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 2019

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 2019 (the "Period") together with the comparative figures for the corresponding period in 2018. 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 2019

		For the six months ended 30 June	
		2019	2018
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
Revenue	4	**6,759,674**	6,648,134
Cost of sales		**(5,188,495)**	(5,105,831)
Gross profit		**1,571,179**	1,542,303
Other income	5	**28,656**	12,319
Other gains and losses	5	**144,781**	(45,309)
Selling and distribution expenses		**(336,837)**	(341,731)
Administrative expenses		**(121,573)**	(124,983)
Research and development costs		**(288,283)**	(264,839)
Other expenses		**(10,143)**	(842)
Operating profit		**987,780**	776,918

* *For identification purpose only*

	Notes	For the six months ended 30 June **2019** **Unaudited** ***RMB'000***	2018 Unaudited *RMB'000*
Finance income		**85,487**	66,469
Finance costs		**(25,040)**	(18,699)
Profit before tax	*6*	**1,048,227**	824,688
Income tax expense	*7*	**(159,348)**	(120,728)
Profit for the period		**888,879**	703,960
Attributable to:			
Owners of the parent		**888,621**	703,884
Non-controlling interests		**258**	76
		888,879	703,960
Earnings per share			
Basic, profit for the period attributable to ordinary equity holders of the parent (RMB)		**0.21**	0.16

Details of the dividends declared and paid are disclosed in note 8 to the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Profit for the period	**888,879**	703,960
Other comprehensive (loss) that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	**(23,354)**	(40,444)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(23,354)**	(40,444)
Other comprehensive loss for the period,net of tax	**(23,354)**	(40,444)
Total comprehensive income for the period, net of tax	**865,525**	663,516
Attributable to:		
Owners of the parent	**865,267**	663,440
Non-controlling interests	**258**	76
	865,525	663,516

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019 Unaudited** *RMB'000*	31 December 2018 Audited *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*9*	**2,122,601**	2,189,216
Right-of-use assets		**178,348**	–
Prepaid land lease payments		**–**	175,831
Finance lease receivables		**1,097**	726
Prepayments for property, plant and equipment		**25,436**	65,406
Long-term receivables	10	**249,152**	160,382
Equity investments at fair value through other comprehensive income		**950**	1,220
Financial assets at fair value through profit or loss		**118,622**	87,277
Derivative financial instruments		**81,378**	112,723
Deferred tax assets		**361,456**	383,592
Pledged deposits	14	**656,000**	656,000
		3,795,040	3,832,373
Current assets			
Prepaid land lease payments		**–**	5,324
Inventories	11	**2,266,164**	2,857,771
Finance lease receivables		**12,807**	20,938
Trade and bills receivables	12	**2,823,850**	2,529,327
Due from related parties		**2,651**	5,317
Prepayments, deposits and other receivables	13	**476,118**	508,109
Financial assets at fair value through profit or loss		**1,496,039**	1,336,739
Pledged deposits	14	**313,393**	411,431
Cash and cash equivalents	14	**3,424,131**	2,565,018
		10,815,153	10,239,974

	Notes	**30 June 2019 Unaudited** ***RMB'000***	31 December 2018 Audited RMB'000
Liabilities			
Current liabilities			
Trade and bills payables	*15*	**3,289,603**	3,507,260
Other payables and accruals	*16*	**616,820**	712,564
Due to related parties		**9,761**	19,928
Provisions		**128,152**	112,920
Deferred income		**2,138**	2,138
Tax payable		**130,937**	123,740
Dividends due to shareholders	*8*	**753,007**	–
		4,930,418	**4,478,550**
Net current assets		**5,884,735**	**5,761,424**
Total assets less current liabilities		**9,679,775**	**9,593,797**
Non-current liabilities			
Deposits for finance leases		**9,827**	11,469
Interest-bearing bank borrowings	*17*	**1,289,006**	1,286,850
Deferred tax liabilities		**13,170**	63,111
Provisions		**14,127**	11,967
Deferred income		**12,149**	13,217
Total non-current liabilities		**1,338,279**	1,386,614
Net assets		**8,341,496**	8,207,183
Equity			
Issued capital		**444,116**	444,116
Share premium and reserves		**7,894,582**	7,760,527
Equity attributable to owners of the parent		**8,338,698**	8,204,643
Non-controlling interests		**2,798**	2,540
Total equity		**8,341,496**	8,207,183

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 28 August 2019.

