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

2015
Interim Report

** 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 the "Group").

	Six months ended 30 June 2015	Six months ended 30 June 2014	Change (+/–)
Current period	*RMB'000*	*RMB'000*	
Turnover	2,944,856	4,484,734	-34.34%
Operating profits	245,761	516,559	-52.42%
EBITDA	517,717	757,191	-31.62%
Profit attributable to equity parent	176,867	345,935	-48.87%
Per share data	*RMB*	*RMB*	
Basic earnings per share[(1)#]	0.04	0.08	-50.00%
Net assets per share[(2)#]	1.63	1.62	+0.62%

Current period

Key performance indicators

	Six months ended 30 June 2015	Six months ended 30 June 2014	Change (+/–)
Profitability			
Overall gross margin	25.91%	25.52%	+0.39%
Net profit margin	6.01%	7.72%	-1.71%
EBITDA margin[3]:	17.58%	16.88%	+0.70%
Return on equity[4]	2.52%	4.99%	-2.47%
Liquidity and solvency			
Current ratio[5]	2.06	2.30	-10.64%
Interest coverage ratio[6]:	5.43	5.02	+8.25%
Gross debt-to-equity ratio[7]	87.93	99.22	-11.29%
Management efficiency	*days*	*days*	
Inventory turnover days[8]	141	115	+25 days
Trade and bills payables turnover days[9]	76	59	+17 days
Trade and bills receivable turnover days[10]	148	124	+24 days

[#] calculated based on the 4,280,100,000 weighted average number of outstanding shares (WANOS) for the period ended 30 June 2015 (30 June 2014: 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

EY 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 2015 and the related 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 of the company 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
27 August 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June 2015 Unaudited *RMB'000*	 2014 Unaudited *RMB'000*
Revenue	3	2,944,856	4,484,734
Cost of sales		(2,181,746)	(3,340,010)
Gross profit		763,110	1,144,724
Other income	4	25,758	23,719
Other gains and losses	4	(109,304)	(128,167)
Selling and distribution costs		(180,657)	(240,233)
Administrative expenses		(142,751)	(129,560)
Research and development costs		(109,642)	(162,344)
Other expenses		(753)	8,420
Operating profit		245,761	516,559
Finance income		75,196	42,737
Finance costs		(59,109)	(111,503)
Profit before tax	5	261,848	447,793
Income tax expense	6	(84,937)	(101,694)
Profit for the period		176,911	346,099
Attributable to:			
Owners of the parent		176,867	345,935
Non-controlling interests		44	164
		176,911	346,099
Earnings per share			
Basic, profit for the period attributable to ordinary equity holders of the parent (RMB)		0.04	0.08
Diluted, profit for the period attributable to ordinary equity holders of the parent (RMB)		0.04	0.08

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

The diluted earnings per share amount is equal to the basic earnings per share amount for the six months ended 30 June 2015 (the "Period"), as there were no diluting events for the Period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 Unaudited *RMB'000*	2014 Unaudited *RMB'000*
Profit for the period	176,911	346,099
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	(12,995)	–
Income tax effect	1,949	–
	(11,046)	–
Exchange differences on translation of foreign operations	3,222	(38,089)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(7,824)	(38,089)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	–
Other comprehensive income for the period, net of tax	(7,824)	(38,089)
Total comprehensive income for the period, net of tax	169,087	308,010
Attributable to:		
Owners of the parent	169,055	307,846
Non-controlling interests	32	164
	169,087	308,010

