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**LONGKING 龍工**  
**LONGKING HOLDINGS LIMITED**  
**中國龍工控股有限公司\***

*(Incorporated in the Cayman Islands with Limited Liability)*  
**(Stock code: 3339)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (the “Board”) of Lonking Holdings Limited (the “Company”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 (the “Period”), together with the comparative figures for the corresponding period in 2020 as follows.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
*YEAR ENDED 31 DECEMBER 2021*

	<i>NOTES</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
REVENUE	3	<b>13,690,520</b>	12,880,448
Cost of sales		<u><b>(11,233,102)</b></u>	<u>(9,870,405)</u>
Gross profit		<b>2,457,418</b>	3,010,043
Other income	4	<b>71,758</b>	110,622
Other gains and losses	4	<b>350,439</b>	538,767
Selling and distribution expenses		<b>(701,272)</b>	(672,750)
Administrative expenses		<b>(249,783)</b>	(240,999)
Impairment losses on financial assets, net		<b>(4,875)</b>	10,440
Research and development costs		<b>(622,557)</b>	(578,946)
Other expenses		<b>(83)</b>	(390)
Finance income	4	<b>163,300</b>	148,127
Finance costs	5	<u><b>(11,432)</b></u>	<u>(17,282)</u>

\* For identification purpose only

	<i>NOTES</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
PROFIT BEFORE TAX	6	<b>1,452,913</b>	2,307,632
Income tax expense	7	<u>(177,487)</u>	<u>(347,883)</u>
PROFIT FOR THE YEAR		<u><b>1,275,426</b></u>	<u>1,959,749</u>
Attributable to:			
Owners of the parent		<b>1,275,383</b>	1,959,235
Non-controlling interests		<u>43</u>	<u>514</u>
		<u><b>1,275,426</b></u>	<u>1,959,749</u>
 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted:			
– For profit for the year	9	<u><b>0.30</b></u>	<u>0.46</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31 DECEMBER 2021**

	<b>2021</b>	2020
<i>NOTES</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
PROFIT FOR THE YEAR	<u><b>1,275,426</b></u>	<u>1,959,749</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	(2,955)	–
Income tax effect	<u>446</u>	<u>–</u>
	<b>(2,509)</b>	–
Exchange differences:		
Exchange differences on translation of foreign operations	<u>24,507</u>	<u>33,623</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>21,998</u>	<u>33,623</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u><b>21,998</b></u>	<u>33,623</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>1,297,424</b></u>	<u>1,993,372</u>
Attributable to:		
Owners of the parent	1,297,381	1,992,858
Non-controlling interests	<u>43</u>	<u>514</u>
	<u><b>1,297,424</b></u>	<u>1,993,372</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	10	2,063,046	2,026,269
Right-of-use assets		135,142	169,431
Finance lease receivables	11	40	56
Prepayments for property, plant and equipment		45,552	19,108
Long-term receivables	12	478,057	603,090
Equity investments at fair value through other comprehensive income	17	1,450	1,450
Financial assets at fair value through profit or loss	18	640,370	808,560
Deferred tax assets		414,433	442,915
Pledged deposits	19	356,212	—
Total non-current assets		<u>4,134,302</u>	<u>4,070,879</u>
Current assets			
Inventories	13	4,061,078	3,753,892
Finance lease receivables	11	726	4,085
Trade and bills receivables	14	3,255,311	3,187,122
Due from related parties		6,040	13,197
Prepayments, other receivables and other assets	15	643,965	877,498
Financial assets at fair value through other comprehensive income	16	201,951	211,428
Financial assets at fair value through profit or loss	18	1,845,817	1,538,021
Pledged deposits	19	428,022	837,547
Cash and cash equivalents	19	2,025,005	2,780,567
Total current assets		<u>12,467,915</u>	<u>13,203,357</u>
Current liabilities			
Trade and bills payables	20	4,301,695	4,900,158
Other payables and accruals	21	1,060,381	1,058,823
Interest-bearing bank borrowings	22	—	663,452
Due to related parties		16,727	18,454
Tax payable		126,321	298,083
Provisions		151,195	153,029
Deferred income		2,859	3,284
Total current liabilities		<u>5,659,178</u>	<u>7,095,283</u>

		2021	2020
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net current assets		<u>6,808,737</u>	<u>6,108,074</u>
Total assets less current liabilities		<u>10,943,039</u>	<u>10,178,953</u>
Non-current liabilities			
Deposits for finance leases	<i>11</i>	37	31
Interest-bearing bank borrowings	<i>22</i>	648,281	–
Deferred tax liabilities		63,577	60,283
Provisions		11,075	12,292
Deferred income		<u>15,280</u>	<u>12,072</u>
Total non-current liabilities		<u>738,250</u>	<u>84,678</u>
Net assets		<u>10,204,789</u>	<u>10,094,275</u>
Equity			
Equity attributable to owners of the parent			
Issued capital		444,116	444,116
Share premium and reserves		<u>9,758,149</u>	<u>9,647,678</u>
		10,202,265	10,091,794
Non-controlling interests		<u>2,524</u>	<u>2,481</u>
Total equity		<u>10,204,789</u>	<u>10,094,275</u>

## 1. CORPORATE AND GROUP INFORMATION

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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Ms. Ngai Ngan Ying, a non-executive director of the Company, is the ultimate controller of the Company.

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

The consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the Company’s subsidiaries, except for China Dragon Development Ltd. and China Dragon Investment Ltd. The functional currency of the Company, China Dragon Development Ltd. and China Dragon Investment Ltd. is the Hong Kong dollar (“HK\$”).