Lonking Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands on 11 May 2004 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 17 November 2005. In October 2018, the shares of the Company held through China Longgong Group Holdings Limited, a company owned by Mr. Li San Yim and Ms. Ngai Ngan Ying as to 55% and 45%, respectively, have been transferred to Ms. Ngai Ngan Ying. Therefore, Ms. Ngai Ngan Ying is the ultimate controller of the Company. Mr. Li and Ms. Ngai are husband and wife and deemed to be interested in the same block of shares.

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

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

2.1 Basis of preparation

The interim condensed consolidated financial information, which comprise the interim condensed consolidated information of financial position of the Group as at 30 June 2019 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial 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 2018.

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 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements *2015-2017 Cycle*	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below regarding the impact of HKFRS 16 *Leases* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 Determining *whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Impacts on transition

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied at the date of initial application. The Group elected to present the right-of-use assets separately in the statement of financial position.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	181,155
Decrease in prepaid land lease payments	(181,155)
Increase in total assets	–

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss.

The carrying amounts of the Group's right-of-use assets and the movement during the period are as follow:

	Right-of-use assets
	RMB'000
As at 1 January 2019	181,155
Additions	94
Depreciation charge	(2,901)
As at 30 June 2019	178,348

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The type of the Group's revenue from contracts with customers is the sale of wheel loaders, road rollers, excavators, forklifts and other construction machinery. The revenue is recognised when goods are transferred at a point in time. Refer to Note 4 for the disclosure on disaggregated revenue.

4. OPERATING SEGMENT INFORMATION

Operating segments

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2019 and 2018:

Six months ended 30 June 2019	**Sale of construction machinery** *RMB'000*	**Finance lease of construction machinery** *RMB'000*	**Financial investments** *RMB'000*	**Total** *RMB'000*
Segment revenue	**6,758,479**	**1,195**	**–**	**6,759,674**
Segment results	**835,517**	**(1,208)**	**164,017**	**998,326**
Reconciliation:				
Interest income				**85,487**
Unallocated other income and gains				**(3,930)**
Corporate and other unallocated expenses				**(6,616)**
Finance costs				**(25,040)**
Profit before tax				**1,048,227**

Six months ended 30 June 2018	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Financial investments *RMB'000*	Total *RMB'000*
Segment revenue	6,646,346	1,788	–	6,648,134
Segment results	825,018	(5,252)	(30,080)	789,686
Reconciliation:				
Interest income				66,469
Unallocated other income and gains				(8,462)
Corporate and other unallocated expenses				(4,306)
Finance costs				(18,699)
Profit before tax				824,688

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

Inter-segment revenues are eliminated on consolidation.

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 2019 and 31 December 2018:

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Segment assets:	**13,724,026**	13,958,302
Sale of construction machinery	**12,007,260**	12,396,462
Finance leases of construction machinery	**14,777**	23,881
Financial investments	**1,701,989**	1,537,959
Corporate and other unallocated assets	**886,167**	114,045
Consolidated assets	**14,610,193**	14,072,347

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Segment liabilities:	**4,210,891**	4,512,118
Sale of construction machinery	**4,194,499**	4,488,198
Finance leases of construction machinery	**16,392**	23,920
Corporate and other unallocated liabilities	**2,057,806**	1,353,046
Consolidated liabilities	**6,268,697**	5,865,164

