	+33.33%
Net assets per share(2)#	1.55	1.49	+4.03%

	Six months ended 30 June 2013	Six months ended 30 June 2012	Change (+/–)
Current period			
Key performance indicators			
Profitability			
Overall gross margin	22.30%	20.71%	+1.59%
Net profit margin			
– excluding unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	7.67%	3.91%	+3.76%
– including unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	7.67%	5.85%	+1.82%
EBITDA margin(3):			
– excluding unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	16.52%	14.33%	+2.19%
– including unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	16.52%	16.26%	+0.26%
Return on equity(4)			
– excluding foreign exchange gain and the fair value changes in derivatives components of convertible bonds	5.17%	3.13%	+2.04%
– including foreign exchange gain and the fair value changes in derivatives components of convertible bonds	5.17%	4.34%	+0.83%
Liquidity and solvency			
Current ratio(5)	2.59	1.93	+34.20%
Interest coverage ratio(6):			
– excluding unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	4.05	2.24	+80.80%
– including unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	4.05	2.64	+53.41%
Gross debt-to-equity ratio(7)	108.90	143.93	-35.03%
Management efficiency	*days*	*days*	
Inventory turnover days(8)	128	191	-63 days
Trade and bills payables turnover days(9)	64	108	-44 days
Trade and bills receivable turnover days(10)	135	143	-8 days

calculated based on the 4,280,100,000 weighted average number of outstandings shares (WANOS) for the period ended 30 June 2013 (30 June 2012: 4,280,100,000).

1 Net profit attributable to equity holders of the parent for each period divided by the weighted average number of outstanding shares (WANOS) as at the end of each period.

2 Shareholders' equity divided by the WANOS as at the end of each period.

3 Earnings before interest, tax, depreciation and amortisation ("EBITDA") divided by turnover for each period.

4 Net profit attributable to equity holders of the parent for each period divided by equity attributable to equity shareholders of the parent as at the end of each period.

5 Current assets divided by current liabilities as at the end of each period.

6 Earnings before interest and income tax expenses ("EBIT") divided by interest expenses.

7 Total liabilities divided by the total equity as at the end of each period.

8 Average inventories divided by cost of sales and multiplied by 183 days when turnover days are calculated for half-year periods.

9 Average trade and bills payables divided by cost of sales and multiplied by 183 days when turnover days are calculated for half-year periods.

10 Average trade and bills receivables divided by turnover and multiplied by 183 days when turnover days are calculated for half-year periods.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ERNST & YOUNG
安 永

To the board of directors of Lonking Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 6 to 38, which comprise the interim condensed consolidated statement of financial position of Lonking Holdings Limited and its subsidiaries (the "Group") as at 30 June 2013 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower,
1 Tim Mei Avenue, Central,
Hong Kong

29 August 2013

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June 2013 Unaudited *RMB'000*	2012 Unaudited *RMB'000*
Revenue		4,474,080	4,723,552
Cost of sales		(3,476,561)	(3,745,280)
Gross profit		997,519	978,272
Other income	4	8,596	79,176
Other gains and losses	4	(60,983)	34,123
Selling and distribution costs		(148,351)	(210,992)
Administrative expenses		(124,449)	(132,052)
Research and development costs		(145,418)	(145,924)
Other expenses		(1,123)	(7,177)
Operating profit		525,791	595,426
Finance income		26,600	11,373
Finance costs		(136,532)	(230,159)
Profit before tax	5	415,859	376,640
Income tax expense	6	(72,628)	(100,337)
Profit for the period		343,231	276,303
Attributable to:			
Owners of the parent		343,164	276,248
Non-controlling interests		67	55
		343,231	276,303

	Notes	For the six months ended 30 June 2013 Unaudited *RMB'000*	2012 Unaudited *RMB'000*
Earnings per share			
Basic, profit for the period attributable to ordinary equity holders of the parent (RMB)		0.08	0.06
Diluted, profit for the period attributable to ordinary equity holders of the parent (RMB)		0.08	0.05
Other comprehensive income for the period, net of tax		43,307	–
Total comprehensive income for the period, net of tax		386,538	276,303
Attributable to:			
Owners of the parent		386,471	276,248
Non-controlling interests		67	55
		386,538	276,303

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 Unaudited *RMB'000*	31 December 2012 Audited *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	8	3,797,638	3,798,746
Prepaid land lease payments		338,779	320,618
Investments in associates		68,878	66,011
Finance lease receivables		18,006	66,346
Deferred tax assets		210,911	158,387
Prepayments for property, plant and equipment		120,982	181,425
Long-term receivables	9	88,624	122,478
Pledged deposits	13	1,000,000	1,000,000
		5,643,818	5,714,011
Current assets			
Prepaid land lease payments		7,202	7,201
Inventories	10	2,136,185	2,731,223
Finance lease receivables		119,715	215,607
Trade and bills receivables	11	3,645,910	2,944,444
Due from related parties	19	625	1,595
Prepayments, deposits and other receivables	12	1,332,436	1,092,709
Pledged bank deposits	13	74,454	84,286
Cash and cash equivalents	13	892,338	883,051
		8,208,865	7,960,116
Current liabilities			
Trade and bills payables	14	1,394,779	1,048,340
Other payables and accruals	15	891,862	896,320
Provisions		114,304	108,020
Due to related parties	19	8,861	6,580
Income tax payable		91,089	13,899
Interest-bearing bank borrowings	16	667,935	1,183,924
		3,168,830	3,257,083
Net current assets		5,040,035	4,703,033
Total assets less current liabilities		10,683,853	10,417,044