The principal activities of the Company and its subsidiaries (the “Group”) are the manufacture and distribution of wheel loaders, road rollers, excavators, forklifts and other construction machinery and the provision of finance leases for construction machinery.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, wealth management products and equity investments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## **2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

Amendments to HKFRS 9  
HKAS 39 and HKFRS 7  
HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

*Interest Rate Benchmark Reform– Phase 2*

*Covid-19-Related Rent Concessions beyond 30  
June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had interest-bearing bank borrowing denominated in United States dollars based on the London Interbank Offered Rate (“LIBOR”). If the interest rate of the borrowing is replaced by RFR in a future period, the Group will apply this the above-mentioned practical expedient upon the modification of the borrowing when instrument provided that the “economically equivalent” criterion is met. The amendments did not have any significant impact on the financial position and performance of the Group.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group as the Group does not have any such lease arrangement.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to HKFRS 17	<i>Insurance Contract<sup>2, 5</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2, 4</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>1</sup></i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Those HKFRSs are expected to be applicable to the Group for annual periods beginning on or after the effective date. These new and amended HKFRSs are not expected to have any significant impact on the Group's financial statements.

### 3. OPERATING SEGMENT INFORMATION

Year ended 31 December 2021	Sale of construction machinery <i>RMB'000</i>	Finance lease of construction machinery <i>RMB'000</i>	Financial investment <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	13,690,314	206	–	13,690,520
Segment results	1,183,378	134	149,040	1,332,552
Reconciliation:				
Interest income				163,300
Unallocated other income and gains				(19,797)
Corporate and other unallocated expenses				(11,710)
Finance costs				<u>(11,432)</u>
Profit before tax				<u>1,452,913</u>
Segment assets	13,889,076	87,465	2,486,187	16,462,728
Corporate and other unallocated assets				<u>139,489</u>
Total assets				<u>16,602,217</u>
Segment liabilities	5,622,826	11,619	76,590	5,711,035
Corporate and other unallocated liabilities				<u>686,393</u>
Total liabilities				<u>6,397,428</u>
OTHER SEGMENT INFORMATION				
Impairment of financial assets, net	4,911	(36)	–	4,875
Provision for inventories	(2,940)	–	–	(2,940)
Depreciation	290,819	–	–	290,819
Capital expenditure*	358,179	–	–	358,179

\* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Year ended 31 December 2020	Sale of construction machinery <i>RMB'000</i>	Finance lease of construction machinery <i>RMB'000</i>	Financial investment <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	12,879,335	1,113	–	12,880,448
Segment results	1,647,281	149	536,255	2,183,685
Reconciliation:				
Interest income				148,127
Unallocated other income and gains				6,491
Corporate and other unallocated expenses				(13,389)
Finance costs				<u>(17,282)</u>
Profit before tax				<u><u>2,307,632</u></u>
Segment assets	14,748,615	6,036	2,346,581	17,101,232
Corporate and other unallocated assets				<u>173,004</u>
Total assets				<u><u>17,274,236</u></u>
Segment liabilities	6,388,717	12,023	65,649	6,466,389
Corporate and other unallocated liabilities				<u>713,572</u>
Total liabilities				<u><u>7,179,961</u></u>
OTHER SEGMENT INFORMATION				
Impairment of financial assets, net	(10,377)	(63)	–	(10,440)
Provision for inventories	2,071	–	–	2,071
Depreciation	340,556	–	–	340,556
Capital expenditure*	301,545	–	–	301,545

\* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

## Revenue derived from major products and services

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

	2021		2020	
	RMB'000	%	RMB'000	%
Wheel loaders	6,610,752	48.3	6,284,146	48.8
Excavators	1,872,611	13.7	2,415,604	18.8
Road rollers	81,200	0.6	88,261	0.7
Forklifts	3,516,172	25.7	2,711,193	21.0
Others	1,609,579	11.7	1,380,131	10.7
Subtotal	13,690,314	100.0	12,879,335	100.0
Finance lease interest income	206	0.0	1,113	0.0
Total	<u>13,690,520</u>	<u>100.0</u>	<u>12,880,448</u>	<u>100.0</u>

There was no revenue from a single customer accounted for 10% or more of the total revenue of the Group for the year.

Revenue is recognised when goods are transferred at a point in time.

Approximately 11% (2020: 7%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, with 100% (2020: 100%) of the costs denominated in the units' functional currencies.

## Geographical information

The Group's operations are substantially located in Mainland China and substantially all non-current assets of the Group are located in Mainland China. Therefore, no further analysis of geographical information is presented.

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

	2021 RMB'000	2020 RMB'000
<b>Finance income</b>		
Bank interest income	<u>163,300</u>	<u>148,127</u>
<b>Other income</b>		
Government grants	64,127	89,350
Penalty income	473	2,701
Others	<u>7,158</u>	<u>18,571</u>
	<u>71,758</u>	<u>110,622</u>

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Other gains and losses</b>		
(Loss)/gain on foreign exchange gains	<b>(18,391)</b>	6,491
Gains from derivative financial instruments	<b>8,028</b>	2,447
Gains from notes receivable	<b>6,242</b>	–
Provision for inventories	<b>2,940</b>	(2,071)
Loss on disposal of items of property, plant and equipment	<b>(1,516)</b>	(1,908)
Fair value gains, net:		
Financial assets at fair value through profit or loss		
– held for trading	<b>139,606</b>	9,814
Derivative financial instruments		
– transactions not qualifying as hedges	–	(65,530)
Gain on disposal of a subsidiary ( <i>note 23</i> )	<b>213,530</b>	–
Investment management fee	–	(41,191)
Dividend income from financial assets at fair value through profit or loss	–	630,715
	<u>–</u>	<u>630,715</u>
	<b><u>350,439</u></b>	<b><u>538,767</u></b>

