SINOTRUK
中国重汽

# Sinotruk (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)
Stock Code： 03808

# 2023
# Annual Report

# CONTENTS

# FINANCIAL FIGURES

| | 2023 | 2022 | Increase/(Decrease) | |
|---|---|---|---|---|
| | | | | % |
| **Operating results (RMB million)** | | | | |
| Revenue | **85.498** | 59,405 | 26,093 | 43.9 |
| Gross profit | **14,236** | 10,007 | 4,229 | 42.3 |
| Profit attributable to owners of the Company | **5,318** | 1,673 | 3,645 | 217.9 |
| **Profitability and Liquidity** | | | | |
| Gross profit ratio (%) | **16.7** | 16.8 | (0.1) | (0.6) |
| Net profit ratio (%) | **6.8** | 3.3 | 3.5 | 106.1 |
| Current ratio (time) | **1.2** | 1.3 | (0.1) | (7.7) |
| Trade receivable turnover (days) | **70.7** | 80.8 | (10.1) | (12.5) |
| Trade payable turnover (days) | **206.8** | 262.2 | (55.4) | (21.1) |
| **Sales volume (units)** | | | | |
| HDTs | | | | |
| — Domestic | **96,938** | 69,231 | 27,707 | 40.0 |
| — Export (including affiliated export) | **130,061** | 88,525 | 41,536 | 46.9 |
| Total | **226,999** | 157,756 | 69,243 | 43.9 |
| LDTs | **96,567** | 80,056 | 16,511 | 20.6 |
| Trucks sold under auto financing services | **52,770** | 29,474 | 23,296 | 79.0 |
| **Per share data** | | | | |
| Earnings per share - basic (RMB) | **1.93** | 0.61 | 1.32 | 216.4 |
| 2023 final dividend per share | | | | |
| HK$ | **1.063** | 0.330 | 0.733 | 222.1 |
| or | | | | |
| RMB | **0.965** | 0.290 | 0.675 | 232.8 |

Note: In September 2023, the Group made further capital contribution to Intelligent Technology and then Intelligent Technology became a subsidiary of the Company. Intelligent Technology becoming a subsidiary of the Company was considered to be a business combination under common control as the Group and Intelligent Technology are under common control of SHIG both before and after the capital contribution. Accordingly, the results, assets and liabilities of Intelligent Technology should have been accounted for at historical amounts in the consolidated financial statements of the Company as if Intelligent Technology had always been part of the Group. The above 2022 financial figures have been restated.

# DEFINITIONS

In this annual report, the following expressions shall have the following meanings unless the context indicates otherwise:

| | |
|---|---|
| "Aggregate Trade Balance" | the total balances of the net trade receivables, net bills receivable and acceptance bills which are classified as financial assets at fair value through other comprehensive income |
| "AGM" | the annual general meeting of the Company or any adjournment thereof |
| "Articles" | the articles of association of the Company, as amended, supplemented, modified or otherwise adopted from time to time |
| "AsiaInfo Technologies Limited" | a company listed on the Main Board of the Stock Exchange (stock code: 01675) |
| "Audit Committee" | the audit committee of the Company |
| "Auto-finance Services" | the provision of financing to the end-users and dealers of the Group's products for the purpose of purchasing the Group's vehicles |
| "Board" | the board of Directors |
| "CAAM" | China Association of Automobile Manufacturers |
| "Capital Operation Department" | the capital operation department of the Company |
| "China" or "PRC" or "Mainland China" | the People's Republic of China, and for the purpose of this annual report, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan |
| "China Spacesat Co., Ltd." | 中國東方紅衛星股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600118) |
| "China Transinfo Technology Co., Ltd." | 北京千方科技股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 002373) |
| "CNHTC" | 中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the intermediate holding company of the Company |
| "CNHTC Group" | CNHTC and its subsidiaries other than the Group |
| "Commercial Lending Services" | the provision of loans to the borrowers, bill discounting services for bank bills presented by the borrowers and issue of bills (off-balance sheet credit business) |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) |

# DEFINITIONS

| | |
|---|---|
| "Company" or "Sinotruk" | Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange |
| "Concord New Energy Group Limited" | a company listed on the Main Board of the Stock Exchange (stock code: 00182) |
| "Director(s)" | the director(s) of the Company |
| "ED(s)" | the executive Director(s) |
| "Engines Segment" | the engines segment of the Group which engages in manufacture and sale of engines, gearboxes and related parts |
| "ESG" | environmental, social and governance |
| "Euro" | the lawful currency of the European Union |
| "Executive Committee" | the executive committee of the Company |
| "Finance Segment" | the finance segment of the Group which engages in provision of deposit taking, Commercial Lending Services and entrustment loans to the members of the Group and members of CNHTC Group as well as the provision of Auto-financing Services and supply chain financing services to the public |
| "FPFPS" | Ferdinand Porsche Familien-Privatstiftung, an Austrian private foundation (Privatstifung) (trust), being the beneficiary owner of 25% of the entired issued share capital of the Company plus 1 Share |
| "FPFPS Group" | FPFPS and its subsidiaries including Volkswagen AG and TRATON SE |
| "GAAP" | generally accepted accounting principles |
| "GDP" | gross domestic product |

# DEFINITIONS

| | |
|---|---|
| "Group" or "We" | the Company and its subsidiaries |
| "Guangdong Highsun Group Co., Ltd." | 廣東海印集團股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 000861) |
| "Hainan Drinda Automotive Trim Co., Ltd." | 海南鈞達汽車飾件股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 002865) |
| "HDT(s)" | heavy duty truck(s) and medium-heavy duty truck(s) |
| "HDTs Segment" | the heavy duty trucks of the Group which engages in manufacture and sale of heavy duty trucks, medium-heavy duty trucks and related components |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Hundsun Technologies Inc." | 恒生電子股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600570) |
| "INED(s)" | the independent non-executive Director(s) |
| "INKON Life Technology Co., Ltd." | 盈康生命科技股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 300143) |
| "Intelligent Technology" | 濰柴智能科技有限公司 (Weichai Intelligent Technology Co., Ltd.), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company |
| "Jiangsu Bioperfectus Technologies Co., Ltd." | 江蘇碩世生物科技股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 688399) |
| "Ji'nan Commercial Truck Company" | 中國重汽集團濟南商用車有限公司 (Sinotruk Ji'nan Commercial Truck Co., Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| "Ji'nan Power Company" | 中國重汽集團濟南動力有限公司 (Sinotruk Ji'nan Power Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company |
| "Ji'nan Truck Company" | 中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji'nan Truck Co., Ltd.), a joint stock company organized under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951) |
| "Jiangxi Copper Company Limited" | a company listed on the Main Board of the Stock Exchange (stock code: 00358) and on the Shanghai Stock Exchange (stock code: 600362) |
| "Kingsoft Corporation Limited" | a company listed on the Main Board of the Stock Exchange (stock code: 03888) |

# DEFINITIONS

| | |
|---|---|
| "Latest Practicable Date" | 24 April 2024, being the latest practicable date before the bulk print of this annual report |
| "LDT(s)" | light duty truck(s) |
| "LDTs and Others Segment" | the light duty trucks and others segment of the Group which engages in manufacture and sale of light duty trucks, buses, etc. and related components |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "NED(s)" | the non-executive Director(s) |
| "Nomination Committee" | the nomination committee of the Company |
| "Operating Profit (Loss) Margin" | the ratio of operating profit (loss) to revenue of the segment of the Group |
| "PBOC" | The People's Bank of China |
| "Period" | the year ended 31 December 2023 |
| "Previous Period" | the year ended 31 December 2022 |
| "Products Revenue" | the revenue of sales of goods and rendering of services by the HDTs Segment, the LDTs and Others Segment and the Engines Segment to external customers |
| "R&D" | research and development |
| "Remuneration Committee" | the remuneration committee of the Company |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "SG Automotive Group Co., Ltd." | 遼寧曙光汽車集團股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600303) |
| "Shandong SASAC" | the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government |
| "Shanghai Baolong Automotive Corporation" | 上海保隆汽車科技股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 603197) |
| "Shanghai Stock Exchange" | Shanghai Stock Exchange in the PRC |

# DEFINITIONS

| | |
|---|---|
| "Share(s)" | the ordinary share(s) in the share capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) from time to time |
| "Shenzhen Stock Exchange" | Shenzhen Stock Exchange in the PRC |
| "SHIG" | 山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a state-owned enterprise organized under the laws of the PRC with limited liability being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company |
| "SHIG Group" | SHIG and its subsidiaries including the CNHTC Group and the Weichai Group but other than the Group |
| "Silver Grant International Industries Limited" | a company listed on the Main Board of the Stock Exchange (stock code: 00171) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Strategy and Investment Committee" | the strategy and investment committee of the Company |
| "Subsidiary" | a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and "Subsidiaries" shall be construed accordingly |
| "Sun.King Power Electronics Group Limited" | a company listed on the Main Board of the Stock Exchange (stock code: 00580) |
| "TRATON SE" | a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and the shares of which are listed on the Frankfurt Stock Exchange in Germany and NASDAQ STOCKHOLM (stock code: ISIN DE000TRAT0N7, WKN TRAT0N and symbol 8TRA) |
| "USD" | United States dollars, the lawful currency of the United States of America |
| "Volkswagen AG" | Volkswagen AG, a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and an intermediate holding company of TRATON SE and the shares of which are listed on Frankfurt Stock Exchange in Germany (stock code: ISIN DE0007664005, WKN 766400 and symbol VOW) |