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 Unaudited *RMB'000*	31 December 2014 Audited *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	8	3,012,191	3,264,280
Prepaid land lease payments		191,857	197,730
Investments in associates		4,000	4,000
Finance lease receivables		6,507	552
Deferred tax assets		253,043	312,870
Prepayments for property, plant and equipment		37,678	41,321
Long-term receivables	9	77,311	87,256
Pledged deposits	16	1,104,707	956,402
		4,687,294	4,864,411
Current assets			
Prepaid land lease payments		4,739	4,819
Inventories	10	1,560,335	1,796,322
Finance lease receivables		76,629	33,882
Trade and bills receivables	11	2,414,196	2,353,861
Due from related parties	21	10,640	8,807
Prepayments, deposits and other receivables	12	1,060,302	1,316,892
Other current assets		301,926	300,000
Available-for-sale investments	13	287,004	–
Equity investments at fair value through profit or loss	14	165,820	–
Derivative financial instruments	15	34,880	–
Pledged bank deposits	16	1,314,797	1,401,938
Cash and cash equivalents	16	1,195,068	1,088,465
		8,426,336	8,304,986
Current liabilities			
Trade and bills payables	17	941,471	869,286
Other payables and accruals	18	442,599	587,607
Interest-bearing bank borrowings	19	2,343,051	2,707,100
Provisions		81,398	99,909
Due to related parties	21	5,793	11,447
Deferred income		6,638	6,638
Income tax payable		56,482	100,114
Dividend due to shareholders	7	220,312	–
		4,097,744	4,382,101
Net current assets		4,328,592	3,922,885
Total assets less current liabilities		9,015,886	8,787,296

	Notes	30 June 2015 Unaudited *RMB'000*	31 December 2014 Audited *RMB'000*
Non-current liabilities			
Deposits for finance leases		49,025	48,617
Interest-bearing bank borrowings	19	1,847,842	1,574,119
Deferred tax liabilities		125,328	115,535
Provisions		8,520	9,110
Deferred income		7,114	10,633
Total non-current liabilities		2,037,829	1,758,014
Net assets		6,978,057	7,029,282
Equity			
Issued capital		444,116	444,116
Share premium and reserves		6,531,182	6,362,127
Proposed dividend		–	220,312
Equity attributable to owners of the parent		6,975,298	7,026,555
Non-controlling interests		2,759	2,727
Total equity		6,978,057	7,029,282

Li San Yim
Director

Yin Kun Lun
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

2015	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Non-distributable reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2015	444,116	854,922	377,944	1,325,794	–	3,613,822	189,645	220,312	7,026,555	2,727	7,029,282
Profit for the period	–	–	–	–	–	176,867	–	–	176,867	44	176,911
Other comprehensive income:											
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	(11,034)	–	–	–	(11,034)	(12)	(11,046)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	3,222	–	3,222	–	3,222
Total comprehensive income	–	–	–	–	(11,034)	176,867	3,222	–	169,055	32	169,087
Final dividends declared	–	–	–	–	–	–	–	(220,312)	(220,312)	–	(220,312)
Transfer from retained profits	–	–	521	46,326	–	(46,847)	–	–	–	–	–
At 30 June 2015 (unaudited)	444,116	854,922	378,465	1,372,120	(11,034)	3,743,842	192,867	–	6,975,298	2,759	6,978,057

2014	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Non-distributable reserve RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 Unaudited *RMB'000*	2014 Unaudited *RMB'000*
Operating cash flows before movements in working capital:	555,008	795,744
Decrease in inventories	239,379	489,632
Increase in trade and bills receivables	(79,878)	(279,731)
Decrease/(increase) in prepayments, deposits and other receivables	214,664	(25,323)
(Increase)/decrease in finance lease receivables	(48,702)	13,814
Decrease in trade, bill and other payables	(69,904)	(45,742)
Decrease in provisions	(19,101)	(3,203)
Increase in amounts due from related parties	(1,833)	(4,192)
Decrease in amounts due to related parties	(5,654)	(5,198)
Increase/(decrease) in deposits for finance leases	408	(51,461)
Income tax paid	(56,999)	(132,834)
Interest received	30,013	12,295
Net cash flows from operating activities	757,401	763,801
Cash flows from investing activities		
Purchase of property, plant and equipment	(24,322)	(66,088)
Payment for lease premium for land	(164)	(1,022)
Proceeds from transfer of land	3,496	105,754
Decrease in deferred income	(3,519)	(3,319)
Increase in equity investments at fair value through profit or loss	(200,000)	–
Purchases of an available-for-sale investment	(300,000)	–
Purchases of other financial investment	(300,000)	–
Proceeds from an available-for-sale investment	300,000	–
Proceeds from disposal of interests in associates	–	15,146
Proceeds from disposal of items of property, plant and equipment	104,476	15,745
Net cash flows (used in)/from investing activities	(420,033)	66,216