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank loans	<u>7,327</u>	<u>12,879</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<b>7,327</b>	12,879
Other finance costs:		
Interest on discounted notes receivable	<b>2,882</b>	–
Other financial costs	<u>1,223</u>	<u>4,403</u>
	<b><u>11,432</u></b>	<b><u>17,282</u></b>

## 6. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold	11,609,999	9,614,835
Depreciation of property, plant and equipment ( <i>note 10</i> )	285,775	334,782
Depreciation of right-of-use assets	5,044	5,774
Research and development costs	622,557	578,946
Auditor's remuneration	2,880	2,760
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	839,585	733,597
Contributions to a pension scheme	56,701	14,583
Foreign exchange differences, net	18,391	(6,491)
Impairment of financial assets, net		
– trade receivables ( <i>note 14</i> )	(3,627)	(7,208)
– other receivables ( <i>note 15</i> )	8,538	(3,169)
– financial lease receivables ( <i>note 11</i> )	(36)	(63)
	<u>4,875</u>	<u>(10,440)</u>
Provision for inventories	(2,940)	2,071
Product warranty provision:		
Additional provision	227,150	234,000
Bank interest income	(163,300)	(148,127)
Loss on disposal of items of property, plant and equipment	1,516	1,908
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss		
– held for trading	(139,606)	(9,814)
Derivative instruments		
– transactions not qualifying as hedges	–	65,530
Gain on disposal of a subsidiary	(213,530)	–
Dividend income from financial assets at fair value through profit or loss	–	(630,715)
Investment management fee	–	41,191

## 7. INCOME TAX

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
Charged for the year	111,180	341,009
Underprovision/(overprovision) in prior years	2,424	(1,515)
Withholding tax paid	<u>32,107</u>	<u>53,035</u>
	145,711	392,529
Deferred tax	<u>31,776</u>	<u>(44,646)</u>
	177,487	347,883
Total tax charge for the year	<u><u>177,487</u></u>	<u><u>347,883</u></u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2021		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	<u>1,452,913</u>		<u>2,307,632</u>	
Tax at the statutory tax rate of 25% (2020: 25%)	363,228	25.0	576,908	25.0
Different tax rates for specific entities (i)	(32,604)	(2.3)	–	–
Expenses not deductible for tax (ii)	16,439	1.1	8,699	0.4
Adjustments in respect of current tax of previous periods	2,424	0.2	(1,515)	(0.1)
Tax losses utilised from previous periods	(712)	(0.0)	(1,310)	(0.1)
Tax incentives on eligible research and development expenditures	(86,062)	(6.0)	(65,131)	(2.8)
Effect of withholding tax	25,611	1.8	58,194	2.5
Effect of the preferential tax rate of 15%	<u>(110,837)</u>	<u>(7.6)</u>	<u>(227,962)</u>	<u>(9.9)</u>
Tax charge and effective tax rate for the year	<u><u>177,487</u></u>	<u><u>12.2</u></u>	<u><u>347,883</u></u>	<u><u>15.0</u></u>

- (i) Hong Kong profits tax on the investment gain on disposal of a subsidiary has been provided at the rate of 10%.
- (ii) Expenses not deductible for tax purposes generally refer to expenses without proper tax deductible documents and other miscellaneous expenses which are in excess of the allowable tax deduction limit, such as entertainment expenses.

## 8. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed final – HK\$0.22 (2020: HK\$0.33) per ordinary share	<u>765,435</u>	<u>1,186,910</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,280,100,000 (2020: 4,280,100,000) in issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

## 10. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost						
At 1 January 2021	1,685,735	3,594,960	50,787	154,597	163,428	5,649,507
Additions	11,691	31,010	997	4,407	310,014	358,119
Transfers	64,058	307,330	1,943	4,868	(378,199)	-
Disposals	-	(22,722)	(1,643)	(1,838)	(377)	(26,580)
Disposal of a subsidiary	(75,356)	(3,366)	(3)	(1,479)	-	(80,204)
Exchange realignment	(562)	-	-	(10)	-	(572)
At 31 December 2021	<u>1,685,566</u>	<u>3,907,212</u>	<u>52,081</u>	<u>160,545</u>	<u>94,866</u>	<u>5,900,270</u>
Accumulated depreciation and impairment						
At 1 January 2021	809,453	2,659,672	42,244	111,869	-	3,623,238
Charge for the year	81,785	190,683	3,887	9,420	-	285,775
Disposals	-	(13,009)	(1,345)	(1,006)	-	(15,360)
Disposal of a subsidiary	(51,760)	(3,137)	(3)	(1,421)	-	(56,321)
Exchange realignment	(96)	-	-	(12)	-	(108)
At 31 December 2021	<u>839,382</u>	<u>2,834,209</u>	<u>44,783</u>	<u>118,850</u>	<u>-</u>	<u>3,837,224</u>
Carrying amount						
At 31 December 2021	<u>846,184</u>	<u>1,073,003</u>	<u>7,298</u>	<u>41,695</u>	<u>94,866</u>	<u>2,063,046</u>