	Notes	30 June 2013 Unaudited *RMB'000*	31 December 2012 Audited *RMB'000*
Non-current liabilities			
Long-term liabilities		58,291	32,138
Deposits for finance leases		34,912	39,879
Convertible bonds		8,629	8,151
Interest-bearing bank borrowings	16	2,018,296	2,150,643
Long-term loan notes	17	1,732,260	1,762,203
Deferred tax liabilities		89,369	83,644
Provisions		18,760	22,682
Derivative financial instruments		722	739
Deferred income		91,395	72,284
Total non-current liabilities		4,052,634	4,172,363
Net assets		6,631,219	6,244,681
Equity			
Issued capital		444,116	444,116
Share premium and reserves		6,184,783	5,798,312
Proposed dividend		–	–
Equity attributable to owners of the parent		6,628,899	6,242,428
Non-controlling interests		2,320	2,253
Total equity		6,631,219	6,244,681

Li San Yim
Director

Yin Kun Lun
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent								
	Issued capital	Share premium	Special reserve	Non-distributable reserve	Retained earnings	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	444,116	854,922	355,335	856,630	3,649,370	82,055	6,242,428	2,253	6,244,681
Profit and total comprehensive income for the period	–	–	–	–	343,164	43,307	386,471	67	386,538
Dividends	–	–	–	–	–	–	–	–	–
Transfer	–	–	–	–	–	–	–	–	–
At 30 June 2013	**444,116**	**854,922**	**355,335**	**856,630**	**3,992,534**	**125,362**	**6,628,899**	**2,320**	**6,631,219**
At 1 January 2012	444,116	854,922	355,335	764,486	3,903,689	82,055	6,404,603	2,166	6,406,769
Profit and total comprehensive income for the period	–	–	–	–	276,248	–	276,248	55	276,303
Dividends	–	–	–	–	(313,661)	–	(313,661)	–	(313,661)
Transfer	–	–	–	13,870	(13,870)	–	–	–	–
At 30 June 2012	**444,116**	**854,922**	**355,335**	**778,356**	**3,852,406**	**82,055**	**6,367,190**	**2,221**	**6,369,411**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June 2013 Unaudited RMB'000	2012 Unaudited RMB'000
Operating cash flows before movements in working capital:		797,724	726,276
Decrease in inventories		595,038	937,060
Increase in trade and bill receivables		(739,387)	(1,138,689)
Decrease in finance lease receivables		144,232	719,896
Increase/(Decrease) in trade, bill and other payables		469,738	(319,395)
Increase in prepayments and deposits		(228,367)	(367,838)
Increase/(Decrease) in provisions		2,362	(21,840)
Decrease/(Increase) in amounts due from related parties		970	(4,175)
Increase in amounts due to related parties		2,281	5
Decrease in deposits for finance leases		(40,688)	(24,361)
Income tax paid		(42,237)	(152,452)
Interest received		5,247	11,373
Net cash flows from operating activities		966,913	365,860
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(123,241)	(337,957)
Acquisition of interests in associates		(2,867)	(3,898)
Payment for lease premium for land		(2,912)	(4)
Decrease in pledged bank deposits		9,832	334,136
Proceeds from disposal of items of property, plant and equipment	8	9,156	8,463
Net cash flows from/(used in) investing activities		(110,032)	740

	Notes	For the six months ended 30 June 2013 Unaudited *RMB'000*	2012 Unaudited *RMB'000*
Cash flows from financing activities			
Proceeds from borrowings		110,720	1,318,513
Repayment of borrowings		(759,056)	(1,718,938)
Proceeds from long-term loan notes		–	–
Non-derecognised payables		(75,946)	–
Convertible bonds redeemed		–	(25,504)
Interest paid		(125,082)	(151,648)
Net cash flows (used in)/from financing activities		(849,364)	(577,577)
Net (decrease)/increase in cash and cash equivalents		7,517	(210,977)
Net foreign exchange difference		1,770	335
Cash and cash equivalents at 1 January		883,051	1,684,400
Cash and cash equivalents at 30 June	10	892,338	1,473,758

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 29 August 2013.

Lonking Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands on 11 May 2004 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 17 November 2005. The immediate and ultimate holding company of the Group is China Longgong Group Holdings Limited, a limited liability company incorporated in the British Virgin Islands.

The principal activities of the Group are the manufacture and distribution of wheel loaders, road rollers, excavators, forklifts and other infrastructure machinery and the provision of finance leases of construction machinery.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with HKAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES *(Continued)*

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKAS 19 (Revised 2011) Employee Benefits, HKFRS 13 Fair Value Measurement and amendments to HKAS 1 Presentation of Financial Statements. As required by HKAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of HKFRS 12 Disclosure of Interests in Other Entities would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment are described below:

HKAS 1 Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments affected presentation only and had no impact on the Group's financial position or performance.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES *(Continued)*

2.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

HKAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to HKAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under HKAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

HKAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to HKAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there are no tax consequences attached to cash or non-cash distribution.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES *(Continued)*

2.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

HKAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in HKAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the CODM. Details please refer to Note 3 to the interim condensed consolidated financial statements.