# DEFINITIONS

| | |
|---|---|
| "Volkswagen Group" | Volkswagen AG and its subsidiaries, including TRATON SE |
| "Weichai Heavy-duty Machinery Co., Ltd." | 濰柴重機股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 000880) |
| "Weichai Group" | Weichai Holdings and its subsidiaries, including Weichai Power |
| "Weichai Holdings" | 濰柴控股集團有限公司 (Weichai Group Holdings Limited), a company organized under the laws of the PRC with limited liability, being a wholly-owned subsidiary of SHIG |
| "Weichai Power" | Weichai Power Co., Ltd., a company organized under the laws of the PRC with limited liability which shares are listed on the Main Board of the Stock Exchange (stock code: 02338) and on the Shenzhen Stock Exchange (stock code: 000338) |
| "Yangzhou Yaxing Motor Coach Co., Ltd." | 揚州亞星客車股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600213) |
| "YoY" | year-over-year |
| "Zhejiang Wanfeng Auto Wheel Co., Ltd." | 浙江萬豐奧威汽輪股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 002085) |
| "%" | per cent |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS:

Mr. Wang Zhijian *(Chairman)*
Mr. Wang Chen *(President)*
Mr. Liu Wei
Mr. Zhang Wei
Ms. Li Xia
Ms. Zhao Hong
Mr. Richard von Braunschweig

### NON-EXECUTIVE DIRECTORS:

Mr. Sun Shaojun
Mr. Alexander Albertus Gerhardus Vlaskamp
Mr. Karsten Oellers
Mr. Mats Lennart Harborn

### INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Wang Dengfeng
Mr. Zhao Hang
Mr. Liang Qing
Mr. Lyu Shousheng
Mr. Zhang Zhong
Dr. Liu Xiaolun

## EXECUTIVE COMMITTEE

Mr. Wang Zhijian *(chairman)*
Mr. Wang Chen
Mr. Liu Wei
Mr. Zhang Wei
Ms. Li Xia
Ms. Zhao Hong
Mr. Richard von Braunschweig

## STRATEGY AND INVESTMENT COMMITTEE

Mr. Wang Zhijian *(chairman)*
Mr. Wang Chen
Ms. Li Xia
Mr. Richard von Braunschweig
Mr. Zhao Hang

## REMUNERATION COMMITTEE

Mr. Lyu Shousheng *(chairman)*
Mr. Liang Qing
Mr. Zhang Zhong
Mr. Sun Shaojun
Dr. Liu Xiaolun

## AUDIT COMMITTEE

Dr. Liu Xiaolun *(chairman)*
Dr. Wang Dengfeng
Mr. Lyu Shousheng

## NOMINATION COMMITTEE

Mr. Zhang Zhong *(chairman)*
Mr. Lyu Shousheng
Mr. Sun Shaojun

## BOARD SECRETARY

Ms. Wang Li

## HEAD QUARTERS

Sinotruk Tower
No. 777 Hua'ao Road
Innovation Zone
Ji'nan City
Shandong Province
PRC
Postal code: 250101

## REGISTERED OFFICE IN HONG KONG

Units 2102-03
China Merchants Tower
Shun Tak Centre, 168-200
Connaught Road Central
Hong Kong

## COMPANY SECRETARY

Mr. Kwok Ka Yiu

## AUTHORIZED REPRESENTATIVES

Mr. Wang Chen
Mr. Kwok Ka Yiu

# CORPORATE INFORMATION

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Bank of China Limited
Agricultural Bank of China Limited
China Construction Bank Limited
Bank of Communications Co., Ltd.

## LEGAL ADVISERS

### HONG KONG

Reed Smith Richards Butler LLP

### PRC

Commerce & Finance Law Offices

## AUDITOR

KPMG

## SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

## COMPANY WEBSITE

www.sinotruk.com

## SECURITIES CODE

Equity: 03808.hk

## INVESTOR RELATIONS

### CAPITAL OPERATION DEPARTMENT

#### PRC

Tel: (86) 531 5806 3808
(86) 531 5806 2543
Email: zhengquanbu@sinotruk.com

#### HONG KONG

Tel: (852) 3102 3808
Fax: (852) 3102 3812
Email: securities@sinotrukhk.com

## PUBLIC RELATIONS CONSULTANT

Wonderful Sky Financial Group
Tel: (852) 2851 1038
Email: sinotruk@wsfg.hk

# THE GROUP

## BUSINESS

The Group is one of the leading trucks manufacturers in the PRC which specializes in the research, development and manufacture of HDTs, medium-heavy duty trucks, LDTs, etc. and related key assemblies, parts and components. The Group's products widely serve customer groups in various industries and fields such as logistics, transportation and infrastructure construction.

The Group mainly manufactures trucks and also produces key assemblies, parts and components such as engines, cabins, axles, steel frames, gearboxes, etc. The Group is a truck manufacturer which has its own research and development and production capability in trucks as well as the complete production chain. Our products are not only sold domestically but also exported to other countries and regions in the world. In addition, the Group provides financial services to those parties related to the production and sales of the Group's products and to the CNHTC Group.

## OPERATIONS

The Group's businesses are classified into four segments according to the nature of products and services:

### (I) HEAVY DUTY TRUCKS SEGMENT

The majority of the Group's revenue is contributed by the sales of HDTs. Its major products series include SITRAK, HOWO and Huanghe, each of which is further divided into various sub-series for different markets. The key production bases are located at Ji'nan and Ji'ning, the PRC. In addition, the Group engages in truck refitting and manufactures specialty vehicles.

### (II) LIGHT DUTY TRUCKS AND OTHERS SEGMENT

The Group's LDT products mainly include HOWO, Haoman and Wangpai products, which production bases are located at Ji'nan, Fujian and Chengdu, the PRC. The segment manufactures and sells medium duty trucks, LDTs, buses and other vehicles.

### (III) ENGINES SEGMENT

Although most of the engines for heavy duty trucks produced by the Group are used to satisfy our own demand, the Group also sells industrial and construction machinery engines to third parties. In addition, the Group produces other HDT key assemblies, parts and components, such as gearboxes and various types of casting and forging. The engines production bases are located at Ji'nan and Hangzhou, the PRC.

### (IV) FINANCE SEGMENT

The Finance segment provides various financial services to those parties related to the production and sales of the the products of the Group and the CNHTC Group, including deposits taking services and commercial financing services such as the provision of loans, bill discounting services and issue of bills as well as providing auto-finance services to finance the end-users and the dealers to purchase the Group's vehicles in the PRC.

# SHAREHOLDER INFORMATION

## Financial Calender 2024

| | |
|---|---|
| Announce 2023 annual results | 25 March |
| 2024 AGM | 28 June |
| Ex-dividend date for 2023 final dividend | 5 July |
| 2023 final dividend entitlement date | 10 July |
| Latest time to submit RMB dividend election form | At 4:30 p.m. on 31 July |
| Announce 2024 interim results | August |
| Despatch dividend warrants | 6 September |

## 2023 Dividends

| | |
|---|---|
| Proposed 2023 final dividend | HK$1.063 or RMB0.965 per Share |
| Dividend payout ratio (Note) | 50.1% |

## Share Information

| | |
|---|---|
| Stock code | 03808.hk |
| Listing as at 31 December 2023 | |
| – Number of issued Shares | 2,760,993,339 |
| – Market capitalization | RMB26,833 million |
| Board lot size | 500 Shares |

## For Shareholders to attend and vote at 2024 AGM

| | |
|---|---|
| Latest time to lodge transfer documents for registration with Sinotruk's registrar | At 4:30 pm on 24 June 2024 |
| Closure of Sinotruk's register of members | 25 to 28 June 2024 (both dates inclusive) |
| Record date | 28 June 2024 |

## For Shareholders to be entitled to 2023 final dividend

| | |
|---|---|
| Latest time to lodge transfer documents for registration with Sinotruk's registrar | At 4:30 p.m. on 8 July 2024 |
| Closure of Sinotruk's register of members | 9 to 10 July 2024 (both dates inclusive) |
| Record date | 10 July 2024 |

## Sinotruk's Registrar - Computershare Hong Kong Investor Services Limited

For corporate communications:

| | |
|---|---|
| By post: | 17M Floor, Hopewell Centre<br>183 Queen's Road East<br>Wanchai, Hong Kong |
| By email: | securities@sintorukhk.com |

For transfer of shares:

