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 2023

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 2023 (the "Period") together with the comparative figures for the corresponding period in 2022. 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 2023

		For the six months ended 30 June	
		2023	2022
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3 and 4*	**5,726,128**	6,007,274
Cost of sales		**(4,781,676)**	(5,124,483)
Gross profit		**944,452**	882,791
Other income	*5*	**23,612**	26,680
Other gains and losses	*5*	**13,697**	(162,049)
Selling and distribution expenses		**(251,718)**	(298,918)
Administrative expenses		**(122,831)**	(112,699)
Impairment losses on financial assets, net		**(39,572)**	768
Research and development costs		**(230,747)**	(228,592)
Other expenses		**(42)**	(51)
Finance income		**62,983**	63,452
Finance costs		**(20,164)**	(7,895)

* *For identification purpose only*

	Notes	For the six months ended 30 June **2023** **Unaudited** ***RMB'000***	2022 Unaudited *RMB'000*
PROFIT BEFORE TAX	*6*	**379,670**	163,487
Income tax expense	*7*	**(72,266)**	(15,648)
PROFIT FOR THE PERIOD		**307,404**	147,839
Attributable to:			
Owners of the parent		**307,399**	147,937
Non-controlling interests		**5**	(98)
		307,404	147,839
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted:			
– For profit for the period (RMB)	*8*	**0.07**	0.03

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2023

	For the six months ended 30 June **2023** **Unaudited** ***RMB'000***	2022 Unaudited *RMB'000*
PROFIT FOR THE PERIOD	**307,404**	147,839
OTHER COMPREHENSIVE LOSS		
Exchange differences:		
Exchange differences on translation of foreign operations	**(39,605)**	(62,757)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(39,605)**	(62,757)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(39,605)**	(62,757)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**267,799**	85,082
Attributable to:		
Owners of the parent	**267,794**	85,180
Non-controlling interests	**5**	(98)
	267,799	85,082

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**30 June 2023 Unaudited** *RMB'000*	31 December 2022 Audited *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**2,030,137**	2,097,096
Right-of-use assets		**127,776**	130,228
Prepayments for property, plant and equipment		**29,083**	25,013
Long-term receivables	*11*	**92,625**	160,908
Equity investments at fair value through other comprehensive income		**1,000**	1,000
Financial assets at fair value through profit or loss		**637,941**	618,437
Derivative financial instruments		**–**	40,548
Deferred tax assets		**372,628**	375,809
Pledged deposits	*13*	**–**	356,000
Total non-current assets		**3,291,190**	3,805,039
CURRENT ASSETS			
Inventories	*10*	**2,745,318**	3,591,273
Finance lease receivables		**55**	254
Trade receivables	*11*	**2,527,004**	2,453,314
Due from related parties		**4,604**	2,134
Prepayments, deposits and other receivables	*12*	**332,889**	531,650
Financial assets at fair value through other comprehensive income		**329,500**	161,289
Derivative financial instruments		**31,192**	–
Financial assets at fair value through profit or loss		**1,481,950**	1,513,749
Pledged deposits	*13*	**711,188**	1,300,255
Cash and cash equivalents	*13*	**3,675,115**	2,031,973
Total current assets		**11,838,815**	11,585,891
CURRENT LIABILITIES			
Trade and bills payables	*14*	**3,195,401**	3,793,466
Other payables and accruals	*15*	**895,826**	864,512
Interest-bearing bank borrowings	*16*	**734,719**	–
Due to related parties		**5,445**	10,585
Provisions		**101,807**	111,564
Deferred income		**4,396**	4,100
Tax payable		**94,991**	80,774
Dividends due to shareholders	*8*	**394,617**	–
Total current liabilities		**5,427,202**	4,865,001
NET CURRENT ASSETS		**6,411,613**	6,720,890
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,702,803**	10,525,929

	Note	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
NON-CURRENT LIABILITIES			
Deposits for finance leases		**37**	35
Interest-bearing bank borrowings	*16*	**–**	708,161
Deferred tax liabilities		**30,881**	38,954
Provisions		**5,595**	5,919
Deferred income		**22,187**	21,705
Total non-current liabilities		**58,700**	774,774
Net assets		**9,644,103**	9,751,155
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**444,116**	444,116
Share premium and reserves		**9,197,572**	9,304,629
		9,641,688	9,748,745
Non-controlling interests		**2,415**	2,410
Total equity		**9,644,103**	9,751,155

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. CORPORATE INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 was authorised for issue in accordance with a resolution of the directors on 29 August 2023.