	Notes	For the six months ended 30 June 2015 Unaudited *RMB'000*	2014 Unaudited *RMB'000*
Cash flows from financing activities			
Proceeds from borrowings		273,723	1,868,876
Repayment of borrowings		(364,049)	(30,764)
Repurchase of long-term loan notes		–	(1,713,548)
Non-derecognized payables		(20,171)	(51,455)
Increase in pledged bank deposits		(61,164)	(1,046,562)
Interest paid		(59,117)	(111,129)
Net cash flows used in financing activities		(230,778)	(1,084,582)
Net increase/(decrease) in cash and cash equivalents		106,590	(254,565)
Net foreign exchange difference		13	1,287
Cash and cash equivalents at 1 January		1,088,465	995,123
Cash and cash equivalents at 30 June	16	1,195,068	741,845

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 were authorized for issue in accordance with a resolution of the directors on 27 August 2015.

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 2015 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 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

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 2014, 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 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several new standards and amendments apply for the first time in 2015 by the Group. However, they do not have a material impact on 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:

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

HKAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

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)*

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

HKFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

HKFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 (or HKAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

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)*

Annual Improvements 2010-2012 Cycle *(Continued)*

HKFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in HKFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 3 in these financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of his decision making.

HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in HKAS 16 and HKAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

HKAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

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)*

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

HKFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within HKFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of HKFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

The Company is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

HKFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 (or HKAS 39, as applicable). The Group does not apply the portfolio exception in HKFRS 13.

HKAS 40 Investment Property

The description of ancillary services in HKAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that HKFRS 3, and not the description of ancillary services in HKAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on HKFRS 3, not HKAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

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 for the Group's operating segments for the six months ended 30 June 2015 and 2014:

Six months ended 30 June 2015	**Sale of construction machinery** *RMB'000*	**Finance leases of construction machinery** *RMB'000*	**Total** *RMB'000*
Segment revenue	2,933,047	11,809	2,944,856
Results			
Segment results	231,068	10,361	241,429
Reconciliation:			
Finance income			75,196
Unallocated other income, gains and losses			5,987
Unallocated corporate expenses			(1,655)
Finance costs			(59,109)
Profit before tax			261,848

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

3. Operating segment information *(Continued)*

Operating segments *(Continued)*

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.

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 2015 and 31 December 2014:

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Segment assets:	13,038,006	13,075,616
Sale of construction machinery	12,898,926	12,987,898
Finance leases of construction machinery	139,080	87,718
Corporate and other unallocated assets	75,624	93,781
Consolidated assets	13,113,630	13,169,397

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Segment liabilities:	1,840,249	1,777,365
Sale of construction machinery	1,751,764	1,679,106
Finance leases of construction machinery	88,485	98,259
Corporate and other unallocated liabilities	4,295,324	4,362,750
Consolidated liabilities	6,135,573	6,140,115

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			
	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Sales of construction machinery:				
Wheel loaders	1,600,912	54.4	2,830,340	63.1
Excavators	342,745	11.6	460,855	10.3
Road rollers	45,778	1.6	50,103	1.1
Forklifts	557,312	18.9	626,774	14.0
Components	386,300	13.1	504,334	11.2
Subtotal	2,933,047	99.6	4,472,406	99.7
Finance lease interest income	11,809	0.4	12,328	0.3
Total	2,944,856	100	4,484,734	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	
	2015 *RMB'000*	2014 *RMB'000*
Government grants	10,658	17,654
Penalty income	6,619	3,796
Reversal of inventory provision	3,392	–
Others	5,089	2,269
	25,758	23,719

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

	For the six months ended 30 June	
	2015 *RMB'000*	2014 *RMB'000*
Exchange realignment from convertible bonds	–	5
Loss on repurchase of long-term loan notes	–	(70,280)
(Loss)/gain on disposal of items of property, plant and equipment	(2,700)	37,611
Allowance for bad and doubtful debts	(112,591)	(99,304)
Fair value gains, net:		
Equity investments at fair value through profit or loss		
– held for trading	(34,180)	–
Compensation terms for investment	34,880	–
Investment income	1,926	–
Foreign exchange gain	3,361	3,801
	(109,304)	(128,167)

