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

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

# INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the "Board") of Lonking Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2024 (the "Period") together with the comparative figures for the corresponding period in 2023. The Group's interim results for the Period is unaudited, but have been reviewed by the Company's auditor, Ernst & Young Certified Public Accountant ("Ernst & Young") and approved by the audit committee of the Company.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2024*

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2024** | 2023 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| REVENUE | *3 and 4* | **5,360,093** | 5,726,128 |
| Cost of sales | | **(4,370,634)** | (4,781,676) |
| Gross profit | | **989,459** | 944,452 |
| Other income | *5* | **63,775** | 23,612 |
| Other gains and losses | *5* | **42,877** | 13,697 |
| Selling and distribution expenses | | **(226,948)** | (251,718) |
| Administrative expenses | | **(125,540)** | (122,831) |
| Impairment losses on financial assets, net | | **22,454** | (39,572) |
| Research and development costs | | **(221,722)** | (230,747) |
| Other expenses | | **(733)** | (42) |
| Finance income | | **66,780** | 62,983 |
| Finance costs | | **(19,349)** | (20,164) |

* *For identification purpose only*

| | *Notes* | **For the six months ended 30 June** **2024** **(Unaudited)** ***RMB'000*** | 2023 (Unaudited) *RMB'000* |
|---|---|---|---|
| PROFIT BEFORE TAX | *6* | **591,053** | 379,670 |
| Income tax expense | *7* | **(132,545)** | (72,266) |
| PROFIT FOR THE PERIOD | | **458,508** | 307,404 |
| Attributable to: | | | |
| Owners of the parent | | **458,353** | 307,399 |
| Non-controlling interests | | **155** | 5 |
| | | **458,508** | 307,404 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted: | | | |
| – For profit for the period (RMB) | *8* | **0.11** | 0.07 |

Details of the dividends declared and paid are disclosed in note 8 to the interim condensed consolidated financial information.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2024*

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **PROFIT FOR THE PERIOD** | **458,508** | 307,404 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | **2,713** | (39,605) |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | **2,713** | (39,605) |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | **2,713** | (39,605) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | **461,221** | 267,799 |
| Attributable to: | | |
| Owners of the parent | **461,066** | 267,794 |
| Non-controlling interests | **155** | 5 |
| | **461,221** | 267,799 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2024*

| | Notes | **30 June 2024 (Unaudited)** *RMB'000* | 31 December 2023 (Audited) *RMB'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *9* | **1,853,603** | 1,951,564 |
| Right-of-use assets | | **121,989** | 125,318 |
| Prepayments for property, plant and equipment | | **5,127** | 8,062 |
| Long-term receivables | *11* | **157,053** | 74,788 |
| Equity investments at fair value through other comprehensive income | | **1,000** | 1,000 |
| Financial assets at fair value through profit or loss | | **580,132** | 592,483 |
| Time deposits | *13* | **220,000** | – |
| Deferred tax assets | | **368,873** | 389,444 |
| Total non-current assets | | **3,307,777** | 3,142,659 |
| **CURRENT ASSETS** | | | |
| Inventories | *10* | **2,397,703** | 2,876,507 |
| Trade receivables | *11* | **2,520,778** | 1,994,901 |
| Bills receivable | | **657,596** | 725,532 |
| Due from related parties | | **–** | 242 |
| Prepayments, deposits and other receivables | *12* | **424,758** | 413,479 |
| Financial assets at fair value through other comprehensive income | | **56,889** | 129,489 |
| Derivative financial instruments | | **21,950** | 12,695 |
| Financial assets at fair value through profit or loss | | **1,440,038** | 1,405,402 |
| Pledged deposits | *13* | **192,823** | 708,171 |
| Time deposits | *13* | **1,019,638** | 743,688 |
| Cash and cash equivalents | *13* | **2,979,841** | 3,470,777 |
| **Total current assets** | | **11,712,014** | 12,480,883 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *14* | **3,645,476** | 3,869,222 |
| Other payables and accruals | *15* | **683,765** | 793,904 |
| Interest-bearing bank borrowings | *16* | **–** | 726,556 |
| Due to related parties | | **13,218** | 8,771 |
| Provisions | | **81,724** | 86,171 |
| Deferred income | | **4,779** | 4,876 |
| Tax payable | | **89,263** | 101,903 |
| Dividends due to shareholders | *8* | **312,509** | – |
| Total current liabilities | | **4,830,734** | 5,591,403 |
| **NET CURRENT ASSETS** | | **6,881,280** | 6,889,480 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **10,189,057** | 10,032,139 |