Lonking Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands on 11 May 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Ms. Ngai Ngan Ying, a non-executive director of the Company, is the ultimate controller of the Company.

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

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

2.1 Basis of preparation

The interim condensed consolidated financial information, which comprises the interim condensed consolidated statement of financial position of the Group as at 30 June 2023 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, has been prepared in accordance with HKAS 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

Approximately 26% (2022: 17%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, with 100% (2022: 100%) of the costs denominated in the units' functional currencies.

4. OPERATING SEGMENT INFORMATION

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2023 and 2022:

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

Six months ended 30 June 2022	Sale of construction machinery *RMB'000*	Finance leases of construction machinery *RMB'000*	Financial investments *RMB'000*	Total *RMB'000*
Segment revenue				
Revenue from external customers	6,007,203	71	–	6,007,274
Segment results	275,619	21	(165,796)	109,844
Reconciliation:				
Finance income				63,452
Unallocated other income and gains and losses				3,726
Corporate and other unallocated expenses				(5,640)
Finance costs				(7,895)
Profit before tax				163,487

Segment results represent the profits or losses earned or incurred by segments without allocation of interest income, unallocated other income and gains and losses, central administration cost, and finance costs. This is the measure reported to the chief executive officer for the purpose of resource allocation and performance assessment.

Geographical information

	30 June 2023 ***RMB'000*** **unaudited**	30 June 2022 *RMB'000* unaudited
Revenue from external customers:		
Mainland China	**4,234,347**	5,007,361
Outside mainland China	**1,491,781**	999,913
Total revenue	**5,726,128**	6,007,274

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 2023 and 31 December 2022:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Segment assets:	**15,043,554**	15,254,815
Sale of construction machinery	**12,858,113**	13,009,171
Finance leases of construction machinery	**1,652**	41,853
Financial investments	**2,183,789**	2,203,791
Corporate and other unallocated assets	**86,451**	136,115
Consolidated assets	**15,130,005**	15,390,930

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Segment liabilities:	**4,346,480**	4,912,316
Sale of construction machinery	**4,270,990**	4,833,163
Finance leases of construction machinery	**9,936**	10,421
Financial investments	**65,554**	68,732
Corporate and other unallocated liabilities	**1,139,422**	727,459
Consolidated liabilities	**5,485,902**	5,639,775

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

	For the six months ended 30 June			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Sales of construction machinery:				
Wheel loaders	**2,420,800**	**42.3**	2,847,877	47.4
Forklifts	**1,935,254**	**33.8**	1,947,952	32.4
Excavators	**671,827**	**11.7**	550,056	9.2
Components	**667,698**	**11.7**	626,114	10.4
Road rollers	**30,545**	**0.5**	35,204	0.6
Subtotal	**5,726,124**	**100.0**	6,007,203	100.0
Finance lease interest income	**4**	**–**	71	–
Total	**5,726,128**	**100.0**	6,007,274	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	
	2023	2022
	RMB'000	*RMB'000*
Government grants	**16,127**	22,257
Income from sale of scraps	**5,358**	3,196
Penalty income	**454**	249
Others	**1,673**	978
	23,612	26,680

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Losses on disposal of items of property, plant and equipment	**(313)**	(112)
Reversal of write-down of inventories to net realisable value	**142**	133
Fair value gains, net:		
Financial assets at fair value through profit or loss		
– held for trading	**(12,206)**	(192,801)
Derivative instruments		
– transactions not qualifying as hedges	**(9,356)**	15,471
Gains from derivative instruments	**15,069**	4,437
Dividend income from financial assets at fair value through profit or loss	**20,590**	6,817
Foreign exchange (losses)/gains	**(229)**	4,006
	13,697	(162,049)

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**4,332,198**	5,044,160
Depreciation of property, plant and equipment	**131,659**	134,798
Depreciation of right-of-use assets	**2,463**	2,463
Staff costs, including directors' remuneration	**305,305**	324,793
Contribution to a retirement benefit scheme	**31,890**	30,488
Foreign exchange differences, net	**229**	(4,006)
Impairment losses on financial assets, net	**39,572**	(768)
Product warranty provision	**56,248**	74,854
Fair value gains, net:		
Financial assets at fair value through profit or loss – held for trading	**12,206**	192,801
Derivative instruments – transactions not qualifying as hedges	**9,356**	(15,471)
Gains from derivative instruments	**(15,069)**	(4,437)
Dividend income from financial assets at fair value through profit or loss	**(20,590)**	(6,817)
Reversal of write-down of inventories to net realisable value	**(142)**	(133)
Interest income	**(62,983)**	(63,452)
Income-related government grants	**(16,127)**	(22,257)

