LONKING 龙工

LONKING HOLDINGS LIMITED

中國龍工控股有限公司*

(Incorporated in the Cayman Islands with Limited Liability)

(Stock code: 3339)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 (the "Period"), together with the comparative figures for the corresponding period in 2021 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2022

		2022	2021
	NOTES	***RMB'000***	*RMB'000*
REVENUE	*3*	**11,150,234**	13,690,520
Cost of sales		**(9,283,208)**	(11,233,102)
Gross profit		**1,867,026**	2,457,418
Other income	*4*	**61,516**	71,758
Other gains and losses	*4*	**(270,806)**	350,439
Selling and distribution expenses		**(509,351)**	(701,272)
Administrative expenses		**(240,681)**	(249,783)
Impairment losses on financial assets, net		**(50,633)**	(4,875)
Research and development costs		**(516,019)**	(622,557)
Other expenses		**(121)**	(83)
Finance income	*4*	**117,680**	163,300
Finance costs	*5*	**(19,687)**	(11,432)

* *For identification purpose only*

	NOTES	2022 RMB'000	2021 RMB'000
PROFIT BEFORE TAX	6	**438,924**	1,452,913
Income tax expense	7	**(38,584)**	(177,487)
PROFIT FOR THE YEAR		**400,340**	1,275,426
Attributable to:			
Owners of the parent		**400,454**	1,275,383
Non-controlling interests		**(114)**	43
		400,340	1,275,426
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year	9	**0.09**	0.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	NOTES	**2022** *RMB'000*	2021 *RMB'000*
PROFIT FOR THE YEAR		**400,340**	1,275,426
OTHER COMPREHENSIVE INCOME			
Other comprehensive income 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		**–**	446
		–	(2,509)
Exchange differences:			
Exchange differences on translation of foreign operations		**(88,539)**	24,507
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		**(88,539)**	21,998
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(88,539)**	21,998
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**311,801**	1,297,424
Attributable to:			
Owners of the parent		**311,915**	1,297,381
Non-controlling interests		**(114)**	43
		311,801	1,297,424

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	10	**2,097,096**	2,063,046
Right-of-use assets		**130,228**	135,142
Finance lease receivables		**–**	40
Prepayments for property, plant and equipment		**25,013**	45,552
Long-term receivables	11	**160,908**	478,057
Equity investments at fair value through other comprehensive income	16	**1,000**	1,450
Financial assets at fair value through profit or loss	17	**618,437**	640,370
Derivative financial instruments		**40,548**	–
Deferred tax assets		**375,809**	414,433
Pledged deposits	18	**356,000**	356,212
Total non-current assets		**3,805,039**	4,134,302
Current assets			
Inventories	12	**3,591,273**	4,061,078
Finance lease receivables		**254**	726
Trade and bills receivables	13	**2,453,314**	3,255,311
Due from related parties		**2,134**	6,040
Prepayments, other receivables and other assets	14	**531,650**	643,965
Financial assets at fair value through other comprehensive income	15	**161,289**	201,951
Financial assets at fair value through profit or loss	17	**1,513,749**	1,845,817
Pledged deposits	18	**1,300,255**	428,022
Cash and cash equivalents	18	**2,031,973**	2,025,005
Total current assets		**11,585,891**	12,467,915
Current liabilities			
Trade and bills payables	19	**3,793,466**	4,301,695
Other payables and accruals	20	**864,512**	1,060,381
Due to related parties		**10,585**	16,727
Tax payable		**80,774**	126,321
Provisions		**111,564**	151,195
Deferred income		**4,100**	2,859
Total current liabilities		**4,865,001**	5,659,178

	NOTES	**2022** *RMB'000*	2021 *RMB'000*
Net current assets		**6,720,890**	6,808,737
Total assets less current liabilities		**10,525,929**	10,943,039
Non-current liabilities			
Deposits for finance leases		**35**	37
Interest-bearing bank borrowings	*21*	**708,161**	648,281
Deferred tax liabilities		**38,954**	63,577
Provisions		**5,919**	11,075
Deferred income		**21,705**	15,280
Total non-current liabilities		**774,774**	738,250
Net assets		**9,751,155**	10,204,789
Equity			
Equity attributable to owners of the parent			
Issued capital		**444,116**	444,116
Share premium and reserves		**9,304,629**	9,758,149
		9,748,745	10,202,265
Non-controlling interests		**2,410**	2,524
Total equity		**9,751,155**	10,204,789