HKAS 19 Employee Benefits (Revised 2011) (HKAS 19R)

HKAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit or loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The transition to HKAS 19R does not have an impact on the Group.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES *(Continued)*

2.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to HKFRS 7

The amendments require an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32. As the Group is not setting off financial instruments in accordance with HKAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

HKFRS 10 Consolidated Financial Statements and HKAS 27 Separate Financial Statements

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. HKFRS 10 replaces the parts of previously existing HKAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when it 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. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES *(Continued)*

2.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

HKFRS 11 Joint Arrangements and HKAS 28 Investments in Associates and Joint Ventures

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK(SIC)-Int 13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. HKFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under HKFRS 11 must be accounted for using the equity method. HKFRS 11 does not have an impact on the Group.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by HKAS 34.16A (j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 20 and Note 21 to the interim condensed consolidated financial statements.

In addition to the above-mentioned amendments and new standards, HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of HKFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3 Seasonality of operations

The Group's operations are not subject to seasonality.

3. OPERATING SEGMENT INFORMATION

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2013 and 2012.

Six months ended 30 June 2013

	Sale of construction machinery *RMB'000*	Finance leases of construction machinery *RMB'000*	Total *RMB'000*
Segment revenue	4,443,124	30,956	4,474,080
Results			
Segment results	505,786	–	505,786
Reconciliation:			
Finance income			26,600
Unallocated other income, gains and losses			22,712
Unallocated corporate expenses			(2,707)
Finance costs			(136,532)
Profit before tax			415,859

3. OPERATING SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

Six months ended 30 June 2012

	Sale of construction machinery *RMB'000*	Finance leases of construction machinery *RMB'000*	Total *RMB'000*
Segment revenue	4,662,345	61,207	4,723,552
Results			
Segment results	571,207	40,371	611,578
Reconciliation:			
Finance income			11,373
Unallocated other income, gains and losses			(14,319)
Unallocated corporate expenses			(1,833)
Finance costs			(230,159)
Profit before tax			376,640

Segment profit represents the profit earned by each segment without allocation of interest income, other income, gains and losses, central administration cost, directors' salaries, and finance costs. This is the measure reported to the chief executive officer for the purpose of resource allocation and performance assessment.

Inter-segment revenues are eliminated on consolidation.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 2013 and 31 December 2012:

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Segment assets:	13,754,196	13,562,359
Sale of construction machinery	13,582,820	13,242,284
Finance leases of construction machinery	171,376	320,075
Corporate and other unallocated assets	98,487	111,768
Consolidated assets	13,852,683	13,674,127

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Segment liabilities:	3,040,581	3,183,454
Sale of construction machinery	2,588,933	2,699,253
Finance leases of construction machinery	451,648	484,201
Corporate and other unallocated liabilities	4,180,883	4,245,992
Consolidated liabilities	7,221,464	7,429,446

3. OPERATING SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

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

	For the six months ended 30 June			
	2013		2012	
	RMB'000	%	*RMB'000*	%
Sales of construction machinery:				
Wheel loaders	2,914,068	65.1	3,208,078	67.9
Excavators	566,482	12.7	530,229	11.2
Forklifts	461,974	10.3	422,180	9.0
Road rollers	56,772	1.3	71,997	1.5
Components	443,828	9.9	429,861	9.1
Subtotal	4,443,124	99.3	4,662,345	98.7
Finance lease interest income	30,956	0.7	61,207	1.3
Total	4,474,080	100	4,723,552	100

4. Other income and other gains and losses

An analysis of the Group's other income is as follows:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Government grants	3,222	77,119
Penalty income	3,683	60
Others	1,691	1,997
	8,596	79,176

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

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Fair value gain on derivative financial instruments	–	91,487
Exchange realignment from convertible bonds	166	(3,232)
Gain on redemption of convertible bonds	–	13
Loss on disposal of items of property, plant and equipment	(1,927)	(298)
Allowance for bad and doubtful debts	(81,768)	(42,760)
Foreign exchange gain/(loss)	22,546	(11,087)
	(60,983)	34,123

5. PROFIT BEFORE TAX

Profit before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses	3,476,561	3,745,280
Staff costs, including directors' remuneration	202,621	217,360
Contribution to retirement benefit scheme	16,738	22,137
Amortisation of lease payments for land	3,670	2,848
Depreciation of property, plant and equipment	183,015	158,562
Bad debt provision	81,768	42,760
and after crediting:		
Interest income on bank deposits	26,600	11,373
Income-related government grants	3,222	77,119

6. INCOME TAX

The major components of income tax expense in the interim condensed consolidated statement of comprehensive income are:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current income tax expense	119,427	47,700
Deferred income tax expense related to origination and reversal of deferred taxes	(46,799)	52,637
	72,628	100,337

7. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 June	
	RMB'000	*RMB'000*
Dividends on ordinary shares declared during the six-month period:		
Final dividend for 2012: Nil (2011: HK$0.09)	–	313,661

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired assets with a cost of RMB192,799,000 (2012: RMB385,872,000), including property, plant and machinery in the People's Republic of China (the "PRC").