| | Notes | 30 June 2024 (Unaudited) RMB'000 | 31 December 2023 (Audited) RMB'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Deposits for finance leases | | **37** | 37 |
| Deferred tax liabilities | | **11,333** | 20,229 |
| Provisions | | **7,594** | 6,165 |
| Deferred income | | **37,865** | 24,188 |
| **Total non-current liabilities** | | **56,829** | 50,619 |
| **Net assets** | | **10,132,228** | 9,981,520 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | | **444,116** | 444,116 |
| Share premium and reserves | | **9,685,443** | 9,534,890 |
| | | **10,129,559** | 9,979,006 |
| Non-controlling interests | | **2,669** | 2,514 |
| **Total equity** | | **10,132,228** | 9,981,520 |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the six months ended 30 June 2024*

## 1. CORPORATE INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 was authorised for issue in accordance with a resolution of the directors on 29 August 2024.

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 principal activities of the Group are the manufacture and distribution of wheel loaders, forklifts, excavators, road rollers and other construction 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 information, which comprises the interim condensed consolidated statement of financial position of the Group as at 30 June 2024 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, has 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 information does 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 2023.

### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

| | |
|---|---|
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback* |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current (the "2020 Amendments")* |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants (the "2022 Amendments")* |
| Amendments to HKAS 7 and HKFRS 7 | *Supplier Finance Arrangements* |

The adoption of these revised HKFRSs do not have any material impact on how the results and financial position for the current and prior periods have been prepared and presented.

## 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's revenue from contracts with customers is the sales income of wheel loaders, forklifts, excavators, road rollers and other construction machinery. Refer to Note 4 for the disclosure on disaggregated revenue.

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

Approximately 12% (2023: 26%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, with 100% (2023: 100%) of the costs denominated in the units' functional currencies.

## 4. OPERATING SEGMENT INFORMATION

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2024 and 2023:

| **Six months ended 30 June 2024 (unaudited)** | **Sale of construction machinery** *RMB'000* | **Finance leases of construction machinery** *RMB'000* | **Financial investments** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|
| Segment revenue | | | | |
| Revenue from external customers | **5,360,093** | **–** | **–** | **5,360,093** |
| Segment results | **511,766** | **–** | **50,561** | **562,327** |
| *Reconciliation:* | | | | |
| Finance income | | | | **66,780** |
| Unallocated other income and gains and losses | | | | **(12,201)** |
| Corporate and other unallocated expenses | | | | **(6,504)** |
| Finance costs | | | | **(19,349)** |
| Profit before tax | | | | **591,053** |

| Six months ended 30 June 2023 (unaudited) | Sale of construction machinery *RMB'000* | Finance leases of construction machinery *RMB'000* | Financial investments *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| Segment revenue | | | | |
| Revenue from external customers | 5,726,124 | 4 | – | 5,726,128 |
| Segment results | 329,145 | (1) | 14,097 | 343,241 |
| *Reconciliation:* | | | | |
| Finance income | | | | 62,983 |
| Unallocated other income and gains and losses | | | | (229) |
| Corporate and other unallocated expenses | | | | (6,161) |
| Finance costs | | | | (20,164) |
| Profit before tax | | | | 379,670 |

Segment results represent the profits or losses earned or incurred by segments without allocation of interest income, unallocated other income and gains and losses, central administration cost, 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.

