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 2014

* 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 to as to the "Group").

Current period	Six months ended 30 June 2014 *RMB'000*	Six months ended 30 June 2013 *RMB'000*	Change (+/–)
Turnover	4,484,734	4,474,080	+0.24%
Operating profits:			
– excluding unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	516,559	525,791	-1.76%
– including unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	516,559	525,791	-1.76%
EBITDA:			
– excluding unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	757,191	739,076	+2.45%
– including unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	757,191	739,076	+2.45%
Profit attributable to equity parent	345,935	343,164	+0.81%
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	0.08	+0.81%
– including foreign exchange gain and the fair value changes in derivatives components of convertible bonds	0.08	0.08	+0.81%
Net assets per share[(2)#]	1.62	1.55	+4.52%

	Six months ended 30 June 2014	Six months ended 30 June 2013	Change (+/–)
Current period			
Key performance indicators			
Profitability			
Overall gross margin	25.52%	22.30%	+3.22%
Net profit margin			
– excluding unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	7.72%	7.67%	+0.05%
– including unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	7.72%	7.67%	+0.05%
EBITDA margin[3]:			
– excluding unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	16.88%	16.52%	+0.36%
– including unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	16.88%	16.52%	+0.36%
Return on equity[4]			
– excluding foreign exchange gain and the fair value changes in derivatives components of convertible bonds	4.99%	5.17%	-0.18%
– including foreign exchange gain and the fair value changes in derivatives components of convertible bonds	4.99%	5.17%	-0.18%
Liquidity and solvency			
Current ratio[5]	2.30	2.59	-11.20%
Interest coverage ratio[6]:			
– excluding unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	5.02	4.05	+23.95%
– including unrealized gain/(loss) on fair value changes in derivatives components of convertible bonds	5.02	4.05	+23.95%
Gross debt-to-equity ratio[7]	99.22	108.90	-9.68%
Management efficiency	*days*	*days*	
Inventory turnover days[8]	115	128	-13 days
Trade and bills payables turnover days[9]	59	64	-5 days
Trade and bills receivable turnover days[10]	124	135	-11 days

[#] calculated based on the 4,280,100,000 weighted average number of outstandings shares (WANOS) for the period ended 30 June 2014 (30 June 2013: 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

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 33, which comprise the interim condensed consolidated statement of financial position of Lonking Holdings Limited and its subsidiaries (the "Group") as at 30 June 2014 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, 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 accompanying 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

26 August 2014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June 2014 Unaudited *RMB'000*	 2013 Unaudited *RMB'000*
Revenue	3	4,484,734	4,474,080
Cost of sales		(3,340,010)	(3,476,561)
Gross profit		1,144,724	997,519
Other income	4	23,719	8,596
Other gains and losses	4	(128,167)	(60,983)
Selling and distribution costs		(240,233)	(148,351)
Administrative expenses		(129,560)	(124,449)
Research and development costs		(162,344)	(145,418)
Other expenses		8,420	(1,123)
Operating profit		516,559	525,791
Finance income		42,737	26,600
Finance costs		(111,503)	(136,532)
Profit before tax	5	447,793	415,859
Income tax expense	6	(101,694)	(72,628)
Profit for the period		346,099	343,231
Attributable to:			
Owners of the parent		345,935	343,164
Non-controlling interests		164	67
		346,099	343,231
Earnings per share			
Basic, profit for the period attributable to ordinary equity holders of the parent (RMB)		0.08	0.08
Diluted, profit for the period attributable to ordinary equity holders of the parent (RMB)		0.08	0.08

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June 2014 Unaudited *RMB'000*	2013 Unaudited *RMB'000*
Profit for the period		346,099	343,231
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(38,089)	43,307
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(38,089)	43,307
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		–	–
Other comprehensive income for the period, net of tax		(38,089)	43,307
Total comprehensive income for the period, net of tax		308,010	386,538
Attributable to:			
Owners of the parent		307,846	386,471
Non-controlling interests		164	67
		308,010	386,538

