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 2023

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
REVENUE	*3*	**10,522,925**	11,150,234
Cost of sales		**(8,677,945)**	(9,283,208)
GROSS PROFIT		**1,844,980**	1,867,026
Other income	*4*	**125,404**	61,516
Other gains and losses	*4*	**(100,188)**	(270,806)
Selling and distribution expenses		**(441,249)**	(509,351)
Administrative expenses		**(233,168)**	(240,681)
Impairment losses on financial assets, net		**(68,516)**	(50,633)
Research and development costs		**(437,700)**	(516,019)
Other expenses		**(67)**	(121)
Finance income	*4*	**128,612**	117,680
Finance costs	*5*	**(45,451)**	(19,687)

* *For identification purpose only*

PROFIT BEFORE TAX	*6*	**772,657**	438,924
Income tax expense	*7*	**(127,113)**	(38,584)
PROFIT FOR THE YEAR		**645,544**	400,340
Attributable to:			
Owners of the parent		**645,440**	400,454
Non-controlling interests		**104**	(114)
		645,544	400,340
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year (RMB)	*9*	**0.15**	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**645,544**	400,340
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(40,328)**	(88,539)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(40,328)**	(88,539)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(40,328)**	(88,539)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**605,216**	311,801
Attributable to:		
Owners of the parent	**605,112**	311,915
Non-controlling interests	**104**	(114)
	605,216	311,801

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,951,564**	2,097,096
Right-of-use assets		**125,318**	130,228
Prepayments for property, plant and equipment		**8,062**	25,013
Long-term receivables	12	**74,788**	160,908
Equity investments at fair value through other comprehensive income	17	**1,000**	1,000
Financial assets at fair value through profit or loss	18	**592,483**	618,437
Derivative financial instruments		**–**	40,548
Deferred tax assets		**389,444**	375,809
Pledged deposits	19	**–**	356,000
Total non-current assets		**3,142,659**	3,805,039
CURRENT ASSETS			
Inventories	13	**2,876,507**	3,591,273
Finance lease receivables	11	**–**	254
Trade receivables	14	**1,994,901**	2,453,314
Bills receivable		**725,532**	–
Due from related parties		**242**	2,134
Prepayments, other receivables and other assets	15	**413,479**	531,650
Financial assets at fair value through other comprehensive income	16	**129,489**	161,289
Derivative financial instruments		**12,695**	–
Financial assets at fair value through profit or loss	18	**1,405,402**	1,513,749
Pledged deposits	19	**708,171**	1,300,255
Time deposits	19	**743,688**	–
Cash and cash equivalents	19	**3,470,777**	2,031,973
Total current assets		**12,480,883**	11,585,891

	Notes	2023	2022
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*20*	**3,869,222**	3,793,466
Other payables and accruals	*21*	**793,904**	864,512
Interest-bearing bank borrowings	*22*	**726,556**	–
Due to related parties		**8,771**	10,585
Tax payable		**101,903**	80,774
Provisions		**86,171**	111,564
Deferred income		**4,876**	4,100
Total current liabilities		**5,591,403**	4,865,001
NET CURRENT ASSETS		**6,889,480**	6,720,890
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,032,139**	10,525,929
NON-CURRENT LIABILITIES			
Deposits for finance leases	*11*	**37**	35
Interest-bearing bank borrowings	*22*	**–**	708,161
Deferred tax liabilities		**20,229**	38,954
Provisions		**6,165**	5,919
Deferred income		**24,188**	21,705
Total non-current liabilities		**50,619**	774,774
NET ASSETS		**9,981,520**	9,751,155
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**444,116**	444,116
Share premium and reserves		**9,534,890**	9,304,629
		9,979,006	9,748,745
Non-controlling interests		**2,514**	2,410
TOTAL EQUITY		**9,981,520**	9,751,155

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 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"),and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, wealth management products and fund investment 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 2023. 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, 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
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 nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group has no temporary differences for transactions related to leases, the amendments had no impact on the Group's financial statements.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*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*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 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

