

# LONGKING 龙工

LONKING HOLDINGS LIMITED

中國龍工控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3339

## 2024 INTERIM REPORT



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## FINANCIAL HIGHLIGHTS

The table below sets forth the consolidated financial summary of Lonking Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred as to the "Group").

Current period	Six months ended	Six months ended	Change (+/-)
	30 June 2024	30 June 2023	
	RMB'000	RMB'000	
Turnover	5,360,093	5,726,128	-6.39%
Operating profits	610,402	399,834	+52.66%
EBITDA	740,248	533,956	+38.63%
Profit attributable to equity parent	458,353	307,399	+49.11%
<b>Per share data</b>			
Basic earnings per share <sup>(1)#</sup>	0.11	0.07	+57.14%
Net assets per share <sup>(2)#</sup>	2.37	2.25	+5.33%
<b>Key performance indicators</b>			
<i>Profitability</i>			
Overall gross margin	18.46%	16.49%	+1.97%
Net profit margin	8.55%	5.37%	+3.18%
EBITDA margin <sup>(3)</sup> :	13.81%	9.32%	+4.49%
Return on equity <sup>(4)</sup>	4.52%	3.19%	+1.33%
<i>Liquidity and solvency</i>			
Current ratio <sup>(5)</sup>	2.42	2.18	+11.01%
Interest coverage ratio <sup>(6)</sup> :	32	20	-60.00%
Gross debt-to-equity ratio <sup>(7)</sup>	48.24%	56.88%	-8.64%
<i>Management efficiency</i>			
Inventory turnover days <sup>(8)</sup>	110	121	-11 days
Trade and bills payables turnover days <sup>(9)</sup>	157	134	+23 days
Trade receivable turnover days <sup>(10)</sup>	77	80	-3 days

- # calculated based on the 4,280,100,000 weighted average number of outstanding shares (WANOS) for the period ended 30 June 2024 (30 June 2023: 4,280,100,000).
- <sup>1</sup> Net profit attributable to equity holders of the parent for each period divided by the weighted average number of outstanding shares (WANOS) as at the end of each period.
- <sup>2</sup> Shareholders' equity divided by the WANOS as at the end of each period.
- <sup>3</sup> Earnings before interest, tax, depreciation and amortisation ("EBITDA") divided by turnover for each period.
- <sup>4</sup> Net profit attributable to equity holders of the parent for each period divided by equity attributable to equity shareholders of the parent as at the end of each period.
- <sup>5</sup> Current assets divided by current liabilities as at the end of each period.
- <sup>6</sup> Earnings before interest and income tax expenses ("EBIT") divided by interest expenses.
- <sup>7</sup> Total liabilities divided by the total equity as at the end of each period.
- <sup>8</sup> Average inventories divided by cost of sales and multiplied by 183 days when turnover days are calculated for half-year periods.
- <sup>9</sup> Average trade and bills payables divided by cost of sales and multiplied by 183 days when turnover days are calculated for half-year periods.
- <sup>10</sup> Average trade receivables divided by turnover and multiplied by 183 days when turnover days are calculated for half-year periods.



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## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

**To the board of directors of Lonking Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial information set out on pages 4 to 41, which comprises the interim condensed consolidated statement of financial position of Lonking Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2024 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young  
Certified Public Accountants  
Hong Kong  
29 August 2024



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>REVENUE</b>	3 and 4	5,360,093	5,726,128
Cost of sales		(4,370,634)	(4,781,676)
<b>Gross profit</b>		989,459	944,452
Other income	5	63,775	23,612
Other gains and losses	5	42,877	13,697
Selling and distribution expenses		(226,948)	(251,718)
Administrative expenses		(125,540)	(122,831)
Impairment losses on financial assets, net		22,454	(39,572)
Research and development costs		(221,722)	(230,747)
Other expenses		(733)	(42)
Finance income		66,780	62,983
Finance costs		(19,349)	(20,164)
<b>PROFIT BEFORE TAX</b>	6	591,053	379,670
Income tax expense	7	(132,545)	(72,266)
<b>PROFIT FOR THE PERIOD</b>		458,508	307,404
Attributable to:			
Owners of the parent		458,353	307,399
Non-controlling interests		155	5
		458,508	307,404
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted:			
– For profit for the period (RMB)	8	0.11	0.07