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

	For the six months ended 30 June			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Sales of construction machinery:				
Wheel loaders	**3,337,392**	**49.4**	3,336,753	50.2
Excavators	**1,407,549**	**20.8**	1,378,730	20.7
Forklifts	**1,351,356**	**20.0**	1,291,697	19.4
Components	**589,750**	**8.7**	553,234	8.3
Road rollers	**72,432**	**1.0**	85,932	1.3
Subtotal	**6,758,479**	**99.9**	6,646,346	99.9
Finance lease interest income	**1,195**	**0.1**	1,788	0.1
Total	**6,759,674**	**100.0**	6,648,134	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	
	2019	2018
	RMB'000	*RMB'000*
Government grants	**18,712**	6,298
Penalty income	**529**	497
Others	**9,415**	5,524
	28,656	12,319

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Loss on disposal of items of property, plant and equipment	**(1,465)**	(2,768)
Allowance for bad and doubtful debts	**(13,370)**	(6,342)
Provision for inventories	**(1,935)**	(425)
Fair value gains, net:		
Equity investments at fair value through profit or loss		
– held for trading	**190,645**	(64,533)
Derivative instruments		
– transactions not qualifying as hedges	**(31,345)**	10,901
Gains from derivative instruments	**4,717**	6,604
Investment income	**–**	16,948
Foreign exchange loss	**(2,466)**	(5,694)
	144,781	(45,309)

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses *(note a)*	**5,188,495**	5,105,831
Depreciation of property, plant and equipment	**174,012**	171,822
Amortisation of lease payments for land	**2,901**	2,929
Staff costs, including directors' remuneration	**305,974**	325,970
Contribution to a retirement benefit scheme	**28,249**	26,458
Foreign exchange differences, net	**2,466**	5,694
Bad debt provision	**13,370**	6,342
Product warranty provision	**121,197**	102,984
Provision for inventories to net realisable value	**1,935**	425
Interest income on bank deposits	**(85,487)**	(66,469)
Income-related government grants	**(18,712)**	(6,298)

Note a: Cost of inventories recognised as expenses included RMB408,997,000 (six months ended 30 June 2018: RMB435,444,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately for each of these types of expenses.

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	
	2019	2018
	RMB'000	*RMB'000*
Current income tax expense	**187,153**	93,560
Deferred income tax expense relating to origination and reversal of temporary differences	**(27,805)**	27,168
Income tax expense recognised in the consolidated statement of profit or loss	**159,348**	120,728

8. DIVIDENDS DUE TO SHAREHOLDERS

The directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

The proposed final dividend of HK$0.20 per ordinary share for the year ended 31 December 2018 was declared payable and approved by the shareholders at the annual general meeting of the Company on 28 May 2019 and was paid on 26 July 2019.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a cost of RMB123,581,000 (six months ended 30 June 2018: RMB113,834,000), including property, plant and machinery in the People's Republic of China (the "PRC").

Assets with a net book value of RMB16,254,000 were disposed of by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB15,417,000), resulting in a net loss on disposal of RMB1,465,000 (net loss in the six months ended 30 June 2018: RMB2,768,000).

10. LONG-TERM RECEIVABLES

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

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables *(note 12)*	**249,152**	160,382

11. INVENTORIES

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Raw materials	**677,950**	717,568
Work in progress	**129,673**	115,577
Finished goods	**1,458,541**	2,024,626
	2,266,164	2,857,771

12. TRADE AND BILLS RECEIVABLES

The Group allows credit periods from 6 months up to 24 months to its trade customers. Longer credit terms may be offered to some customers with good credit history and relationships.

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables	**3,253,444**	2,870,255
Impairment	**(420,429)**	(412,984)
Less: Non-current portion *(note 10)*	**(249,152)**	(160,382)
	2,583,863	2,296,889
Bills receivable	**239,987**	232,438
	2,823,850	2,529,327

The ageing analysis of trade receivables is as follows:

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
0 to 90 days	**1,568,087**	1,741,904
91 to 180 days	**545,102**	279,139
181 to 360 days	**400,314**	220,969
Over 1 year	**70,360**	54,877
	2,583,863	2,296,889

Bills receivable are aged within six months at the end of each reporting period. The Group had no bills receivable pledged to banks for getting credit facilities (31 December 2018: Nil).