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

3. OPERATING SEGMENT INFORMATION

Year ended 31 December 2023	Sale of construction machinery *RMB'000*	Finance lease of construction machinery *RMB'000*	Financial investment *RMB'000*	Total *RMB'000*
Segment revenue	**10,522,921**	**4**	**–**	**10,522,925**
Segment results	**800,164**	**19**	**(82,839)**	**717,344**
Reconciliation:				
Interest income				**128,612**
Unallocated other losses				**(14,605)**
Corporate and other unallocated expenses				**(13,243)**
Finance costs				**(45,451)**
Profit before tax				**772,657**
Segment assets	**12,679,907**	**1,600**	**2,064,833**	**14,746,340**
Corporate and other unallocated assets				**877,202**
Total assets				**15,623,542**
Segment liabilities	**4,847,427**	**10,010**	**55,531**	**4,912,968**
Corporate and other unallocated liabilities				**729,054**
Total liabilities				**5,642,022**
OTHER SEGMENT INFORMATION				
Impairment of financial assets, net	**68,523**	**(7)**	**–**	**68,516**
Reversal of provision for inventories	**(859)**	**–**	**–**	**(859)**
Depreciation	**274,140**	**–**	**–**	**274,140**
Capital expenditure*	**152,046**	**–**	**–**	**152,046**

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

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.

Revenue from Contracts with Customers

The following is a major products and services analysis of the Group's revenue from contracts with customers:

	2023		2022	
	RMB'000	**%**	*RMB'000*	%
Revenue from contracts with customers				
Wheel loaders	**4,334,100**	**41.2**	5,213,928	46.8
Forklifts	**3,659,405**	**34.8**	3,373,324	30.2
Excavators	**1,257,859**	**12.0**	1,109,172	9.9
Road rollers	**49,035**	**0.5**	64,686	0.6
Others	**1,222,522**	**11.5**	1,389,046	12.5
Subtotal	**10,522,921**	**100.0**	11,150,156	100.0
Revenue from other sources				
Finance lease interest income	**4**	**–**	78	–
Total	**10,522,925**	**100.0**	11,150,234	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.

Geographical information

	2023	2022
	RMB'000	*RMB'000*
Revenue from external customers:		
Chinese Mainland	**7,448,464**	8,590,681
Outside Chinese Mainland	**3,074,461**	2,559,553
Total revenue	**10,522,925**	11,150,234

The non-current assets of the Group are based in Chinese Mainland.

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

	2023	2022
	RMB'000	*RMB'000*
Finance income		
Bank structured deposit interest income	**63,313**	52,250
Bank time deposit interest income	**49,697**	21,357
Amortisation of unrealised financing income	**15,602**	44,073
	128,612	117,680
Other income		
Government grants	**52,852**	50,948
Additional value-added tax deduction	**51,246**	–
Income from sales of scraps	**8,552**	7,285
Penalty income	**890**	408
Others	**11,864**	2,875
	125,404	61,516

	2023	2022
	RMB'000	*RMB'000*
Other gains and losses		
(Losses)/Gains on foreign exchange gains	**(14,605)**	11,707
Gains from derivative financial instruments	**44,520**	39
Dividend income from financial assets at fair value through profit or loss	**34,705**	22,601
Reversal of provision for inventories	**859**	2,156
(Losses)/Gains on disposal of items of property, plant and equipment	**(2,506)**	688
Fair value (losses)/gains, net:		
Financial assets at fair value through profit or loss – held for trading	**(134,211)**	(348,545)
Derivative financial instruments – transactions not qualifying as hedges	**(27,853)**	40,548
Loss on debt restructuring	**(1,097)**	–
	(100,188)	(270,806)

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans	**44,476**	17,931
Total interest expense on financial liabilities not at fair value through profit or loss	**44,476**	17,931
Other finance costs:		
Interest on discounted bills receivable	**–**	869
Others	**975**	887
	45,451	19,687

6. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**8,132,270**	8,756,277
Depreciation of property, plant and equipment *(note 10)*	**269,230**	270,590
Depreciation of right-of-use assets	**4,910**	4,930
Research and development costs	**437,700**	516,019
Auditor's remuneration	**2,938**	2,908
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**679,067**	734,982
Contributions to a pension scheme	**64,631**	61,713
Foreign exchange differences, net	**14,605**	(11,707)
Impairment of financial assets, net		
– trade receivables *(note 14)*	**50,297**	45,907
– other receivables *(note 15)*	**18,226**	4,731
– financial lease receivables *(note 11)*	**(7)**	(5)
	68,516	50,633
Reversal of provision for inventories	**(859)**	(2,156)
Product warranty provision:		
Additional provision	**89,315**	132,317
Bank structured deposit interest income	**(63,313)**	(52,250)
Bank time deposit interest income	**(49,697)**	(21,357)
Amortisation of unrealised financing income	**(15,602)**	(44,073)
Losses/(Gains) on disposal of items of property, plant and equipment	**2,506**	(688)
Fair value losses, net:		
Financial assets at fair value through profit or loss – held for trading	**134,211**	348,545
Derivative instruments – transactions not qualifying as hedges	**27,853**	(40,548)
Dividend income from financial assets at fair value through profit or loss	**(34,705)**	(22,601)
Loss on debt restructuring	**1,097**	–
Gains from derivative financial instruments	**(44,520)**	(39)

7. INCOME TAX

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
Charged for the year	**94,016**	(21,931)
Underprovision in prior years	**1,988**	3,212
Withholding tax paid	**63,469**	43,302
	159,473	24,583
Deferred tax	**(32,360)**	14,001
Total tax charge for the year	**127,113**	38,584

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Chinese Mainland 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:

	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Profit before tax	**772,657**		438,924	
Tax at the statutory tax rate of 25% (2022: 25%)	**193,164**	**25.0**	109,731	25.0
Expenses not deductible for tax *(i)*	**18,267**	**2.4**	9,706	2.2
Adjustments in respect of current tax of previous periods	**1,988**	**0.3**	3,212	0.7
Tax incentives on eligible Research and development expenditures	**(60,568)**	**(7.8)**	(72,347)	(16.5)
Tax losses not recognised	**12,688**	**1.6**	24,071	5.5
Effect of withholding tax	**51,041**	**6.6**	15,179	3.5
Effect of the preferential tax rate of 15%	**(89,467)**	**(11.6)**	(50,968)	(11.6)
Tax charge and effective tax rate for the year	**127,113**	**16.5**	38,584	8.8

(i) 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

	2023	2022
	RMB'000	*RMB'000*
Proposed final – HK$0.08 (2022: HK$0.10) per ordinary share	**310,513**	374,851

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,280,100,000 (2022: 4,280,100,000) in issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 31 December 2022.

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 2023	**1,694,579**	**4,068,587**	**51,754**	**166,487**	**201,920**	**6,183,327**
Additions	**1,109**	**30,940**	**171**	**3,029**	**116,797**	**152,046**
Transfers	**152,103**	**140,853**	**1,013**	**7,308**	**(301,277)**	**–**
Disposals	**–**	**(73,154)**	**(1,903)**	**(1,511)**	**(1,642)**	**(78,210)**
Exchange realignment	**303**	**–**	**–**	**6**	**–**	**309**
At 31 December 2023	**1,848,094**	**4,167,226**	**51,035**	**175,319**	**15,798**	**6,257,472**
Accumulated depreciation and impairment						
At 1 January 2023	**921,892**	**2,993,426**	**42,944**	**127,969**	**–**	**4,086,231**
Charge for the year	**86,351**	**170,265**	**2,535**	**10,079**	**–**	**269,230**
Disposals	**–**	**(46,481)**	**(1,697)**	**(1,433)**	**–**	**(49,611)**
Exchange realignment	**52**	**–**	**–**	**6**	**–**	**58**
At 31 December 2023	**1,008,295**	**3,117,210**	**43,782**	**136,621**	**–**	**4,305,908**
Carrying amount						
At 31 December 2023	**839,799**	**1,050,016**	**7,253**	**38,698**	**15,798**	**1,951,564**