Assets with a net book value of RMB11,083,000 were disposed of by the Group during the six months ended 30 June 2013 (2012: RMB8,761,000), resulting in a net loss on disposal of RMB1,927,000 (net loss in 2012: RMB298,000).

9. LONG-TERM RECEIVABLES

Long-term receivables are the receivables mature within 2 years but greater than 12 months according to the credit terms, and included the following items:

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Trade receivables (note 11)	28,217	20,182
Other receivables (note 12)	60,407	102,296
	88,624	122,478

10. INVENTORIES

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Raw materials	775,301	826,198
Work in progress	143,916	155,032
Finished goods	1,216,968	1,749,993
	2,136,185	2,731,223

11. TRADE AND BILLS RECEIVABLES

The Group allows credit periods from 3 months up to 12 months to its trade customers except for some customers with good credit history and relationships, with whom longer credit terms are agreed.

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Trade receivables	2,861,686	2,493,863
Impairment	(127,372)	(97,486)
Less: Non-current portion (note 9)	(28,217)	(20,182)
	2,706,097	2,376,195
Bills receivable	939,813	568,249
	3,645,910	2,944,444

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

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
0-90 days	2,830,062	1,514,186
91-180 days	325,551	892,016
181-270 days	419,620	538,242
271-360 days	29,586	–
Over 1 year	41,091	–
	3,645,910	2,944,444

Bills receivable are aged within six months at the end of each reporting period. No bills receivable were pledged to banks by the Group as security to get short-term credit facilities in this period (31 December 2012: RMB70,616,000).

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

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Prepayments	239,233	228,958
Deductible value-added tax	169,455	158,312
Deposits	19,895	21,450
Total	428,583	408,720
Other receivables:		
Loan receivables	990,666	785,065
Less: non-current portion (note 9)	(60,407)	(102,296)
Less: impairment	(105,303)	(53,420)
Net loan receivables	824,956	629,349
Other miscellaneous receivables	94,891	70,635
Less: impairment	(15,994)	(15,995)
Net other miscellaneous receivables	78,897	54,640
Total other receivables	903,853	683,989
Grand total	1,332,436	1,092,709

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

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The individually impaired other receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and full provision was made for these individually impaired other receivables.

A large portion of other receivables includes the loan receivables to sales agencies for its repurchase of machines. The collection of receivables of sales financed by leasing was not favourable due to the deterioration of external operating environment. According to the finance lease agreements, the sales agencies were required to fulfil the obligation to repurchase the machines and repay the outstanding lease amount to the leasing companies once the account is overdue for more than three months. Accordingly, the Group would extend loans to the sales agencies to help them with the settlement of repurchase. The sales agencies were required to repay within 3 months as it would normally take 3 months for resale of the machines. The Group would enter into instalment contract agreements with sales agencies if the repurchased machines had been sold again. The instalments would be arranged at approximately a 6.8% interest rate per annum and mainly repaid within 18 to 24 months.

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

13. CASH AND CASH EQUIVALENTS

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Cash and bank balances	1,966,792	1,967,337
Less: Pledged for long term bank loans	(1,000,000)	(1,000,000)
Pledged for short term bank loans	(70,000)	(40,000)
Pledged for bank acceptance bills	(4,454)	(44,286)
	892,338	883,051

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

14. TRADE AND BILLS PAYABLES

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

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
0-180 days	1,295,030	947,535
181 days-1 year	51,370	48,799
1-2 years	24,878	34,786
2-3 years	9,103	9,706
Over 3 years	14,398	7,514
	1,394,779	1,048,340

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2013 RMB'000	31 December 2012 RMB'000
Advances from customers	84,613	32,934
Deposit for finance leases	77,580	113,301
Non-derecognised endorsement bills and trade receivables	288,839	364,785
Salary and wages payable	32,241	45,900
Payable for acquisition of property, plant and equipment	16,389	33,427
Other taxes payable	15,170	8,459
Accrued sales rebate	162,449	98,519
Other payables	199,776	182,193
Other accrued expenses	14,805	16,802
	891,862	896,320

16. BANK BORROWINGS

During the six-month period ended 30 June 2013, the Group obtained short-term bank loans of HK$100,000,000 (equivalent to RMB79,655,000) and US$5,000,000 (equivalent to RMB31,065,000), and repaid short-term bank loans of RMB530,161,000 and US$15,000,000 (equivalent to RMB96,548,000). The short-term loans bear interest at rates ranging from 2.38% to 3.88% per annum.

The Group repaid long-term bank loans of RMB107,567,000 and US$3,850,000 (equivalent to RMB24,780,000). The long-term loans bear interest at rates ranging from 2.38% to 6.56% per annum.