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2020	1,642,169	3,490,788	51,617	154,432	89,724	5,428,730
Additions	30,104	36,870	1,372	4,553	228,646	301,545
Transfers	45,943	95,005	756	12,565	(154,269)	–
Disposals	(31,215)	(27,703)	(2,958)	(16,930)	(673)	(79,479)
Exchange realignment	(1,266)	–	–	(23)	–	(1,289)
At 31 December 2020	<u>1,685,735</u>	<u>3,594,960</u>	<u>50,787</u>	<u>154,597</u>	<u>163,428</u>	<u>5,649,507</u>
Accumulated depreciation and impairment						
At 1 January 2020	730,401	2,454,781	43,036	119,566	–	3,347,784
Charge for the year	94,513	230,001	1,599	8,669	–	334,782
Disposals	(15,244)	(25,110)	(2,391)	(16,341)	–	(59,086)
Exchange realignment	(217)	–	–	(25)	–	(242)
At 31 December 2020	<u>809,453</u>	<u>2,659,672</u>	<u>42,244</u>	<u>111,869</u>	<u>–</u>	<u>3,623,238</u>
Carrying amount						
At 31 December 2020	<u><u>876,282</u></u>	<u><u>935,288</u></u>	<u><u>8,543</u></u>	<u><u>42,728</u></u>	<u><u>163,428</u></u>	<u><u>2,026,269</u></u>

## 11. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance lease receivables comprise:				
Within one year	<b>740</b>	4,256	<b>732</b>	4,127
One to five years	<b>523</b>	551	<b>519</b>	535
	<b>1,263</b>	4,807	<b>1,251</b>	4,662
Less: Unearned finance income	<b>12</b>	145	–	–
Less: Provision for impairment	<b>485</b>	521	<b>485</b>	521
Present value of minimum lease payment receivables	<b>766</b>	4,141	<b>766</b>	4,141
Analysed into:				
Current			<b>726</b>	4,085
Non-current			<b>40</b>	56
			<b>766</b>	4,141

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	<b>521</b>	584
Impairment losses recognised ( <i>note 6</i> )	<b>(36)</b>	(63)
At 31 December	<b>485</b>	521

The effective interest rates of the above finance leases range from 6% to 9.5% (2020: 6% to 9.5%) per annum.

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

As at 31 December 2021, the Group's refundable finance lease deposits are as follows:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current ( <i>note 21</i> )	<b>7,659</b>	8,100
Non-current	<u>37</u>	<u>31</u>
	<b><u>7,696</u></b>	<b><u>8,131</u></b>

The finance lease deposits are non-interest-bearing and are settled on terms according to the lease agreements.

## 12. LONG-TERM RECEIVABLES

Long-term receivables are the receivables due after one year according to the credit terms, and include the following item:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables ( <i>note 14</i> )	<b><u>478,057</u></b>	<u>603,090</u>

The long-term trade receivables bear interest at approximately 3% to 8% per annum.

## 13. INVENTORIES

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Raw materials	<b>1,233,721</b>	1,190,225
Work in progress	<b>141,132</b>	198,312
Finished goods	<u>2,686,225</u>	<u>2,365,355</u>
	<b><u>4,061,078</u></b>	<b><u>3,753,892</u></b>

#### 14. TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	4,128,161	4,189,390
Impairment	<u>(394,793)</u>	<u>(399,178)</u>
	3,733,368	3,790,212
Less: Non-current portion ( <i>note 12</i> )	<u>(478,057)</u>	<u>(603,090)</u>
	<u><b>3,255,311</b></u>	<u><b>3,187,122</b></u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally six to twelve months, extending up to eighteen to twenty-four months for some customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables due within one year are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	1,450,788	2,083,775
3 to 6 months	600,122	835,302
6 months to 1 year	1,049,972	740,618
More than 1 year	<u>632,486</u>	<u>130,517</u>
	<u><b>3,733,368</b></u>	<u><b>3,790,212</b></u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	399,178	415,064
Impairment losses, net ( <i>note 6</i> )	(3,627)	(7,208)
Written off as uncollectible	<u>(758)</u>	<u>(8,678)</u>
At end of year	<u><b>394,793</b></u>	<u><b>399,178</b></u>

An impairment analysis is performed at each reporting date. The Group identifies the receivables that are credit-impaired (but that are not purchased or originated credit-impaired) among the receivables, considering the observable information, such as the debtors being in major financial difficulties, in breach of the contract stipulations or in bankruptcy. The ECLs are based on all the cash flows that the Group expects to receive, discounted at an effective interest rate. As at 31 December 2021, the Group has accrued ECLs of RMB376,237,000 for credit impaired trade receivables with a gross carrying amount of RMB478,598,000.

The Group uses a provision matrix to measure expected credit losses for the remaining receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off that are unlikely to be collected.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 December 2021**

	Current	Past due				Total
		Less than 6 months	6 to 12 months	1 to 2 years	Over 2 years	
Expected credit loss rate	0.21%	0.45%	3.30%	10.52%	22.43%	0.51%
Gross carrying amount (RMB\$'000)	2,697,743	761,406	146,540	43,348	526	3,649,563
Expected credit losses (RMB\$'000)	<u>5,586</u>	<u>3,455</u>	<u>4,838</u>	<u>4,559</u>	<u>118</u>	<u>18,556</u>

**As at 31 December 2020**

	Current	Past due				Total
		Less than 6 months	6 to 12 months	1 to 2 years	Over 2 years	
Expected credit loss rate	0.20%	0.39%	2.83%	8.63%	18.54%	0.32%
Gross carrying amount (RMB\$'000)	2,902,558	744,936	48,978	12,086	3,496	3,712,054
Expected credit losses (RMB\$'000)	<u>5,759</u>	<u>2,919</u>	<u>1,385</u>	<u>1,043</u>	<u>648</u>	<u>11,754</u>

## 15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Prepayments	508,851	623,774
Deductible value-added tax	31,777	93,516
Deposits	<u>2,313</u>	<u>3,147</u>
Total	<u>542,941</u>	<u>720,437</u>
Other receivables:		
Loan receivables	449,835	462,844
Less: impairment	<u>(414,314)</u>	<u>(405,776)</u>
Net loan receivables	<u>35,521</u>	<u>57,068</u>
Other miscellaneous receivables	66,201	100,691
Less: impairment	<u>(698)</u>	<u>(698)</u>
Net other miscellaneous receivables	<u>65,503</u>	<u>99,993</u>
Total other receivables	<u>101,024</u>	<u>157,061</u>
Grand total	<u><u>643,965</u></u>	<u><u>877,498</u></u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At 1 January	406,474	410,532
Impairment losses recognised ( <i>note 6</i> )	8,538	(3,169)
Amount written off as uncollectible	<u>—</u>	<u>(889)</u>
At 31 December	<u><u>415,012</u></u>	<u><u>406,474</u></u>

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

None of the deposits with suppliers is either past due or impaired, for which there was no recent history of default.