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture and fixtures *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 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

11. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivables comprise:				
Within one year	**–**	264	**–**	261
One to five years	**477**	477	**473**	473
	477	741	**473**	734
Less: Unearned finance income	**4**	7	**–**	–
Less: Provision for impairment	**473**	480	**473**	480
Present value of minimum lease payment receivables	**–**	254	**–**	254
Analysed into:				
Current			**–**	254
Non-current			**–**	–
			–	254

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

	2023	2022
	RMB'000	*RMB'000*
At 1 January	**480**	485
Impairment losses reversed *(note 6)*	**(7)**	(5)
At 31 December	**473**	480

The effective interest rates of the above finance leases range from 6% to 9.5% (2022: 6% to 9.5%) per annum.

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

As 31 December 2023, the Group's refundable finance lease deposits are as follows:

	2023	2022
	RMB'000	*RMB'000*
Current *(note 21)*	**5,772**	6,272
Non-current	**37**	35
	5,809	6,307

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

12. LONG-TERM RECEIVABLES

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

	2023	2022
	RMB'000	*RMB'000*
Trade receivables *(note 14)*	**74,788**	160,908

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

13. INVENTORIES

	2023	2022
	RMB'000	*RMB'000*
Raw materials	**880,969**	1,121,894
Work in progress	**141,937**	187,313
Finished goods	**1,853,601**	2,282,066
	2,876,507	3,591,273

14. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**2,559,621**	3,054,426
Impairment	**(489,932)**	(440,204)
	2,069,689	2,614,222
Less: Non-current portion *(note 12)*	**(74,788)**	(160,908)
	1,994,901	2,453,314

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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**1,029,410**	1,011,246
3 to 6 months	**400,382**	427,940
6 months to 1 year	**313,257**	510,709
More than 1 year	**326,640**	664,327
	2,069,689	2,614,222

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**440,204**	394,793
Impairment losses, net *(note 6)*	**50,297**	45,907
Written off as uncollectible	**(569)**	(496)
At end of year	**489,932**	440,204

An impairment analysis is performed at each reporting date. The Group identifies the receivables that are credit-impaired (but that are not purchased or originated credit-impaired) among the receivables, considering the observable information, such as the debtors being in major financial difficulties, in breach of the contract stipulations or in bankruptcy. The ECLs are based on all the cash flows that the Group expects to receive, discounted at an effective interest rate. As at 31 December 2023, the Group has accrued ECLs of RMB459,473,000 (31 December 2022: RMB418,246,000) for credit impaired trade receivables with a gross carrying amount of RMB649,617,000 (31 December 2022: 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 2023

		Past due				
	Current	**Less than 6 months**	**6 to 12 months**	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**0.45%**	**1.15%**	**8.47%**	**21.36%**	**–**	**1.59%**
Gross carrying amount *(RMB'000)*	**1,221,341**	**532,349**	**113,062**	**43,252**	**–**	**1,910,004**
Expected credit losses *(RMB'000)*	**5,541**	**6,106**	**9,573**	**9,239**	**–**	**30,459**

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

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	RMB'000	*RMB'000*
Prepayments	**193,821**	357,490
Deductible value-added tax	**17,093**	15,517
Deposits	**2,100**	2,382
Total	**213,014**	375,389
Other receivables:		
Loan receivables	**443,971**	445,177
Less: Impairment	**(437,271)**	(419,045)
Net loan receivables	**6,700**	26,132
Other miscellaneous receivables	**194,463**	130,827
Less: Impairment	**(698)**	(698)
Net other miscellaneous receivables	**193,765**	130,129
Total other receivables	**200,465**	156,261
Grand total	**413,479**	531,650

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

	2023	2022
	RMB'000	*RMB'000*
At 1 January	**419,743**	415,012
Impairment losses recognised *(note 6)*	**18,226**	4,731
At 31 December	**437,969**	419,743

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:

	2023	2022
	RMB'000	*RMB'000*
More than 1 year	**6,700**	26,132

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	RMB'000	*RMB'000*
Bills receivable, at fair value	**129,489**	161,289

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

17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value	**1,000**	1,000

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

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Listed equity investments, at fair value	**267,096**	220,803
Wealth management and fund investment products, at fair value	**1,730,789**	1,911,383
	1,997,885	2,132,186
Less: Non-current portion	**(592,483)**	(618,437)
	1,405,402	1,513,749

19. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**3,470,777**	2,031,973
Time deposits	**1,451,859**	1,656,255
	4,922,636	3,688,228
Less: Pledged cash and bank balances and time deposits:		
Pledged for bank loans *(note 22)*	**(420,292)**	(400,100)
Pledged for bank acceptance bills *(note 20)*	**(283,968)**	(418,201)
Pledged for purchasing financial assets at fair value through profit or loss	**–**	(800,000)
Pledged for others	**(3,911)**	(37,954)
Time deposits with original maturity of more than three months	**(743,688)**	–
Cash and cash equivalents	**3,470,777**	2,031,973

The RMB is not freely convertible into other currencies, however, under Chinese Mainland'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 certain cash and bank balances and pledged bank deposits that are denominated in currencies other than the functional currencies of the respective group entities are as follows:

	US$	HK$
Original currency	*equivalent to RMB'000*	*equivalent to RMB'000*
As at 31 December 2023	**771,973**	**2,710**
As at 31 December 2022	1,539	43,424

20. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**2,067,958**	1,308,433
Bills payable	**1,801,264**	2,485,033
	3,869,222	3,793,466

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:

	2023	2022
	RMB'000	*RMB'000*
Within 6 months	**3,791,302**	3,717,267
6 months to 1 year	**26,253**	24,377
1 to 2 years	**13,628**	12,437
2 to 3 years	**9,130**	11,051
Over 3 years	**28,909**	28,334
	3,869,222	3,793,466

Bills payable were aged within 12 months at the end of the reporting period, and were secured by pledged bank deposits amounting to RMB283,968,000 (2022: RMB418,201,000) (note 19).

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

21. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Accrued sales rebate	**303,854**	303,123
Salaries and wages payable	**140,492**	162,950
Contract liabilities	**121,029**	82,724
Other payables	**86,008**	103,334
Other accrued expenses	**69,639**	76,113
Investment management fee	**29,690**	41,764
Payable for acquisition of property, plant and equipment	**25,289**	76,786
Other taxes payable	**12,131**	11,446
Deposit for finance leases *(note 11)*	**5,772**	6,272
	793,904	864,512

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 RMB82,724,000 (2022: RMB92,792,000). The contract liabilities as of 31 December 2023 are expected to be recognised as revenue within one year.

22. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective annual interest rate (%)	**Maturity**	***RMB'000***	Effective annual interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – secured	**5.10-6.40**	**2024**	**726,556**	–	–	–
Non-current						
Bank loans – secured	**–**	**–**	**–**	1.05-5.22	2024	708,161
			726,556			708,161

	2023	2022
	RMB'000	*RMB'000*
Analysed into:		
Within 1 year	**726,556**	–
More than 1 year	**–**	708,161

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 2023	**726,556**
As at 31 December 2022	708,161

Group's bank loans are secured by the pledge of certain of the Group's time deposits amounting to RMB420,292,000 (2022: RMB400,100,000) (note 19).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT AND BUSINESS REVIEW