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	
	2023	2022
	RMB'000	*RMB'000*
Current income tax expense	**77,158**	38,378
Deferred income tax expense relating to origination and reversal of temporary differences	**(4,892)**	(22,730)
Income tax expense recognised in the consolidated statement of profit or loss	**72,266**	15,648

8. EARNINGS PER SHARE AND DIVIDENDS DUE TO SHAREHOLDERS

The calculation of the basic earnings per share amount was based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of RMB4,280,100,000 (six months ended 30 June 2022: RMB4,280,100,000) in issue during the year.

The directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

The proposed final dividend of HK$0.1 per ordinary share for the year ended 31 December 2022 was declared payable and approved by the shareholders in the annual general meeting of the Company on 28 May 2023 and was paid on 28 July 2023.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB76,513,000 (six months ended 30 June 2022: RMB156,324,000), including property, plant and machinery in the People's Republic of China (the "PRC").

Assets with a net book value of RMB12,373,000 were disposed of by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB4,443,000), resulting in a net loss on disposal of RMB313,000 (net loss in the six months ended 30 June 2022: RMB112,000).

10. INVENTORIES

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Raw materials	**905,905**	1,121,894
Work in progress	**130,152**	187,313
Finished goods	**1,709,261**	2,282,066
	2,745,318	3,591,273

11. TRADE RECEIVABLES

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

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade receivables	**3,090,932**	3,054,426
Impairment	**(471,303)**	(440,204)
	2,619,629	2,614,222
Less: Non-current portion	**(92,625)**	(160,908)
	2,527,004	2,453,314

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

The ageing analysis of trade receivables is as follows:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
0 to 90 days	**1,253,142**	1,011,246
91 to 180 days	**555,076**	427,940
181 to 360 days	**332,735**	510,709
Over 1 year	**478,676**	664,327
	2,619,629	2,614,222

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Prepayments	**149,547**	357,490
Deductible value-added tax	**–**	15,517
Deposits	**4,019**	2,382
Total	**153,566**	375,389
Other receivables:		
Loan receivables	**444,260**	445,177
Less: Impairment	**(426,729)**	(419,045)
Net loan receivables	**17,531**	26,132
Other miscellaneous receivables	**162,490**	130,827
Less: Impairment	**(698)**	(698)
Net other miscellaneous receivables	**161,792**	130,129
Total other receivables	**179,323**	156,261
Grand total	**332,889**	531,650

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

Loan receivables were generated from sales agencies for their repurchase of machines. The collection of receivables of sales financed by leasing was not favourable due to the deterioration of external operating environment in the past few years. According to the finance lease agreements, the sales agencies were required to fulfil the obligation by repurchasing the machines and repaying the outstanding lease amount to the leasing companies once the account is overdue for more than three months. Accordingly, the Group would extend loans to the sales agencies to help them with the settlement of repurchase. The sales agencies were required to repay within three months as it would normally take three months for the resale of the machines. The Group would enter into instalment agreements with sales agencies if the repurchased machines had been resold. The instalments would be paid with interest at interest rates ranging from 3% to 8% per annum and would mainly be repaid within 18 to 24 months.

13. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Cash and bank balances	**3,675,115**	2,031,973
Time deposits	**711,188**	1,656,255
	4,386,303	3,688,228
Less: Pledged cash and bank balances and time deposits:		
Pledged for bank loans	**(400,419)**	(400,100)
Pledged for bank acceptance bills	**(301,939)**	(418,201)
Pledged for purchasing financial assets at fair value through profit or loss	**–**	(800,000)
Pledged for others	**(8,830)**	(37,954)
Cash and cash equivalents	**3,675,115**	2,031,973

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.

14. TRADE AND BILLS PAYABLES

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

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
0 to 180 days	**3,107,165**	3,717,267
181 days to 1 year	**37,826**	24,377
1 to 2 years	**14,546**	12,437
2 to 3 years	**6,820**	11,051
Over 3 years	**29,044**	28,334
	3,195,401	3,793,466

The bills payables are aged within six months at the end of each reporting period and secured by pledged bank deposits amounting to RMB301,939,000 (31 December 2022: RMB418,201,000) (note 13).