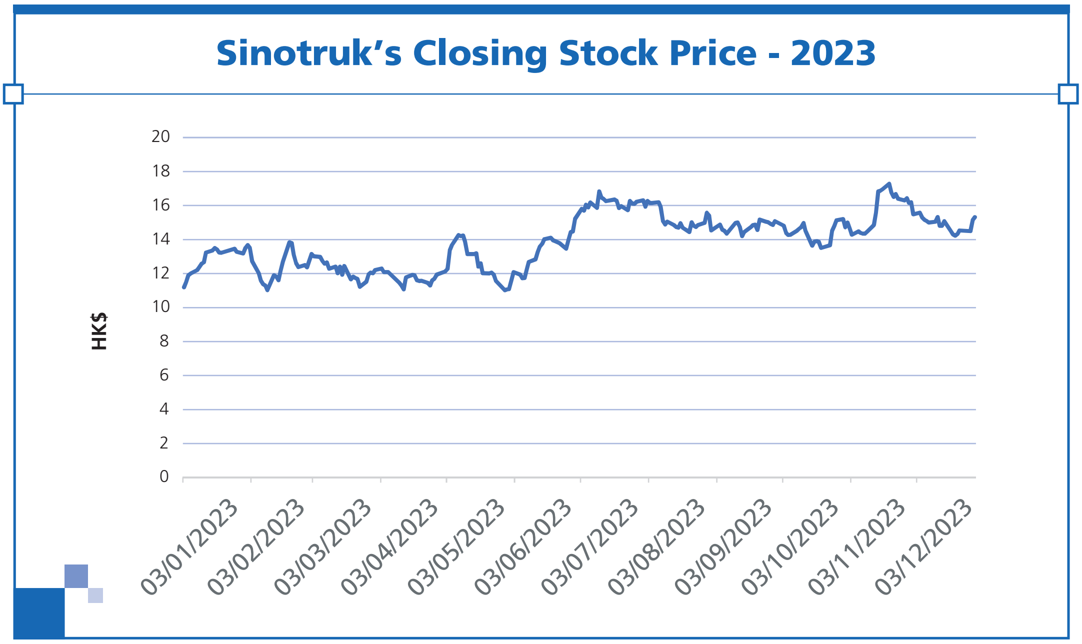
| | |
|---|---|
| Address: | Shops 1712-1716, 17th Floor<br>Hopewell Centre<br>183 Queen's Road East<br>Wan Chai, Hong Kong |
| Telephone: | (852) 2862 8555 |

Note: Being calculated by relevant dividends for the Period divided by profit attributable to equity shareholders of the Company for the Period.

# SHAREHOLDER INFORMATION

## Share Prices During the Period

| | |
|---|---|
| Maximum price | HK$18.16 |
| Minimum price | HK$10.74 |
| Average closing price | HK$13.88 |




## Shareholding Distribution as at 31 December 2023 (based on Sinotruk's Register of Members)

| Size of Shareholding | No. of Shareholders | % of Shareholders | No. of Shares held | % of no. of Shares issued |
|---|---|---|---|---|
| 1 — 500 | 5,910 | 78.2% | 2,920,134 | 0.1% |
| 501 — 1,000 | 1,074 | 14.2% | 1,074,000 | 0.1% |
| 1,001 — 2,000 | 458 | 6.1% | 722,500 | 0.0% |
| 2,001 — 10,000 | 96 | 1.3% | 404,000 | 0.0% |
| 10,001 — 100,000 | 18 | 0.2% | 497,750 | 0.0% |
| 100,001 — 500,000 | 3 | 0.0% | 385,000 | 0.0% |
| Above 500,000 | 3 | 0.0% | 2,754,989,955 | 99.8% |
| | 7,562 | 100.0% | 2,760,993,339 | 100.0% |

Details about Sinotruk's major Shareholders are disclosed in the Corporate Governance Report contained in this annual report.

# CHAIRMAN'S STATEMENT

CHAIRMAN

WANG ZHIJIAN

I am pleased to present, on behalf of the Board of Directors, a review of the Group's operating results for the year ended 31 December 2023 as well as our prospects.

## INDUSTRY REVIEW

In 2023, facing the complex and severe international environment, insufficient demand and other difficulties and challenges, the Chinese government adhered to the general principle of seeking progress while maintaining stability, intensified macro-control, optimized the economic structure, boosted market confidence and expanded effective demand. China's overall economy recovered and improved, with its GDP exceeding RMB126 trillion, a year-on-year growth of 5.2%.

In 2023, with the improvement of the macro economy, the demand for logistics and infrastructure having gradually recovered, and the overseas demand remaining robust, the commercial vehicle market as a whole experienced a trend of recovery. According to statistics from CAAM, for the HDT industry, the sales volume of HDTs reached approximately 911,000 units in the year, representing an increase of 35.6% YoY. For the LDT industry, the sales volume of LDTs reached approximately 1,895,000 units in the year, representing an increase of 17.1% YoY.

# CHAIRMAN'S STATEMENT

## OPERATIONS OF THE GROUP

In 2023, we actively responded to the complex situation and challenges in domestic and foreign markets, accelerated the adjustment of product, market and business structures, deepened the layout of market segments, seized the opportunities in the export market, and achieved fruitful results in high-quality development. During the Period, the Group's total sales volume of complete trucks increased 36.1% YoY to 323,566 units, of which the sales volume of HDTs increased by 43.9% YoY to 226,999 units, and the sales volume of LDTs increased by 20.6% YoY to 96,567 units.

The Group recorded revenue of RMB85,498 million during the Period, representing an increase of 43.9% YoY. Profit attributable to equity shareholders of the Company was RMB5,318 million, representing an increase of 217.9% YoY. The Group achieved improvement in the full-range operation performance indices.

In this year, we seized the opportunity of domestic market recovery, remained firm against the challenges posed by structural changes in industry demand and increasingly fierce market competition, constantly surpassed ourselves and reached new records, achieving a significantly increased sales and market share, as well as our leading role in the industry. We explored potential demand in market segments, satisfied customer needs and solved operational issues, and we achieved excellent performance in domestic market segments such as long-distance highway truck logistics, high-end special vehicles, and natural gas trucks. In particular, we accurately assessed the demand for natural gas trucks and seized the structural market opportunities, achieving a rapid increase in market share.

In this year, we seized opportunities and implemented targeted measures, with the export of HDTs having exceeded 130,000 units, representing an increase of 47% YoY, reaching another record high. In particular, high-end HDT products accounted for more than 40% of the export, and domestic high-end HDT products represented by SITRAK (汕德卡) successfully entered into the Australia, Mexico and Saudi Arabia markets and other markets dominated by high-end HDT products from European countries and the United States, and the room of the export of HDTs continued to increase.

In this year, we continued to promote technology upgrade, conducted a forward-looking research and development process and yielded a series of scientific research results. In particular, the Huanghe and SITRAK high-end HDTs were constantly optimized and upgraded for lower fuel consumption and stronger reliability, resulting in an increasingly enhanced competitiveness in the global high-end market. Certain products including HOWO MAX and TX7 adopted lightweight design for coal transportation and other market segments, and reached the international advanced level in terms of its gross weight. The "three-electronic" system of new energy vehicles was constantly optimized with a further reduction in energy consumption, which laid a solid foundation for sales growth.

## FUTURE PROSPECTS

In 2024, the global economy is expected to maintain a slow recovery and inflation rate will continue to decline. However, the global economic recovery will remain to be affected by unstable factors such as high interest rates, insufficient demand and geopolitical conflicts. According to the latest IMF forecast, the global economy is expected to grow by 3.1% in 2024. The Central Economic Working Conference stresses the importance of seeking progress while maintaining stability, promoting stability through progress, upholding construction before destruction, constantly consolidating and strengthening the momentum of economic recovery, and promoting effective improvement in quality and reasonable growth in quantity, and China's GDP is expected to grow by approximately 5%.

Throughout the domestic commercial vehicle industry, the daily logistics demand brought by China's huge economic aggregate and the replacement demand arising from the enormous commercial vehicle ownership will keep the demand at a higher level. For the HDT industry, the domestic market focuses on demand of replacement and structural adjustment, and the overseas market centers on stable demand from the rise of emerging markets and developing economies. For the LDT industry, driven by several factors such as the expansion of domestic demand, the recovery of consumption, the new regulations on blue license plates and the increased penetration rate of new energy vehicles, the LDT market will continue to recover.

# CHAIRMAN'S STATEMENT

The Group always regards "customer satisfaction as our purpose" as the core value of the enterprise. We will do our best in leading China's commercial vehicle industry, build a fast-growing global commercial vehicle brand and continue to move forward toward the strategic vision of "building a world-class full-series commercial vehicle group".

In 2024, we will diversify the product matrix of the full-series commercial vehicles and fully enhance the capabilities to support three core technologies, namely power system, vehicle integration and new material processes to maintain our industry-leading role in scientific and technological innovation as well as its key performance indicators; continuously optimize the marketing and after-sales network and improve the demand response process and coordination mechanism to rank first in the industry in terms of the response speed to the market; create the best supply chain ecology in the industry to strive for industry first in terms of product manufacturing quality; innovate the operation model, improve the aftermarket service ecosystem and build the capabilities for life-cycle asset operation and management of vehicles to ensure our industry-leading role in terms of service assurance capacity.