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 Unaudited *RMB'000*	31 December 2013 Audited *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	8	3,425,418	3,720,187
Prepaid land lease payments		197,958	316,259
Investments in associates		4,000	6,000
Finance lease receivables		563	3,485
Deferred tax assets		324,024	310,115
Prepayments for property, plant and equipment		40,095	44,641
Long-term receivables	9	132,125	79,298
Pledged deposits	13	1,954,000	1,002,500
		6,078,183	5,482,485
Current assets			
Prepaid land lease payments		4,760	7,206
Inventories	10	1,869,260	2,341,643
Finance lease receivables		11,630	22,522
Trade and bills receivables	11	3,156,063	2,938,836
Due from related parties	18	6,125	1,933
Prepayments, deposits and other receivables	12	1,648,844	1,553,592
Pledged bank deposits	13	295,071	200,009
Cash and cash equivalents	13	741,845	995,123
		7,733,598	8,060,864
Current liabilities			
Trade and bills payables	14	1,065,552	1,100,927
Other payables and accruals	15	791,395	872,705
Interest-bearing bank borrowings	16	1,041,934	803,058
Convertible bonds		9,987	9,660
Provisions		116,326	119,748
Due to related parties	18	13,593	18,791
Deferred income		6,638	–
Income tax payable		94,236	126,860
Due to shareholders	7	220,367	–
Derivative financial instruments		719	712
Net current assets		3,360,747	3,052,461
Total assets less current liabilities		4,372,851	5,008,403
		10,451,034	10,490,888

	Notes	30 June 2014 Unaudited *RMB'000*	31 December 2013 Audited *RMB'000*
Non-current liabilities			
Deposits for finance leases		–	51,461
Interest-bearing bank borrowings	16	3,388,632	1,789,396
Long-term loan notes		–	1,636,165
Deferred tax liabilities		101,875	86,482
Provisions		13,529	13,310
Deferred income		13,952	68,671
Total non-current liabilities		3,517,988	3,645,485
Net assets		6,933,046	6,845,403
Equity			
Issued capital		444,116	444,116
Share premium and reserves		6,486,227	6,178,381
Proposed dividend		–	220,367
Equity attributable to owners of the parent		6,930,343	6,842,864
Non-controlling interests		2,703	2,539
Total equity		6,933,046	6,845,403

Li San Yim
Director

Yin Kun Lun
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the parent									
	Issued capital	Share premium	Special reserve	Non-distributable reserve	Retained profits	Exchange fluctuation reserve	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	444,116	854,922	366,329	1,247,459	3,507,226	202,445	220,367	6,842,864	2,539	6,845,403
Profit for the period	–	–	–	–	345,935	–	–	345,935	164	346,099
Other comprehensive income	–	–	–	–	–	(38,089)	–	(38,089)	–	(38,089)
Total comprehensive income	–	–	–	–	345,935	(38,089)	–	307,846	164	308,010
Final dividends declared	–	–	–	–	–	–	(220,367)	(220,367)	–	(220,367)
Transfer from retained profits	–	–	5,986	–	(5,986)	–	–	–	–	–
At 30 June 2014 (unaudited)	**444,116**	**854,922**	**372,315**	**1,247,459**	**3,847,175**	**164,356**	**–**	**6,930,343**	**2,703**	**6,933,046**
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 for the period	–	–	–	–	343,164	–	–	343,164	67	343,231
Other comprehensive income	–	–	–	–	–	43,307	–	43,307	–	43,307
Total comprehensive income	–	–	–	–	343,164	43,307	–	386,471	67	386,538
Transfer from retained profits	–	–	–	–	–	–	–	–	–	–
At 30 June 2013 (unaudited)	**444,116**	**854,922**	**355,335**	**856,630**	**3,992,534**	**125,362**	**–**	**6,628,899**	**2,320**	**6,631,219**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June 2014 Unaudited RMB'000	2013 Unaudited RMB'000
Operating cash flows before movements in working capital:		795,744	797,724
Decrease in inventories		489,632	595,038
Increase in trade and bills receivables		(279,731)	(739,387)
Decrease in finance lease receivables		13,814	144,232
Increase/(decrease) in trade, bill and other payables		(45,742)	469,738
Increase in prepayments and deposits		(25,323)	(228,367)
Increase/(decrease) in provisions		(3,203)	2,362
Decrease/(increase) in amounts due from related parties		(4,192)	970
Increase/(decrease) in amounts due to related parties		(5,198)	2,281
Decrease in deposits for finance leases		(51,461)	(40,688)
Income tax paid		(132,834)	(42,237)
Interest received		12,295	5,247
Net cash flows from operating activities		763,801	966,913
Cash flows from investing activities			
Purchase of property, plant and equipment		(66,088)	(123,241)
Acquisition of interests in associates		–	(2,867)
Payment for lease premium for land		(1,022)	(2,912)
Proceeds from transfer of land		105,754	–
Decrease in deferred revenue		(3,319)	–
Decrease/(increase) in pledged bank deposits		–	9,832
Proceeds from disposal of interests in associates		15,146	–
Proceeds from disposal of items of property, plant and equipment		15,745	9,156
Net cash flows used in investing activities		66,216	(110,032)