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Prepayments	**267,974**	329,396
Deductible value-added tax	**60,371**	40,626
Deposits	**7,025**	7,470
Total	**335,370**	377,492
Other receivables:		
Loan receivables	**489,489**	497,176
Less: impairment	**(413,698)**	(409,225)
Net loan receivables	**75,791**	87,951
Other miscellaneous receivables	**66,356**	44,065
Less: impairment	**(1,399)**	(1,399)
Net other miscellaneous receivables	**64,957**	42,666
Total other receivables	**140,748**	130,617
Grand total	**476,118**	508,109

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

A large portion of other receivables includes the loan receivables 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 to repurchase the machines and repay the outstanding lease amount to the leasing companies once the account is overdue for more than 3 months. Accordingly, the Group would extend loans to the sales agencies to help them with the settlement of repurchase. The sales agencies were required to repay within 3 months as it would normally take 3 months for the resale of the machines. The Group would enter into instalment agreements with sales agencies if the repurchased machines had been sold again. The instalments would be arranged at interest rates ranging from 4% to 7% per annum and would mainly be repaid within 18 to 24 months.

Other receivables also include miscellaneous borrowings for sales agencies' daily operational needs. None of the deposits with suppliers is either past due or impaired, for which there was no recent history of default.

14. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Cash and bank balances	**3,424,131**	2,565,018
Time deposits	**969,393**	1,067,431
Less: Pledged for long-term bank loans	**(656,000)**	(656,000)
Pledged for bank acceptance bills	**(291,735)**	(403,923)
Pledged for others	**(21,658)**	(7,508)
Cash and cash equivalents	**3,424,131**	2,565,018

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

15. TRADE AND BILLS PAYABLES

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

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
0 to 180 days	**3,244,837**	3,443,703
181 days to 1 year	**17,909**	11,864
1 to 2 years	**5,203**	27,108
2 to 3 years	**11,375**	14,623
Over 3 years	**10,279**	9,962
	3,289,603	3,507,260

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

16. OTHER PAYABLES AND ACCRUALS

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Accrued sales rebate	**329,253**	374,154
Other payables	**89,151**	77,565
Salaries and wages payable	**83,662**	132,471
Contract liabilities	**42,186**	48,599
Payable for acquisition of property, plant and equipment	**11,700**	13,520
Other taxes payable	**9,077**	21,866
Deposit for finance leases	**749**	2,120
Other accrued expenses	**51,042**	42,269
	616,820	712,564

17. INTEREST-BEARING BANK BORROWINGS

	30 June 2019			31 December 2018		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Non-current						
Bank loans – secured	**3.58-3.72**	**2021**	**1,289,006**	2.22-2.93	2021	1,286,850

Certain of the Group's bank loans are secured by the pledge of certain of the Group's long-term time deposits amounting to RMB 656,000,000 (2018: RMB 656,000,000) (note 14).

On 22 August 2019, with the consent of Bank of China limited, Tokyo branch, the Group repaid the loan USD85,820,000 ahead of schedule.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

In the first half of 2019, the construction machinery industry showed a relatively stable development on the basis of rapid growth in the previous two years. The competitiveness and influence of the Group's four major categories of products in the market were enhanced to varying degrees, and the market position was further consolidated. In view of the relatively stable market demand of the Group's leading products, the Group has continuously improved and upgraded various management tasks, and the quality of development of each business segment has significantly enhanced. During the reporting period, the Group's total operating revenue increased by RMB112 million to RMB6,760 million from RMB6,648 million in the same period of 2018, representing a year-on-year growth of 1.68%. During the reporting period, the consolidated gross profit margin increased by 0.04 percentage points from 23.20% for the same period of 2018 to 23.24% of 2019. During the first half of 2019, the Group had net profit of RMB889 million, increasing by 26.28% as compared with RMB704 million for the same period last year. The increase in net profit was mainly due to the Group's improved management efficiency through scientific management and technology investment, which effectively controlled manufacturing costs and expenses. At the same time, the investment income of the original investment of the Group during the reporting period has been significantly improved.