2023 marked a year of economic recovery and development following the relaxation of the three-year COVID-19 pandemic prevention and control measures in China. Benefiting from the Chinese government's efforts to expand domestic demand and optimise economic structure, China saw continuous recovery of economic operation, with the annual gross domestic product (GDP) expanding by 5.2%. The domestic construction machinery market in China showed a downward trend, whilst the international market thereof remained a growth momentum. Amid the domestic and international markets with good opportunities and severe challenges, the Group, adhering to the business principle of high-quality development, strictly implemented the decisions of the Board, and spared no effort to occupy the domestic market, while further developing overseas markets. With the boldness to implement such a sound strategy, the Group took concrete measures to innovate and achieved continuous improvement in the overall quality of operations. During the reporting period, the Group realised a total operating revenue of RMB10,523 million, which decreased by RMB627 million or 5.63% year on year from RMB11,150 million in 2022. The Group's main products are loaders and forklifts. Loaders, the Group's most competitive products, continue to be the main source of profit. During the reporting period, the proportion of the sales of loader to the total sales of the Group dropped by 5.57 percentage points from 46.76% in 2022 to 41.19%. Forklifts are widely used in the downstream sector. With the increasing competitiveness of the Group's forklift, the proportion of forklift sales was 34.78% in the current period, an increase of 4.52 percentage points as compared with the same period in 2022. Benefiting from the significant growth in overseas business, the proportion of the sales of excavator increased by 2.00 percentage points to 11.95% as compared with that in the same period of 2022. The Group continued to expand overseas market, increased resource allocation and diversified and improved product portfolios. The export business of the Group continued to grow rapidly and recorded a year-on-year increase of 20.12% in exports, reaching a new record high. During the reporting period, the Group's consolidated gross profit margin was 17.53%, an increase of 0.79 percentage point from 16.74% in the same period of 2022. Net profit for the year was approximately RMB646 million, increasing by RMB246 million or 61.25% year on year from RMB400 million in the same period of last year.

GEOGRAPHICAL RESULTS

This year, there was a notable decline in sales revenue from Chinese Mainland domestic market. Sales revenue from the north, northeast, northwest, and southwest regions dropped by 14.6%, 24.9%, 27.5%, and 26.9% respectively, totaling approximately RMB2,221 million, RMB323 million, RMB791 million, and RMB531 million. Sales in the eastern and southern regions also decreased by 3.9% and 2.1% respectively, to about RMB1,546 million and RMB976 million. Sales in the central region decreased by 6.6% to approximately RMB1,060 million.

However, the Group's export business experienced significant growth, with sales revenue from overseas regions increasing by 20.1% to approximately RMB3,074 million compared to last year's approximately RMB2,560 million. This growth in export sales partially offset the impact of the decline in domestic market sales revenue. The increase in overseas sales reflects both high demand due to limited production capacity in foreign markets and the Group's enhanced international competitiveness in recent years. Sales revenue from overseas regions as a percentage of the Group's total sales increased from 23.0% last year to 29.2% this year, indicating the company's successful efforts to expand its international market presence and improve product competitiveness.

ANALYSIS OF PRODUCTS

This year, the group's total sales dropped slightly by 5.63% to RMB10,523 million compared to last year. This decline can be attributed to reduced investment in infrastructure and real estate sectors downstream, resulting in notable decreases in sales across most mainstream products except for forklifts, excavators, and skid steer loaders products.

Wheel Loaders

The sales revenue from Wheel Loaders made up about 38.56% of the total revenue this year. This represents a decrease of 22.18% compared to last year, totaling approximately RMB4,058 million. Within this category, revenue from ZL50 series and mini wheel loaders dropped significantly by 22.72% to around RMB2,918 million and 39.15% to about RMB149 million, respectively. Revenue from ZL60 series also declined by 13.48% to about RMB374 million. Additionally, revenue from ZL40 series and ZL30 series saw decreases of 14.3% to about RMB21 million and 19.10% to RMB596 million, respectively.

In general, the sales revenue from Wheel Loader series is affected by the economic downturn. Although this series still contributes significantly to the Group's overall sales, its proportion of total sales has been decreasing annually.

Excavators

The excavator series offers a great performance-to-price ratio, and strong exports have balanced out the decrease in domestic sales. Sales revenue from excavator products went up by 13.41% to about RMB1,258 million, compared to approximately RMB1,109 million in 2022.