	Notes	For the six months ended 30 June 2014 Unaudited *RMB'000*	2013 Unaudited *RMB'000*
Cash flows from financing activities			
Proceeds from borrowings		1,868,876	110,720
Repayment of borrowings		(30,764)	(759,056)
Repurchase of long-term loan notes		(1,713,548)	
Other payables		(51,455)	(75,946)
Increase in pledged bank deposits		(1,046,562)	
Interest paid		(111,129)	(125,082)
Net cash flows used in financing activities		(1,084,582)	(849,364)
Net (decrease)/increase in cash and cash equivalents		(254,565)	7,517
Net foreign exchange difference		1,287	1,770
Cash and cash equivalents at 1 January		995,123	883,051
Cash and cash equivalents at 30 June	13	741,845	892,338

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 26 August 2014.

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

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

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

2.1 Basis of preparation

The interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2014 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, have been prepared in accordance with HKAS 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

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 2013, 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 2014.

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)*

Several new standards and amendments apply for the first time in 2014 by the Group. 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 or amendment are described below:

Investment Entities (Amendments to HKFRS 10, HKFRS 12 and HKAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under HKFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under HKFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to HKAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to HKAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to HKAS 36
These amendments remove the unintended consequences of HKFRS 13 Fair Value Measurement on the disclosures required under HKAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The Group early adopted these disclosure requirements in the annual consolidated financial statements for the year ended 31 December 2013.

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)*

HKFRIC 21 Levies

HKFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., HKAS 12 Income Taxes) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. The adoption of HKFRIC 21 has no impact on 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 2014 and 2013.

Six months ended 30 June 2014

	Sale of construction machinery *RMB'000*	Finance leases of construction machinery *RMB'000*	Total *RMB'000*
Segment revenue	4,472,406	12,328	4,484,734
Results			
Segment results	574,611	10,002	584,613
Reconciliation:			
Finance income			42,737
Unallocated other income, gains and losses			(66,474)
Unallocated corporate expenses			(1,580)
Finance costs			(111,503)
Profit before tax			447,793

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	488,776	17,010	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

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 2014 and 31 December 2013:

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
Segment assets:	13,671,269	13,380,487
Sale of construction machinery	13,603,236	13,322,617
Finance leases of construction machinery	68,033	57,870
Corporate and other unallocated assets	140,512	162,862
Consolidated assets	13,811,781	13,543,349

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
Segment liabilities:	2,446,236	2,469,384
Sale of construction machinery	2,297,059	2,248,523
Finance leases of construction machinery	149,177	220,861
Corporate and other unallocated liabilities	4,432,499	4,228,562
Consolidated liabilities	6,878,735	6,697,946

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			
	2014 *RMB'000*	%	2013 *RMB'000*	%
Sales of construction machinery:				
Wheel loaders	2,830,340	63.1	2,914,068	65.1
Excavators	460,855	10.3	566,482	12.7
Road rollers	50,103	1.1	56,772	1.3
Forklifts	626,774	14.0	461,974	10.3
Components	504,334	11.2	443,828	9.9
Subtotal	4,472,406	99.7	4,443,124	99.3
Finance lease interest income	12,328	0.3	30,956	0.7
Total	4,484,734	100	4,474,080	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	
	2014	2013
	RMB'000	*RMB'000*
Government grants	17,654	3,222
Penalty income	3,796	3,683
Others	2,269	1,691
	23,719	8,596

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

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Exchange realignment from convertible bonds	5	166
Loss on repurchase of long-term loan notes	(70,280)	–
Gain/(loss) on disposal of items of property, plant and equipment	37,611	(1,927)
Allowance for bad and doubtful debts	(99,304)	(81,768)
Foreign exchange gain	3,801	22,546
	(128,167)	(60,983)

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses	3,340,010	3,476,561
Staff costs, including directors' remuneration	206,371	202,621
Contribution to retirement benefit scheme	16,913	16,738
Amortisation of lease payments for land	3,599	3,670
Depreciation of property, plant and equipment	194,296	183,015
Bad debt provision	99,304	81,768
and after crediting:		
Interest income on bank deposits	42,737	26,600
Income-related government grants	17,654	3,222