**Geographical information**

| | **30 June 2024** *RMB'000* **(unaudited)** | 30 June 2023 *RMB'000* (unaudited) |
|---|---|---|
| Revenue from external customers: | | |
| Chinese Mainland | **3,892,804** | 4,234,347 |
| Outside Chinese Mainland | **1,467,289** | 1,491,781 |
| Total revenue | **5,360,093** | 5,726,128 |

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 2024 and 31 December 2023:

| | **30 June 2024** *RMB'000* **(unaudited)** | 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| Segment assets: | **13,897,582** | 14,746,340 |
| Sale of construction machinery | **11,807,761** | 12,679,907 |
| Financial investments | **2,088,180** | 2,064,833 |
| Finance leases of construction machinery | **1,641** | 1,600 |
| Corporate and other unallocated assets | **1,122,209** | 877,202 |
| Consolidated assets | **15,019,791** | 15,623,542 |

| | **30 June 2024** *RMB'000* **(unaudited)** | 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| Segment liabilities: | **4,572,557** | 4,912,968 |
| Sale of construction machinery | **4,547,513** | 4,847,427 |
| Finance leases of construction machinery | **9,956** | 10,010 |
| Financial investments | **15,088** | 55,531 |
| Corporate and other unallocated liabilities | **315,006** | 729,054 |
| Consolidated liabilities | **4,887,563** | 5,642,022 |

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

| | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | **2024** | | 2023 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Sales of construction machinery: | | | | |
| Wheel loaders | **2,160,912** | **40.4** | 2,420,800 | 42.3 |
| Forklifts | **2,058,326** | **38.4** | 1,935,254 | 33.8 |
| Excavators | **506,277** | **9.4** | 671,827 | 11.7 |
| Components | **615,986** | **11.5** | 667,698 | 11.7 |
| Road rollers | **18,592** | **0.3** | 30,545 | 0.5 |
| Subtotal | **5,360,093** | **100.0** | 5,726,124 | 100.0 |
| Finance lease interest income | **–** | **–** | 4 | – |
| Total | **5,360,093** | **100.0** | 5,726,128 | 100.0 |

**Seasonality of operations**

The Group's operations are not subject to seasonality.

## 5. 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 | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Government grants | **19,214** | 16,127 |
| Additional value-added tax deduction | **40,253** | – |
| Income from sales of scraps | **2,494** | 5,358 |
| Penalty income | **623** | 454 |
| Others | **1,191** | 1,673 |
| | **63,775** | 23,612 |

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Gains/(Losses) on disposal of items of property, plant and equipment | **87** | (313) |
| Gains on disposal of right of use asset | **3,320** | – |
| Reversal of provision for inventories | **1,110** | 142 |
| Fair value gains, net: | | |
| Financial assets at fair value through profit or loss | | |
| – held for trading | **(4,065)** | (12,206) |
| Derivative instruments | | |
| – transactions not qualifying as hedges | **36,023** | (9,356) |
| Gains from derivative instruments | **12,893** | 15,069 |
| Dividend income from financial assets at fair value through profit or loss | **5,710** | 20,590 |
| Foreign exchange losses | **(12,201)** | (229) |
| | **42,877** | 13,697 |

## 6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Cost of inventories sold | **3,794,684** | 4,332,198 |
| Depreciation of property, plant and equipment | **127,475** | 131,659 |
| Depreciation of right-of-use assets | **2,371** | 2,463 |
| Staff costs, including directors' remuneration | **316,785** | 305,305 |
| Contribution to a retirement benefit scheme | **34,382** | 31,890 |
| Foreign exchange differences, net | **12,201** | 229 |
| Impairment losses on financial assets, net | **(22,454)** | 39,572 |
| Product warranty provision | **43,563** | 56,248 |
| Fair value gains, net: | | |
| Financial assets at fair value through profit or loss | | |
| – held for trading | **4,065** | 12,206 |
| Derivative instruments | | |
| – transactions not qualifying as hedges | **(36,023)** | 9,356 |
| Gains from derivative instruments | **(12,893)** | (15,069) |
| Dividend income from financial assets at fair value through profit or loss | **(5,710)** | (20,590) |
| Write-back of provision for inventories | **(1,110)** | (142) |
| Bank structured deposits interest income | **(24,540)** | (38,310) |
| Bank time deposits interest income | **(39,058)** | (13,807) |
| Amortisation of unrealised financing income | **(3,182)** | (10,866) |
| Income-related government grants | **(19,214)** | (16,127) |
| Additional value-added tax deduction | **(40,253)** | – |