GEOGRAPHICAL RESULTS

During the period ended June 30, 2019, sales revenue from mainland China increased steadily compared to the same period last year. Among them, sales from the northwestern region increased by 11.0%, reaching RMB676 million (for the six months ended 30 June 2018: RMB609 million); sales from the northeastern region increased by 7.1% to RMB197 million (for the six months ended 30 June 2018: RMB184 million).

Sales from the eastern and southern regions increased by 4.4% and 4.0% respectively to RMB1,144 million and RMB666 million. Sales from the southwestern region were slightly reduced to RMB836 million (for the six months ended 30 June 2018: RMB887 million).

Due to some overseas market economy, political fluctuations and the Company's strict control of overseas market credit risk, the company's overseas sales decreased by 22.5% to RMB258 million in the first half of the year (for the six months ended 30 June 2018: RMB333 million).

PRODUCTS ANALYSIS

Wheel Loaders

Wheel Loader products are our main and mature products. Although the sales of loader products still accounted for about 49.4% of the Group's total sales during the period, the proportion of sales of loaders to total sales is 0.8 lower than 50.2% in the same period last year. Among them, the sales of ZL60 series increased by 64.4% compared with the same period of last year, reaching RMB143 million (for the six months ended 30 June 2018: RMB87 million). This was mainly because the market has not had much demand for ZL60 series of products in the past, while the company has increased its marketing efforts in the recent two years. Sales of the mainstream product ZL50 series were slightly reduced to approximately RMB2,861 million (for the six months ended 30 June 2018: RMB2,878 million). The other two products, ZL30 and ZL40 series, decreased by 10.2% and 15.8% to RMB212 million and RMB16 million respectively due to low demand during the period. Overall, wheel loader sales were relatively stable compared to the same period last year.

Excavator

Excavator products are our second mainstream products. Sales from excavator products accounted for 20.8% of total sales, and slightly increased by 2.1% during the period, reaching RMB1,408 million (for the six months ended 30 June 2018: RMB1,379 million).

Fork Lifts and Road Rollers

Sales from forklifts accounted for 20.0% of the Group's total sales. Compared with the same period of last year, forklift sales increased by 4.6% to approximately RMB1,351 million (for the six months ended 30 June 2018: RMB1,292 million).

The sales of road rollers accounted for only 1.0% of the Group's total sales. Compared with the same period of last year, road roller sales decreased by 16.3% to reach RMB72 million (for the six months ended 30 June 2018: RMB86 million).

Components

The Sales generated from components increased by 6.6% and amounted to approximately RMB590 million for the period, representing approximately 8.7% of the Group's total sales.

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 2019, the Group had bank balances and cash of approximately RMB3,424 million (31 December 2018: approximately RMB2,565 million) and pledged bank deposit of approximately RMB969 million (31 December 2018: approximately RMB1,067 million). Compared with last year, the cash and bank balance increased about RMB859 million, which was as a result of net cash inflow of RMB850 million from operating activities, net cash outflow of RMB70 million from investing activities and net cash inflow of RMB79 million from financing activities.

The pledged deposit balance at 30 June 2019 decreased approximately RMB98 million. Details of pledged Bank deposit for the period ended 30 June 2019 are set out in Note 14 to the interim results.

Liquidity and Financial Resources

We are committed to build a sound finance position. Total shareholders fund as at 30 June 2019 was approximately RMB8,341 million, an 1.6% increase from approximately RMB8,207 million as at 31 December 2018.

The current ratio of the Group at 30 June 2019 was 2.19 (31 December 2018: 2.29). 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 2019, 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 2019, the gross gearing ratio (defined as total liabilities over total assets) was approximately 42.91% (as at 31 December 2018: 41.68%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB124 million (six months ended 30 June 2018: approximately RMB114 million) in line with a series of strategic transformation and production transformation by the Group.

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

Other Gains and Losses

As of June 30, 2019, the fair value of the financial assets held by the Group increased significantly compared with the fair value at the end of 2018, resulting in a fair value change of approximately RMB159 million.