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	
	2014	2013
	RMB'000	RMB'000
Current income tax expense	100,210	119,427
Deferred income tax expense related to origination and reversal of deferred taxes	1,484	(46,799)
	101,694	72,628

7. DIVIDENDS DECLARED AND PAID

The directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

The proposed final dividend of HKD0.065 per ordinary share for the year ended 31 December 2013 was declared payable and approved by the shareholders at the annual general meeting of the Company on 28 May 2014 and was paid on 8 August 2014.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired assets with a cost of RMB54,990,000 (six months ended 30 June 2013: RMB192,799,000), including property, plant and machinery in the People's Republic of China (the "PRC").

Assets with a net book value of RMB161,162,000 were disposed of by the Group during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB11,083,000), resulting in a net gain on disposal of RMB37,611,000 (net loss in six months ended 30 June 2013: RMB1,927,000).

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 2014 *RMB'000*	31 December 2013 *RMB'000*
Trade receivables (note 11)	117,908	41,397
Other receivables (note 12)	14,217	37,901
	132,125	79,298

10. INVENTORIES

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
Raw materials	614,763	743,851
Work in progress	116,342	145,170
Finished goods	1,138,155	1,452,622
	1,869,260	2,341,643

11. TRADE AND BILLS RECEIVABLES

The Group allows credit periods from 3 months up to 12 months to its trade customers. Some customers with good credit history and relationships, longer credit terms may be offered.

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
Trade receivables	2,586,403	2,083,175
Impairment	(154,217)	(144,540)
Less: Non-current portion (note 9)	(117,908)	(41,397)
	2,314,278	1,897,238
Bills receivable	841,785	1,041,598
	3,156,063	2,938,836

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

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
0-90 days	2,003,338	1,407,967
91-180 days	152,211	299,914
181-360 days	118,968	175,318
Over 1 year	39,761	14,039
	2,314,278	1,897,238

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 2013: nil).

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

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
Prepayments	235,436	239,808
Deductible value-added tax	186,158	190,753
Deposits	10,086	20,132
Total	431,680	450,693
Other receivables:		
Loan receivables	1,109,748	1,167,746
Less: non-current portion (note 9)	(14,217)	(37,901)
Less: impairment	(264,872)	(203,263)
Net loan receivables	830,659	926,582
Other miscellaneous receivables	390,477	178,391
Less: impairment	(3,972)	(2,074)
Net other miscellaneous receivables	386,505	176,317
Total other receivables	1,217,164	1,102,899
Grand total	1,648,844	1,553,592

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 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 2014 *RMB'000*	31 December 2013 *RMB'000*
Cash and bank balances	2,990,916	2,197,632
Less: Pledged for long term bank loans	(1,954,000)	(1,000,000)
Pledged for short term bank loans	(271,625)	(185,000)
Pledged for bank acceptance bills	(20,946)	(15,009)
Pledged for others	(2,500)	(2,500)
	741,845	995,123

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 2014 *RMB'000*	31 December 2013 *RMB'000*
0-180 days	936,634	1,005,243
181 days-1 year	102,952	52,265
1-2 years	5,458	18,263
2-3 years	9,278	12,657
Over 3 years	11,230	12,499
	1,065,552	1,100,927

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Advances from customers	45,390	85,469
Deposit for finance leases	55,117	23,435
Non-derecognised endorsement bills and trade receivables	135,145	186,600
Salary and wages payable	48,122	67,624
Payable for acquisition of property, plant and equipment	11,893	27,537
Other taxes payable	16,526	13,613
Accrued sales rebate	260,165	230,532
Other payables	184,485	212,145
Other accrued expenses	34,552	25,750
	791,395	872,705

16. BANK BORROWINGS

During the six-month period ended 30 June 2014, the Group obtained short-term bank loan of US$42,750,000 (equivalent to RMB263,032,000), and repaid short-term bank loan of US$5,000,000 (equivalent to RMB30,764,000). The short-term loans bear interest at rates ranging from 1.83% to 6.15% per annum.

The Group obtained long-term bank loans of US$257,250,000 (equivalent to RMB1,582,808,000). The long-term loans bear interest at rates ranging from 2.32% to 5.85% 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 RMB271,625,000 for short-term loans (31 December 2013: RMB185,000,000);

ii) the pledge of certain of the Group's long term time deposits amounting to RMB1,954,000,000 for long-term loans(31 December 2013: RMB1,000,000,000).