## 7. INCOME TAX EXPENSE

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 | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Current income tax expense | **120,870** | 77,158 |
| Deferred income tax expense relating to origination and reversal of temporary differences | **11,675** | (4,892) |
| Income tax expense recognised in the consolidated statement of profit or loss | **132,545** | 72,266 |

## 8. EARNINGS PER SHARE AND DIVIDENDS DUE TO SHAREHOLDERS

The calculation of the basic earnings per share amount was based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of RMB4,280,100,000 (six months ended 30 June 2023: RMB4,280,100,000) in issue during the year.

The directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

The proposed final dividend of HK$0.08 per ordinary share for the year ended 31 December 2023 was declared payable and approved by the shareholders in the annual general meeting of the Company on 28 May 2024 and was paid on 31 July 2024.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets at a cost of RMB35,782,000 (six months ended 30 June 2023: RMB76,513,000), including property, plant and machinery in the People's Republic of China (the "PRC").

Assets with a net book value of RMB6,391,000 were disposed of by the Group during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB12,373,000), resulting in a net gain on disposal of RMB87,000 (six months ended 30 June 2023: a net loss of RMB313,000).

## 10. INVENTORIES

| | 30 June 2024 *RMB'000* (unaudited) | 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| Raw materials | **790,391** | 880,969 |
| Work in progress | **133,291** | 141,937 |
| Finished goods | **1,474,021** | 1,853,601 |
| | **2,397,703** | 2,876,507 |

## 11. TRADE RECEIVABLES

The Group allows credit periods from 6 months up to 36 months to its trade customers. Longer credit terms may be offered to some customers with good credit history and relationships.

| | 30 June 2024 *RMB'000* (unaudited) | 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| Trade receivables | **3,145,337** | 2,559,621 |
| Impairment | **(467,506)** | (489,932) |
| | **2,677,831** | 2,069,689 |
| Less: Non-current portion | **(157,053)** | (74,788) |
| | **2,520,778** | 1,994,901 |

The non-current portion of trade receivables are the receivables with maturity within 3 years but greater than 12 months according to the credit terms.

The ageing analysis of trade receivables is as follows:

| | 30 June 2024 *RMB'000* (unaudited) | 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| 0 to 90 days | **1,633,030** | 1,029,410 |
| 91 to 180 days | **427,788** | 400,382 |
| 181 to 360 days | **341,175** | 313,257 |
| Over 1 year | **275,838** | 326,640 |
| | **2,677,831** | 2,069,689 |

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **30 June 2024** *RMB'000* **(unaudited)** | 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| Prepayments | **181,327** | 193,821 |
| Refundable export taxes | **197,967** | 126,025 |
| Deductible value-added tax | **–** | 17,093 |
| Deposits | **7,315** | 2,100 |
| Total | **386,609** | 339,039 |
| Other receivables: | | |
| Loan receivables | **443,938** | 443,971 |
| Less: Impairment | **(437,238)** | (437,271) |
| Net loan receivables | **6,700** | 6,700 |
| Other miscellaneous receivables | **32,147** | 68,438 |
| Less: Impairment | **(698)** | (698) |
| Net other miscellaneous receivables | **31,449** | 67,740 |
| Total other receivables | **38,149** | 74,440 |
| Grand total | **424,758** | 413,479 |

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

Loan receivables were generated from 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 in the past few years. According to the finance lease agreements, the sales agencies were required to fulfil the obligation by repurchasing the machines and repaying the outstanding lease amount to the leasing companies once the account is overdue for more than three months. Accordingly, the Group would extend loans to the sales agencies to help them with the settlement of repurchase. The sales agencies were required to repay within three months as it would normally take three months for the resale of the machines. The Group would enter into instalment agreements with sales agencies if the repurchased machines had been resold. The instalments would be paid with interest at interest rates ranging from 3% to 8% per annum that would mainly be repaid within 18 to 24 months.