A large portion of other receivables represent the loans to sales agencies for their repurchase of machines. The collection of receivables of sales financed by leasing went worse due to the deterioration of the external operating environment. According to the finance lease agreements, the sales agencies were required to fulfil the obligation to repurchase the machines and pay the outstanding lease amount back to the lease companies once there is a balance overdue for more than three months. The Group provided loans to the sales agencies for the settlement of repurchase. The sales agencies were required to pay off within three months as it normally takes three months to resell the machines. The Group would enter into instalment contracts with the sales agencies if the repurchased machines had been sold again. The instalments would be arranged at interest rates ranging from 3% to 8% per annum and mainly repaid within 18 to 24 months. Other receivables also include miscellaneous borrowings for sales agencies' daily operation needs.

The Group has considered the financial assets described above credit-impaired (but that are not purchased or originated credit-impaired), for which the loss allowance is measured at an amount equal to lifetime ECLs. An impairment analysis is performed at each reporting date by considering the probability of default, the ageing, existence of disputes, likelihood of collection, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

An ageing analysis of the loan receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
More than 1 year	<u><b>35,521</b></u>	<u>57,068</u>

## **16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Bills receivable, at fair value	<u><b>201,951</b></u>	<u>211,428</u>

The Group has classified bills receivable that are held both to collect cash flows and to sell as financial assets at fair value through other comprehensive income under HKFRS 9.

## 17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value	<u>1,450</u>	<u>1,450</u>

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Listed equity investments, at fair value	216,198	289,730
Unlisted equity investments, at fair value	<u>2,269,989</u>	<u>2,056,851</u>
	2,486,187	2,346,581
Less: Non-current portion	<u>(640,370)</u>	<u>(808,560)</u>
	<u>1,845,817</u>	<u>1,538,021</u>

## 19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cash and bank balances	2,020,005	2,480,567
Time deposits	<u>789,234</u>	<u>1,137,547</u>
	<u>2,809,239</u>	<u>3,618,114</u>
Less: Pledged cash and bank balances and time deposits:		
Pledged for bank loans ( <i>note 22</i> )	(356,000)	(356,000)
Pledged for bank acceptance bills ( <i>note 20</i> )	(417,952)	(441,251)
Pledged for others	<u>(10,282)</u>	<u>(40,296)</u>
Cash and cash equivalents	<u>2,025,005</u>	<u>2,780,567</u>

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

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

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

<b>Original currency</b>	<b>US\$</b> <i>equivalent to RMB'000</i>	<b>HK</b> <i>equivalent to RMB'000</i>
<b>As at 31 December 2021</b>	<b>924</b>	<b>46,419</b>
As at 31 December 2020	3,303	39,127

## 20. TRADE AND BILLS PAYABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	<b>1,255,679</b>	1,915,150
Bills payable	<b>3,046,016</b>	2,985,008
	<b>4,301,695</b>	4,900,158

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 6 months	<b>4,201,132</b>	4,812,807
6 months to 1 year	<b>45,450</b>	28,308
1 to 2 years	<b>19,707</b>	32,771
2 to 3 years	<b>10,183</b>	9,497
Over 3 years	<b>25,223</b>	16,775
	<b>4,301,695</b>	4,900,158

Bills payable were aged within 12 months at the end of the reporting period, and were secured by pledged bank deposits amounting to RMB417,952,000 (2020: RMB441,251,000) (note 19).

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

## 21. OTHER PAYABLES AND ACCRUALS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Accrued sales rebate	609,493	582,684
Salaries and wages payable	133,439	161,226
Contract liabilities	92,792	77,422
Other payables	90,079	81,514
Other accrued expenses	48,515	65,253
Investment management fee	33,662	43,662
Payable for acquisition of property, plant and equipment	30,697	28,473
Other taxes payable	14,045	10,489
Deposit for finance leases ( <i>note 11</i> )	7,659	8,100
	<u>1,060,381</u>	<u>1,058,823</u>

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

Contract liabilities include short-term advances received to deliver industrial products. The revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period amounted to RMB77,422,000. The contract liabilities as of 31 December 2021 are expected to be recognised as revenue within one year.

## 22. INTEREST-BEARING BANK BORROWINGS

	2021			2020		
	Effective annual interest rate (%)	Maturity	<i>RMB'000</i>	Effective annual interest rate (%)	Maturity	<i>RMB'000</i>
Current						
Bank loans – secured			–	1.33-2.93	2021	663,452
Non-current						
Bank loans – secured	1.03-1.35	2024	648,281			–
			<u>648,281</u>			<u>663,452</u>

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Analysed into:		
Within one year	–	663,452
More than 1 year	<u>648,281</u>	<u>–</u>
	<u><b>648,281</b></u>	<u>663,452</u>

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

	US\$ <i>equivalent to RMB'000</i>
<b>Original currency</b>	
<b>As at 31 December 2021</b>	<u><b>648,281</b></u>
As at 31 December 2020	<u>663,452</u>

Certain of the Group's bank loans are secured by the pledge of certain of the Group's time deposits amounting to RMB356,000,000 (2020: RMB356,000,000) (note 19).