15. OTHER PAYABLES AND ACCRUALS

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Accrued sales rebate	**352,755**	303,123
Other payables	**99,619**	103,334
Salary and wages payable	**122,064**	162,950
Contract liabilities	**149,547**	82,724
Payable for acquisition of property, plant and equipment	**22,360**	76,786
VAT and other taxes payable	**40,539**	11,446
Deposit for finance leases	**5,772**	6,272
Investment management fee	**40,185**	41,764
Other accrued expenses	**62,985**	76,113
	895,826	864,512

16. INTEREST-BEARING BANK BORROWINGS

	30 June 2023			31 December 2022		
	Effective annual interest rate *(%)*	**Maturity**	*RMB'000*	Effective annual interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – secured	**5.35-5.85**	**2024**	**734,719**	–	–	–
Non-current						
Bank loans – secured	**–**	**–**	**–**	1.05-5.22	2024	708,161
			734,719			708,161

Group's bank loans are secured by the pledge of certain of the Group's time deposits amounting to RMB400,419,000 (31 December 2022: RMB400,100,000) (note 13).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

In the first half of 2023, against the backdrop of an increasingly complex global economic environment, China's overall economic performance improved with good momentum, and recorded a GDP growth of 5.5%. The construction machinery industry was faced with challenge of continued cyclical downward in the domestic market and a good opportunity brought by growth trend in the international market. In active response to the situation, the Group comprehensively upgraded technology research and development and quality control through scientific planning, innovation, and precise policy implementation. The Group persistently devoted itself to improving product quality, consolidating development foundation, and concentrating on customer needs and market development trends. It took the initiative to constantly deliver new products and refined products, and strived for the best. The Group spared no effort to consolidate and enhance the market share of its superior products, and made significant progress in expanding into emerging international markets and segmented markets. It continued to explore complete built-up units, spare parts and other markets, put more efforts to compete for orders. The market share of its leading products steadily increased, and the overall development quality of the Group gradually improved. During the reporting period, the Group realized a total operating revenue of RMB5,726 million, which decreased by RMB281 million or 4.68% year on year from RMB6,007 million in the same period of 2022. The Group's product mix is dominated by loader and forklift. Among them, loader is still the Group's most competitive products and the main source of profit. By fully leveraging the advantages of vertical integration, the Group continued to expand and optimize its domestic and overseas sales channels for the loader business. During the reporting period, the sales of loaders accounted for 42.28% of the Group's total sales, representing a decrease of 5.13 percentage points from 47.41% in the same period of 2022. Forklifts are widely used in various industries such as manufacturing, transportation, warehousing and logistics. The Group is focused on technological innovation for its forklifts to continuously enhance its product competitiveness, with the sales of forklifts accounting for 33.80% during the current period, representing an increase of 1.37 percentage points as compared with that in the same period of 2022. The Group has continued to improve the quality and control the costs of its excavators, and expanded its overseas markets, which offset the adverse impact of the downward phase in the domestic excavator market, with its proportion of sales up 2.57 percentage points to 11.73% as compared with that in the same period of 2022. During the reporting period, the Group's consolidated gross profit margin was 16.49%, an increase of 1.79 percentage points from 14.70% in the same period of 2022. Net profit for the reporting period was RMB307 million, up by RMB159 million or 107.43% year on year from RMB148 million last year. The growth in net profit was mainly due to the significant increase in both export income and net gains generated from financial assets. Under the favorable background of strong demand in overseas market, the Group continuously launched high-quality products suitable for overseas markets and improved its overseas sales network, leading to a year-on-year growth of 49.19% in export income based on the significant growth in the previous three consecutive years.

GEOGRAPHICAL RESULTS

After the last round of sustained high-speed growth, investment in China's infrastructure construction has slowed down, and the newly increased domestic market demand for infrastructure machinery industry during the period ended 30 June 2023 is insufficient. Compared with the same period last year, sales from all parts of China have decreased significantly. Among them, the sales from Northwest and North decreased by 27.4% to RMB493 million and 18.1% to RMB1,246 million, respectively. Sales from the South decreased slightly by 2.8% to RMB553 million. Sales from Southwest and Central China decreased by 17.3% to RMB347 million and 15.6% to RMB568 million, respectively. Sales from the Northeast and East decreased by 11.9% to RMB202 million and 10.0% to RMB827 million, respectively. Sales from overseas markets surged by 49.2% to RMB1,492 million, which made up for the downturn in the domestic market to a certain extent. This was mainly due to insufficient production capacity in overseas markets, resulting in a strong demand. At the same time, after years of hard work, the Company's product competitiveness has been greatly improved in overseas markets.