## 13. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS

| | **30 June 2024** | 31 December 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Cash and bank balances | **2,979,841** | 3,470,777 |
| Time deposits | **1,432,461** | 1,451,859 |
| | **4,412,302** | 4,922,636 |
| Less: Pledged cash and bank balances and time deposits: | | |
| Pledged for bank loans | **–** | (420,292) |
| Pledged for bank acceptance bills | **(188,312)** | (283,968) |
| Pledged for others | **(4,511)** | (3,911) |
| Time deposits with original maturity of more than three months | **(1,019,638)** | (743,688) |
| Certificates of deposit *(Note)* | **(220,000)** | – |
| Cash and cash equivalents | **2,979,841** | 3,470,777 |

*Note:* The certificates of deposit were purchased from creditworthy licensed banks in Chinese Mainland with various maturity periods which range from over 2 years to over 3 years.

## 14. TRADE AND BILLS PAYABLES

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

| | **30 June 2024** | 31 December 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| 0 to 180 days | **3,553,749** | 3,791,302 |
| 181 days to 1 year | **34,069** | 26,253 |
| 1 to 2 years | **14,022** | 13,628 |
| 2 to 3 years | **9,200** | 9,130 |
| Over 3 years | **34,436** | 28,909 |
| | **3,645,476** | 3,869,222 |

The bills payable are aged within six months at the end of each reporting period and secured by pledged bank deposits amounting to RMB188,312,000 (31 December 2023: RMB283,968,000) (note 13).

## 15. OTHER PAYABLES AND ACCRUALS

| | **30 June 2024** *RMB'000* **(unaudited)** | 31 December 2023 *RMB'000* (audited) |
|---|---|---|
| Accrued sales rebate | **262,961** | 303,854 |
| Other payables | **97,357** | 86,008 |
| Salary and wages payable | **96,257** | 140,492 |
| Contract liabilities | **119,905** | 121,029 |
| Payable for acquisition of property, plant and equipment | **16,317** | 25,289 |
| Deposits for finance leases | **5,772** | 5,772 |
| Investment management fee | **–** | 29,690 |
| Other accrued expenses | **73,513** | 69,639 |
| VAT and other taxes payable | **11,683** | 12,131 |
| | **683,765** | 793,904 |

## 16. INTEREST-BEARING BANK BORROWINGS

| | **30 June 2024 (unaudited)** | | | 31 December 2023 (audited) | | |
|---|---|---|---|---|---|---|
| | **Effective annual interest rate (%)** | **Maturity** | ***RMB'000*** | Effective annual interest rate (%) | Maturity | *RMB'000* |
| Current | | | | | | |
| Bank loans – secured | **–** | **–** | **–** | 5.10-6.40 | 2024 | 726,556 |
| | | | **–** | | | 726,556 |

The group's bank loans were secured by the pledge of certain of the Group's time deposits, which have been fully repaid in the current period (note 13).

## MANAGEMENT DISCUSSION AND ANALYSIS

## RESULT AND BUSINESS REVIEW

In the first half of 2024, China's economy continued its recovery with an upward momentum and maintained overall stability while securing a progress, with a GDP growth of 5.0%. In terms of Chinese infrastructure machinery, the domestic market continued its downward cycle, although the rate of decline was slowing, and it is expected to touch the bottom line and stabilize. While in the overseas market, against the backdrop of high export baselines for the industry and the recovery of global supply chains, trade protectionism was rising and led to a phase of pressure on the growth rate of industry exports. Product growth rates showed differentiation. Facing such a severe and complex operating environment, the Group anchored its goals on high-quality development and actively transformed to respond to changes in market conditions. We focused on enhancing product quality, improved product portfolio, continuously optimized cost control, and steadily increased development quality. Through these efforts, both our risk control and asset quality have been maintained at a high level.