### 23. DISPOSAL OF A SUBSIDIARY

On 21 January 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of the 100% equity interests in Henan Lonking Machinery Co., Ltd. for a cash consideration of RMB745,000,000.

	<b>31 December 2021</b> <i>RMB'000</i>
Net assets disposed of:	
Property, plant and equipment	23,883
Right-of-use assets	29,305
Inventories	166
Prepayments, deposits and other receivables	2,215
Cash and cash equivalents	476,543
Other payables and accruals	<u>(642)</u>
	531,470
Gain on disposal of a subsidiary ( <i>note 4</i> )	<u>213,530</u>
	<u><b>745,000</b></u>
Satisfied by:	
Cash	<u><b>745,000</b></u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<b>31 December 2021</b> <i>RMB'000</i>
Cash consideration	<b>745,000</b>
Cash and bank balances disposed of	<u><b>(476,543)</b></u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u><u><b>268,457</b></u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULT AND BUSINESS REVIEW

The past year is a milestone in the history of China. The national economy maintained a stable momentum and the implementation of the 14th Five-Year Plan achieved a good beginning. The infrastructure machinery industry in which the Group engages demonstrated consecutive years of growth despite a high base of comparison and considerable downturn pressure. In the face of the complex external operating environment, all staff of the Group earnestly implemented the new development concept, took the initiative to cope with unfavorable external factors, overcame difficulties, dared to take responsibility, seized opportunities, and strived for the best. The Group continued its devotion to the infrastructure machinery industry by intensive engagement with an aim to pursuing perfection, being bigger and getting stronger. The Group accelerated the pace of innovation-driven development, managed “two markets” (domestic and international markets) and “two kinds of resources” in the “Domestic Economic Circulation” and “Dual Economic Circulation”, constantly improved and enhanced the management work, and continued its efforts in complete built-up units, spare parts and other markets. With the rapid growth in international trade and continuous enhancement of the market share of products, the Company further consolidated and enhanced its quality of business development. During the reporting period, the Group realized a total operating revenue of RMB13,691 million, which increased by 6.29% or RMB811 million year on year from RMB12,880 million in 2020. In the first half of the year, the Group, by taking full advantage of the effective prevention and control of the epidemic and the rapid restoration of the production order in China, spared no efforts in developing both domestic and international markets, and the overall sales of products continued to grow year on year. Under the premise of ensured controllable risks, the Group’s operating revenue reached a record high in the reporting period. Among them, wheel loader is still the Group’s most competitive products and the main source of profit and maintains the leading position in the industry in terms of market share. The proportion of the sales of wheel loader to total sales of the Group dropped by 0.5% to 48.3% as compared with that in 2020. The downstream area of forklift was relatively fragmented, and with the rising demand in the industry, the Group has been gradually increasing its investment in forklift. The proportion of forklift sales accounted for 25.7% in the current period, with an increase of 4.7% as compared with that in last year. The proportion of excavator sales dropped by 5.1% as compared with that in 2020 to 13.7%, which was mainly influenced by the rapid decline in the investment spending of the extractor industry, high base of the previous year and intensified domestic situation in the industry. During the reporting period, the Group’s consolidated gross profit margin was 17.95%, a decrease of 5.42 percentage points from 23.37% in the same period of 2020. Net profit for the whole year was approximately RMB1,275 million, down by RMB685 million or 34.92% from RMB1,960 million in the same period last year. The decrease in net profit was mainly due to the significant increase in the prices of raw materials such as steel and tires as well as the year-on-year decrease in investment income from financial assets. During the reporting period, the Group concentrated its efforts and took the initiative to further enhance the market position of its main lines of products under the exceptionally competitive market situation, and the export business increased by 74.04% year on year.

## **GEOGRAPHICAL RESULTS**

The proportion of sales from various regions in China to the total sales did not change much compared to last year. Sales from the northeast region increased by 17.1% to approximately RMB542 million (2020: approximately RMB463 million). Sales from the southwest region and the central region decreased by 16.7% to approximately RMB1,098 million (2020: approximately RMB1,318 million) and 12.5% to approximately RMB1,689 million (2020: approximately RMB 1,931 million). The Group's export sales for the year increased significantly by 74.0% to approximately RMB1,504 million (2020: approximately RMB864 million). This is mainly due to the reduction in production in major construction machinery producing countries such as the United States due to the COVID-19 epidemic, while the domestic epidemic situation in China was well controlled, and the growth in demand from overseas customers has enabled the company to seize some overseas markets.

## **ANALYSIS OF PRODUCTS**

### **Wheel Loader**

Sales from wheel loader products increased by 5.2% this year to approximately RMB6,611 million (2020: approximately RMB6,284 million), accounting for 48.3% of the Group's overall sales. Wheel Loader products are the mainstream products of the Group. In recent years, due to the Group's vigorous development of other competitive products, the proportion of sales of such products in total sales has decreased compared with the past. The ZL30 series and the mini loader series increased by 24.7% to RMB722 million and 29.0% to RMB282 million, respectively, due to increased customer demand. Sales from ZL60 series products increased by 7.4% to RMB472 million (2020: approximately RMB439 million) compared to last year. Sales from ZL50 series products increased by 1.8% to RMB5,112 million (2020: approximately RMB5,023 million).

### **Fork Lifts and Road Rollers**

The sales of forklift products accounted for 25.7% of the Group's total sales, making it the second largest product of the Group. As forklifts are widely used in the logistics and warehousing industries, customer demand has increased significantly in recent years. Sales from forklift products increased by 29.7% to RMB3,516 million (2020: approximately RMB2,711 million) compared to last year. In recent years, this product has been gradually transforming from traditional forklift trucks to electric forklift trucks. The Group will increase research and development efforts to increase the competitiveness of this product.