5. Profit before tax

Profit before tax has been arrived at after charging:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses	2,181,746	3,340,010
Staff costs, including directors' remuneration	166,884	206,371
Contribution to a retirement benefit scheme	17,144	16,913
Amortisation of lease payments for land	2,621	3,599
Depreciation of property, plant and equipment	194,139	194,296
Bad debt provision	112,591	99,304
and after crediting:		
Interest income on bank deposits	75,196	42,737
Income-related government grants	10,658	17,654

6. Income tax

The Group calculates the income tax expense for the current period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current income tax expense	13,368	100,210
Deferred income tax expense relating to origination and reversal of temporary differences	71,569	1,484
Income tax expense recognised in statement of profit or loss	84,937	101,694

7. Dividend due to shareholders

The directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

The proposed final dividend of HK$0.065 per ordinary share for the year ended 31 December 2014 was declared payable and approved by the shareholders at the annual general meeting of the Company on 28 May 2015 and was paid on 5 August 2015.

8. Property, plant and equipment

During the six months ended 30 June 2015, the Group acquired assets with a cost of RMB45,225,000 (six months ended 30 June 2014: RMB54,990,000), including property, plant and machinery in the People's Republic of China (the "PRC").

Assets with a net book value of RMB103,169,000 were disposed of by the Group during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB161,162,000), resulting in a net loss on disposal of RMB2,700,000 (net gain in the six months ended 30 June 2014: RMB37,611,000).

9. Long-term receivables

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

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Trade receivables (note 11)	76,584	76,457
Other receivables (note 12)	727	10,799
	77,311	87,256

10. Inventories

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Raw materials	551,856	560,163
Work in progress	107,693	104,579
Finished goods	900,786	1,131,580
	1,560,335	1,796,322

11. Trade and bills receivables

The Group allows credit periods from 6 months up to 12 months to its trade customers. Longer credit terms may be offered to some customers with good credit history and relationships.

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Trade receivables	2,426,839	2,112,187
Impairment	(217,077)	(187,644)
Less: Non-current portion (note 9)	(76,584)	(76,457)
	2,133,178	1,848,086
Bills receivable	281,018	505,775
	2,414,196	2,353,861

The aged analysis of trade receivables is as follows:

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
0-90 days	1,600,069	1,316,127
91-180 days	261,483	265,729
181-360 days	236,890	234,706
Over 1 year	34,736	31,524
	2,133,178	1,848,086

Bills receivable are aged within six months at the end of each reporting period. Bills receivable amounting to RMB94,289,000 were pledged to banks by the Group as security for short-term credit facilities in this period (31 December 2014: 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 2015 *RMB'000*	31 December 2014 *RMB'000*
Prepayments	167,120	227,115
Deductible value-added tax	98,794	144,289
Deposits	8,027	11,685
Total	273,941	383,089
Other receivables:		
Loan receivables	843,620	986,418
Less: non-current portion (note 9)	(727)	(10,799)
Less: impairment	(368,790)	(308,537)
Net loan receivables	474,103	667,082
Other miscellaneous receivables	314,332	268,795
Less: impairment	(2,074)	(2,074)
Net other miscellaneous receivables	312,258	266,721
Total other receivables	786,361	933,803
Grand total	1,060,302	1,316,892

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

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.

12. Prepayments, deposits and other receivables *(Continued)*

A large portion of other receivables includes the loan receivables to sales agencies for their 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 3 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 interest rates ranging from 3% to 8.4% per annum and would mainly be repaid within 18 to 24 months.

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

13. Available-for-sale investments

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Unlisted equity investments, at fair value	287,004	–

During the six-month period ended 30 June 2015, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB12,995,000 (2014: nil).

The underlying trading portfolio included equity securities, shares and bonds with no fixed maturity date or coupon rate.