PRODUCTS ANALYSIS

Except for excavators and components, the sales of various products of the Group decreased significantly compared with the same period last year. This is mainly due to the sluggish investment in infrastructure and the lack of new demand leading to the sluggish overall demand in the infrastructure machinery industry.

Wheel Loaders

Revenue from sales of wheel loaders decreased by 15.0% to RMB2,421 million (For the six months ended 30 June 2022: approximately RMB2,848 million) for the Period compared with the same period last year. Among them, the sales income of ZL50, ZL30 and ZL60 loader series decreased respectively by 21.3%, 11.7% and 17.0% to RMB1,694 million, RMB300 million and RMB199 million. Mini loaders increased by 100.0% to approximately RMB216 million. Wheel loader sales accounted for 42.3% of total sales, down from 47.4% in the same period last year.

Forklifts and Road Rollers

Revenue from sales of forklift products decreased slightly by 0.7% from the same period last year to RMB1,935 million (For the six months ended 30 June 2022: approximately RMB1,948 million). Sales of forklift products accounted for 33.8% of the Group's total revenue for the first half of the year.

Revenue from sales of road roller products decreased by 11.4% from the same period last year to RMB31 million (For the six months ended 30 June 2022: RMB35 million). The sales revenue of road roller accounted for only 0.5% of the Group's total revenue.

Excavators

Revenue from sales of excavator products increased significantly by 22.2% compared to the same period last year to RMB672 million (For the six months ended 30 June 2022: RMB550 million). This is mainly due to the booming demand in the international market and the increase in overseas sales of excavator products in the post-epidemic era.

Components

In the first half of the year, revenue from sales of components increased by 6.7% to approximately RMB668 million (For the six months ended 2022: RMB626 million). This was mainly due to the increase in export sales of complete machines, which led to a significant increase in sales of components.

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 2023, the Group had bank balances and cash of approximately RMB3,675 million (31 December 2022: approximately RMB2,032 million) and pledged bank deposit of approximately RMB711 million (31 December 2022: approximately RMB1,656 million). Compared with last year, the cash and bank balance increased about RMB1,643 million, which was as a result of net cash inflow of RMB919 million from operating activities, net cash inflow of RMB742 million from investing activities and net cash outflow of RMB19 million from financing activities and effect of foreign exchange rate change at RMB1 million.

The pledged deposit balance at 30 June 2023 decreased approximately RMB945 million. Details of pledged bank deposit for the period ended 30 June 2023 are set out in Note 13 to the interim results.

Liquidity and Financial Resources

The Group are committed to build a sound finance position. Total equity as at 30 June 2023 was approximately RMB9,644 million, a 1.1% decrease from approximately RMB9,751 million as at 31 December 2022.

The current ratio of the Group at 30 June 2023 was 2.18 (31 December 2022: 2.38). 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 2023, 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 2023, the gross gearing ratio (defined as total liabilities divided by total assets) was approximately 36.26% (as at 31 December 2022: 36.64%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB77 million (for the six months ended 30 June 2022: approximately RMB156 million) in line with a series of strategic transformation and product transformation of the Group.

Other Gains and Losses

During the period, the Group's other gains increased by approximately RMB176 million compared with the same period last year. This was mainly due to losses of RMB22 million (30 June 2022: approximately RMB177 million) in fair value changes of the wealth management and investment product and derivative financial instruments invested by the Group. At the same time, net investment income from financial assets during the period, including derivative gains from interest rate swap contract and financial assets, increased by approximately RMB25 million to approximately RMB36 million compared with the same period last year.

Impairment losses on financial assets, net

During the period, the impairment of financial assets of the Group increased by approximately RMB40 million compared with the same period last year, which was mainly due to the corresponding increase in the provision for bad debts of some dealers, as a result of the Group's risk assessment based on the recovery of trade receivables during the period.

Finance costs

During the period, the Group's financial costs increased by approximately RMB12 million compared with the same period last year, which was mainly due to the increase in the accrued US dollar loan interest due to the increase in the US dollar loan interest rate during the period.

Long-term receivables

As of the end of the period, long-term receivables decreased by 42.4% to RMB93 million compared with the same period last year, which was mainly due to the decrease in sales revenue and installment sales during the period.