## DIVIDENDS

The Board recommends the payment of a final dividend per share of HK$1.063 or RMB0.965 for the financial year ended 31 December 2023.

**Wang Zhijian**
*Chairman*

25 March 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

### TRUCKS MARKET

In 2023, the global major economies still faced high inflation. The international situation continuously fluctuated and the recovery of global economy further slowed down. Facing the intricate and complex domestic and international situation, the Chinese government adhered to the general principal of seeking progress while maintaining stability, further enhanced macro-control and boosted market confidence. Chinese economy withstood the downturn pressure and the trend of its recovery was characterized by wavy development and tortuous progress. In general, the economy running picked up and improved. In 2023, the China's GDP grew by 5.2% YoY; the national fixed asset investment (excluding rural households) grew by 3% YoY; the infrastructure investment grew by 5.9% YoY; and the manufacturing industry investment grew by 6.5% YoY. The basic trend of long-term improvement of China's economy remained unchanged, and the national economy maintained stable development.

During the Period, commercial vehicles industry stepped out of a downtrend period and presented a recovery tendency. For the heavy duty truck industry, domestic market hit the bottom before rebound, which was mainly driven by the logistic demand and replacement demand of aged trucks. The export of China's heavy duty trucks hit a new record with the continuous increase of overseas demand. According to CAAM, the annual sales of heavy duty trucks reached approximately 911,000 units, representing an increase of 35.6% YoY. For the light duty truck industry, benefitted from consumption recovery and demand for replacement, the annual sales of light duty trucks reached approximately 1,895,000 units, representing a decrease of 17.1% YoY.

### FINANCING MARKET

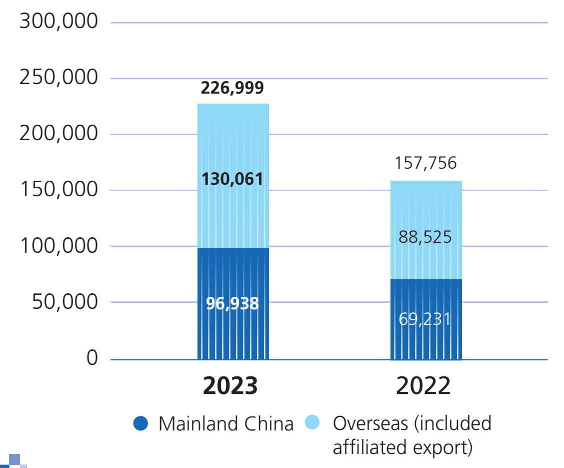
During the Period, the Chinese Government continued to implement the loan prime rate (LPR) mechanism. One-year LPR was lowered twice and the five-year LPR was lowered once. As at 31 December 2023, one-year LPR was 3.45% while LPR over five years was 4.20%.

## OPERATION REVIEW

### HDTS SEGMENT

During the Period, the Group sold 226,999 HDTs, representing an increase of 43.9% YoY.

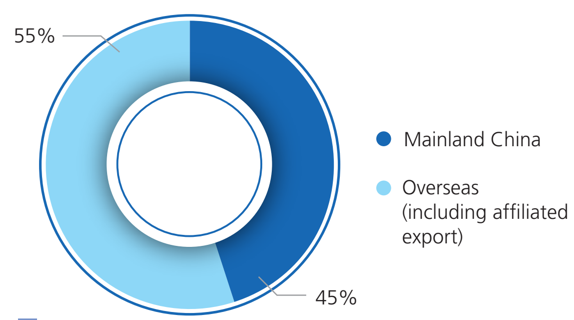
Sales volume of HDTs Segment for the year ended 31 December 2023 (Units)



# MANAGEMENT DISCUSSION AND ANALYSIS

The total revenue from the HDTs Segment was RMB75,288 million, representing an increase of 49.7% YoY. The HDTs Segment's Operating Profit Margin was 5.8%, representing an increase of 0.6 percentage points YoY, mainly due to the significant increase in sales as a result of the recovery of demand of the domestic HDTs industry and the increase of demand in overseas markets.

**Revenue of HDTs Segment by geographic markets for the year ended 31 December 2023**




## DOMESTIC BUSINESS

The Group consistently enhanced to be driven by innovation and led by technology, insisted on market demand orientation, and dug into the potential of segment market demand, achieving new breakthrough in development of segment market in the PRC.

In the market of tractor trucks, the Group recorded a significant growth YoY in sales volume for its advantages such as high attendance rate, high reliability, low fuel/gas consumption and light weight. Among others, the market share of tractor trucks above 600 horsepower in the long-distance highway truck transportation market ranks first in the industry; the market share of 4 × 2 tractor trucks ranks first in the industry. In the market of natural gas trucks, the high-end products of SITRAK and medium and high-end products of HOWO MAX/TH7 exerted their portfolio advantages and recorded a fast increase in market share in the fourth quarter, with a growth rate ranking first in the industry.

In the market of cargo trucks, the Group kept improving its products' performance and the competitiveness of products was significantly increased. The market share increased by 2.23 percentage points YoY. In the segment markets such as express delivery and agricultural goods, we were recognized by more and more clients and established a fuel-saving, reliable and high-efficient product brand in the industry.

# MANAGEMENT DISCUSSION AND ANALYSIS

In the market of engineering vehicle, the Group seized opportunities in hotspots regional market and constantly optimized its products' performance. In particular, the market share of tipper trucks maintained leading status in the industry, and the market share of muck trucks ranked first in the industry. HOWO constantly enhanced its advantage of the first brand in muck trucks. SITRAK became the preferred one in high-end products of muck trucks.

In the market of special vehicles, the Group deeply studied each type of application scenario and constantly developed new products according to the market changes. In the high-end special vehicle areas including fire trucks, pumper trucks, television relay and oil field trucks, the market share kept leading in the industry. The market share of fire trucks and pumper trucks ranked first in the industry. The market share of refrigerated trucks increased by 6.5 percentage points YoY, ranking first in the industry.


In the new energy market, the Group increased research and development investment to facilitate launch of new platforms and products. Accumulatively, the Group developed over 110 brand-new products, realizing comprehensive coverage of heavy, medium and light trucks, and got great progress in reliability, economy and safety of products. The Group achieved sales breakthroughs in the segment markets including steel mill, muck and terminal and the competitiveness of products became the forefront in the industry. Among others, the sales volume of new energy heavy duty trucks increased by 180.7% YoY, the market share increased by 3 percentage points YoY, and the ranking rosed by three places.


The Group continued to optimize its dealers' network, strengthen the construction of core network, eliminate low-efficient network and further enhanced its marketing capabilities. As at 31 December 2023, there were more than 510 dealerships selling the Group's HDT products in the PRC, with more than 1,270 service centers offering high-quality aftersales services and more than 100 truck-refitting services enterprises offering refitting services.

(Data source: ultimate sales data, the Group's internal data)

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERNATIONAL BUSINESS

During the Period, the Group exported 130,061 HDTs (including affiliated export), representing an increase of 46.9% YoY. The export revenue (including affiliated export) amounted to RMB41,133 million, representing an increase of 57.5% YoY.

Reconciliation of overseas revenue to total HDTs export revenue (including affiliated export):

| | 2023 RMB million | 2022 RMB million |
|---|---|---|
| Overseas revenue | **30,828** | 21,161 |
| Affiliated export revenue | **12,292** | 6,676 |
| Total affiliated export revenue | **43,120** | 27,837 |
| HDTs affiliated export revenue | **41,133** | 26,114 |
| Other affiliated export revenue | **1,987** | 1,723 |
| Total affiliated export revenue | **43,120** | 27,837 |

In 2023, affected by multiple factors including escalating geopolitical tension, great interest rate hike by the Federal Reserve and high inflation in major economies, the global inflation continued to remain at a high level. Under the shortage of foreign currency in developing countries and insufficient demand from developed countries, the recovery progress of global economy was not as expected. The Group integrated advantageous resources, actively sought overseas orders and hit a record high in export sales volume, having assured a favorable position among the PRC heavy duty truck brands in the overseas market with the most market share.

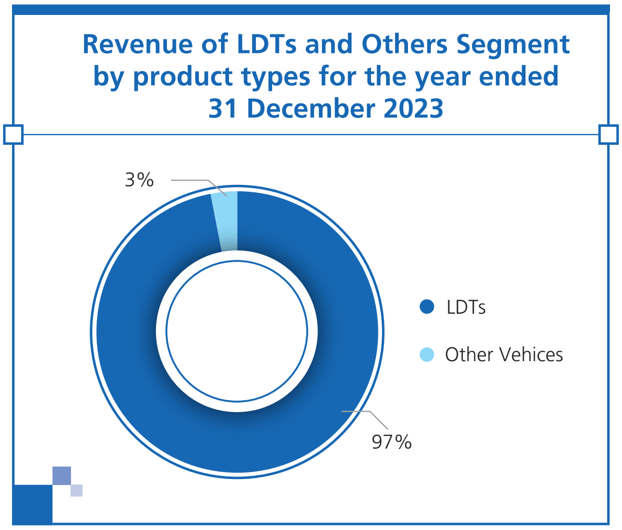
During the Period, the Group realized rapid growth in overseas sales amidst escalating competition of overseas market and continuous upgrade in market demand. Firstly, the Group accelerated expansion in high-end market and formulated corresponding strategies based on application scenarios and market demand, realizing a breakthrough of high-end products in markets where European and American brands had a traditional advantage such as Mexico, Saudi Arabia and Australia; secondly, the Group introduced new products with more competitiveness such as HOWO T7S, TX and MAX to traditional advantageous markets and kept improving spectrum and configuration of products; thirdly, the Group constantly increased the international influence of its brand by hosting various global partner conventions in Central Asia, the Middle East, Africa, Southeast Asia, etc. and inviting outstanding partners and major customers to attend, which greatly increased the brand influence and enterprise profile; and fourthly, the Group enhanced network marketing management and deployed lower tier but larger markets and strengthened service marketing by deepening marketing reform, which resulted in a sustained expansion of its top market share.