14. Equity investments at fair value through profit or loss

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Listed equity investments, at fair value	165,820	–

The above equity investment at 30 June 2015 was classified as held for trading upon initial recognition.

15. Derivative financial instruments

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Compensation terms for investment	34,880	–

The compensation terms for investment is related to the equity investments at fair value through profit or loss (note 14).

The Group entered an agreement with an asset management company with a notional amount of RMB200,000,000. When the investment return is below 7% of the notional amount, the group will receive a compensation from the asset management company and the total return will be no less than 7% after the compensation.

16. Cash and cash equivalents

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Cash and bank balances	1,195,068	1,088,465
Time deposits	2,419,504	2,358,340
Less: Pledged for long-term bank loans	(1,101,320)	(954,000)
Pledged for bank acceptance bills – non-current	(887)	(2,402)
Pledged for bank acceptance bills – current	(14,797)	(14,438)
Pledged for short-term bank loans	(1,300,000)	(1,385,000)
Pledged for others	(2,500)	(2,500)
	1,195,068	1,088,465

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

17. Trade and bills payables

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

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
0-180 days	840,363	784,856
181 days-1 year	51,759	43,357
1-2 years	23,141	12,215
2-3 years	6,847	17,473
Over 3 years	19,361	11,385
	941,471	869,286

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

18. Other payables and accruals

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Accrued sales rebate	185,124	228,610
Salary and wages payable	37,525	76,943
Advances from customers	27,140	52,450
Payable for acquisition of property, plant and equipment	22,992	5,732
Non-derecognised endorsement bills and trade receivables	20,483	40,654
Deposit for finance leases	10,048	4,745
Other taxes payable	6,557	11,708
Other payables	97,110	128,794
Other accrued expenses	35,620	37,971
	442,599	587,607

19. Interest-bearing bank borrowings

During the six-month period ended 30 June 2015, the Group repaid short-term bank loans of US$42,750,000 (equivalent to RMB263,659,000), HK$100,000,000 (equivalent to RMB78,890,000) and RMB21,500,000. The short-term loans bear interest at rates ranging from 2.28% to 2.37% per annum.

The Group obtained a long-term bank loan of US$45,000,000 (equivalent to RMB273,723,000). The long-term loans bear interest at rates ranging from 2.27% to 3.58% per annum.

Certain of the Group and the Company's bank loans are secured by (note 16):

i) the pledge of certain of the Group's short-term time deposits amounting to RMB1,300,000,000 for short-term loans (31 December 2014: RMB1,385,000,000);

ii) the pledge of certain of the Group's long-term time deposits amounting to RMB1,101,320,000 for long-term loans (31 December 2014: RMB954,000,000).

20. 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 providers. 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 providers to settle the outstanding amounts and the related interest. As at 30 June 2015, the Group's contingent liabilities for such repurchase obligation amounted to RMB189,748,000 (31 December 2014: RMB469,003,575) (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 2015 was insignificant.

Capital commitments

At 30 June 2015, the Group had capital commitments of RMB23,866,000 (31 December 2014: RMB34,471,000) principally relating to the acquisition of property, plant and equipment located in Shanghai and Fujian, the PRC.

21. 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 2015 and 30 June 2014 as well as balances with related parties as at 30 June 2015 and 31 December 2014:

		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 Limited (note a)	2015	–	12,254	–	2,907
	2014	–	17,474	–	8,457
Herkules (Shanghai) Automation Equipment Co. Ltd. (note b)	2015	601	4,119	601	880
	2014	614	2,059	–	2,990
Shanghai Refined Machinery Co., Ltd. (note c)	2015	39,561	2,958	9,906	680
	2014	1,669	61	8,674	–
Shanghai Longtui Machinery Co., Ltd. (note d)	2015	–	1,500	133	1,326
	2014	138	4,596	133	–
Fujian Lonyan Engineering Machinery (Group) Co. Ltd. (note e)	2015	95,674	–	–	–
	2014	–	–	–	–

21. 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.