During the reporting period, the Group realized a total operating revenue of RMB5,360 million, which decreased by RMB366 million or 6.39% year on year from RMB5,726 million in the same period of 2023. The Group's product mix is dominated by loader and forklift. Among them, loader is still the Group's most competitive products and the main source of profit. By fully leveraging the advantages of vertical integration, the Group continued to expand and optimize its range of loaders based on customer demand. The series of electric loaders carefully crafted by the Group were well-received by customers, with an increasing share of total sales volume. The core product, large loaders of three tons and above, continued to keep ahead in the domestic market in terms of market share. The sales of loaders accounted for 40.31% of the Group's total sales, representing a decrease of 1.97 percentage points from 42.28% in the same period of 2023. Forklifts are widely used in various industries such as manufacturing, transportation, warehousing and logistics. As the market demand kept growing, the Group increased its marketing investment by focusing on enhancing product competitiveness and brand awareness. The sales of forklifts accounted for 38.40% during the current period, representing an increase of 4.60 percentage points as compared with that in the same period of 2023. Affected by the sustained weak demand in the excavator market, the proportion of excavator sales decreased by 2.28 percentage points to 9.45% compared with that in the same period in 2023. During the reporting period, the Group's consolidated gross profit margin was 18.46%, an increase of 2 percentage points from 16.49% in the same period of 2023. Net profit for the reporting period was RMB458 million, up by RMB151 million or 49.19% as compared with RMB307 million in the same period of 2023. The growth in net profit was mainly due to the increase in both consolidated gross profit margin and net gains generated from financial assets.

## GEOGRAPHICAL RESULTS

In the first half of 2024, the sales revenue from the domestic market in Mainland China experienced a decline of 8.07% compared to the same period in 2023. Specifically, sales in the northern region dropped by 2.42% to approximately RMB1,215 million. The northeast region saw a decrease of 0.69%, bringing sales down to about RMB200 million. The eastern region's sales increased by 1.73% to around RMB841 million, and the southern region experienced a 10.50% decline, resulting in sales of approximately RMB495 million.

Sales in the northwest and southwest regions also decreased, by 23.69% and 25.36% respectively, with the northwest region generating about RMB376 million and the southwest region about RMB259 million. The central region's sales decreased by 10.86%, to approximately RMB506 million.

Meanwhile, the Group's export business also showed a slight decline. Sales revenue from overseas markets decreased by 1.68%, reaching approximately RMB1,467 million, compared to RMB1,492 million in the same period of previous year. The proportion of sales revenue from overseas regions increased from 26.05% for the first half of last year to 27.37% for the same period this year, indicating that the Group will make further strategic adjustments to sustain international market presence and product competitiveness.

## PRODUCTS ANALYSIS

During the reporting period, the Company recorded sales revenue of RMB5,360 million, representing a year-on-year decrease of 6.39%. Among which, forklifts recorded an increase in revenue, while other products recorded a decrease in revenue as affected by the downward cycle of the industry.

### Wheel Loaders

The loaders contributed 40.31% to the total revenue and recorded a revenue of RMB2,161 million, down by 10.74% year-on-year. Among which, loaders under three tonnes recorded a revenue of RMB189 million, down by 12.70% year-on-year; while loaders of three tonnes and above recorded a revenue of RMB1,972 million, down by 10.54% year-on-year.

This decline reflects challenges such as market saturation and increased competition, which have impacted sales across all subcategories of wheel loaders (For the first half year of 2023: approximately RMB2,421 million).

**Forklifts**

Benefiting from the growth in market demand and the Company's increased efforts in marketing, forklifts recorded sales revenue of RMB2,058 million, up by 6.36% (For the first half year of 2023: approximately RMB1,935 million), making up 38.40% of the total revenue.

**Excavators**

The excavator segment faced a significant downturn, with revenues decreasing by 24.64%. The sales revenue of excavators decreased to RMB506 million (For the first half year of 2023: approximately RMB672 million). This drop to 9.45% of total revenue can be attributed to a slowdown in construction activities and a decrease in infrastructure spending, which are primary markets for excavators.