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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. No onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

5 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

These 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 2022	**Sale of construction machinery** *RMB'000*	**Finance lease of construction machinery** *RMB'000*	**Financial investment** *RMB'000*	**Total** *RMB'000*
Segment revenue	**11,150,156**	**78**	**–**	**11,150,234**
Segment results	**627,173**	**(11)**	**(285,357)**	**341,805**
Reconciliation:				
Interest income				**117,680**
Unallocated other income and gains				**11,707**
Corporate and other unallocated expenses				**(12,581)**
Finance costs				**(19,687)**
Profit before tax				**438,924**
Segment assets	**13,009,171**	**41,853**	**2,203,791**	**15,254,815**
Corporate and other unallocated assets				**136,115**
Total assets				**15,390,930**
Segment liabilities	**4,833,163**	**10,421**	**68,732**	**4,912,316**
Corporate and other unallocated liabilities				**727,459**
Total liabilities				**5,639,775**
OTHER SEGMENT INFORMATION				
Impairment of financial assets, net	**50,638**	**(5)**	**–**	**50,633**
Reversal of provision for inventories	**(2,156)**	**–**	**–**	**(2,156)**
Depreciation	**275,520**	**–**	**–**	**275,520**
Capital expenditure*	**305,895**	**–**	**–**	**305,895**

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

Year ended 31 December 2021	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Financial investment *RMB'000*	Total *RMB'000*
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				(11,432)
Profit before tax				1,452,913
Segment assets	13,889,076	87,465	2,486,187	16,462,728
Corporate and other unallocated assets				139,489
Total assets				16,602,217
Segment liabilities	5,622,826	11,619	76,590	5,711,035
Corporate and other unallocated liabilities				686,393
Total liabilities				6,397,428
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.

Revenue derived from major products and services

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

	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Wheel loaders	**5,213,928**	**46.8**	6,610,752	48.3
Forklifts	**3,373,324**	**30.2**	3,516,172	25.7
Excavators	**1,109,172**	**9.9**	1,872,611	13.7
Road rollers	**64,686**	**0.6**	81,200	0.6
Others	**1,389,046**	**12.5**	1,609,579	11.7
Subtotal	**11,150,156**	**100.0**	13,690,314	100.0
Finance lease interest income	**78**	**0.0**	206	0.0
Total	**11,150,234**	**100.0**	13,690,520	100.0

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 23% (2021: 11%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, with 100% (2021: 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

	2022	2021
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**117,680**	163,300
Other income		
Government grants	**50,948**	64,127
Penalty income	**408**	473
Others	**10,160**	7,158
	61,516	71,758

	2022	2021
	RMB'000	*RMB'000*
Other gains and losses		
Gains/(Losses) on foreign exchange gains	**11,707**	(18,391)
Gains from derivative financial instruments	**39**	8,028
Dividend income from financial assets at fair value through profit or loss	**22,601**	–
Gains from notes receivable	**–**	6,242
Reversal of provision for inventories	**2,156**	2,940
Gains/(Losses) on disposal of items of property, plant and equipment	**688**	(1,516)
Fair value gains, net:		
Financial assets at fair value through profit or loss – held for trading	**(348,545)**	139,606
Derivative financial instruments – transactions not qualifying as hedges	**40,548**	–
Gains on disposal of a subsidiary	**–**	213,530
	(270,806)	350,439

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans	**17,931**	7,327
Total interest expense on financial liabilities not at fair value through profit or loss	**17,931**	7,327
Other finance costs:		
Interest on discounted notes receivable	**869**	2,882
Other financial costs	**887**	1,223
	19,687	11,432

6. PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**8,756,277**	10,609,999
Depreciation of property, plant and equipment *(note 10)*	**270,590**	285,775
Depreciation of right-of-use assets	**4,930**	5,044
Research and development costs	**516,019**	622,557
Auditor's remuneration	**2,908**	2,880
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**734,982**	839,585
Contributions to a pension scheme	**61,713**	56,701
Foreign exchange differences, net	**(11,707)**	18,391
Impairment of financial assets, net		
– trade receivables *(note 13)*	**45,907**	(3,627)
– other receivables *(note 14)*	**4,731**	8,538
– financial lease receivables	**(5)**	(36)
	50,633	4,875
Reversal of provision for inventories	**(2,156)**	(2,940)
Product warranty provision:		
Additional provision	**132,317**	227,150
Bank interest income	**(117,680)**	(163,300)
(Gains)/Losses on disposal of items of property, plant and equipment	**(688)**	1,516
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss		
– held for trading	**348,545**	(139,606)
Derivative instruments		
– transactions not qualifying as hedges	**(40,548)**	–
Gains on disposal of a subsidiary	**–**	(213,530)
Dividend income from financial assets at fair value through profit or loss	**(22,601)**	–
Gains from derivative financial instruments	**(39)**	(8,028)

7. INCOME TAX

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
Charged for the year	**(21,931)**	111,180
Underprovision in prior years	**3,212**	2,424
Withholding tax paid	**43,302**	32,107
	24,583	145,711
Deferred tax	**14,001**	31,776
Total tax charge for the year	**38,584**	177,487

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:

	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**438,924**		1,452,913	
Tax at the statutory tax rate of 25% (2021: 25%)	**109,731**	**25.0**	363,228	25.0
Different tax rates for specific entities (i)	**–**	**(0.0)**	(32,604)	(2.3)
Expenses not deductible for tax (ii)	**9,706**	**2.2**	16,439	1.1
Adjustments in respect of current tax of previous periods	**3,212**	**0.7**	2,424	0.2
Tax losses utilised from previous periods	**–**	**(0.0)**	(712)	(0.0)
Tax incentives on eligible research and development expenditures	**(72,347)**	**(16.5)**	(86,062)	(6.0)
Tax losses not recognised	**24,071**	**5.5**	–	(0.0)
Effect of withholding tax	**15,179**	**3.5**	25,611	1.8
Effect of the preferential tax rate of 15%	**(50,968)**	**(11.6)**	(110,837)	(7.6)
Tax charge and effective tax rate for the year	**38,584**	**8.8**	177,487	12.2

(i) Income 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

	2022	2021
	RMB'000	*RMB'000*
Proposed final – HK$0.10 (2021: HK$0.22) per ordinary share	**374,851**	765,435

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 RMB4,280,100,000 (2021: RMB4,280,100,000) in issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Plant and machinery**	**Motor vehicles**	**Furniture and fixtures**	**Construction in progress**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Cost						
At 1 January 2022	**1,685,566**	**3,907,212**	**52,081**	**160,545**	**94,866**	**5,900,270**
Additions	**548**	**29,322**	**1,909**	**2,912**	**271,188**	**305,879**
Transfers	**6,708**	**150,527**	**2,283**	**4,021**	**(163,539)**	**–**
Disposals	**(10)**	**(18,474)**	**(4,519)**	**(1,024)**	**(595)**	**(24,622)**
Exchange realignment	**1,767**	**–**	**–**	**33**	**–**	**1,800**
At 31 December 2022	**1,694,579**	**4,068,587**	**51,754**	**166,487**	**201,920**	**6,183,327**
Accumulated depreciation and impairment						
At 1 January 2022	**839,382**	**2,834,209**	**44,783**	**118,850**	**–**	**3,837,224**
Charge for the year	**82,207**	**176,162**	**2,391**	**9,830**	**–**	**270,590**
Disposals	**–**	**(16,945)**	**(4,230)**	**(747)**	**–**	**(21,922)**
Exchange realignment	**303**	**–**	**–**	**36**	**–**	**339**
At 31 December 2022	**921,892**	**2,993,426**	**42,944**	**127,969**	**–**	**4,086,231**
Carrying amount						
At 31 December 2022	**772,687**	**1,075,161**	**8,810**	**38,518**	**201,920**	**2,097,096**

	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	1,685,566	3,907,212	52,081	160,545	94,866	5,900,270
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	839,382	2,834,209	44,783	118,850	–	3,837,224
Carrying amount						
At 31 December 2021	846,184	1,073,003	7,298	41,695	94,866	2,063,046

11. LONG-TERM RECEIVABLES

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

	2022	2021
	RMB'000	*RMB'000*
Trade receivables *(note 13)*	**160,908**	478,057

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

12. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**1,121,894**	1,233,721
Work in progress	**187,313**	141,132
Finished goods	**2,282,066**	2,686,225
	3,591,273	4,061,078

13. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**3,054,426**	4,128,161
Impairment	**(440,204)**	(394,793)
	2,614,222	3,733,368
Less: Non-current portion *(note 11)*	**(160,908)**	(478,057)
	2,453,314	3,255,311

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. 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:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**1,011,246**	1,450,788
3 to 6 months	**427,940**	600,122
6 months to 1 year	**510,709**	1,049,972
More than 1 year	**664,327**	632,486
	2,614,222	3,733,368

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**394,793**	399,178
Impairment losses, net *(note 6)*	**45,907**	(3,627)
Written off as uncollectible	**(496)**	(758)
At end of year	**440,204**	394,793

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 31 December 2022, the Group has accrued ECLs of RMB418,246,000 for credit impaired trade receivables with a gross carrying amount of RMB759,749,000.

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 2022

		Past due				
	Current	**Less than 6 months**	**6 to 12 months**	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**0.63%**	**0.80%**	**5.56%**	**16.24%**	**31.82%**	**0.96%**
Gross carrying amount *(RMB$'000)*	**1,548,580**	**680,724**	**35,576**	**29,731**	**66**	**2,294,677**
Expected credit losses *(RMB$'000)*	**9,682**	**5,451**	**1,977**	**4,827**	**21**	**21,958**

As at 31 December 2021

		Past due				
	Current	Less than 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
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)*	5,586	3,455	4,838	4,559	118	18,556

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Prepayments	**357,490**	508,851
Deductible value-added tax	**15,517**	31,777
Deposits	**2,382**	2,313
Total	**375,389**	542,941
Other receivables:		
Loan receivables	**445,177**	449,835
Less: impairment	**(419,045)**	(414,314)
Net loan receivables	**26,132**	35,521
Other miscellaneous receivables	**130,827**	66,201
Less: impairment	**(698)**	(698)
Net other miscellaneous receivables	**130,129**	65,503
Total other receivables	**156,261**	101,024
Grand total	**531,650**	643,965

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

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**415,012**	406,474
Impairment losses recognised *(note 6)*	**4,731**	8,538
At 31 December	**419,743**	415,012

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 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:

	2022	2021
	RMB'000	*RMB'000*
More than 1 year	**26,132**	35,521

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022	2021
	RMB'000	*RMB'000*
Bills receivable, at fair value	**161,289**	201,951

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.

16. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022	2021
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value	**1,000**	1,450

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.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Listed equity investments, at fair value	**220,803**	216,198
Unlisted equity investments, at fair value	**1,911,383**	2,269,989
	2,132,186	2,486,187
Less: Non-current portion	**(618,437)**	(640,370)
	1,513,749	1,845,817

The above listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted equity investments were wealth management products issued by financial institutions in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances	**2,031,973**	2,020,005
Time deposits	**1,656,255**	789,234
	3,688,228	2,809,239
Less: Pledged cash and bank balances and time deposits:		
Pledged for bank loans *(note 21)*	**(400,100)**	(356,000)
Pledged for bank acceptance bills *(note 19)*	**(418,201)**	(417,952)
Pledged for purchasing financial assets at fair value through profit or loss in 2023	**(800,000)**	–
Pledged for others	**(37,954)**	(10,282)
Cash and cash equivalents	**2,031,973**	2,025,005

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:

Original currency	**US$** *equivalent to RMB'000*	**HK$** *equivalent to RMB'000*
As at 31 December 2022	**1,539**	**43,424**
As at 31 December 2021	924	46,419

19. TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**1,308,433**	1,255,679
Bills payable	**2,485,033**	3,046,016
	3,793,466	4,301,695

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:

	2022	2021
	RMB'000	*RMB'000*
Within 6 months	**3,717,267**	4,201,132
6 months to 1 year	**24,377**	45,450
1 to 2 years	**12,437**	19,707
2 to 3 years	**11,051**	10,183
Over 3 years	**28,334**	25,223
	3,793,466	4,301,695

Bills payable were aged within 12 months at the end of the reporting period, and were secured by pledged bank deposits amounting to RMB418,201,000 (2021: RMB417,952,000) *(note 18)*.