17. 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 guarantee agreement entered into between the Group and the PRC domestic banks, 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 to settle the outstanding amounts and the related interest. As at 30 June 2014, the Group's contingent liabilities for such repurchase obligation amounted to RMB844,120,000 (31 December 2013: RMB1,107,623,000) (before deduction of the security deposits paid by the end-user customers and the interest on undue rent). The directors of the Company considered that the fair value of the financial guarantees as at 30 June 2014 was insignificant.

Capital commitments

At 30 June 2014, the Group had capital commitments of RMB50,650,000 (31 December 2013: RMB64,669,000) principally relating to the acquisition of property, plant and equipment located in Shanghai and Fujian, the PRC.

18. 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 2014 and 30 June 2013 as well as balances with related parties as at 30 June 2014 and 31 December 2013:

		Sales to related parties *RMB'000*	Purchase from related parties *RMB'000*	Amounts due from related parties *RMB'000*	Amounts due to related parties *RMB'000*
Related parties:					
Longyan City Jinlong Machinery Company	2014	–	17,474	–	9,436
Limited (note a)	2013	–	19,050	–	13,715
Herkules (Shanghai) Automation Equipment	2014	614	2,059	3,805	374
Co. Ltd. (note b)	2013	–	2,240	1,011	2,176
Shanghai Refined Machinery	2014	1,669	61	2,048	–
Co. Ltd. (note c)	2013	4,520	8,036	922	–
Shanghai Longtui Machinery	2014	138	4,596	272	3,783
Co. Ltd. (note d)	2013	–	–	–	900
Associate:					
Neimenggu Zhongcheng Machinery Co. Ltd.	2014	–	–	–	–
(note e)	2013	–	–	–	2,000

18. 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 announcement.

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: Shanghai Longtui Machinery Co. Ltd. is 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 e: The investment in Neimenggu Zhongcheng Machinery Co. Ltd. was discharged in January 2014.

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2014 *RMB'000*	2013 *RMB'000*
Short-term employee benefits	4,482	3,000
Pension scheme contributions	18	10
Total compensation paid to key management personnel	4,500	3,010

19. 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:

30 June 2014

Financial assets

	Loans and receivables *RMB'000*
Trade and bills receivables	3,156,063
Long-term receivables	132,125
Due from related parties	6,125
Financial assets included in prepayments, deposits and other receivables	1,181,441
Finance lease receivables	12,193
Pledged deposits	2,249,071
Cash and cash equivalents	741,845
	7,478,863

30 June 2014

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	–	1,065,552	1,065,552
Financial liabilities included in other payables and accruals	–	379,645	379,645
Deposits for finance leases	–	55,117	55,117
Derivative financial instruments	719	–	719
Convertible bonds	–	9,987	9,987
Interest-bearing bank borrowings	–	4,430,566	4,430,566
Due to shareholders	–	220,367	220,367
Due to related parties	–	13,593	13,593
	719	6,174,827	6,175,546

19. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

31 December 2013

Financial assets

	Loans and receivables *RMB'000*
Trade and bills receivables	2,938,836
Long-term receivables	79,298
Due from related parties	1,933
Financial assets included in prepayments, deposits and other receivables	1,121,556
Finance lease receivables	26,007
Pledged deposits	1,202,509
Cash and cash equivalents	995,123
	6,365,262

31 December 2013

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	–	1,100,927	1,100,927
Financial liabilities included in other payables and accruals	–	493,907	493,907
Deposits for finance leases	–	74,896	74,896
Derivative financial instruments	712	–	712
Convertible bonds	–	9,660	9,660
Long-term loan notes	–	1,636,165	1,636,165
Interest-bearing bank borrowings	–	2,592,454	2,592,454
Due to related parties	–	18,791	18,791
	712	5,926,800	5,927,512

20. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the financial instruments, other than those with carrying amounts that reasonably approximate to fair values are as follows:

	Carrying amounts		Fair values	
	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
Financial assets:				
Finance lease receivables, non-current portion	563	3,485	531	4,043
Financial liabilities:				
Interest-bearing bank borrowings	3,388,632	1,789,396	3,278,215	1,727,101
Derivative financial instruments	719	712	719	712
Long term loan notes	–	1,636,165	–	1,705,829
Convertible bonds:				
2009 convertible bonds	9,987	9,660	9,987	9,660
	3,399,338	3,435,933	3,288,921	3,443,302