ForkLifts and Road Roller

The sales revenue from forklift products saw a slight increase of 8.48% to around RMB3,659 million, up from about RMB3,373 million in 2022. Forklift products are widely used in the logistics and warehousing industry. Recent years have seen growth in this sector, leading to higher sales compared to the previous year. Sales revenue from forklift products accounted for approximately 34.78% of the total revenue, up from around 30.25% in 2022.

The revenue from road roller products dropped by 24.2% compared to last year, totaling around RMB49 million, down from about RMB65 million in 2022. Road roller sales only accounted for 0.5% of the Group's total revenue.

Components

Revenue from components increased by 6.87% to around RMB1,042 million, up from about RMB975 million in 2022. Meanwhile, the consumption of materials needed for product services decreased by 13.43% to approximately RMB180 million, down from about RMB208 million in 2022.

Skid Steer Loader

The revenue from skid steer loader products made up only 1.84% of total revenue last year, but it increased to 2.63% of total revenue this year. Due to increased market demand, revenue from this product rose by 34.54% compared to last year, reaching about RMB277 million, up from about RMB206 million in 2022.

FINANCIAL REVIEW

The cash position of the Group was strong during the year. As at 31 December 2023, the Group had bank balance and cash of approximately RMB3,471 million (31 December 2022: approximately RMB2,032 million).

Cash and Bank Balance

Compared with last year, cash and bank balances increased by approximately RMB1,439 million, which is generated as a result of net cash inflow of around RMB1,984 million from operating activities, the net cash outflow of RMB59 million from investing activities, the net cash outflow of RMB458 million from financing activities and effect of foreign exchange rate changes of RMB28 million.

Liquidity and Financial Resources

We are committed to build a sound financial position. Total net assets as at 31 December 2023 was approximately RMB9,982 million, a 2.36% increase from approximately RMB9,751 million as at 31 December 2022. The current ratio of the Group at 31 December 2023 was 2.23 (2022: 2.38).

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 2023, the gross gearing ratio (defined as total liabilities over total assets) was approximately 36.11% (31 December 2022: 36.64%).

Capital Expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB152 million (2022: approximately RMB306 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

The Group's total revenue in 2023 decreased slightly by 5.63% compared to the same period of the year to approximately RMB10,523 million (2022: approximately RMB11,150 million). This is due to the fact that China's infrastructure machinery industry is still experiencing recession due to the impact of reduced investment expenditures in the domestic downstream infrastructure and real estate industries, and domestic sales have been adjusted downward. At the same time, the Company actively develops international market. As its core products have the competitive advantages over its good performance compared with cost, sales have grown steadily, which has alleviated the pressure caused by the domestic recession to a certain extent.

Other gains and losses

Other gains and losses decreased by approximately RMB171 million compared with the same period last year. This was because that the fair value of the financial asset products invested by the Group significantly decreased by approximately RMB349 million in last year. However, the fair value of the financial asset products invested by the Group decreased only by approximately RMB134 million this year. In addition, other income also comes from the Group's recognition of financial investment income of approximately RMB79 million and exchange gain loss of approximately RMB15 million.

Financial Costs

During the year, financial costs increased by 130.87% compared to the same period last year to approximately RMB45 million. This was mainly due to the increase in interest expenses due to the increase in interest rates on US dollar borrowings.

Long-term receivables

This year's long-term receivables decreased by 53.52% compared to last year to approximately RMB75 million (2022: approximately RMB161 million). This was mainly due to the group's strengthening of risk management and control, which resulted in a decrease in installment sales.

Pledged Deposit

Pledged deposits at the end of this year decreased by 57.24% from the end of last year to approximately RMB708 million (2022: approximately RMB1,656 million).

This is mainly due to 1) the decrease in purchases during the year resulting in a decrease in the balance of bill payable and the fact that some of the bill payable during the year were issued as credit guarantees without pledged deposits; 2) the decrease in import purchases during the year resulting in a decrease in the deposit pledged for letter of credit. In addition, for the purpose of purchasing bank structured financial products at the end of last year, a large amount of deposits was pledged, and the bank's structured financial products at the end of this year has expired and been redeemed.