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

i) the pledge of certain of the Group's short term time deposits amounting to RMB70,000,000 for short-term loans (2012: RMB40,000,000);

ii) the pledge of certain of the Group's long term time deposits amounting to RMB1,000,000,000 for long-term loans (2012: RMB1,000,000,000).

17. 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 3 June and 3 December of each year, commencing 3 December 2011.

Optional redemption of the Notes

On or after 3 June 2014, the Company may on any one or more occasions 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, to the applicable date of redemption, if redeemed during the 12-month period beginning on 3 June of the years indicated below, 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 as of, and accrued and unpaid interest, if any, to 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 from 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, to 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.

18. COMMITMENTS AND CONTINGENCIES

Certain sales of the Group were funded by finance leases entered into by the end-user customers and PRC domestic banks or other finance leases provider. Under the agreement, where the end-user customers and their guarantors fail to perform their payment obligations, the Group will repurchase the equipment from the banks or other finance leases provider. As at 30 June 2013, the Group's commitment for such repurchase obligation amounted to RMB1,239,287,000 (before deduction of the security deposits paid by the end-user customers and the interest on undue rent). In addition, as at 30 June 2013, the Group has provided a guarantee for RMB12,082,000 of net banking facilities granted to certain of its end-user customers. The directors of the Company considered that the fair value of the financial guarantees as at 30 June 2013 was insignificant.

18. COMMITMENTS AND CONTINGENCIES *(Continued)*

Capital commitments

At 30 June 2013, the Group had capital commitments of RMB119,124,000 (31 December 2012: RMB84,619,000) principally relating to the acquisition of property, plant and equipment located in Shanghai and Fujian, the PRC.

19. RELATED PARTY TRANSACTIONS

The following table provides the total amounts of transactions which have been entered into with related parties during the six-month periods ended 30 June 2013 and 30 June 2012 as well as balances with related parties as at 30 June 2013 and 31 December 2012:

		Sales to related parties	Purchase from related parties	Amounts due from related parties	Amounts due to related parties
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties:					
Longyan City Jinlong					
Machinery Company	2013	–	19,050	–	7,610
Limited (note a)	2012	–	12,276	–	5,647
Herkules (Shanghai)					
Automation Equipment	2013	–	2,240	608	810
Co. Ltd. (note b)	2012	1,418	5,840	265	932
Shanghai Refined					
Machinery	2013	4,520	8,036	17	441
Co., Ltd (note c)	2012	188	3,330	–	1
Associate:					
Lonking (Xinjiang)					
Mechanical &					
Technical Service	2013	–	–	–	–
Co., Ltd (note d)	2012	–	5,312	1,330	–

19. RELATED PARTY TRANSACTIONS *(Continued)*

note a: Mr. Ngai Ngan Gin, the brother of Madam Ngai Ngan Ying (a director of the Company), holds a controlling interest in this entity.

note b: Herkules (Shanghai) Automation Equipment Co. Ltd., a company established in the PRC with limited liability and wholly owned by Mr. Chen Jie, the son-in-law of Mr. Li San Yim, an executive director, chairman and controlling shareholder of the Company as at the date of this report.

note c: Shanghai Refined Machinery Co., Ltd. is wholly owned by Refined Holdings, which is in turn wholly owned by Mr. Li Bin, the son of Mr. Li San Yim who is a controlling shareholder of the Company, an executive director and the chairman of the Group.

note d: Established in March 2011, Lonking (Xinjiang) Mechanical & Technical Service Co., Ltd is a joint venture company invested by Xinjiang Junqi Construction Machinery Co., Ltd and Lonking (China) Machinery Sales Co., Ltd.

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Short-term employee benefits	3,000	3,830
Pension scheme contributions	10	16
Total compensation paid to key management personnel	3,010	3,846

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group:

30 June 2013

Financial assets

	Loans and receivables *RMB'000*
Trade and bills receivables	3,645,910
Long-term receivables	88,624
Due from related parties	625
Financial assets included in prepayments, deposits and other receivables	922,808
Finance lease receivables	137,721
Pledged deposits	1,074,454
Cash and cash equivalents	892,338
	6,762,480

Financial liabilities

	Financial liabilities at fair value through profit or loss designated as such upon initial recognition *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and bills payables	–	1,394,779	1,394,779
Financial liabilities included in other payables and accruals	–	537,245	537,245
Deposits for finance leases	–	112,492	112,492
Derivative financial instruments	722	–	722
Convertible bonds	–	8,629	8,629
Long-term loan notes	–	1,732,260	1,732,260
Interest-bearing bank borrowings	–	2,686,231	2,686,231
Due to related parties	–	8,861	8,861
	722	6,480,497	6,481,219

20. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group:

31 December 2012

Financial assets

	Loans and receivables *RMB'000*
Trade and bills receivables	2,944,444
Long-term receivables	122,478
Due from related parties	1,595
Financial assets included in prepayments, deposits and other receivables	701,670
Finance lease receivables	281,953
Pledged deposits	1,084,286
Cash and cash equivalents	883,051
	6,019,477