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

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



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	1,853,603	1,951,564
Right-of-use assets		121,989	125,318
Prepayments for property, plant and equipment		5,127	8,062
Long-term receivables	11	157,053	74,788
Equity investments at fair value through other comprehensive income	14	1,000	1,000
Financial assets at fair value through profit or loss	15	580,132	592,483
Time deposits	17	220,000	–
Deferred tax assets		368,873	389,444
<b>Total non-current assets</b>		<b>3,307,777</b>	<b>3,142,659</b>
<b>CURRENT ASSETS</b>			
Inventories	10	2,397,703	2,876,507
Trade receivables	11	2,520,778	1,994,901
Bills receivable		657,596	725,532
Due from related parties	22	–	242
Prepayments, deposits and other receivables	12	424,758	413,479
Financial assets at fair value through other comprehensive income	13	56,889	129,489
Derivative financial instruments	16	21,950	12,695
Financial assets at fair value through profit or loss	15	1,440,038	1,405,402
Pledged deposits	17	192,823	708,171
Time deposits	17	1,019,638	743,688
Cash and cash equivalents	17	2,979,841	3,470,777
<b>Total current assets</b>		<b>11,712,014</b>	<b>12,480,883</b>

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	18	3,645,476	3,869,222
Other payables and accruals	19	683,765	793,904
Interest-bearing bank borrowings	20	–	726,556
Due to related parties	22	13,218	8,771
Provisions		81,724	86,171
Deferred income		4,779	4,876
Tax payable		89,263	101,903
Dividends due to shareholders	8	312,509	–
<b>Total current liabilities</b>		<b>4,830,734</b>	<b>5,591,403</b>
<b>NET CURRENT ASSETS</b>		<b>6,881,280</b>	<b>6,889,480</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,189,057</b>	<b>10,032,139</b>
<b>NON-CURRENT LIABILITIES</b>			
Deposits for finance leases		37	37
Deferred tax liabilities		11,333	20,229
Provisions		7,594	6,165
Deferred income		37,865	24,188
<b>Total non-current liabilities</b>		<b>56,829</b>	<b>50,619</b>
<b>Net assets</b>		<b>10,132,228</b>	<b>9,981,520</b>



Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	444,116	444,116
Share premium and reserves	9,685,443	9,534,890
<hr/>		
Non-controlling interests	10,129,559 2,669	9,979,006 2,514
<hr/>		
<b>Total equity</b>	<b>10,132,228</b>	<b>9,981,520</b>

**Li San Yim**  
Director

**Yin Kun Lun**  
Director



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent								
	Issued capital	Share premium*	Special reserve*	Non-distributable reserve*	Retained profits*	Exchange fluctuation reserve*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	444,116	854,922	425,939	1,902,885	6,856,807	(505,663)	9,979,006	2,514	9,981,520
Profit for the period									
Other comprehensive income for the period:									
Exchange differences related to foreign operations	-	-	-	-	458,353	-	458,353	155	458,508
Total comprehensive income for the period					458,353	2,713	461,066	155	461,221
Final 2023 dividend declared					(310,513)	-	(310,513)	-	(310,513)
Transfer to retained profits			(3,661)	-	3,661	-	-	-	-
At 30 June 2024	444,116	854,922	422,278	1,902,885	7,008,308	(502,950)	10,129,559	2,669	10,132,228

\* These reserve accounts comprise the consolidated share premium and reserves of RMB9,685,443,000 (2023: RMB9,534,890,000) in the consolidated statement of financial position.