Sales of road roller products only accounted for approximately 0.6% of the Group's overall sales, and sales from road roller products decreased by 8% to RMB81 million (2020: approximately RMB88 million) compared to last year.

## **Excavator**

The sales of excavator products accounted for 13.7% of the Group's total sales and were the third largest product of the Group. During the year, sales from excavator products decreased by 22.5% to RMB1,873 million (2020: approximately RMB2,416 million).

## **Components**

Sales revenue from parts increased by 8.5% to RMB1,199 million this year (2020: approximately RMB1,105 million). In addition, due to the increase in product demand, revenue from materials also increased by approximately 40.3% to approximately RMB317 million (2020: approximately RMB226 million).

## **FINANCIAL REVIEW**

The cash position of the Group was strong during the year. As at 31 December 2021, the Group had bank balance and cash of approximately RMB2,025 million (31 December 2020: approximately RMB2,781 million).

### **Cash and Bank Balance**

Compared with last year, cash and bank balances decreased by approximately RMB756 million, which is generated as a result of net cash inflow of around RMB420 million from operating activities, the net cash outflow of RMB106 million from investing activities, the net cash outflow of RMB1,071 million from financing activities and effect of foreign exchange rate changes of RMB1 million.

### **Liquidity and Financial Resources**

We are committed to build a sound financial position. Total net assets as at 31 December 2021 was approximately RMB10,205 million, a 1.1% increase from approximately RMB10,094 million as at 31 December 2020. The current ratio of the Group at 31 December 2021 was 2.20 (2020: 1.86).

The directors believed that the Group will be in a strong and healthy position and has sufficient resources to support of its working capital requirement and meet its foreseeable capital expenditure.

### **Capital Structure**

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares and any other listed securities.

As at 31 December 2021, the gross gearing ratio (defined as total liabilities over total assets) was approximately 38.53% (31 December 2020: 41.56%).

## **Capital Expenditure**

During the period, the Group acquired property, plant and equipment of approximately RMB358 million (2020: approximately RMB302 million) in line with a series of strategic transformation and production transformation by the Group.

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

## **Capital Commitment**

As at 31 December 2021, the Group had contracted but not included in the financial statements expenditures of approximately RMB259 million in respect of acquisition of property, plant and equipment (31 December 2020: approximately RMB37 million).

## **Cost of Sales**

During the year, the cost of sales increased significantly compared with the same period last year due to the significant increase in raw material prices.

## **Other Gains and Losses**

Other gains and losses for the year decreased by approximately RMB188 million as compared to the same period last year, mainly due to the decrease in dividend income from the financial asset management products, increase in fair value of the financial asset management products, and investment gains arising from the disposal of a subsidiary recognized by the Group during the year.

## **Impairment Losses on Financial Assets, Net**

During the year, the provision for bad debts increased as a result of the increase in overdue loan receivables from distributors and other receivables, while the recovery of bad debts was in a good condition for some distributors.

## **Research and Development Costs**

During the year, the research and development costs increased by approximately RMB44 million compared with last year, which was mainly due to the Group's increased investment in research and development to meet the market demand for the gradual transformation of traditional forklifts to electric forklifts. In addition, the recruitment of experienced R&D talents also led to the increase in research and development costs.

## PROSPECT

The government work report for 2022 has specified an expected target of approximately 5.5% GDP growth. The fundamentals of China's long-term economic growth remain unchanged. China gives priority to stability, strives for progress while maintaining stability, and devotes to stabilizing the macroeconomic situation. It is the people's desire and general trend to maintain economic operation in a reasonable range. Government departments have introduced policies and measures to stabilize the industrial economy, expand domestic demand, and promote consumption. In the meantime, major projects clearly defined in the 14th Five-Year Plan have been commenced, providing a good macroeconomic base and stable market demand for the machinery industry. The construction machinery is expected to maintain a good development trend driven by factors such as the upgrading of construction machinery inventory, National Emission IV replacement at the end of the year, moderate advancement of infrastructure investment, and promotion of affordable housing construction. With firm confidence, the Group will inspire fighting spirit, turn crises into opportunities, meet challenges, focus on the present, be farsighted and pragmatic, and build up strength. The Group will wholeheartedly develop four engine products (including loaders, excavators, forklifts and road machinery) and core components for the product manufacturing chain of extended products sustainably and with high quality.

- (I) To constantly improve the market share of each business segment. The Group will adhere to the marketing principle of agency system by jointly building and creating a win-win and shared relationship with agents and sustain and consolidate its three strengths of "quality, service and cost effectiveness" established since its inception. The Group will carry out in-depth research to understand the market, refine the market demand, optimize product structure, vitalize the market and prevent marketing risks. The Group will strive to tap into the domestic and international market demand while ensuring the precondition of controllable risks, create a series of regionally marketable products, adopt the flexible marketing strategy of "customizing different policies for different regions" to seize market share. The Group will further innovate, establish and improve the management system, continue to strengthen risk control, practice "Back to Basis for Being Resilient" in a genuine sense, and improve asset quality and operating efficiency.