Financial liabilities

	Financial liabilities at fair value through profit or loss designated as such upon initial recognition *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and bills payables	–	1,048,340	1,048,340
Financial liabilities included in other payables and accruals	–	626,305	626,305
Deposits for finance leases	–	153,180	153,180
Derivative financial instruments	739	–	739
Convertible bonds	–	8,151	8,151
Long-term loan notes	–	1,762,203	1,762,203
Interest-bearing bank borrowings	–	3,334,567	3,334,567
Due to related parties	–	6,580	6,580
	739	6,939,326	6,940,065

21. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of financial assets and financial liabilities are determined as follows:

Group:

	Carrying amounts		Fair values	
	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Financial liabilities:				
Long term loan notes	1,732,260	1,762,203	1,697,924	1,815,072
Convertible bonds:				
2009 convertible bonds	8,629	8,151	8,629	8,151

Except as detailed in the above table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, loans receivable, financial assets included in prepayments, deposits and other receivables, the current portion of finance lease receivables, trade and bills payables, financial liabilities included in other payables and accruals, amounts due from/to related parties, the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of finance lease receivables, interest-bearing bank borrowings, non-current portion of deposits for finance leases and long term loan notes have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bonds is estimated using an equivalent market interest rate for a similar convertible bond.

21. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Liabilities measured at fair value:

As at 30 June 2013	**Level 3** ***RMB'000***
Derivative financial instruments	722

As at 31 December 2012	Level 3 *RMB'000*
Derivative financial instruments	739

22. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation and accounting treatment.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

The economic environment remained challenging while showing signs of improvement. As adversely affected by the government's credit squeeze measure, the revenue of the Group reduced significantly in the second half of last year. Though demand for the construction machinery recovered steadily from the previous fiscal year, total revenue for the six months ended 30 June 2013 decreased slightly to RMB4,474 million (Six months ended 30 June 2012: RMB4,724 million) as compared to the corresponding period of last year. During the period under review, the gross margin of the Group increased from 20.7% to 22.3%, this is mainly due to i) unit cost of wheel loaders series products decreased significantly as a result of the Group continuous effort to the cost efficiency ii) the continuous decrease of materials cost. The Group's profit attributable to equity holders for the period amounted to RMB343 million, representing an increase of 24.2% as compared to RMB276 Million over the same period of 2012. The increase was primarily due to (i) a foreign exchange gain from the Group's U.S. dollar-denominated debts as a result of the depreciation in the value of the U.S. dollar, and (ii) a decrease in the operating and financial expenses of the Group during the period.

Geographic Results

In Northern region of PRC, the company's principal marketing area, for the period ended on 30 June 2013, sales decreased by 25.0% to RMB1,145 million (Six months ended 30 June 2012: RMB1,526 million), which was accounted for 25.6% of the Group's total turnover as compared to 32.3% over the same period of 2012.

Sales from southwestern region and northeastern region represented approximately 10.9% and 15.3% of our total turnover respective as compared to 8.9% and 15.2% of our total turnover respectively over the same period of 2012. Sales from southwestern region increased by 16.3% to RMB486 million while sales from northeastern region decreased by 5.0% to RMB682 million.

Sales from central region and southern region represented approximately 16.0% and 9.5% of our total turnover respective as compared to 12.5% and 7.4% of our total turnover respectively over the same period of 2012. Sales from central region increased by 21.1% to RMB715 million and sales from southern region increased by 21.4% to RMB423 million.

In northeastern region of PRC, sales declined significantly from the previous fiscal year over the same corresponding period to RMB177 million (Six months ended 30 June 2012: RMB254 million). Sales from eastern region represented approximately 12.0% of our total turnover which remained a same percentage of our total turnover with insignificant change as compared with the same period of 2012.

Sales from overseas market remained flat as compared to the corresponding period last year, amounting to approximately RMB276 million (six months ended 30 June 2012: RMB277 million). We continue to work to further improve and strengthen distributorships in the overseas market.

Analysis Of Products

Wheel Loaders

Sales from wheel loaders series, our major products for the six months under review decreased 9.2% from the corresponding period of last year to RMB2,914 million (six months ended 30 June 2012: RMB3,208 million) due to a slight drop in demand in the first half year. Among which, revenue generated from ZL50 and ZL30 showed a decrease of 7.9% and 19.0% respectively, representing 54% and 8% of total revenue respectively. Revenue from ZL40 series increased 38.0% to approximately RMB18 million (six months ended 30 June 2012: RMB13 million). Wheel loader remained as the Company's main revenue driver.

Excavators

For the period ended 30 June 2013, sales from excavator series amounted to RMB566 million, representing an increase of 6.84% as compared to the same period in 2012 (six months ended 2012: RMB530 million).

Fork Lifts and Road Rollers

Sales from fork lifts grew over the same period of last year, amounting to RMB462 million as a result of our aggressive price strategy, leading to a recovery in demand (six months ended 2012: RMB422 million). Sales from our road rollers amounted to RMB57 million, representing 21.2% decrease when compared with the same period in 2012 (six months ended 2012: RMB72 million).

Components

Revenue generated from components sales amounted to approximately RMB432 million for the period ended on 30 June 2013, representing 3% increase as compared to the same period in 2012 (six months ended 2012: RMB420 million).