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: Fujian Lonyan Engineering Machinery (Group) Co., Ltd. is jointly owned by Madam Ngai Ngan Ying who is a non-executive director of the Company, and Mr. Li San Yim who is a controlling shareholder of the Company, an executive director and the chairman of the Group.

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2015 *RMB'000*	2014 *RMB'000*
Short-term employee benefits	4,484	4,482
Pension scheme contributions	20	18
Total compensation paid to key management personnel	4,504	4,500

22. 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 2015

Financial assets

	Financial assets at fair value through profit or loss held for trading *RMB'000*	Available-for-sale financial assets *RMB'000*	Loans and receivables *RMB'000*	Total *RMB'000*
Trade and bills receivables	–	–	2,414,196	2,414,196
Long-term receivables	–	–	77,311	77,311
Due from related parties	–	–	10,640	10,640
Financial assets included in prepayments, deposits and other receivables	–	–	734,122	734,122
Finance lease receivables	–	–	83,136	83,136
Other current assets	–	–	301,926	301,926
Available-for-sale investments	–	287,004	–	287,004
Equity investments at fair value through profit or loss	165,820	–	–	165,820
Derivative financial instruments	34,880	–	–	34,880
Pledged deposits	–	–	2,419,504	2,419,504
Cash and cash equivalents	–	–	1,195,068	1,195,068
	200,700	287,004	7,235,903	7,723,607

22. Financial instruments by category *(Continued)*

30 June 2015

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	941,471
Financial liabilities included in other payables and accruals	178,110
Deposits for finance leases	59,073
Interest-bearing bank borrowings	4,190,893
Dividend due to shareholders	220,312
Due to related parties	5,793
	5,595,652

31 December 2014

Financial assets

	Available-for-sale financial assets *RMB'000*	Loans and receivables *RMB'000*	Total *RMB'000*
Trade and bills receivables	–	2,353,861	2,353,861
Long-term receivables	–	87,256	87,256
Due from related parties	–	8,807	8,807
Financial assets included in prepayments, deposits and other receivables	–	890,295	890,295
Finance lease receivables	–	34,434	34,434
Other current assets	300,000	–	300,000
Pledged deposits	–	2,358,340	2,358,340
Cash and cash equivalents	–	1,088,465	1,088,465
	300,000	6,821,458	7,121,458

22. Financial instruments by category *(Continued)*

31 December 2014

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	869,286
Financial liabilities included in other payables and accruals	252,123
Deposits for finance leases	53,362
Interest-bearing bank borrowings	4,281,219
Due to related parties	11,447
	5,467,437

23. 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 2015 *RMB'000*	31 December 2014 *RMB'000*	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Financial assets:				
Finance lease receivables, non-current portion	6,507	552	6,465	619
Available-for-sale investments	287,004	–	287,004	–
Equity investments at fair value through profit or loss	165,820	–	165,820	–
Derivative financial instruments	34,880	–	34,880	–
Other current assets	301,926	300,000	301,926	300,000
	796,137	300,552	796,095	300,619
Financial liabilities:				
Interest-bearing bank borrowings	1,847,842	1,574,119	1,792,593	1,519,318

23. Fair value and fair value hierarchy *(Continued)*

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, 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, and 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, long-term receivables, interest-bearing bank borrowings and the 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 2015 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. Derivative financial instruments are measured using present value calculations.

23. 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 measured at fair value:

As at 30 June 2015

	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*
Available-for-sale investments	–	287,004	301,926	588,930
Equity investments at fair value through profit or loss	165,820	–	–	165,820
Derivative financial instruments	–	34,880	–	34,880
	165,820	321,884	301,926	789,630

As at 31 December 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*
Available-for-sale investments	–	–	300,000	300,000

23. Fair value and fair value hierarchy *(Continued)*

Fair value hierarchy *(Continued)*

Assets for which fair values are disclosed:

As at 30 June 2015

	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	–	6,465	–	6,465

As at 31 December 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	–	619	–	619

23. Fair value and fair value hierarchy *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed:

As at 30 June 2015

	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	–	1,574,119	–	1,574,119

As at 31 December 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	–	1,519,318	–	1,519,318

24. 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 27 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