Except as detailed in the above table, management has assessed that the fair values of cash and cash equivalents, the current portion of 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 to shareholders, 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 following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of pledged deposits, non-current portion of finance lease receivables, interest-bearing bank borrowings and non-current portion of deposits for finance leases have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for deposits for finance leases and interest-bearing bank borrowings as at 30 June 2014 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

20. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets for which fair values are disclosed:

As at 30 June 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Finance lease receivables, non-current portion	–	531	–	531

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease receivables, non-current portion	–	4,043	–	4,043

20. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Liabilities for which fair values are disclosed:

As at 30 June 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	–	3,278,215	–	3,278,215
Derivative financial instruments	–	–	719	719
Convertible bonds				
2009 Convertible Bonds	–	–	9,987	9,987
	–	3,278,215	10,706	3,288,921

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	–	1,727,101	–	1,727,101
Derivative financial instruments	–	–	712	712
Long term loan notes	1,705,829	–	–	1,705,829
Convertible bonds				
2009 Convertible Bonds	–	–	9,660	9,660
	1,705,829	1,727,101	10,372	3,443,302

21. 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 26 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

Under the backdrop of an external environment in which the macro economy was stabilizing while still facing relatively high downward pressure, in particular demand for construction machinery remained sluggish, the Company achieved satisfactory results in increasing income and reducing costs. The overall results for the first half of the year was basically the same with the corresponding period of last year. Total revenue for the six months ended 30 June 2014 slightly increased by RMB10 million or 0.2% from RMB4,474 million of the corresponding period of last year to RMB4,484 million. During the reporting period, the consolidated gross profit margin of the Group increased from 22.3% to 25.5%, mainly attributable to a decrease of RMB136.6 million in operating costs as a result of consolidation of the procurement and transportation processes, optimization of material procurement, enhancement of the Group's procurement power and improvement of the internal production and operation management. Profit attributable to equity holders of the Group for the period remained basically stable, amounting to RMB346 million, up by 0.8% as compared with RMB343 million of the corresponding period of 2013.

Geographical Results

During the period ended 30 June 2014, the ratio of turnover in each region in the PRC over total turnover respectively is insignificantly different, reflecting that the demand in each region is relatively mild and tends to be stable.

Northern region of PRC is the Company's principal market area, which accounted for 23.2% of the Group's total turnover. Sales from northern region in the PRC decreased 9.0% to RMB1,042 million as compared to the same period of last year (for the six months ended 30 June 2013: RMB1,145 million).

Sales from eastern region in the PRC increased 19.5% from the previous fiscal year over the same corresponding period to RMB643 million (Six months ended 30 June 2013: RMB538 million) while sales from northwestern region in the PRC decreased by 11.5% to RMB604 million (Six months ended 30 June 2013: RMB683 million).

Sales from central region and southern region represented approximately 16.8% and 10.2% respectively. Sales from central region increased by 5.3% to RMB752 million and sales from southern region increased by 8.3% to RMB458 million. Sales from northeastern region of PRC increased by 8.9% to RMB193 million.

Sales from overseas market recorded approximately RMB309 million, representing an increase of nearly 11.9% as compared to the corresponding period of last year (for the six months ended 30 June 2013: RMB276 million). We will work to further improve and strengthen distributorships in the overseas market.

Products Analysis

Wheel Loaders

Wheel loader again remained as the Company's main revenue driver and achieved a turnover of approximately RMB2,830 million, which accounted for approximately 63.1% of the Company's turnover for the period. ZL50 series achieved a turnover of approximately RMB2,352 million for the period, representing a decrease of 2.4% when compared with the corresponding period in 2013. ZL30 is the second largest revenue contributor and has achieved a turnover of approximately RMB339 million, representing a decrease of 9.7% when compared to the corresponding period of last year.

The revenue generated from ZL40 increased 16.4% to approximately RMB21 million. The turnover from the mini loader decreased 5.0% to RMB80 million. Overall, demand in wheel loader remained sluggish as impacted by the slow economic recovery.

Excavator

Sales from excavators series decreased 18.6% to approximately RMB461 million (for the six months ended 30 June 2013: RMB566 million). The decrease of revenue was primarily attributable to price reduction to different extent as promotion strategies adopted by the Group, which resulted in the selling price of this series decreasing when compared to the corresponding period of last year and a reduced demand as a result of the slowdown in domestic economic growth.