Finance Lease Interest

Turnover from interest income of finance lease represented approximately 1% of the Group's total turnover in first half year of 2013, representing a drop of 49% from the same period of last year. The drop was due to the fact that finance lease business was gradually reduced by the Group.

FINANCIAL REVIEW

Cash and Bank Balance

As at 30 June 2013, the Group had bank balances and cash of approximately RMB892 million (31 December 2012: approximately RMB883 million) and pledged bank deposit of approximately RMB1,074 million (31 December 2012: approximately RMB1,084 million). Compared with last year, the cash and bank balance increased about RMB9 million, which was as a result of net cash inflow of RMB967 million from operating activities, net cash outflow of RMB110 million from investing activities and net cash outflow of RMB849 million from financing activities.

The pledged deposit balance at 30 June 2013 decreased approximately RMB10 million. It was due to the decreased deposit pledged by the Group as security for the bank facilities granted to the Group to issue of bank acceptance notes and letters of credit for the purpose of purchase of materials.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 30 June 2013 was approximately RMB6,631 million, an 6.19% increase from approximately RMB6,245 million as at 31 December 2012.

The current ratio of the Group at 30 June 2013 was 2.59 (31 December 2012: 2.44). The Directors believed that the Group has sufficient resources to support its working capital requirement and meet its foreseeable capital expenditure.

Capital Structure

During the period ended on 30 June 2013, neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's shares or any other listed securities.

As at 30 June 2013, the gross gearing ratio (defined as total liabilities over assets) was approximately 52.13% (31 December 2012: 54.33%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB193 million (six months ended 30 June 2012: approximately RMB386 million) in line with a series of strategic transformation and production transformation by the Group.

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

Capital Commitment

As at 30 June 2013, the Group had contracted but not included in the financial statements in respect of acquisition of property, plant and equipment amounting to approximately RMB119 million (31 December 2012: approximately RMB85 million).

PROSPECT

Under the backdrop of an external environment in which the global economy struggles to recover and the growth in the domestic economy slows down, the construction machinery industry has suffered from continuous sluggish market demands with intensified industry competition, excessive production capacity, escalated financial risks and declining profitability. In the long run, as the PRC will still be at its strategic development stage, the state's policy to "maintain stable growth" will propel the steady development of the Company despite of the slowdown in economic growth. In the coming future, tapping on this strategic development opportunity, the Group will focus on enhancement of risk management and improvement of management, with an aim to increase market share and enhance its profitability. Meanwhile, more resources will be invested in technological improvement as well as scientific research and development to build a multi-level and open-structured research platform, so as to achieve transformation and upgrading. Given the expected growth and huge potential of the international markets, the Group will continue to step up efforts to explore this area in pursuit of long-term and sustainable development of the Company.

CORPORATE GOVERNANCE

The Board is committed to maintaining and ensuring high standards of corporate governance practices. In the opinion of the directors, the Company has adopted and complied with the principles and applicable code provisions of Code on Corporate Governance and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarized as below.

Code Provision A.1.8

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

Code Provision A.6.7

As stipulated in the Code provision A.6.7 of CG Code, independent non-executive directors and other non-executive directors shall attend general meetings. Four independent non-executive directors were unable to attend annual general meeting of the Company held on 28 May 2013 (the "2013 AGM") due to other important engagement.

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 six months ended 30 June 2013.

Improvements in Internal Control Systems

Additional measures and improvements for the internal control systems of the Company during the six months ended 30 June 2013.

The company focused on the details of its internal control system and made the following enhancements:

1. Improved the Group's supply chain management in purchasing, supplying, warehousing, manufacturing and sales so as to expand its channels and achieve better coordination, and to enhance the quality and competitive strength of our products.

2. Further optimized the establishment of our control system and information management with check and balance as well as mutual supervision among different departments, achieving systematic, regulated and standardized operation of the Company.

3. Further revised and improved the effectiveness of our decision-making, management and balance of authority mechanisms.

   (i) Improved the investor relationship system to safeguard the interests and right of information of public shareholders effectively.

   (ii) Strengthened our financial control and arranged professionals to conduct comprehensive review on the Company for at least every six months, and supervised the execution of duties by the directors and senior management.

   (iii) Established and further refined the assessment procedures of our management team so as to carry out effective supervision and set up a performance evaluation and assessment mechanism.

INVESTOR RELATIONS MANAGEMENT

Information disclosures

The Company regards effective communication as the core of investor relations, and believes that a high transparent organization and promptly dissemination of information to our investors are important ingredients to the success of a company.

During the first half year of 2013, the Company maintained its good relationship with the international capital markets through the announcement of annual results, participation in global or international investors' forums, non-deal roadshows and reverse roadshows.

Other Stakeholders' interests

While dedicated to maximizing shareholders' value, the Company is also committed to its customers, in terms of provision of quality products and services, and to the staff, by making available opportunities to them for career development. The Company had a strong commitment to shareholders, investors, staff, customers, suppliers and the community at large and always acting in good faith and with integrity. The Company believed that the sustainable development of a company cannot be achieved in isolation from a healthy environment. The Company pledges to contribute to the community while pursuing profit growth, by managing the business within the bounds of relevant laws and environmental regulations, improving standard of corporate governance and enhancing corporate transparency and actively participating in social charities and contribute to the local social development.