As influenced by the slowdown of macro economy and fixed assets investment, the demand for the construction machinery remained weak and the overall sales volume in the industry declined. Exposing to the change of macro economic environment, the Company actively took a series of practicable measures to constantly control marketing risk, continuously complete products structure and quality and vigorously improve services. Under the backdrop of continuously sluggish demand and sharp market competition, the Company kept and enhanced the leading position of its major products during the reporting period. Assets quality and financial position recorded further optimization. Total revenue for the period decreased by RMB1,540 million or 34.34% from RMB4,485 million of the corresponding period of 2014 to RMB2,945 million. During the Period, the consolidated gross profit margin of the Group grew from 25.52% to 25.91%, remaining at a relatively stable level, mainly due to the vertical integration of the Group, consolidation of resources of the Company, enhancement of internal management and continuously low prices of bulk materials. In the first half of 2015, the Group recorded net profit of approximately RMB177 million, representing a year-on year decline of 48.88%, mainly attributable to the decrease of gross profit and control of financial expense as a result of reduce of the sales revenue.

Geographical Results

As impacted by the slowdown of growth rate of fixed asset investment in China, demand in every region of China remained sluggish, and the sales from all regions recorded a significant decrease.

In northern region of PRC, the company's principal marketing area, for the period ended on 30 June 2015, sales decreased by 45.9% to RMB564 million (Six months ended 30 June 2014: RMB1,042 million), which was accounted for 19.1% of the Group's total turnover as compared to 23.2% over the same period of 2014.

Sales from central region and eastern region represented approximately 13.9% and 14.2% of our total turnover respectively as compared to 16.8% and 14.3% of our total turnover respectively over the same period of 2014. Sales from central region decreased by 45.7% to RMB409 million and sales from eastern region decreased by 35.0% to RMB418 million.

Sales from northeastern region increased by 52.8% to RMB91 million while sales from northwestern region decreased by 53.4% to RMB281 million. Sales from northeastern and northwestern region represented approximately 3.1% and 9.6% of our total turnover respectively. In southwestern region of PRC, sales declined significantly from the previous fiscal year over the same corresponding period to RMB339 million (Six months ended 30 June 2014: RMB471 million).

During the period under review, the Group realized revenue of approximately RMB412 million in the overseas market as compared to RMB309 million over the same period of 2014. This was mainly attributable to the fact that the Group work to further improve and strengthen distributorships in the overseas market. Sales from overseas represented approximately 14.0% of our total turnover as compared to 6.9% of our total turnover over the same period of 2014.

Products Analysis

Wheel Loaders

Sales from wheel loaders series, our major products for the six months under review decreased 43.4% to RMB1,601 million (six months ended 30 June 2014: RMB2,830 million) due to the industry demand substantially reduced. Among which, revenue generated from ZL50 and ZL30 showed a decrease of 44.9% and 39.1% respectively, representing 44% and 7% of total revenue respectively. Revenue from ZL40 series decreased 30.1% to approximately RMB14.8 million (six months ended 30 June 2014: RMB21 million). Wheel loader remained as the Company's main revenue driver.

Excavator

For the six months ended 30 June 2015, sales from excavator series amounted to RMB343 million, representing a decrease of 25.6% as compared to the same period in 2014 (six months ended 30 June 2014: RMB461 million).

Fork Lifts and Road Rollers

Sales from fork lifts series decreased 11.2% to RMB557 million for the Period (six months ended 30 June 2014: RMB627 million). Revenue generated from fork lifts series represented approximately 18.9% of our total turnover. Sales from our road rollers amounted to RMB46 million, representing a decrease of 8.0% as compared to the same period in 2014 (six months ended 30 June 2014: RMB50 million).

Components

The sales generated from components amounted to approximately RMB386 million for the Period, representing a decrease of 23.4% as compared to the same period in 2014 (six months ended 30 June 2014: RMB504 million).

Finance Lease Interest Income

Turnover from finance lease interest decreased 4.1% to approximately RMB11.8 million for the Period, representing only 0.4% of our total turnover because the finance lease business was gradually reduced by the Group since 2011 (six months ended 30 June 2014: approximately RMB12.3 million).