Fork Lifts and Road Rollers

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

The turnover from fork lifts amounted to approximately RMB627 million (six months ended 30 June 2013: RMB462 million), representing an significant increase of 35.7% compared to the corresponding period of last year.

The operating revenue from road rollers amounted to RMB50 million, representing a decrease of 11.7% compared to the corresponding period of last year, which was mainly due to a decrease in demand of road rollers influenced by the macro-economic environment.

Components

The sales generated from components amounted to approximately RMB488 million for the period, representing an increase of 13.0% as compared to the same period in 2013.

Finance Lease Interest

Turnover from finance lease interest amounted to approximately RMB12 million, representing a decrease of 60.2%, as compared to the same period of last year, which was due to the fact that finance lease business was gradually reduced by the Group since 2011.

FINANCIAL REVIEW

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

Selling and Distribution Costs

Selling and distribution costs increased by 61.9% to approximately RMB240 million during the period under review. It was mainly due to the significant increase in transportation fee and machine logistic service fee.

Cash and Bank Balance

As at 30 June 2014, the Group had bank balances and cash of approximately RMB742 million (31 December 2013: approximately RMB995 million) and pledged bank deposit of approximately RMB2,249 million (31 December 2013: approximately RMB1,203 million). Compared with last year, the cash and bank balance decreased about RMB253 million, which was as a result of net cash inflow of RMB764 million from operating activities, net cash inflow of RMB66 million from investing activities and net cash outflow of RMB1,083 million from financing activities.

The pledged deposit balance at 30 June 2014 increased approximately RMB1,046 million. Details of pledged Bank deposit for the period ended 30 June 2014 are set out in Note 13 to the financial statements.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 30 June 2014 was approximately RMB6,933 million, an 1.29% increase from approximately RMB6,845 million as at 31 December 2013.

The current ratio of the Group at 30 June 2014 was 2.30 (31 December 2013: 2.64). 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 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

2009 Convertible Bonds

During the period ended on 30 June 2014, neither the Company nor any of its subsidiaries purchased,sold or redeemed any of the convertible bonds. There are US$1,150,000 in principal amount of 2009 Convertible Bonds outstanding as at 30 June 2014.

Long-term Loan Notes

During the period ended on 30 June 2014, the Company redeemed all its outstanding Notes due 2016 in principal amount of US$268,360,000 on 3 June 2014 (the"**Redemption Date**") at a redemption price (the "**Redemption Price**") equal to 104.250% of the principal amount. There are no Notes outstanding as at 30 June 2014.

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 30 June 2014, the gross gearing ratio (defined as total liabilities over total assets) was approximately 49.8% (as at 31 December 2013: 49.5%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB55 million (six months ended 30 June 2013: approximately RMB193 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.

Disposal of Land Use Right and Property

On 15 May 2014, Henan Longgong Machinery Manufacturing Co., Ltd.* (河南龍工機械製造有限公司, the "Vendor"), a wholly-owned subsidiary of the Company, and the Zhengzhou Economic and Technological Development Zone, Henan Province, PRC (the "Purchaser") entered into the Agreement (which is supplemented by an agreement dated 27 June 2014), pursuant to which the Vendor agreed to dispose of, and the Purchaser agreed to resume and purchase the land use right (the "Land Use Right") granted by the Purchaser to the Vendor in respect of the development of the land parcel with a total floor area of approximately 815.16 mu in Zhengzhou Economic and Technological Development Zone and the buildings and plants under construction thereon (the "Property") for a total consideration of approximately RMB254 million (equivalent to approximately HK$315 million) (the "Disposal").

Please refer to the announcement (the "Announcement") of the Company dated 29 June 2014 in relation to the Disposal for further details. In addition, the Company would like to clarify that the gain from the Disposal (rather than the "net proceeds from the Disposal" as stated in the Announcement) amount to approximately RMB32 million (equivalent of approximately HK$41 million), after taking into account the tax and the expenses expected to accrue to the Group and the deferred income which represented government grants received related to the Land Use Right and the Property.

Capital Commitment

As at 30 June 2014, the Group had contracted but not included in the financial statements in respect of acquisition of property, plant and equipment amounting to approximately RMB51 million (31 December 2013: approximately RMB65 million).