As at 31 December 2023, the Group had developed over 200 dealerships at all levels and 26 overseas cooperative KD plants in more than 110 countries and regions, forming an international marketing network largely covering developing countries and major emerging economies in Africa, the Middle East, Central and South America as well as Southeast Asia, as well as some mature markets including BRICS, Australia, Ireland, New Zealand, and Hong Kong and Taiwan.

# MANAGEMENT DISCUSSION AND ANALYSIS

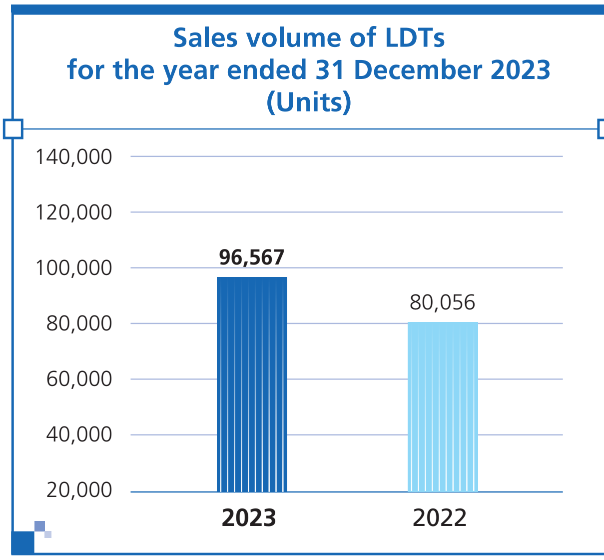
## LIGHT DUTY TRUCKS AND OTHERS SEGMENT

The major product of the LDTs and Others Segment is LDT which revenue was accounted for approximately 97% of the total revenue during the Period of this segment while other products of the segment included buses, pickup trucks and other vehicles.




During the Period, the total revenue from the LDTs and Others Segment (including sales of LDTs and other vehicles and services provided to customers thereof) was RMB10,314 million, representing an increase of 20.7% YoY. The Operating Loss Margin of the LDTs and Others Segment was 6.0%, representing a decrease of 1.9 percentage points as compared to the Previous Period, which was due to the fact that the Group increased selling expenses and invested more in research and development to improve product competitiveness in view of the intense competition in PRC light truck market.

During the Period, the Group sold 96,567 LDTs, representing an increase of 20.6% YoY.



# MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group achieved breakthroughs in the light duty truck segment and consistently improved its market share in end customers by accelerating structure transformation and strengthening areas of weakness in the market. Firstly, the Group focused on key sub-markets such as the transport of agricultural goods, inner-city delivery and trade, and express delivery logistics to meet different customer needs. The product portfolio represented by HOWO Commander (統帥) and HOWO General (悍將) has recorded a larger share in high-end and mid-to-high-end markets. In particular, the market share of stake trucks increased by 8.5% YoY, and the market share of wreckers increased by 12.7% YoY. Moreover, the market shares of lifting, flatbed, hazardous chemicals transport and sanitation trucks all increased significantly; secondly, the Group continued to optimize the establishment of its marketing network. The channel marketing capability of the Group has been enhanced all-roundedly by further eliminating inefficient and ineffective channels and enhancing the development of high-quality channels; thirdly, the Group persisted in online transformation, especially making significant efforts in the operation of online stores, public accounts, and WeChat Channel. With enhancement of brand promotion through short videos, articles and live broadcasts, the Group has successfully boosted the brand awareness among consumers.

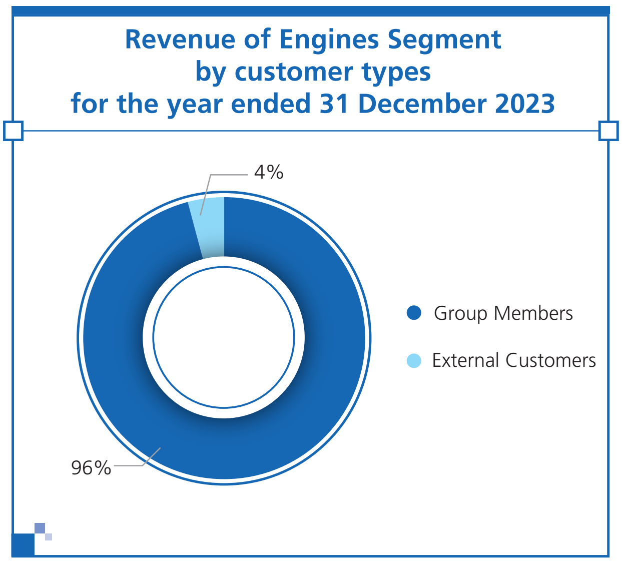

The Group has recorded an 8.5% YoY increase in the sales of its new energy light trucks, with a 4.9% share of the new energy market. In addition, the Group released the Blue Cube technology platform, which includes six core technologies: battery chassis integration for new energy vehicles, full range of electric drive axles, lightweight technology, integrated thermal management system, intelligent driving technology, and systems ensuring vehicle safety and reliability. The full range of new energy vehicles based on such technologies allowed the Group to lead the industry in new energy technology.


As at 31 December 2023, the Group had, in the PRC, a total of approximately 1,000 dealerships of LDTs, approximately 2,300 service centers offering after-sales services and approximately 100 modification enterprises offering refitting services.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ENGINES SEGMENT

During the Period, the Engines Segment recorded a total revenue of RMB14,554 million, representing an increase of 27.4% YoY, of which external sales of engines accounted for 4.3%, representing a decrease of 2.3 percentage points YoY. During the Period, the Engines Segment sold 127,650 engines, representing a decrease of 3.5% YoY. The Operating Profit Margin of the Engines Segment was 14.2%, representing an increase of 13.7 percentage points YoY. Despite the decrease in sales volume in engines, the increase in the revenue of other HDT key assemblies, parts and components such as gearboxes and various types of casting and forging components resulted in the improvement of the Operating Profit Margin of the Engines Segment.




The Group adhered to the general operation principle of "improving quality, increasing efficiency and reducing cost", and advocated the policy of independent research and development and university-industry cooperation. With the introduction of standard R&D process and further advances in product technology, the Group has enhanced the performance, quality and competitiveness of its existing engines.

During the Period, the good economy, strong power and high reliability of the MC series engines have further enhanced its market recognition. Firstly, the Group has successfully developed a hybrid vehicle range extender based on the existing engine, namely the "National VI MC07H hybrid special engine". Such engine could cost and pollute less by producing a higher maximum thermal efficiency; secondly, the Group developed the high-efficient National VI SCR 7L engine. The modular and lightweight design has effectively improved the quality of such engine and allowed it to lead the industry in fuel economy.

## R&D STRENGTH

The Group has comprehensive R&D capabilities for the whole series of commercial vehicles. It has always maintained high standards and significant investment for R&D, and established a forward-looking R&D process guided by customer needs. The Group has created a R&D matrix led by complete vehicles, guided by customer needs, developing capabilities, and synergistically developing assemblies and components.

The Automotive Research Institute, New Energy Vehicle Research Institute and Product Testing and Inspection Center of the Group are the comprehensive scientific research bases for R&D and testing of new products and are among the first batch of nationally recognized enterprise technology centers and the national HDTs engineering technology research centers. Through the research and promotion of technologies on complete vehicles and bodywork as well as key vehicle assemblies and core component and parts, the testing and inspection of complete vehicle and components and parts of vehicle assembly, and the R&D and promotion of new materials and processes for HDTs, the Group has developed five core strengths leading in the industry, namely strengths in bodywork, power system, gearing system, electronic control system and complete vehicle matching. We also have set up a relatively complete R&D system of software and hardware for technical management, design and development, pilot production, as well as testing and inspection, and a product R&D platform for the concurrent initiation of multiple parallel projects.