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

20. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	*RMB'000*
Accrued sales rebate	**303,123**	609,493
Salaries and wages payable	**162,950**	133,439
Contract liabilities	**82,724**	92,792
Other payables	**103,334**	90,079
Other accrued expenses	**76,113**	48,515
Investment management fee	**41,764**	33,662
Payable for acquisition of property, plant and equipment	**76,786**	30,697
Other taxes payable	**11,446**	14,045
Deposit for finance leases	**6,272**	7,659
	864,512	1,060,381

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 RMB92,792,000. The contract liabilities as of 31 December 2022 are expected to be recognised as revenue within one year.

21. INTEREST-BEARING BANK BORROWINGS

	2022			2021		
	Effective annual interest rate ***(%)***	**Maturity**	***RMB'000***	Effective annual interest rate *(%)*	Maturity	*RMB'000*
Non-current						
Bank loans – secured	**1.05-5.22**	**2024**	**708,161**	1.03-1.35	2024	648,281

	2022 ***RMB'000***	2021 *RMB'000*
Analysed into:		
More than 1 year	**708,161**	648,281

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

Original currency	US$ *equivalent to RMB'000*
As at 31 December 2022	**708,161**
As at 31 December 2021	648,281

Group's bank loans are secured by the pledge of certain of the Group's time deposits amounting to RMB400,100,000 (2021: RMB356,000,000) *(note 18)*.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

The year 2022 is an extraordinary year for China's economy. During the year, China's economic development was hit by a new round of COVID-19 pandemic, geopolitical conflicts, and other unexpected factors, which impacted the market expectation and consumer confidence to a certain extent, and resulted in an annual GDP growth of 3%. The overall demand of the infrastructure machinery industry in which the Group engages showed a downward trend due to slowdown in macroeconomic growth, COVID-19 pandemic, and the downward cycle of the industry. Under the severe and complex business environment, the Group followed the trend to seize market opportunities, and took multiple measures to achieve quality and efficiency improvement, further promote cost reduction and efficiency increase, and seek benefits from quality and management, so as to continuously enhance the competitiveness of various products and services of the Group. During the reporting period, the Group realised a total operating revenue of RMB11,150 million, which decreased by 18.56% or RMB2,541 million year on year from RMB13,691 million in 2021. Loaders, the Group's most competitive products, continue to be the main source of profit. During the reporting period, our loaders' market leadership was further consolidated. The proportion of the sales of loader to total sales of the Group dropped by 1.53 percentage points from 48.29% in 2021 to 46.76%. Forklifts were widely used in the downstream sector. With the growing market demand, the competitiveness of the Group's forklifts has been strengthened. The proportion of forklift sales was 30.25% in the current period, with an increase of 4.57 percentage points as compared with the same period in 2021. Due to the limited demand of excavators in the market, the decline in the growth rate of investment spending in the infrastructure, and the increasing competition among the industrial peers, the demand for excavators in the domestic market and the relating sales of the Group decreased year-on-year. The proportion of the sales of excavator dropped by 3.73 percentage points to 9.95% as compared with that in the same period of 2021. During the reporting period, the Group's consolidated gross profit margin was 16.74%, a decrease of 1.21 percentage points from 17.95% in the same period of 2021. Net profit for the year was approximately RMB400 million, down by RMB875 million or 68.61% year on year from RMB1,275 million last year. The decrease in net profit was mainly due to the downward adjustment period of the domestic construction machinery industry, the negative impact of the domestic and overseas COVID-19 lingering on the production and operations, and the significant year-on-year decrease in net gains generated from financial assets during the reporting period. While the export business of the Group grew rapidly and recorded a year-on-year increase of 70.14%, making the achievement of significant growth for three consecutive years and marking the best performance ever.

GEOGRAPHICAL RESULTS

This year, sales revenue from Mainland China has declined significantly. Among them, the sales revenue from the eastern, southern, southwest and central regions decreased by 37.3%, 36.3%, 33.8% and 32.9% respectively to approximately RMB1,608 million, 998 million, and 727 million and $1,134 million. Sales in north and northeast regions respectively decreased by 23.8%, 20.5% to about RMB2,602 million, 431 RMB million. Sales in the northwest region decreased by 16.7% to approximately RMB1,091 million. The Group's export business grew strongly, and sales revenue from overseas regions increased significantly by 70.2% to approximately RMB2,560 million (2021: approximately RMB1,504 million) compared to last year. This was mainly due to the high demand as a result of the insufficient supply of production capacity in overseas markets, and the continuous improvement of the international competitiveness of the Group's products in recent years.