Attributable to owners of the parent

	Issued capital	Share premium	Special reserve	Non-distributable reserve	Retained profits	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	444,116	854,922	428,890	1,853,508	6,632,644	(465,335)	9,748,745	2,410	9,751,155
Profit for the period									
Other comprehensive income for the period:									
Exchange differences related to foreign operations	-	-	-	-	307,399	-	307,399	5	307,404
Total comprehensive income for the period	-	-	-	-	307,399	(39,605)	267,794	5	267,799
Final 2022 dividend declared	-	-	-	-	(374,851)	-	(374,851)	-	(374,851)
Transfer to retained profits	-	-	(1,321)	-	1,321	-	-	-	-
At 30 June 2023	444,116	854,922	427,569	1,853,508	6,566,513	(504,940)	9,641,688	2,415	9,644,103



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Note	For the six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL</b>			
Decrease in inventories		548,734	499,531
Increase in trade and bills receivables		478,932	853,136
Decrease in prepayments, deposits and other receivables		(450,401)	(205,506)
Decrease in finance lease receivables		(4,605)	197,433
Decrease in trade, bills and other payables		–	199
Decrease in provisions		(296,905)	(511,503)
Decrease/(increase) in amounts due from related parties		(3,018)	(10,081)
Increase/(decrease) in amounts due to related parties		242	(2,470)
Decrease in deposits for finance leases		4,447	(5,140)
Deferred income received		–	(498)
Income tax paid		16,572	2,951
Decrease in pledged deposits		(133,510)	(62,941)
Interest received		95,056	145,386
		60,700	18,317
<b>Net cash flows from operating activities</b>		<b>316,244</b>	<b>918,814</b>

For the six months  
ended 30 June

	Note	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(40,836)	(135,013)
Purchases of wealth management and fund investment products		(26,654)	–
Increase in time deposits		(490,336)	–
Return of financial asset investment		304	89
Dividend income from financial assets at fair value through profit or loss		5,710	19,100
Gains from derivative financial instruments		12,893	15,069
Interest received		–	38,310
Proceeds from disposal of items of property, plant and equipment		6,479	5,021
Proceeds from disposal of right of use asset		4,278	–
Decrease in pledged for purchasing financial assets at fair value through profit or loss		–	800,000
<b>Net cash flows (used in)/from investing activities</b>		<b>(528,162)</b>	<b>742,576</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(20,518)	(18,996)
Repayment of bank loans		(722,396)	–
Decrease/(increase) in pledged deposits		420,292	(319)
Interest from pledged deposits received		38,448	–
<b>Net cash flows used in financing activities</b>		<b>(284,174)</b>	<b>(19,315)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Net foreign exchange differences		(496,092)	1,642,075
Cash and cash equivalents at beginning of period		5,156	1,067
		3,470,777	2,031,973
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	17	<b>2,979,841</b>	<b>3,675,115</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

## 1. Corporate information

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

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

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

## 2. Basis of preparation and changes in the Group's accounting policies

### 2.1 Basis of preparation

The interim condensed consolidated financial information, which comprises the interim condensed consolidated statement of financial position of the Group as at 30 June 2024 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, has been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2023.



## 2. Basis of preparation and changes in the Group's accounting policies *(Continued)*

### 2.2 Changes in accounting policies and disclosures

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

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

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

## 3. Revenue from contracts with customers

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

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

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

#### 4. Operating segment information

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

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

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

#### 4. Operating segment information *(Continued)*

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

Inter-segment revenues are eliminated on consolidation.

##### Geographical information

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

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

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

#### 4. Operating segment information *(Continued)*

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

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

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

#### **Seasonality of operations**

The Group's operations are not subject to seasonality.

## 5. Other income and other gains and losses

An analysis of the Group's other income is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Government grants	19,214	16,127
Additional value-added tax deduction	40,253	–
Income from sales of scraps	2,494	5,358
Penalty income	623	454
Others	1,191	1,673
	<b>63,775</b>	<b>23,612</b>

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

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

## 6. Profit before tax

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

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

## 7. Income tax expense

The Group calculates the income tax expense for the current period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Current income tax expense	120,870	77,158
Deferred income tax expense relating to origination and reversal of temporary differences	11,675	(4,892)
Income tax expense recognised in the consolidated statement of profit or loss	132,545	72,266

## 8. Earnings per share and dividends due to shareholders

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

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

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

## 9. Property, plant and equipment

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

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

## 10. Inventories

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



## 11. Trade receivables

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

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

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

The ageing analysis of trade receivables is as follows:

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

## 12. Prepayments, deposits and other receivables

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

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

## 12. Prepayments, deposits and other receivables *(Continued)*

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

## 13. Financial assets at fair value through other comprehensive income

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Bills receivable, at fair value	56,889	129,489

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.