# MANAGEMENT DISCUSSION AND ANALYSIS

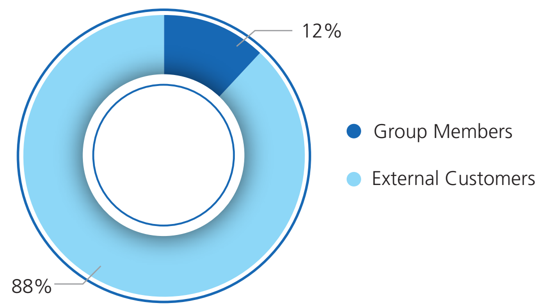
During the Period, the Group adhered to independent and standard R&D process and strengthened forward thinking. In response to changes in market demand, the Group actively optimized and upgraded products, and thus achieved new breakthroughs in key technologies. Firstly, in terms of fuel vehicles, the Group continued to optimize and adjust the products based on such core needs as fuel saving, reliability, comfort, intelligence and lightweight, and product competitiveness continued to improve; secondly, in terms of new energy, the performance of new energy products has been further improved by reducing energy consumption, upgrading motor, battery, and electronic control, and optimizing chassis layout.

## FINANCE SEGMENT

During the Period, firstly, the Group continued to strengthen risk management and control, improved the establishment of digital and intelligent risk control system by increasing investment in information technology, and further enhanced risk identification capabilities; secondly, the Group provided diversified financial services for different customers. In particular, the Group developed customer specific plans based on vehicle model, channel, customer type and industry and then offered tailor-made financial products. The Group strived for financial services during the full vehicle life cycle including "purchase, use, maintenance and trading in" to fully support vehicle sales.

During the Period, the revenue of the Finance Segment (including interest income and finance lease income) was RMB1,387 million, representing a decrease of 19.1% YoY. Revenue from external customers amounted to RMB1,220 million, representing a decrease of 4.8% YoY. The Operating Profit Margin of the Finance Segment was 55.6%, increased by 15.7 percentage points YoY. The decrease in income of the Finance Segment was mainly attributable to the decrease in interest income resulted from the decrease in the scale of and interest rate charged by Commercial Lending Services and the decrease of interest rate charged by the Auto-finance Services while the increase in the Operating Profit Margin was attributable to the decrease in interest expense of the Finance Segment resulted from the decrease in borrowing interest rates due to the stimulation of the economy and promotion of financial investment in China.

**Revenue of Finance Segment by customer types for the year ended 31 December 2023**




The Finance Segment operates money lending business of the Group through the provision of Commercial Lending Services and Auto-finance Services.

The below figures in this section are stated after the elimination of intragroup transactions.

Depending on the type of the money lending business provided, the Group generally charges an interest rate that ranges from 2% to 10%. As at 31 December 2023, the financing receivables and interest receivables were approximately RMB12,524 million and RMB15 million, respectively. The ageing analysis of the financing receivables based on the maturity date as at 31 December 2023 and 31 December 2022 is as follows:

| RMB million | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Less than 3 months | **2,122** | 3,344 |
| 3 months to 6 months | **2,238** | 2,839 |
| 6 months to 12 months | **3,210** | 3,385 |
| 1 year to 2 years | **3,829** | 1,925 |
| 2 years to 3 years | **1,139** | 217 |
| | **12,538** | 11,710 |

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the reversal of impairment of financing receivables of RMB100 million (2022: impairment loss allowance made RMB63 million) was made and impairment losses of off-balance sheet credit business of RMB5 million was reversed (2022: impairment loss allowance made RMB5 million). During the Period, no financing receivables had been written-off (2022: RMB3.5 million). As at 31 December 2023, the total provision of impairment of financing receivables amounted to RMB707 million (31 December 2022: RMB807 million) and provision for impairment losses of off-balance sheet credit business amounted to RMB0.1 million (31 December 2022: RMB5 million). Further more details of the basis and details of impairment loss of the financing receivables, please refer to the section headed "Impairment and write-offs" below.

## COMMERCIAL LENDING SERVICES

The borrowers of the Commercial Lending Services comprise the CNHTC Group and its associates (as defined under the Listing Rules), dealers of the Group and suppliers of the Group and the CNHTC Group. The Commercial Lending Services not only enables the Group to gain a reasonable interest income, but also ensures stability of its industrial chain and achieves a win-win cooperation among upstream and downstream entities along such industrial chain. Loans to dealers are unsecured while loans to suppliers are secured by the pledge of receivables from suppliers of the Group and the CNHTC Group. All loans granted are repayable within one year while discount of bills (issued by banks only) shall all be matured within one year. Commercial Lending Services are carried at the Group's headquarter in Ji'nan, PRC.

During the Period, the revenue from the Commercial Lending Services was RMB81 million, representing a decrease of RMB66 million or 44.9% YoY.

As at 31 December 2023, there were less than 30 borrowers (31 December 2022: around 100 borrowers) of the Commercial Lending Services business and their total net outstanding receivables and interest receivable were RMB595 million and RMB1 million (31 December 2022: RMB2,581 million and RMB4 million), respectively.

As at 31 December 2023, the largest borrower (being the CNHTC Group) and the top five borrowers under the Commercial Lending Services business constituted approximately 81.47% and 99.30% (31 December 2022: approximately 44.4% (being the CNHTC Group) and 62.5%), respectively of the net financing receivables of the Commercial Lending Services business.

## AUTO-FINANCE SERVICES

The borrowers of the Auto-finance Services comprise end-users or dealers of the Group's commercial vehicles who may be individuals and entities. Such borrowers were either existing customers of the Group or those referred from the CNHTC Group or the dealers of the Group's vehicles. The Auto-finance Services are further divided into auto-finance loans and finance leasing. All loans and leases are secured by commercial trucks being purchased with guarantee deposits, guaranteed by the borrowers (and, for those that are entities, by guarantees of their owner(s) as well), and in respect of certain borrowers, the relevant amounts are also guaranteed by the dealers. Moreover, for any loan or lease involving a large amount, further security such as properties and (additional) guarantee deposits may be required to be provided as collateral. The loans and finance leases granted under the Auto-finance Services are normally repayable within three years. As at 31 December 2023, the Finance Segment had established 24 business offices, with its business covering China, and having further improved its automotive consumer credit services.

During the Period, the revenue from the Auto-finance Services was RMB403 million, representing a decrease of RMB203 million or 33.5% YoY.

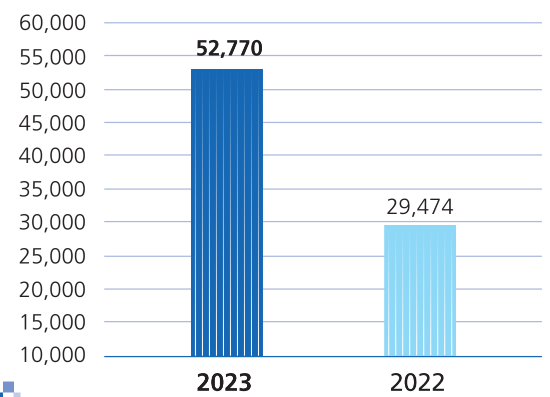
# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, there were less than 50,000 borrowers (31 December 2022: less than 70,000 borrowers) of Auto-finance Services and their total net outstanding receivables and interest receivable were approximately RMB11,929 million and RMB14 million (31 December 2022: approximately RMB9,112 million and RMB13 million), respectively. As at 31 December 2023, the net finance leases balance to the net loans and finance leases balance was approximately 13.8% (31 December 2022: approximately 10.2%).

As at 31 December 2023, the largest borrower and the top five borrowers of the Auto-finance Services who are all independent third parties constituted approximately 0.1% and 0.4% (31 December 2022: approximately 0.2% and 0.7%), respectively of the net financing receivables of the Auto-finance Services.

During the Period, the Group sold 52,770 vehicles through Auto-finance Services, representing an increase of 79.0% YoY.

**Trucks sold under Auto-finance Services for the year ended 31 December 2023 (units)**




## RISK MANAGEMENT POLICY AND KEY INTERNAL CONTROL MEASURES

### Credit approval process and credit risk assessment policy

Prior to the granting of financial services to the borrowers, the relevant business units ("**Business Unit(s)**") of the Finance Segment will first review the application of the potential borrower, and conduct appropriate pre-loan or pre-lease checks on the potential borrower and its guarantor, which involves (a) reviewing the financial reports and statements of the potential borrower; and (b) performing an assessment on the financial condition of the potential borrower and its equity holder(s) (for entities), such as the type and value of assets owned by the potential borrower.

Depending on the type and amount of the financing services, the Business Units will assess and decide the necessity and the amount of security/collateral for the granting of each loan or lease on a case by case basis considering the factors including but not limited to the repayment history, results of public credit search towards the borrower, the value and location of the assets owned by the borrower and the financial condition of the borrower.

Relevant business approval forms including but not limited to details of the amounts, repayment terms and the applicable interest rate will be prepared and the senior management of the relevant Business Unit will give final approval in respect of the relevant application and, pursuant to which, the Business Unit will execute the relevant drawdown or payment procedures.