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.

Cash and Bank Balance

As at 30 June 2015, the Group had cash and bank balances of approximately RMB1,195 million (31 December 2014: approximately RMB1,088 million) and pledged bank deposit of approximately RMB2,420 million (31 December 2014: approximately RMB2,358 million). Compared with last year, the cash and bank balances increased by about RMB107 million, which was as a result of net cash inflow of RMB758 million from operating activities, net cash outflow of RMB420 million from investing activities and net cash outflow of RMB231 million from financing activities.

The pledged deposit balance at 30 June 2015 increased by approximately RMB62 million.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 30 June 2015 was approximately RMB6,978 million, a decrease of 0.73% from approximately RMB7,029 million as at 31 December 2014.

The current ratio of the Group at 30 June 2015 was 2.06 (31 December 2014: 1.90). 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 six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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 2015, the gross gearing ratio (defined as total liabilities over total assets) was approximately 46.79% (31 December 2014: 46.62%).

Capital Expenditure

During the Period, the Group acquired property, plant and equipment of approximately RMB45 million (six months ended 30 June 2014: approximately RMB55 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.

Exposure in Exchange Rate Fluctuation

The Group adopts a prudent treasury and hedging policy consistently.

The Group's operations were mainly conducted in China and the majority of the businesses were transacted in Renminbi except for the Group's bank borrowings related to overseas sources. The Board is of the view that the Group's operating cash flow and liquidity is not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will continue to pay close attention to the fluctuations of the relevant currency foreign exchange rate, and may adopt proper measures to reduce the currency risk exposures of the Group when appropriate.

Capital Commitment

As at 30 June 2015, the Group had contracted but not included in the financial statements in respect of acquisition of property, plant and equipment amounting to approximately RMB24 million (31 December 2014: approximately RMB34 million).

PROSPECT

Looking into the next half of 2015, the international and domestic environment of economy will remain complex and austere. As affected by the macro economic policy, the construction machinery sector will experience a long period of adjustment and integration. The growth of demand across the sector will remain slowdown in the coming period, and the risk of over capacity is unable to be released effectively. Facing various market challenges, the Company will focus on the construction machinery industry and improve its products including wheel loaders, fork lifts, excavators, road rollers and core components, constantly raise its own technological research and development capacity, pay attention to the quality of products, improve brand awareness, leverage the marketing and service advantage while keeping risk controllable, constantly consolidate supply and transportation optimization resources, enhance cost control and expense management, deeply develop both international and domestic market, continue to promote the balanced development of every kind of complete machines and vigorously improve the market share. The Company believes that it will seize market opportunity upon a slight recovery of the industry, positively develop and obtain more stable and excellent performance in the future, endeavor to create value for the customers and bring best return for the shareholders.

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 2015 (the "2015 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 2015, 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 six months ended 30 June 2015.

Improvements in Internal Control Systems

Additional measures and improvements for the internal control systems of the Company during the six months ended 30 June 2015.

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 2015, 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

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DISCLOSURE OF INTERESTS

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

As at 30 June 2015, 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 2015
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 2015
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 2015, 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 2015, 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 2015
China Longgong Group Holdings Ltd (Note 1)	beneficial owner	1,312,058,760	30.65%
GIC Private Limited	Investment Manager	300,905,916	7.03%

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 2015, 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 2015 (six months ended 30 June 2014: 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 2015, the Group employed approximately 5,942 employees.

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

During the period ended on 30 June 2015, 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 2015 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 2015

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

Non-executive directors
Ms. Ngai Ngan Ying

Independent non-executive directors
Dr. Qian Shizheng
Mr. Jin Zhiguo
Mr. Wu Jian Ming
Mr. Chen Zhen

AUDIT COMMITTEE
Dr. Qian Shizheng *(Chairman)*
Mr. Chen Zhen
Ms. Ngai Ngan Ying

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

NOMINATION COMMITTEE
Mr. Chen Zhen *(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

COMPANY SECRETARY
Mr. Chu Shun

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AUDITORS

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Certified Public Accountants
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