#### 14. Equity investments at fair value through other comprehensive income

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
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.

#### 15. Financial assets at fair value through profit or loss

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
Listed equity investments, at fair value	220,455	267,096
Wealth management and fund investment products, at fair value	1,799,715	1,730,789
Less: Non-current portion	2,020,170 (580,132)	1,997,885 (592,483)
<b>Total</b>	<b>1,440,038</b>	<b>1,405,402</b>

The above listed equity investments at 30 June 2024 were classified as financial assets at fair value through profit or loss as they were held for trading.

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

## 16. Derivative financial instruments

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Current:		
Interest rate swaps	–	12,695
Compensation terms for investment	21,950	–
<b>Total</b>	<b>21,950</b>	<b>12,695</b>

Interest rate swaps were not designated for hedging purposes and were measured at fair value through profit or loss. Fair value loss on non-hedging interest rate swaps was RMB12,695,000 (2023: gain RMB27,853,000).

The compensation terms for investment were related to the listed equity investments at fair value through profit or loss (note 15).

The Group has entered into an agreement with an asset management company which will help the Group to arrange the investment with an initial investment amount of RMB200,000,000. The asset management company has guaranteed an investment return of 5% per annum on the initial capital investment. Should the investment return falls below 5% of the initial amount, the Group will receive a compensation from the asset management company such that the total return will not be less than 5%.

## 17. Cash and cash equivalents, time deposits and pledged deposits

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

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

## 18. Trade and bills payables

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

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

The bills payable are aged within six months at the end of each reporting period and secured by pledged bank deposits amounting to RMB188,312,000 (31 December 2023: RMB283,968,000) (note 17).

## 19. Other payables and accruals

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

## 20. Interest-bearing bank borrowings

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

The group's bank loans were secured by the pledge of certain of the Group's time deposits, which have been fully repaid in the current period (note 17).

## 21. Commitments

At 30 June 2024, the Group had capital commitments of RMB10,628,000 (31 December 2023: RMB27,213,000) principally relating to the acquisition of property, plant and equipment located in Shanghai, Fujian and Jiangxi, the PRC.



## 22. Related party transactions

The following table sets out the total amounts of transactions which have been entered into with related parties during the six-month periods ended 30 June 2024 (unaudited) and 30 June 2023 (unaudited) as well as balances with related parties as at 30 June 2024 (unaudited) and 31 December 2023 (audited):

		Amounts			
		Sales to related parties	Purchases from related parties	due from related parties	Amounts due to related parties
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Related parties:</b>					
Longyan City Jinlong					
Machinery Company	2024	–	12,767	–	8,719
Limited (note a)	2023	–	16,401	–	4,630
Herkules (Shanghai)					
Automation Equipment	2024	–	3,308	–	4,211
Co., Ltd. (note b)	2023	–	8,753	–	3,578
Shanghai Refined Machinery					
Co., Ltd. (note c)	2024	–	–	–	–
	2023	–	–	240	56
Shanghai Longtui Machinery					
Environmental Technology	2024	–	118	–	288
Co., Ltd. (note d)	2023	60	281	2	507

## 22. Related party transactions *(Continued)*

- Note a: Mr. Ngai Ngan Gin, brother of Ms. Ngai Ngan Ying (ultimate controller of the Company), holds a controlling interest in this entity.
- Note b: Herkules (Shanghai) Automation Equipment Co., Ltd. is wholly owned by Mr. Chen Jie, son-in-law of Mr. Li San Yim (executive director and chairman of the Group).
- Note c: Shanghai Refined Machinery Co., Ltd. is wholly owned by Refined Holdings, which is in turn wholly owned by Mr. Li Bin, son of Mr. Li San Yim.
- Note d: Shanghai Longtui Machinery Environmental Technology Co., Ltd. is wholly owned by Mr. Li Jun, son of Mr. Li San Yim.

Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
Short-term employee benefits	8,804	9,344
Pension scheme contributions	105	86
<b>Total compensation paid to key management personnel</b>	<b>8,909</b>	<b>9,430</b>

## 23. Financial instruments by category

The carrying amounts of financial instruments as at 30 June 2024 (unaudited) and 31 December 2023 (audited) are as follows:

### 30 June 2024

#### Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Designated as such upon initial recognition	Mandatorily designated as such	Equity instruments				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	–	–	–	–	2,520,778	2,520,778
Bills receivable	–	–	–	–	–	657,596	657,596
Financial assets at fair value through other comprehensive income	–	–	–	56,889	–	–	56,889
Long-term receivables	–	–	–	–	–	157,053	157,053
Financial assets included in prepayments, other receivables and other assets	–	–	–	–	–	243,431	243,431
Financial assets at fair value through profit or loss	–	2,020,170	–	–	–	–	2,020,170
Derivative financial instruments	21,950	–	–	–	–	–	21,950
Equity investments at fair value through other comprehensive income	–	–	1,000	–	–	–	1,000
Pledged deposits	–	–	–	–	–	192,823	192,823
Time deposits	–	–	–	–	–	1,239,638	1,239,638
Cash and cash equivalents	–	–	–	–	–	2,979,841	2,979,841
	21,950	2,020,170	1,000	56,889	–	7,991,160	10,091,169

## 23. Financial instruments by category *(Continued)*

### Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade and bills payables	3,645,476
Financial liabilities included in other payables and accruals	113,674
Deposits for finance leases	5,809
Dividends due to shareholders	312,509
Due to related parties	13,218
	4,090,686



## 23. Financial instruments by category (Continued)

31 December 2023

### Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Financial assets at amortised cost RMB'000	Total RMB'000
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Equity instruments RMB'000	Financial assets at fair value through other comprehensive income RMB'000		
Trade receivables	-	-	-	-	1,994,901	1,994,901
Bills receivable	-	-	-	-	725,532	725,532
Financial assets at fair value through other comprehensive income	-	-	-	129,489	-	129,489
Long-term receivables	-	-	-	-	74,788	74,788
Due from related parties	-	-	-	-	242	242
Financial assets included in prepayments, other receivables and other assets	-	-	-	-	202,565	202,565
Financial assets at fair value through profit or loss	-	1,997,885	-	-	-	1,997,885
Derivative financial instruments	12,695	-	-	-	-	12,695
Equity investments at fair value through other comprehensive income	-	-	1,000	-	-	1,000
Pledged deposits	-	-	-	-	708,171	708,171
Time deposits	-	-	-	-	743,688	743,688
Cash and cash equivalents	-	-	-	-	3,470,777	3,470,777
	12,695	1,997,885	1,000	129,489	7,920,664	10,061,733

## 23. Financial instruments by category *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade and bills payables	3,869,222
Financial liabilities included in other payables and accruals	140,987
Deposits for finance leases	5,809
Interest-bearing bank borrowings	726,556
Due to related parties	8,771
	4,751,345

## 24. Fair value and fair value hierarchy of financial instruments

Management has assessed that the fair values of cash and cash equivalents, time deposits, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, interest-bearing bank borrowings, financial liabilities included in other payables and accruals, deposits for finance leases, amounts due from/to related parties and dividends due to shareholders approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of long-term receivables and the non-current portion of financial lease receivables carried at amortised cost are based on current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

## 24. Fair value and fair value hierarchy of financial instruments

*(Continued)*

The following methods and assumptions were used to estimate the fair values:

The fair values of the long-term receivables and non-current portion of finance lease receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of the non-current portion of deposits for finance leases were assessed and approximated to their carrying amounts.