**Road Rollers**

Road rollers faced a 38.71% drop in revenue, contributing only 0.35% to the total revenue. The sales revenue of road rollers decreased to RMB19 million (For the first half year of 2023: approximately RMB31 million).

**Components**

The revenue of components decrease by 7.78% to RMB616 million (For the first half year of 2023: approximately RMB668 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 2024, the Group had bank balances and cash of approximately RMB2,980 million (31 December 2023: approximately RMB3,471 million), pledged bank deposits of approximately RMB193 million (31 December 2023: approximately RMB708 million) and placed time deposits of approximately RMB 1,240 million (31 December 2023: approximately RMB744 million). Compared with last year, the cash and bank balance decreased about RMB491 million, which was as a result of net cash inflow of RMB316 million from operating activities, net cash outflow of RMB528 million from investing activities and net cash outflow of RMB284 million from financing activities and effect of foreign exchange rate change at RMB5 million.

The pledged deposits balance at 30 June 2024 decreased approximately RMB515 million. Details of pledged bank deposits for the period ended 30 June 2024 are set out in Note 13 to the interim results.

### Liquidity and Financial Resources

The Group are committed to build a sound finance position. Total shareholders fund as at 30 June 2024 was approximately RMB10,132 million, an 1.51% increase from approximately RMB9,982 million as at 31 December 2023.

The current ratio of the Group at 30 June 2024 was 2.42 (31 December 2023: 2.23). The Directors believed that the Group has sufficient resources to support its working capital requirement and meet its foreseeable capital expenditure.

### Capital Structure

During the period ended on 30 June 2024, 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 30 June 2024, the gross gearing ratio (defined as total liabilities divided by total assets) was approximately 32.54% (as at 31 December 2023: 36.11%).

### Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB36 million (for the six months ended 30 June 2023: approximately RMB77 million) in line with a series of strategic transformation and product transformation of the Group.

### Revenue

The company's revenue saw a decrease of 6.39% to approximately RMB5,360 million, down from RMB5,726 million in the same period of 2023. This decline is primarily attributed to the downturn in the domestic infrastructure machinery industry, influenced by reduced investments in infrastructure and real estate sectors within China, and international sales affected by geopolitical tensions and inflation in specific markets.

### Gross Profit

Despite the drop in revenue, gross profit increased by 4.77% to approximately RMB989 million, up from RMB944 million in 2023. This increase in gross profit margin was mainly attributable to the increase in the proportion of export revenue as well as the decrease in the prices of major raw materials during the reporting period.

### Other Income

Other income significantly increased by 170.10%, amounting to approximately RMB64 million, compared to RMB24 million in the same period of 2023. This rise was bolstered by additional value-added tax deduction policies for high-tech enterprises, which took effect in the latter half of 2023, benefiting the company in 2024.

### Other gains and losses

Other gains and losses also rose dramatically by 213.04% to approximately RMB43 million. This was mainly due to the increase of gain from investment in financial assets and favorable changes in the fair value of financial assets.

### Impairment Losses on Financial Assets

There was a notable positive shift in impairment losses on financial assets, net, which changed from a loss of approximately RMB39.6 million in the first half of 2023 to a gain of RMB22.5 million in the same period of 2024. This improvement was driven by better recovery on previously written-off bad debt from high-risk dealers and a decrease in impairment of trade receivables from other dealers.

### Inventories

Inventories decreased by 16.65% to approximately RMB2,398 million reflecting efficient inventory management and higher turnover rates.

### Trade Receivables

Trade receivables increased by 26.36% to RMB2,521 million, mainly due to longer credit terms resulting from an increase in installment sales.

## Pledged Deposits

Pledged deposits saw a significant reduction of 72.77%, decreasing to approximately RMB193 million. This decrease was primarily due to the repayment of loans, which led to a reduction in collateral requirements for bank loans and acceptance bills.