Inventory

The inventory at the end of this year decreased by 19.90% compared to the end of last year to approximately RMB2,877 million. (2022: approximately RMB3,591 million),
which is mainly due to

1) Based on conservative expectations of future sales, the Group adopts a more prudential purchasing plan, resulting in a decrease in raw material purchases;

2) With the adjustment of sales expectations, the Group's production plan has also been adjusted accordingly, resulting in a decrease in products in progress and finished goods at the end of the year.

Trade Receivables

Trade receivables at the end of the period decreased by 18.69% to approximately RMB1,995 million (2022: RMB approximately 2,453 million), which was mainly due to a combination of factors such as the decrease in domestic sales and the slowdown in the collection of receivables, as well as the increase in overseas sales.

Provisions

Provisions at the end of this year decreased by 21.40% to approximately RMB92 million (2022: 117 million).

This was mainly due to a decrease in machine service fees as a result of decreased sales and a decrease in parts warranty fees as a result of a decrease in finished product failure rate.

PROSPECT

In 2024, Chinese government clearly sets the target of around 5% growth in GDP. The internal momentum of China's economic development is accumulating, and the basic trend of economic recovery and long-term growth remains unchanged. In terms of domestic market, with the gradual implementation of policies such as local government special bonds and the ultra-long-term special-purpose treasury bond, the acceleration of guaranteed housing, the urban village renovation and the public infrastructure construction for "normal and urgent use" is expected to drive infrastructure investment and stabilize domestic demand for infrastructure machinery. In terms of international market, as the brand recognition and influence of Chinese infrastructure machinery continue to increase, Chinese infrastructure machinery products present strong competitiveness with excellent quality, higher cost effectiveness and shorter delivery cycle, and Chinese infrastructure machinery enterprises are expected to record a further increase in both overseas revenue scale and market share. The Group will persistently adhere to its originality of "focusing on the infrastructure machinery industry by intensive engagement with an aim to pursuing perfection, being bigger and getting stronger", keep strategic confidence and strengthen strategic initiative. All our work will aim to strengthen the brand, refine products, expand the market and improve services. The Group will adhere to the marketing principle of agency system, and continue to enhance its three strengths of "quality, service and cost effectiveness". The Group will make continuous efforts to attract and develop international marketing talents and continuously expand and refine marketing channels, in a bid to fully support the front line of the market, meet users' demand, increase market share and improve comprehensive efficiency. At the same time, the Group will promote the sustainable development of the four host products (loaders, excavators, forklifts and road machinery) and the core components that extend the product manufacturing chain in a high-quality manner, striving to achieve better operating quality than the industry, and create more value for customers and more returns for shareholders.

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 C1 to Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (formerly Appendix 14) throughout the year ended 31 December 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 C1 of the Listing Rules (the "CG Code"), if an independent non-executive director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

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

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

The Company has received from Mr. Qian and Mr. Wu a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Each of Mr. Qian and Mr. Wu has not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Directors consider Mr. Qian and Mr. Wu to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Accordingly, Mr. Qian and Mr. Wu shall be subject to retirement rotation and re-election by way of a separate resolution approved by the Shareholders at the annual general meeting. At the Annual General Meeting of the Company held on 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 Appendix C3 to the Listing Rules (formerly Appendix 10) for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors, who have confirmed that they had complied with the required standard set out in the Model Code for the year.

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 2023 have been reviewed by the audit committee of the Company. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's external auditor, 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 HKD0.1 per share as a result of the operation of 2022 amounting to HKD428 million (equivalent to RMB375 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 HKD0.08 per share for the year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024, 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 Wednesday, 22 May 2024 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 Tuesday, 28 May 2024.

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 Wednesday, 5 June 2024. To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 3 June 2024 to Wednesday, 5 June 2024, 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 Friday, 31 May 2024.

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 Tuesday, 28 May 2024. 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 HKD0.08 per share for the year ended 31 December 2023, 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 31 July 2024 whose names appear on the register of members of the Company at the close of business on Wednesday, 5 June 2024.

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 2024

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