Bills receivable held both to collect cash flows and to sell in financial assets at fair value through other comprehensive income are measured using the discounted cash flow method.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments and unlisted wealth management products issued by asset management companies that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

The fair values of investment funds classified as Level 3 are based on net asset value reports provided by the managers of such funds. For certain underlying unlisted equity securities held by the investment funds, the valuation techniques adopted include the use of last transaction price of recent fund raising by the underlying investee, and the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as liquidity discount. An increase (decrease) in liquidity discount would result in a lower (higher) fair value. The Group periodically reviewed all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

## 24. Fair value and fair value hierarchy of financial instruments

(Continued)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### *Assets measured at fair value:*

**As at 30 June 2024 (unaudited)**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through other comprehensive income	–	56,889	–	56,889
Equity investments designated at fair value through other comprehensive income	–	–	1,000	1,000
Financial assets at fair value through profit or loss	247,109	1,192,929	580,132	2,020,170
Derivative financial instruments	–	21,950	–	21,950
	247,109	1,271,768	581,132	2,100,009



## 24. Fair value and fair value hierarchy of financial instruments

(Continued)

**Fair value hierarchy** (Continued)

**Assets measured at fair value:** (Continued)

As at 31 December 2023 (audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through other comprehensive income	–	129,489	–	129,489
Equity investments designated at fair value through other comprehensive income	–	–	1,000	1,000
Financial assets at fair value through profit or loss	267,096	1,138,306	592,483	1,997,885
Derivative financial instruments	–	12,695	–	12,695
	267,096	1,280,490	593,483	2,141,069

## 24. Fair value and fair value hierarchy of financial instruments

(Continued)

**Fair value hierarchy** (Continued)

**Assets measured at fair value:** (Continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
At beginning of period	593,483	1,000
Transferred	–	618,526
Total gains recognised in the statement of profit or loss included in other gains and losses	(12,047)	(25,954)
Disposals	(304)	(89)
At end of period	581,132	593,483

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets. (During the year 2023, in relation to certain underlying investments of wealth management and fund investment products, as compared to the last year, the fair value measurement relied more on subjective judgment by the management as the time lapsed from the last transaction increased over time. Accordingly, the management transferred non-current portion of wealth management and fund investment products from level 2 to level 3.) No quantitative sensitivity disclosure is provided because the wealth management and fund investment products invested in a large portfolio of underlying different securities, which are subject to different types and extent of measurement uncertainties. Management is of the view that the disclosure of estimation of fair value changes as a result of a reasonable range of different unobservable inputs is not meaningful.

## 25. Approval of the interim condensed consolidated financial information

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 29 August 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULT AND BUSINESS REVIEW

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

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

## GEOGRAPHICAL RESULTS

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

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

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

## PRODUCTS ANALYSIS

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

### Wheel Loaders

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

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

## Forklifts

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

## Excavators

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

## Road Rollers

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

## Components

The revenue of components decrease by 7.78% to RMB616 million (For the first half year of 2023: approximately RMB668 million).

## FINANCIAL REVIEW

The Group financed its operations from internally generated cash flow, bank borrowings and accumulated retained earnings. The Group adopted a prudent finance strategy in managing the Group's financing needs. The Group believes that its cash holding, cash flow from operation, future revenue and available banking facilities will be sufficient to fund its working capital requirements.

## Cash and Bank Balance

As at 30 June 2024, the Group had bank balances and cash of approximately RMB2,980 million (31 December 2023: approximately RMB3,471 million), pledged bank deposits of approximately RMB193 million (31 December 2023: approximately RMB708 million) and placed time deposits of approximately RMB 1,240 million (31 December 2023: approximately RMB744 million). Compared with last year, the cash and bank balance decreased about RMB491 million, which was as a result of net cash inflow of RMB316 million from operating activities, net cash outflow of RMB528 million from investing activities and net cash outflow of RMB284 million from financing activities and effect of foreign exchange rate change at RMB5 million.

The pledged deposits balance at 30 June 2024 decreased approximately RMB515 million. Details of pledged bank deposits for the period ended 30 June 2024 are set out in Note 17 to the interim results.

## Liquidity and Financial Resources

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

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

## Capital Structure

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

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

## Capital Expenditure

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

## Revenue

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

## Gross Profit

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

## Other Income

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

## Other gains and losses

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

## Impairment Losses on Financial Assets

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

## Inventories

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

## Trade Receivables

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

## Pledged Deposits

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

## PROSPECT

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



## CORPORATE GOVERNANCE

The Board is committed to maintaining and ensuring high standards of corporate governance practices. In the opinion of the directors, the Company has adopted and complied with the principles and applicable code provisions of Corporate Governance Code (“CG Code”) as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the six months ended 30 June 2024, except for certain deviations which are summarized as below.