Contact

Investor Relations
Ms. Jenny Lv

Tel: 86-21-3760 2000 ext. 8331
E-mail address: Lzz@lonking.cn

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests in shares and underlying shares

As at 30 June 2013, the interests of the directors and chief executive of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"))as recorded in the register to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code were as follows:

(1) Long positions in shares and underlying shares of the Company

Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of shares held	Percentage of issued share capital as at 30 June 2013
Li San Yim and Ngai Ngan Ying (Note 1)	held by controlled corporation (Note 2)	1,312,058,760	30.65%
Li San Yim and Ngai Ngan Ying (Note 1)	beneficial owner	1,071,467,760	25.03%
Qiu Debo	beneficial owner	3,404,000	0.08%
Luo Jianru	beneficial owner	1,460,000	0.03%
Chen Chao	beneficial owner	1,344,000	0.03%
Zheng Ke Wen	beneficial owner	429,900	0.01%
		2,390,164,420	55.84%

Note 1: Mr. Li San Yim and Ms. Ngai Ngan Ying are husband and wife to each other and are deemed to be interested in each other's interest.

Note 2: These shares were held through China Longgong Group Holdings Limited, a company that was wholly owned by Mr. Li, San Yim and Ms. Ngai Ngan Ying as to 55% and 45% respectively, which is the registered shareholder of these 1,312,058,760 shares.

(2) Long positions in shares and underlying shares of the associated corporation of the Company, Longgong (Shanghai) Machinery Co., Ltd.

Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Registered share capital	Percentage of issued share capital as at 30 June 2013
Mr. Li San Yim	corporate (Note 1)	480,000	0.11%
Ms. Ngai Ngan Ying	corporate (Note 1)	480,000	0.11%

Note 1: The 0.11% interest of Longgong (Shanghai) Machinery Co., Ltd, is held by Shanghai Longgong Machinery limited, which is owned by Mr. Li San Yim and Ms. Ngai Ngan Ying as to 39.5% and 60.5% respectively.

Save as disclosed above as at 30 June 2013, none of the directors, chief executives of the Company or any of their associates, had registered any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded and kept in the register by the Company in accordance with the Section 352 of the SFO, or any interests required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' and other person's interests in shares and underlying shares

As at 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of directors and chief executives, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions

ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of ordinary shares interested	Percentage of issued share capital as at 30 June 2013
China Longgong Group Holdings Ltd (Note 1)	beneficial owner	1,312,058,760	30.65%
Government of Singapore Investment Corporation pte Ltd	beneficial owner	257,764,916	6.02%

Note 1: China Longgong Group Holdings Limited, a company incorporated in the British Virgin Island, is owned as to 55% by Li San Yim and as to 45% by Ngai Ngan Ying, the spouse of Li San Yim.

Saved as disclosed above, as at 30 June 2013, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as recorded and kept under Section 336 of the SFO as having an interest of 5% or more in the issued share capital of the Company.

OTHER INFORMATION

Interim dividend

The Directors do not recommend any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$0 cents per shares).

Employees and emolument policy

The emolument policy of the employees of the Group is set up by the Human Resources Division on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

As at 30 June 2013, the Group employed approximately 7,994 employees.

Purchase, sale or redemption of the Company's listed securities

During the period ended on 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares or any other listed securities.

Review of accounts by audit committee

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

The interim results for the six months ended 30 June 2013 have been reviewed by the audit committee of the Company.

By Order of the Board
Lonking Holdings Limited
Li San Yim
Chairman

Hong Kong, 27 September 2013

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors
Mr. Li San Yim *(Chairman)*
Mr. Qiu Debo *(Chief Executive Officer)*
Mr. Chen Chao
Mr. Luo Jianru
Mr. Zheng Ke Wen
Mr. Yin Kun Lun
Mr. Lin Zhong Ming

Non-executive directors
Ms. Ngai Ngan Ying

Independent non-executive directors
Mr. Pan Longqing
Dr. Qian Shizheng
Mr. Jin Zhiguo
Mr. Wu Jian Ming

AUDIT COMMITTEE
Dr. Qian Shizheng *(Chairman)*
Mr. Pan Longqing
Ms. Ngai Ngan Ying

REMUNERATION COMMITTEE
Mr. Jin Zhiguo *(Chairman)*
Dr. Qian Shizheng
Ms. Ngai Ngan Ying

NOMINATION COMMITTEE
Mr. Pan Long Qing *(Chairman)*
Mr. Jin Zhiguo
Ms. Ngai Ngan Ying

EXECUTIVE COMMITTEE
Mr. Qiu Debo *(Chairman)*
Mr. Li San Yim
Mr. Chen Chao
Mr. Luo Jianru
Mr. Zheng Ke Wen
Mr. Yin Kun Lun
Mr. Lin Zhong Ming

COMPANY SECRETARY
Mr. Chu Shun

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STOCK CODE

3339

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITORS

Ernst & Young
Certified Public Accountants
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1 Tim Mei Avenue,
Central,
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PRINCIPAL BANKERS

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Fujian, PRC

China Construction Bank
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