- (II) To comprehensively improve the quality of products. The Group will improve the quality management system. The principle of giving priority to market and quality will be unswervingly upheld. The Group will strengthen the establishment of quality team, optimize the business process, control the quality of all products throughout the whole process, strengthen the whole-cycle management and control of the quality of self-made parts and supplied products, value unity and cooperation, eliminate all issues on product quality and comprehensively improve the productivity and quality of all products.
- (III) To constantly increase R&D investment and strengthen the establishment of technical team. The Group will further adhere to the target-oriented principle, continue to comprehensively straighten out the four major products and core components, improve product structure, enhance product performance, reasonably optimize the layout of resources and accelerate the pace of product transformation and upgrading, increase the development and application of new energy technologies, and further enhance the seriation level of products. The Group will accelerate the informatization process, vigorously promote the digital and intelligent transformation and application, increase R&D investment, continue to absorb, introduce and train domestic and foreign professionals, enhance the overall level of the technical team, create a digital and intelligent platform with data as the core, promote the streamlined flow and informationization of the management process, accelerate the application of the Group's digital technology capabilities, and improve the intelligent manufacturing level.

## **CORPORATE GOVERNANCE**

### **Compliance with the Code on Corporate Governance Practices (the “Code”)**

The Board is committed to maintaining and ensuring high standards of corporate governance practices.

The Board emphasizes maintaining a quality Board with balance of skill set of directors, better transparency and effective accountability system in order to enhance shareholders’ value. In the opinion of the directors, the Company has adopted and complied with the principles and applicable code provisions of Code on Corporate Governance and Corporate Governance Report (“CG Code”) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarized as below.

#### **Code Provision A.1.8**

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

#### **Code Provision A.6.7**

As stipulated in the Code Provision A.6.7 of CG Code, independent non-executive directors and other non-executive directors shall attend general meetings. Three independent non-executive directors were unable to attend annual general meeting of the Company held on 26 May 2021 (the “2021 AGM”) due to other important engagement.

#### **Code Provision A.4.3**

Mr. Qian Shi Zheng (“Mr. Qian”) has been appointed as an independent non-executive Director for more than nine years since February 2005. Pursuant to Code A.4.3 of the CG Code, (a) having served the Company for more than nine years could be relevant to the determination of an independent non-executive director’s independence and (b) if an independent non-executive director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Qian has extensive experience in the finance and accounting fields. He provides a wide range of expertise and experience which can meet the requirement of Group’s business and his participant in the Board brings independent judgment on issues relating to the Group’s strategy, performance, conflicts of interest and management process to ensure that the interest of the shareholders have been duly considered. The Company has received from Mr. Qian a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Mr. Qian has not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Directors consider Mr. Qian to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Accordingly, Mr. Qian shall be subject to retirement rotation and re-election by way of a separate resolution approved by the Shareholders at the Annual General

Meeting. At the Annual General Meeting of the Company held on 26 May 2021, a separate resolution to re-elect Mr. Qian, a retiring Director, as an independent non-executive Director was passed by the Shareholders by way of poll.

### **Code Provision A.2.1**

As stipulated in the Code provision A.2.1 of CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Li San Yim (“Mr. Li”), an executive director of the Company and the chairman of the Board has been appointed by the Board to act as the chief executive officer concurrently since 21 December 2015. As Mr. Li serves as both the chairman of the Board and the chief executive officer of the Group, such practice deviates from code provision A.2.1 of the CG Code. The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Li to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group’s operations and sufficient checks and balances are in place.

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

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

### **Audit Committee**

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

### **REVIEW OF ANNUAL RESULTS**

The annual results for the year ended 31 December 2021 have been reviewed by the audit committee of the Company. The figures in respect of this announcement of the Group’s results for the year ended 31 December 2021 have been agreed by the Group’s external auditor, Ernst & Young Certified Public Accountants (the “Ernst & Young”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance has been expressed by Ernst & Young on this announcement.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares and other Listed Securities.

## **DIVIDENDS**

A final dividend of HKD0.33 per share as a result of the operation of 2020 amounting to HKD1,412 million (equivalent to RMB1,187 million) was paid to the shareholders during the year. There were no any interim dividend paid out during the year.

The Directors recommend the payment of a final dividend of HKD0.22 per share for the year ended 31 December 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022, both days inclusive, during which period no transfers of shares will be effected. All transfer documents, accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong), for registration not later than 4:30 p.m. on Friday, 20 May 2022 in order to identify Shareholders who are entitled to attend and vote at the annual general meeting of the Company (the "Entitlement to AGM"). The record date for the Entitlement to AGM will be on Thursday, 26 May 2022.

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be payable to the shareholders whose names appear on the register of members of the Company on Monday, 6 June 2022. To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 1 June 2022 to Monday, 6 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, shareholders of the Company must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 31 May 2022.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held at Meeting Room 508, 5/F., Jucai Office Building, 26 Minyi Road, Xingqiao, Songjiang Industrial, Shanghai 201612, the People's Republic of China on Thursday, 26 May 2022. The notice of annual general meeting will be published and sent to the shareholders of the Company in due course.

## **PAYMENT OF FINAL DIVIDEND**

The board of directors (the "Board") of the Company recommended a final dividend of HKD0.22 per share for the year ended 31 December 2021, subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend will be dispatched to the shareholders on or before 29 July 2022 whose names appear on the register of members of the Company at the close of business on Monday, 6 June 2022.

## **PUBLICATION OF FINANCIAL INFORMATION**

This preliminary results announcement and the annual report will be dispatched to the shareholders at the appropriate time and will be at the same time be published on the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)) as well as the Company's website ([www.lonking.cn](http://www.lonking.cn)).

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

Hong Kong, 29 March 2022

*As at the date of this announcement, Mr. Li San Yim, Mr. Chen Chao, Mr. Zheng Kewen and Mr. Yin Kun Lun are the executive Directors; Ms. Ngai Ngan Ying is the non-executive Director; and Dr. Qian Shizheng, Mr. Wu Jian Ming and Mr. Yu Tai Wei are the independent non-executive Directors.*