### Code Provision C.1.8

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

### Code Provision C.1.6

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

### Code Provision B.2.3 and B.2.4

Each of Dr. Qian Shizheng and Mr. Wu Jian Ming has been appointed as an independent non-executives Director for more than nine yeas. Pursuant to Code B.2.3 of the code provisions of Corporate Governance Code set out in Appendix C1 of the Listing Rules (the “CG Code”), if an independent non-executive director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

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

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

The Company has received from Mr. Qian and Mr. Wu a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Each of Mr. Qian and Mr. Wu has not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Directors consider Mr. Qian and Mr. Wu to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Accordingly, Mr. Qian and Mr. Wu shall be subject to retirement rotation and re-election by way of a separate resolution approved by the Shareholders at the annual general meeting. At the Annual General Meeting of the Company held on 28 May 2024, a separate resolution to re-elect Mr. Qian and Mr. Wu a retiring Director, as an independent non-executive Director was passed by the Shareholders by way of poll.

### **Code Provision C.2.1**

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

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

The Company has adopted Appendix C3 to the Listing Rules (formerly Appendix 10) for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors, who have confirmed that they had complied with the required standard set out in the Model Code for the year.

## Improvements in Internal Control Systems

Additional measures and improvements for the internal control systems of the Company during the six months ended 30 June 2024.

The company focused on the details of its internal control system and made the following enhancements:

1. Improved the Group's supply chain management in purchasing, supplying, warehousing, manufacturing and sales so as to expand its channels and achieve better coordination, and to enhance the quality and competitive strength of our products.
2. Further optimized the establishment of our control system and information management with check and balance as well as mutual supervision among different departments, achieving systematic, regulated and standardized operation of the Company.
3. Further revised and improved the effectiveness of our decision-making, management and balance of authority mechanisms.
  - (i) Improved the investor relationship system to safeguard the interests and right of information of public shareholders effectively.
  - (ii) Strengthened our financial control and arranged professionals to conduct comprehensive review on the Company for at least every six months, and supervised the execution of duties by the directors and senior management.
  - (iii) Established and further refined the assessment procedures of our management team so as to carry out effective supervision and set up a performance evaluation and assessment mechanism.

## INVESTOR RELATIONS MANAGEMENT

### Information Disclosures

The Company regards effective communication as the core of investor relations, and believes that a high transparent organization and promptly dissemination of information to our investors are important ingredients to the success of a company.

In the first half of 2024, the Company mainly communicated with domestic and foreign investors through reception of visitors and telephone conferences, thus maintaining a good relationship with the international capital market. During the first half of the year ended 30 June 2024, the Company made a total of more than 20 visits and telephone conferences communications with domestic and foreign investors.

### Other Stakeholders' interests

While dedicated to maximizing shareholders' value, the Company is also committed to its customers, in terms of provision of quality products and services, and to the staff, by making available opportunities to them for career development. The Company had a strong commitment to shareholders, investors, staff, customers, suppliers and the community at large and always acting in good faith and with integrity. The Company believed that the sustainable development of a company cannot be achieved in isolation from a healthy environment. The Company pledges to contribute to the community while pursuing profit growth, by managing the business within the bounds of relevant laws and environmental regulations, improving standard of corporate governance and enhancing corporate transparency and actively participating in social charities and contribute to the local social development.