Prepayments, deposits and other receivables

As of the end of the current period, Prepayments, deposits and other receivables decreased by 37.4% compared with the same period last year to RMB333 million. This was mainly due to the overall downturn in the market environment, the group's procurement policy tended to be cautious, and the decrease in purchase volume resulted in decrease in prepayments in advance.

PROSPECT

Since 2023, China's economy and society have resumed normalised operation in a comprehensive manner, with macro policies taking significant effect, the national economy rebounding and improving, and high-quality development being steadily pushed forward. Given the enormous development potential and resilience of the Chinese economy, there is no change in its long-term positive fundamentals. Looking ahead, the Chinese government will continue to implement a proactive fiscal policy and a prudent monetary policy, and extend, optimise, improve and implement a series of tax and fee reduction policies, so as to promote the economy to achieve effective improvement in quality and reasonable growth in quantity. With the increase in the construction and supply of guaranteed housing, and the steady progress of the urban village renovation and the public infrastructure construction for "normal and urgent use", the physical workload of infrastructure projects is expected to stabilise and rebound, which will gradually release the driving effect, and the demand for the domestic construction machinery industry is expected to improve. In the international market, as the internationalisation of Chinese brands continues to improve, the popularity of Chinese manufacturing continues to improve, the cost, price-performance ratio and delivery advantages have gradually been highlighted, and benefiting from the deep ploughing of the Belt and Road, the demand in the international market is expected to remain robust. With a focus on customer needs and market trends, the Group will adopt a new mindset, innovate and develop, take the initiative to strive for the lead and strengthen confidence in development, so as to persistently refine and optimize the four host products (loaders, excavators, forklifts and road machinery) and core components that extended the product manufacturing chain. The Group always adheres to the marketing principle of agency system, makes full use of its three strengths of "quality, service and cost effectiveness", gains insight into the macro environment and market developments to adapt to the situation, and sticks to long-term development strategies to maintain strategic determination and initiative. The Group also keeps enhancing its development resilience by continuously enriching product models, expanding product application scenarios, and continuously promoting the greening and intelligence of products to unswervingly enhance product competitiveness, as well as actively expanding and continuously engaging in domestic and international markets, and constantly improving marketing service capabilities. The Group will reform internal procurement management, facilitate procurement cost reduction and technological progress, vigorously promote the quality awareness of manufacturing excellent products, and advance the steady improvement of product quality in all aspects from process control, management implementation to supply chain supervision and management, technology research and development and innovation, with an aim to gain high recognition in domestic and international markets through stable and reliable product quality, thereby winning new development opportunities for the Group in the downward cycle of domestic industry demand.

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 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 six months ended 30 June 2023, 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 2023 (the "2023 AGM") due to other important engagement.

Code Provision B.2.3 and B.2.4

Each of Dr. Qian Shizheng and Mr. Wu Jian Ming has been appointed as an independent non-executive Director for more than nine years. Pursuant to Code B.2.3 of the code provisions of Corporate Governance Code set out in Appendix 14 of the Listing Rules (the "CG Code"), if an independent non-executive director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Dr. Qian has extensive experience in the finance and accounting fields. He provides a wide range of expertise and experience which can meet the requirement of Group's business and his participant in the Board brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interest of the shareholders have been duly considered.

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

The Company has received from Mr. Qian and Mr. Wu a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Each of Mr. Qian and Mr. Wu has not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Directors consider Mr. Qian and Mr. Wu to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Accordingly, Mr. Qian and Mr. Wu shall be subject to retirement rotation and re-election by way of a separate resolution approved by the Shareholders at the annual general meeting. At the Annual General Meeting of the Company held on 26 May 2023, a separate resolution to re-elect Mr. Qian and Mr. Wu a retiring Director, as an independent non-executive Director was passed by the Shareholders by way of poll.

Code Provision C.2.1

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

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

The Company has adopted 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 2023 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 2023 have been agreed by the Group's external auditor, Ernst & Young Certified Public Accountants (the "Ernst & Young"), to the amounts set out in the Group's unaudited interim condensed consolidated financial information for the period.

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

During the six months ended on 30 June 2023, 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 2023 (six months ended 30 June 2022: Nil).

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2023 interim report for the six months ended 30 June 2023 will be despatched to the shareholders at the appropriate time and will at the same time be published on the Stock Exchange's website (www.hkex.com.hk).

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

Hong Kong, 29 August 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.