PROSPECT

In 2014, the global economy maintained weak growth momentum with slowdown in the emerging economies. As domestic demand is facing downward risk and the construction machinery industry constantly undergoes adjustments and changes, the industry will witness a relatively stable and polarized development trend. Affected by the changes in the macro economic environment, challenges confronting the construction machinery industry, such as low utilization rate, sluggish market demand, excessive production capacity and increasing risk in trade receivables, will be further demonstrated. Facing increasingly intensified market competition, the Group will monitor closely changes in market conditions, so as to strategically position its businesses. Adhering to a low risk profile and flexible marketing strategy, the Group will proactively expand sales channels and exploit new markets, so as to find ways to raise its market share. By implementing control system and firmly establishing the principles on cost and profitability, the Group will continue to optimize product design and carry out technology improvement, so as to achieve upgrading of products and improve product profit margin. Focusing on business development, the Group will make strenuous efforts to achieve comprehensive optimization of indicators and exploit the international market, with an aim to increase global sales and increase its market share in the international market. Given the tremendous potential in the fork lift market, the Group will seize the opportunity to launch new products and enhance marketing efforts, so as to improve the segment's position in the Group and in the industry.

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 2014 (the "2014 AGM") due to other important engagement.

Code Provision A.4.3

Mr. Qian Shi Zheng ("Mr. Qian") has been appointed as an independent non-executive Director for more than nine years since February 2005. Pursuant to Code A.4.3 of the CG Code, (a) having served the Company for more than nine years could be relevant to the determination of an independent non-executive director's independence and (b) if an independent non-executive director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Mr. Qian has extensive experience in the finance and accounting fields. He provides a wide range of expertise and experience which can meet the requirement of Group's business and his participant in the Board brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interest of the shareholders have been duly considered.

The Company has received from Mr. Qian a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Mr. Qian has not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Directors consider Mr. Qian to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Accordingly, Mr. Qian shall be subject to retirement rotation and re-election by way of a separate resolution approved by the Shareholders at the Annual General Meeting. At the Annual General Meeting of the Company held on 28 May 2014, a separate resolution to re-elect Mr. Qian, a retiring Director, as an independent non-executive Director was passed by the Shareholders by way of poll.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors, who have confirmed that they had complied with the required standard set out in the Model Code for the six months ended 30 June 2014.

Improvements in Internal Control Systems

Additional measures and improvements for the internal control systems of the Company during the six months ended 30 June 2014.

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 2014, 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. Wang Yan Zhen

Tel: 86-21-3760 2031
E-mail address: wz@lonking.cn

DISCLOSURE OF INTERESTS

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

As at 30 June 2014, 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 2014
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 2014
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 2014, 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 2014, 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	Investment Manager	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 2014, 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 2014 (six months ended 30 June 2013: 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 2014, the Group employed approximately 7,422 employees.

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

During the period ended on 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

2009 Convertible Bonds

During the period ended on 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the convertible bonds. There are US$1,150,000 in principal amount of 2009 Convertible Bonds outstanding as at 30 June 2014.

Long-term Loan Notes

During the period ended on 30 June 2014, the Company redeemed all its outstanding Notes due 2016 in principal amount of US$268,360,000 on 3 June 2014 (the "Redemption Date") at a redemption price (the "Redemption Price") equal to 104.250% of the principal amount. There are no Notes outstanding as at 30 June 2014.

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.

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 2014 have been reviewed by the audit committee of the Company.

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

Hong Kong, 30 September 2014

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

Dr. Qian Shizheng
Mr. Jin Zhiguo
Mr. Wu Jian Ming

AUDIT COMMITTEE

Dr. Qian Shizheng *(Chairman)*
Ms. Ngai Ngan Ying

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

HEAD OFFICE

No. 26 Mingyi Road, Xinqiao,
Songjiang Industrial,
Shanghai (201612), PRC

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

INVESTOR RELATIONS

Ms. Wang Yan Zhen
wz@lonking.cn
Tel: 86-21-3760 2031

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1802, 18th Floor, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

WEBSITE

http://www.lonking.cn

STOCK CODE

3339

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Fl., Royal Bank House,
24 Shedden Road,
P O Box 1586,
Grand Cayman, KY1-1110,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

SOLICITORS

Sidley Austin
39/F, Two International Finance Centre
8 Finance Street Central, Hong Kong

AUDITORS

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

PRINCIPAL BANKERS

Bank of China
Longyan Branch
Bank of China Tower
No. 1 Longchuan Bei Road Longyan City
Fujian, PRC

China Construction Bank
Shanghai Songjiang Branch
No. 89 Zhongshan Zhong P.O. Road
Songjiang District
Shanghai, PRC