ANALYSIS OF PRODUCTS

In 2022, affected by the coronavirus epidemic and the slowdown of macroeconomic growth, the infrastructure machinery industry as a whole experienced a downturn, and the sales revenue of the Group's various products declined compared with the same period last year.

Wheel Loaders

Revenue from sales of Wheel Loaders accounted for approximately 46.8% of total revenue, representing a decrease of 21.1% from last year to approximately RMB5,214 million. Among them, the revenue of ZL50 series and mini wheel loaders decreased significantly, falling by 26.1% to approximately RMB3,777 million and 13.1% to approximately RMB245 million, respectively. The revenue of ZL60 series decreased by 8.4% to approximately RMB432 million. The revenue from ZL40 series and ZL30 series increased slightly by 6.9% to approximately RMB24 million and 2.0% to RMB736 million, respectively.

Excavators

Due to the overall downturn in the infrastructure machinery industry and reduced market demand for products, sales revenue from excavator products decreased by 40.8% to approximately RMB1,109 million (2021: approximately RMB1,873 million).

Fork Lifts

Sales revenue from forklift products decreased slightly by 4.1% to approximately RMB3,373 million (2021: approximately RMB3,516 million). Due to the increasing competitiveness of the Group's forklift products and increasing market demand in recent years, the sales revenue of forklift products accounted for approximately 30.2% of the total revenue (2021: approximately 25.7%).

Road Roller

Revenue from road roller products decreased by 19.8% compared to last year to approximately RMB65 million (2021: approximately RMB81 million)

Components

Due to the decrease in sales revenue and the decrease in market demand for products, the revenue from components also decreased by 18.7% to approximately RMB975 million (2021: approximately RMB1,199 million). At the same time, the consumption of materials required for product services also decreased by 34.4% to approximately RMB208 million (2021: approximately RMB317 million).

Skid Steer Loader

Revenue from skid steer loader products accounted for only 0.7% of total revenue last year, and accounted for 1.8% of total revenue this year. Revenue from this product increased by 119.1% compared to last year to approximately RMB206 million (2021: approximately RMB94 million).

FINANCIAL REVIEW

The cash position of the Group was strong during the year. As at 31 December 2022, the Group had bank balance and cash of approximately RMB2,032 million (31 December 2021: approximately RMB2,025 million).

Cash and Bank Balance

Compared with last year, cash and bank balances increased by approximately RMB7 million, which is generated as a result of net cash inflow of around RMB1,857 million from operating activities, the net cash outflow of RMB1,000 million from investing activities, the net cash outflow of RMB854 million from financing activities and effect of foreign exchange rate changes of RMB4 million.

Liquidity and Financial Resources

We are committed to build a sound financial position. Total net assets as at 31 December 2022 was approximately RMB9,751 million, a 4.4% decrease from approximately RMB10,205 million as at 31 December 2021. The current ratio of the Group at 31 December 2022 was 2.38 (2021: 2.20).

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 2022, the gross gearing ratio (defined as total liabilities over total assets) was approximately 36.64% (31 December 2021: 38.53%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB306 million (2021: approximately RMB358 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.

Revenue

Total revenue for the year decreased by 18.6% to approximately RMB11,150 million (2021: approximately RMB13,691 million) compared with the same period last year. This was mainly due to the overall downturn in China's domestic infrastructure machinery industry, as a result of a decline in the growth rate of investment spending in the infrastructure and real estate industries.

Gross profit

This year's gross profit decreased by about 24% compared to last year, and the corresponding gross profit margin decreased from 17.9% to 16.7%. This was mainly due to the decrease in total revenue this year and the relatively high cost of materials consumed resulting in higher cost of sales.

Other Gains and Losses

Other gain decreased by approximately RMB621 million compared with the same period last year. This was mainly due to 1) the decrease in the fair value of financial assets products invested by the Group during the year; 2)The group recognized investment gains arising from the disposal of a subsidiary last year.