Long-term receivables

As of June 30, 2019, the long-term receivables in the first half of the year increased by approximately RMB89 million from the end of last year, mainly due to the increase in installment sales from excavators, resulting in an increase in long-term receivables with maturity within 2 years but greater than 12 months according to the credit terms.

Capital Commitment

As at 30 June 2019, the Group had contracted but not included in the financial statements in respect of acquisition of property, plant and equipment amounting to approximately RMB24 million (31 December 2018: approximately RMB40 million).

PROSPECT

Despite the changes in the international economy and uncertainties such as trade frictions are complicated, China's economy will continue to grow steadily. Stable and steady growth is the general tone of China's macro economy in 2019. Under the background of identifying the relative weaknesses of our infrastructure, strengthening the construction of infrastructure of the airport, railway and urban transportation network by the country as well as tightening the environmental policy, construction machinery industry will continue to grow steadily. The Group will make full use of the development opportunities such as steady macroeconomic growth, renewal and replacement of existing equipment, in order to adopt a new mindset, work hard, as well as initiate to take responsibility to focus fully on the construction machinery industry to turn our four host products (loaders, excavators, fork lifts and road rollers) and core components stronger and excellent. The Group continuously elevated the position in the market, focused on market planning, diversified and improved the market, further opened up the domestic and overseas markets. The market share of the loaders continued to remain at the top spot of the industry. The sales growth of the excavators continued to keep in a relatively large magnitude. The Group strengthened the market share of the excavators and brand influence. The position of forklifts was further reinforced in the industry. The market share of road machinery also continued to grow. Paying attention to product research and development as well as comprehensively improving product quality is the key to ensuring the promotion of market position. The company's core competitiveness is built around "product" and "quality". The Company will introduce more technical experts and technical talents, invest more research and development funds, comprehensively sort out the four major categories of products as well as carry out project establishment, promotion, research and development, trial production and testing for each new generation of products. The Company will strengthen the technical development of key components, put more effort in the research and development of the products, deepen the reform of internal quality functions, improve the management and control of the products quality of the suppliers as well as manage, control and upgrade the quality of various products comprehensively. While grasping the products and markets, the Company will continue to innovate the management system, establish the comprehensive management system, strengthen risk control and truly achieve the principle of "returning to reality and being free and easy". The Company will do its utmost to create value for users, bring the best returns to shareholders and fully fulfill corporate social responsibility.

CORPORATE GOVERNANCE

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

Code Provision A.1.8

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

Code Provision A.6.7

As stipulated in the Code provision A.6.7 of CG Code, independent non-executive directors and other non-executive directors shall attend general meetings. Three independent non-executive directors were unable to attend annual general meeting of the Company held on 28 May 2019 (the "2019 AGM") due to other important engagement.

Code Provision A.4.3

Mr. Qian Shi Zheng ("Mr. Qian") has been appointed as an independent non-executive Director for more than nine years since February 2005. Pursuant to Code A.4.3 of the CG Code, (a) having served the Company for more than nine years could be relevant to the determination of an independent non-executive director's independence and (b) if an independent non-executive director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Qian has extensive experience in the finance and accounting fields. He provides a wide range of expertise and experience which can meet the requirement of Group's business and his participant in the Board brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interest of the shareholders have been duly considered. The Company has received from Mr. Qian a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Mr. Qian has not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Directors consider Mr. Qian to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Accordingly, Mr. Qian shall be subject to retirement rotation and re-election by way of a separate resolution approved by the Shareholders at the annual general meeting. At the Annual General Meeting of the Company held on 28 May 2019, 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.

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 2019 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 2019 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 period.

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

During the six months ended on 30 June 2019, 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 2019 (six months ended 30 June 2018: HK$0 cents per share).

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2019 interim report for the six months ended 30 June 2019 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, 28 August 2019

** For identification purpose only*

As at the date of this announcement, Mr. Li San Yim, Mr. Chen Chao, Mr. Luo Jianru, 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. Chen Zhen are the independent non-executive Directors.