### Contact

Investor Relations

**Ms. Lv Zhen Zhen**

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E-mail address: Lzz@Lonking.cn

## DISCLOSURE OF INTERESTS

### Directors' and chief executive's interests in shares and underlying shares

As at 30 June 2024, the interests of the directors and chief executive of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code were as follows:

#### (1) Long positions in shares and underlying shares of the Company

*Ordinary shares of HK\$0.10 each of the Company*

Name of directors	Capacity	Number of shares held	Percentage of issued share capital as at 30 June 2024
Ngai Ngan Ying	beneficial owner	2,398,273,188	56.03%
Chen Chao	beneficial owner	1,596,000	0.04%
Zheng Ke Wen	beneficial owner	429,900	0.01%
		<b>2,400,299,088</b>	<b>56.08%</b>

**(2) Long positions in shares and underlying shares of the associated corporation of the Company, Longgong (Shanghai) Machinery Co., Ltd.**

*Ordinary shares of HK\$0.10 each of the Company*

<b>Name of directors</b>	<b>Capacity</b>	<b>Registered share capital</b>	<b>Percentage of issued share capital as at 30 June 2024</b>
Mr. Li San Yim	corporate (Note 1)	480,000	0.11%
Ms. Ngai Ngan Ying	corporate (Note 1)	480,000	0.11%

Note 1: The 0.11% interest of Longgong (Shanghai) Machinery Co., Ltd, is held by Shanghai Longgong Machinery limited, which is owned by Mr. Li San Yim and Ms. Ngai Ngan Ying as to 39.5% and 60.5% respectively.

Save as disclosed above as at 30 June 2024, none of the directors, chief executives of the Company or any of their associates, had registered any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded and kept in the register by the Company in accordance with the Section 352 of the SFO, or any interests required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Substantial shareholders

As at 30 June 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of directors, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

### Long positions

Ordinary shares of HK\$0.10 each of the Company

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares interested</b>	<b>Percentage of the issued share capital of the Company</b>
Citigroup Inc.	Investment Manager	212,611,658	4.96%

Saved as disclosed above, as at 30 June 2024, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as recorded and kept under Section 336 of the SFO as having an interest of 5% or more in the issued share capital of the Company.

## OTHER INFORMATION

### Interim dividend

The Directors do not recommend any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$0 cents per shares).

### Employees and emolument policy

The emolument policy of the employees of the Group is set up by the Human Resources Division on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

As at 30 June 2024, the Group employed approximately 6,932 employees.

### Purchase, sale or redemption of the Company's listed securities

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

### Review of accounts by audit committee

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

The interim results for the six months ended 30 June 2024 have been reviewed by the audit committee of the Company.

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

Hong Kong, 27 September 2024

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive directors

Mr. Li San Yim (*Chairman and  
Chief Executive Officer*)

Mr. Chen Chao  
Mr. Zheng Ke Wen  
Mr. Yin Kun Lun

#### Non-executive directors

Ms. Ngai Ngan Ying

#### Independent non-executive directors

Dr. Qian Shizheng  
Mr. Wu Jian Ming  
Mr. Yu Tai Wei

### AUDIT COMMITTEE

Dr. Qian Shizheng (*Chairman*)  
Mr. Yu Tai Wei  
Ms. Ngai Ngan Ying

### REMUNERATION COMMITTEE

Dr. Qian Shizheng (*Chairman*)  
Ms. Ngai Ngan Ying

### NOMINATION COMMITTEE

Mr. Yu Tai Wei (*Chairman*)  
Ms. Ngai Ngan Ying

### EXECUTIVE COMMITTEE

Mr. Li San Yim  
*(Chairman and Chief Executive Officer)*  
Mr. Chen Chao  
Mr. Zheng Ke Wen  
Mr. Yin Kun Lun

### COMPANY SECRETARY

Mr. Chu Shun

### HEAD OFFICE

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Songjiang Industrial,  
Shanghai (201612), PRC

### REGISTERED OFFICE

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## WEBSITE

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## STOCK CODE

3339

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Gardenia Court, Camana Bay  
Grand Cayman, KY1-1100,  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Services Limited  
Shops 1712-1716, 17/F, Hopewell Centre,  
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8 Finance Street Central, Hong Kong

## AUDITORS

Ernst & Young  
Certified Public Accountants  
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1 Tim Mei Avenue,  
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Hong Kong

## PRINCIPAL BANKERS

Bank of China  
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Bank of China Tower  
No. 1 Longchuan Bei Road Longyan City  
Fujian, PRC

China Construction Bank  
Shanghai Songjiang Branch  
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