Selling and distribution expenses

Selling and distribution expenses for the year decreased by 27.4% compared to the same period last year to approximately RMB509 million. This was mainly due to 1) the Group's change of the finished products service policy during the year, resulting in a decrease in the finished product service fee per unit compared with last year; 2) the Group's decrease in sales revenue leads to a decrease in the corresponding transportation fee, finished products service fee; 3) The reduction in product failure rate leads to a decrease in the warranty parts fee.

Finance costs

Finance costs increased by 72.2% from last year to approximately RMB19.7 million, which was mainly due to the increase in interest expenses resulting from the increase in interest borrowing rates in US dollars during the year.

Long-term receivables

Long-term receivables for the year decreased by 66.3% to RMB161 million compared to last year. This was mainly due to the decrease in total sales revenue and decrease in installment sales during the year.

Trade and bills receivables

Trade and bills receivables for the year decreased by 24.6% to RMB2,453 million compared to last year. This was mainly due to the decrease in total sales revenue and decrease in installment sales during the year.

PROSPECT

In 2023, the Chinese government has set a target of approximately 5% GDP growth. The potential and fundamentals of the Chinese economy for long-term growth remain unchanged, which demonstrates strong resilience and potential in a complex and changeable environment and is appropriate and feasible to maintain economic performance within an appropriate range. The year of 2023 marks the first year of China's 14th Five-Year Plan and a crucial year for connecting the past and the future. With the continuous optimization of epidemic prevention policies and the accelerated implementation of a package of measures to stabilize the economy and boost consumption, market expectations and confidence will recover gradually, with continuous improvement of China's economic performance, steady enhancement for the quality of development, and the maintenance of overall social stability. In this year, the Chinese government advocates to "make efforts to expand domestic demand", "strengthen the construction of environmental infrastructure in urban and rural areas" and "improve the construction of the housing security system and supporting the demand for rigid and improved housing", all of which provide guarantee for demand of the infrastructure machinery industry to maintain a relatively sound development trend. The Group, adhering to its originality of "focusing on the infrastructure machinery industry by intensive engagement with an aim to pursuing perfection, being bigger and getting stronger", consolidates the foundation through improving internal management, forges ahead with hardworking and leverages the leading role of R&D and technological innovation, with a commitment to striving for high quality, sustainable and healthy development on the four host products (loaders, excavators, forklifts and road machinery) and core components that extended the product manufacturing chain. The Group will adhere to the marketing principle of agency system, continue to deepen and enhance its three strengths of "quality, service and cost effectiveness", and continue to optimize and innovate its marketing model on the premise of ensuring risk control. The Group will also grasp the opportunity of the continuous enhancement of the international recognition of Chinese brands, make a thorough investigation and exploration of export sub-markets, implement precise measures, increase investment in the research and development of internationalized products and technologies, and continuously launch new products and high-quality products to develop export sub-markets, so as to achieve a continuous and steady increase in the sales volume and market share of export business. Moreover, the Group will adhere to the strategic idea of long-term development, continue to increase investment in the research and development of new products and technologies, make targeted breakthroughs, and continue to enhance the competitiveness of its products and services, so as to win the hard-fought battle of market exploration. The Group will also continue to push forward the procurement and bidding system and process reform, continuously innovate the management system, continuously promote management improvement, and create a controllable and efficient control mechanism to enhance operational efficiency and effectiveness, so as to create more value for the society and investors.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code (the "CG 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 code provisions as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2022, 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 26 May 2022 (the "2022 AGM") due to other important engagement.

Code Provision B.2.3 and B.2.4

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 Provision B.2.3 of 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. 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 2022, 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 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 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 2022 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 2022 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 HKD0.22 per share as a result of the operation of 2021 amounting to HKD942 million (equivalent to RMB765 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 HKD0.10 per share for the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 23 May 2023 to Friday, 26 May 2023, 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 2023 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 Friday, 26 May 2023.

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, 5 June 2023. To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 1 June 2023 to Monday, 5 June 2023, 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 Wednesday, 31 May 2023.

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 Friday, 26 May 2023. 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 HKD0.10 per share for the year ended 31 December 2022, 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 28 July 2023 whose names appear on the register of members of the Company at the close of business on Monday, 5 June 2023.

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) as well as the Company's website (www.lonking.cn).

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

Hong Kong, 28 March 2023

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.