### Ongoing monitoring of loan collection and recovery

Various departments of the Business Units (principally engaged in after-financing management) involve in monitoring loan repayment and recovery. Such departments report to the risk management and operations departments on the repayment status of all loans and financing on at least a quarterly basis and to report any material defaulted loans immediately upon occurrence. In addition, regular and/or specific inspections will be carried out in respect of the financial status of the borrowers and the status of the collaterals.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Finance Segment has also adopted a policy for loan collection/recovery, pursuant to which, depending on the status of the overdue payment, the Business Units will continuously contact the borrower via different means including by phone and on-site interviews, issue overdue payment reminder to the borrower, and, based on the approval of the senior management of the Business Units, the Business Units may negotiate with the borrower for the repayment or settlement of the loan. Depending on the outcome of the aforesaid measures, the Business Units may also instruct legal advisers to issue formal legal demand letters or carry out formal legal proceedings for collection of loans.

### Impairment and write-offs

The Finance Segment considers the provision for impairment based on the borrowers' repayment situations, current and forecast economic conditions and laws and regulations which are consistent with market practices. In compliance with the requirements set out in the Guidance on Provisioning for Bank Loan Losses (《銀行貸款損失準備計提指引》) promulgated by the PBOC, in assessing the relevant risks of loss in respect of the financing receivables and off-balance sheet credit business, the Finance Segment shall, on at least a quarterly basis, assess and classify the relevant outstanding balances into five categories depending on the credit risk. Depending on the relevant category, allowances for impairment in respect of the outstanding financing receivables will be made by the Finance Segment in accordance with the Group's internal policy, based on a provision rate ranging from 5% to 100%. Further details of the financing receivables are set out in the sections headed "REVERSAL OF NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS" and "RECEIVABLES" • "FROM FINANCING ACTIVITIES" as well as note 22 of the audited financial report.

### Additional Controls in respect of Continuing Connected Transactions

The provision of Commercial Lending Services to CNHTC and its associates constitutes continuing connected transactions of the Group and such transactions are conducted in the manner as stipulated under the relevant financial services framework agreements. Additional internal control measures, including but not limited to re-confirmation before the release of new or renewal of loan or finance lease not exceeding the pre-approved caps, are implemented, so as to ensure the compliance with the requirements of the Listing Rules.

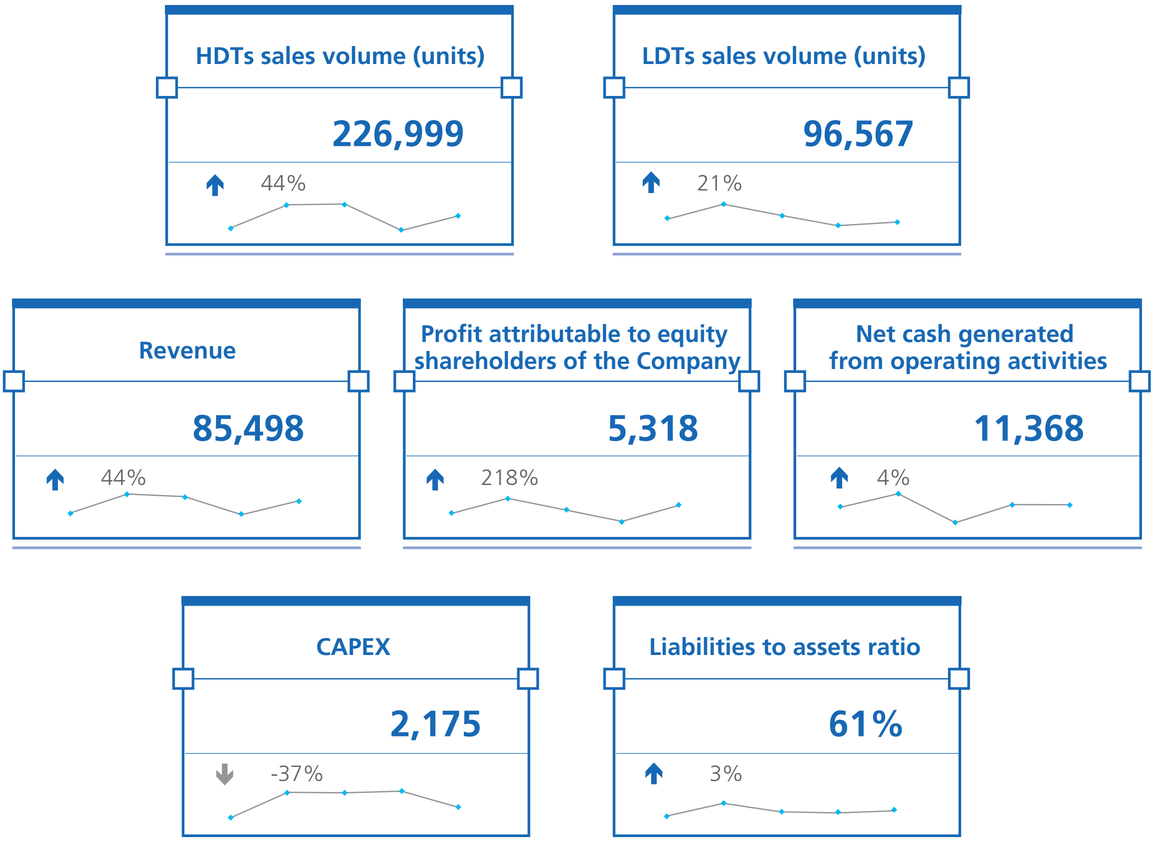
## MAJOR KEY PERFORMANCE INDICATORS ("KPI")

The Directors focus on the sustainable development of the Group as a whole and on the interests of Shareholders. The Directors use financial and non-financial indicators as benchmarks to assist in evaluation and decision-making. Sales volume and revenue of HDTs and LDTs reflect actual operating results and performance. Cash is critical to survival of the Group and net cash generated from operating activities provides insight on the Group's ability to generate cash flow from continuing operations. The gearing ratio (total liabilities divided by total assets) shows how the management balances equity financing with debt financing in maintaining the Group's liquidity. Capital expenditure (CAPEX) provides information on the medium to long term development of the Group. Profit attributable to equity shareholders of the Company provides information on the return to Shareholders for the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

The following charts present the key KPIs for the year ended 31 December of each of the following years.

(All key KPIs are expressed in RMB million unless otherwise stated)




| Key performance indicators | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| HDTs sales volume (units) | 226,999 | 157,756 | 281,825 | 278,415 | 169,433 |
| LDTs sales volume (units) | 96,567 | 80,056 | 129,068 | 181,013 | 109,280 |
| Revenue | 85,498 | 59,405 | 93,357 | 98,198 | 62,613 |
| Profit attributable to owners of the Company | 5,318 | 1,673 | 4,322 | 6,851 | 3,474 |
| Net cash generated from operating activities | 11,368 | 10,900 | (3,211) | 19,492 | 8,979 |
| CAPEX | 2,175 | 3,450 | 3,326 | 3,359 | 1,363 |
| Liabilities to assets ratio | 61% | 59% | 60% | 68% | 56% |

Note: The Group entered into business combination under common control with Intelligent Technology in 2023. 2022 figures have been adjusted with those of Intelligent Technology but 2019 to 2021 figures have not been adjusted.

# MANAGEMENT DISCUSSION AND ANALYSIS

## KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND OTHERS

The Group highly values the opinions and suggestions from various stakeholders. To this end, the Group has established a multi-channel communication mechanism, and proactively listens to the feedback from the government, regulators, shareholders, investors, customers, employees, the society, its partners and the environment. Through identifying and understanding the expectations and concerns of these stakeholders, we incorporate their feedback into the Group's strategic decisions and strive to create sustainable value for the Group.

The Group is committed to providing excellent services to its customers, and implementing the core value of "customer satisfaction is our top priority". We effectively protect privacy and data security, thus building a responsible brand image, and establishing a long-term relationship of trust with our customers.

The Group strives to provide timely and professional support to its customers and has established a comprehensive customer service and after-sales management process system. In 2023, the Group formulated and issued a number of customer service systems, such as the *On-site Management Measures for Service Stations* (《服務站現場管理辦法》) and *Customer Callback Management Process* (《客戶回訪管理流程》), and amended a number of systems, such as the *Complaint Acceptance Management Process* (《投訴受理管理流程》) and the *After-sales Services Management Process* (《售後服務管理程序》), to further clarify and standardize the management of the service network, service dispatch, technical support, claims recovery and service hotline, etc.

The Group highly values users' feedback and regards customer satisfaction as an important reference for strengthening customer service management. In order to better satisfy our customers' needs, we have put in place a customer complaint handling mechanism, feedback mechanism and rapid response mechanism. We have established specialized reporting channels, such as a 24-hour 400 manual hotline for complaints, recording complaints, and online complaints via "Smart Sinotruk" App, and formulate standardized handling procedures to ensure that customers' complaints are handled in a timely, fair and professional manner. At the same time, we have also established a process mechanism for handling major customer complaints to ensure that we can respond quickly and resolve issues in a timely manner upon receipt of customer feedback. Upon receipt of complaint information, customer services will transfer it to the responsible units according to the content of the complaint, and provide targeted solutions as soon as possible, the handling progress will be updated and reported in a real-time manner, and the first person handling the case will follow it up to ensure that we provide excellent service and meet customers' expectations. In 2023, the Group received 372 quality-related complaints, with a complaint handling rate of 100%.