## PROSPECT

Looking ahead to the second half of 2024, the Chinese government is expected to intensify its macroeconomic policy efforts by prioritizing proactive measures to address urgent public concerns while also accelerating the implementation of targeted and comprehensive policy initiatives. As these policies are gradually implemented, their effects will begin to emerge, contributing positively to stabilizing economic operations and guiding industrial transformation and upgrading. The expedited implementation of large-scale equipment upgrades, consumer goods trade-in initiatives, adjustments and optimizations to real estate policies, the issuance of ultra-long-term special treasury bonds, and the vigorous promotion of major infrastructure projects will provide robust support for the recovery of infrastructure investment, thereby enhancing the demand outlook for the domestic construction machinery industry. After a period of rapid growth in recent years, China's construction machinery exports are expected to enter a phase of steady development. Amid the broad overseas construction machinery market, construction machinery products in China will continue to enhance their visibility and recognition in the international market. With huge space for global development, the market share is expected to increase on an ongoing basis. With a persistent focus on the construction machinery industry, the Group will concentrate on optimization and improvement of its four major categories of host products (loaders, excavators, forklifts and road machinery), as well as the core components that extend the product manufacturing chain. Adhering to the marketing principle of agency system and fully leveraging on its three strengths of "quality, service and cost effectiveness", the Group will vigorously expand overseas markets while deeply engaging in the domestic market. Besides, the Group will increase its R&D efforts for new products suitable for overseas markets, so as to extend and improve its product portfolio in four categories. By continuously increasing resource investment, the Group will also expand its overseas marketing channels. Furthermore, the Group is committed to the goal of high-quality development with a focus to continuously improve its product quality. The Group will strengthen the implementation of cost control measures, so as to make every effort to enhance the comprehensive benefits for the Group, thereby striving to create greater value to its users and investors.

## 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 Corporate Governance Code ("CG Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2024, except for certain deviations which are summarized as below.

**Code Provision C.1.8**

As stipulated in the Code Provision C.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 C.1.6**

As stipulated in the Code Provision C.1.6 of CG Code, independent non-executive directors and other non-executive directors shall generally attend general meetings. Three independent non-executive directors and one non-executive director were unable to attend annual general meeting of the Company held on 28 May 2024 (the "2024 AGM") due to other important engagement.

**Code Provision B.2.3 and B.2.4**

Each of Dr. Qian Shizheng and Mr. Wu Jian Ming has been appointed as an independent non-executives Director for more than nine yeas. Pursuant to Code B.2.3 of the code provisions of Corporate Governance Code set out in Appendix C1 of the Listing Rules (the "CG Code"), 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.

Dr. 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.

Mr. Wu has over 30 years' experiences in the government sectors and public services in Chinese mainland. The Company values Mr. Wu continued service by bringing different perspectives and insights in the boardroom. The Board, having considered his comprehensive knowledge, professional skills and experience as well as his thorough and deepened understanding of the Company and the Company's relevant industry, is of the view that Mr. Wu's continued tenure will bring valuable contribution to the future sustainable development of the Company which is in the best interests of the Company and of the Shareholders.

The Company has received from Mr. Qian and Mr. Wu a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Each of Mr. Qian and Mr. Wu 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 and Mr. Wu to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Accordingly, Mr. Qian and Mr. Wu 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 2024, a separate resolution to re-elect Mr. Qian and Mr. Wu a retiring Director, as an independent non-executive Director was passed by the Shareholders by way of poll.

### Code Provision C.2.1

As stipulated in the Code Provision C.2.1 of CG Code, the roles of chairman and chief executive 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 C.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 C.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 Appendix C3 to the Listing Rules (formerly Appendix 10) for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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.

### Review of the Interim Results

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

The interim results for the six months ended 30 June 2024 have been reviewed by the external auditors of the Company. The figures in respect of this announcement of the Group's results for the six months ended 30 June 2024 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 unaudited interim condensed consolidated financial information for the period.

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

During the six months ended on 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares and any other listed securities.

## INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## PUBLICATION OF FINANCIAL INFORMATION

The Company's 2024 interim report for the six months ended 30 June 2024 will be despatched to the shareholders at the appropriate time and will at the same time be published on the Stock Exchange's website (www.hkex.com.hk).

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

Hong Kong, 29 August 2024

*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.*