The Group strictly abides by relevant laws and regulations, such as the *Cybersecurity Law of the PRC* (《中華人民共和國網路安全法》), the *Regulations of the PRC for Safety Protection of Computer Information Systems* (《中華人民共和國計算器信息系統安全保護條例》), and the *Measures for Security Protection Administration of the International Networking of Computer Information Networks* (《計算器信息網路國際聯網安全保護管理辦法》). We formulated internal management regulations such as the *Management Procedures for Information Security* (《信息安全管理流程》), the *Administrative Measures for Protecting the Confidentiality of Information Systems, Information Equipment and Storage Equipment* (《信息系統、信息設備和存儲設備保密管理制度》), and the *Management Procedures for Trade Secrets Protection* (《商業秘密保護管理流程》), which covers 12 key areas such as security organization, security assets and account management, and 62 systems and procedures such as information security management measures, information security organization management processes and privileged account management processes. The system includes all production units and subsidiaries, suppliers and contractors, and standardizes the Group's information security management requirements to ensure customer privacy and data security. In 2023, the Group established a process and digitization leadership team to further strengthen the privacy and data security management system. At the same time, in accordance with the *Information Security Organization Management Process* (《信息安全性群組織管理流程》), we have established information security

# MANAGEMENT DISCUSSION AND ANALYSIS

committees or organizations with equivalent functions in all tier-two units, set up network and information security administrators, strengthened security capacity building, and established a synergy mechanism to effectively implement the responsibility of network security. In 2023, there were no information security or privacy breaches in the Group.

The Group is committed to building long-term and stable relationships with its suppliers. We are deeply committed to promoting total full life cycle management of suppliers, working together with our supplier partners to make progress and promoting the sustainable development of the supply chain through win-win cooperation. The Group gives high priority to developing together with suppliers. We established a stable partnership by strengthening the communication with suppliers, and through diverse training courses and supplier meetings, we helped suppliers improve their capabilities to ensure a stable supply chain, effectively improve product quality and reduce potential risks. In 2023, the Group organized a total of 10 supplier trainings on quality awareness and quality management and control, with a total of 317 suppliers and 474 participants.

The Group is well aware that our employees are a constant driving force to achieve corporate development. We fully protect employees' rights and benefits, assisting employees in their personal growth and development. We created a diversified and equal corporate atmosphere to attract diversified and excellent talents in order to achieve mutual development of both the corporate and employees. At the same time, the Group continues to devote itself to social welfare, actively fulfilling its social responsibility as a state-owned corporation for creating a better world with goodwill. We have always regarded quality talents as the core competitiveness of corporate development. We are committed to protecting the legal rights and benefits of our employees, regulating the recruitment and hiring process, improving the employment management system in order to eliminate any form of discrimination or harassment, and creating a diverse, equal and inclusive work atmosphere for our employees.

The Group is committed to building a comprehensive talent development system, which aims to provide employees with rich and diverse career paths. We highly value the personal growth and career development of our employees. Through the development of systematic training programs and clear promotion paths, we helped our employees enhance their professional skills and comprehensive capabilities.

Employees are the driving force for the development of an enterprise, and the realization of employee well-being is the core of building a harmonious enterprise. Upholding the people-oriented concept, the Group practices democratic management; we care for the physical and mental health of employees and try to create a warm working and living environment for employees to continuously improve their sense of identity, belonging and happiness; with the guarantee of good hardware facilities, we have carried out cultural and sports activities and festive celebrations to help them balance work and life; for the employees in difficulty, we provide them with care and assistance by relief fund, and work together with them; we care for female employees, and fully protect their rights and benefits to support their development. The Group will continue to implement improvement measures to enhance employee satisfaction and work efficiency.

The Group's remuneration policies were determined with reference to the performance, qualification and working experience of individual employees, as well as the results of the Group and the market conditions. The benefits provided by the Group to its employees include discretionary bonus, meal subsidies, medical insurance, work injury insurance, unemployment insurance, etc. Employees (including executive Directors) may receive bonuses and monetary rewards based on their performance and ratings in annual performance appraisals.

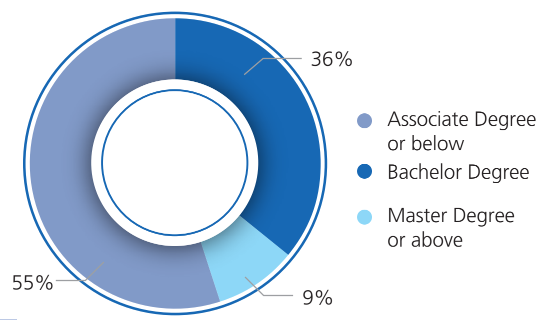
# MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the expenses of the Group (including salaries, retirement benefits, other welfares and post-employment benefits) to all employees including Directors amounted to RMB5,491 million, representing an increase of 1.9% YoY. The Group did not have any share scheme in place as at 31 December 2023 but adopted a share scheme solely funded by existing Shares of the Company in March 2024.

As at 30 December 2023, the Group employed a total of 27,413 employees, broken down by function and education as follows:

| | Number of employees | % |
|---|---|---|
| Management team | 276 | 1.01 |
| Technical and engineering staff | 3,234 | 11.80 |
| Research and development staff | 3,201 | 11.68 |
| Production staff | 15,463 | 56.40 |
| Operation and sales staff | 2,272 | 8.29 |
| Administrative staff | 2,967 | 10.82 |
| Total | 27,413 | 100.00 |

## Education of employees




## ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

With the beautiful vision of building a green home, the Group actively responds to the national call for "carbon peaking and carbon neutrality", and actively responds to the risks and opportunities brought about by climate change. We have put the concept of sustainable development into practice in our daily operations, implemented environmental protection, actively practiced low-carbon operations, and are determined to move towards a green future.

The Group closely tracks the trend of global climate change, regularly identifies and analyzes the impacts of climate change on its business development, and formulates action plans to enhance its ability to cope with the risks of climate change for grasping the development opportunities. We have set the goal of "establish a green eco-friendly factory", and established a dedicated management organization for safety, environmental protection and energy management, in order to incorporate capacity enhancement measures to cope with climate change in the process of promoting the construction of green factories.

# MANAGEMENT DISCUSSION AND ANALYSIS

In accordance with the information disclosure framework of the *International Financial Reporting Standard on Sustainable Disclosure 2 (IFRS S2) - Climate-related Disclosures*, we have categorized the risks brought by climate change to the Group's operation process and implemented countermeasures one by one, so as to enhance the Group's ability to cope with various types of transition risks and physical risks, and to steadily and orderly promote the overall realization of the Group's low-carbon transition.

The Group strictly abides by the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Environmental Impact Assessment* and other laws and regulations and the industry-related emission standards, and established a sound environmental management system for the Group and improved its management system, emission standards and operation regulations. In accordance with the ISO 14001 Environmental Management System (EMS), we issued environmental management guidance to all production and operation sites, and monitored all subsidiaries to complete the annual external audits of the management system. In 2023, all subsidiaries of the Group engaged in production passed the annual supervisory audits of ISO 14001 EMS certification, with 100% coverage and the coverage of external audits also reached 100%.

We have invested sufficiently to ensure the stable operation and gradual improvement of our environmental management system. The Group has established a Safety Production Committee with the Chairman of the Board as the highest level of leadership to coordinate the management of environmental matters and lead all subsidiaries of the Group engaged in production to achieve their annual environmental targets. We have incorporated environmental objectives into the individual performance appraisal standards for our responsible management staff, and clearly defined the specific responsibilities of each position in environmental protection to ensure that environmental protection work is carried out effectively and efficiently.

The Group standardizes the prevention, control and management of pollutants such as wastewater, waste gas, solid waste, and noise in production, and strives to reduce the environmental pressure brought about by production operations. In 2023, a compliance rate of 100% was achieved by the Group for wastewater and waste gas emissions, and 100% of the hazardous wastes were disposed in compliance with the regulations. No major environmental complaints or penalties were received.

The Group takes low carbon and emission control, energy conservation and consumption reduction as the main task in its manufacturing and construction and operation. We proactively search methods to improve the efficiency of energy resources and optimize the efficiency of energy and resource use. With reference to external advanced energy management systems, and taking into account our own business characteristics and daily operations, we regularly upgrade our energy and water saving targets, and carry out low-carbon operational practices in accordance with our plans.

## COMPLIANCE MATTERS

During the Period, as far as the Group is aware, the Group was not in any material breach of or non-compliance with the laws or regulations applicable to the Group which had material impact on the business and operations of the Group.

During the Period, the Group has complied, in all material respects, with the requirements under the Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code regarding, among others, disclosure of information and corporate governance.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL RISKS AND SOLUTIONS

The principal risks faced by the Group and the mitigation measures taken during the Period are as follows:

### 1. QUALITY RISKS

The Group continued to strengthen quality process control through quality planning, quality control, quality improvement, with a view to strictly controlling quality risks.

#### MITIGATION MEASURES:

In terms of quality planning, firstly, we have established and improved a group-level quality index system and evaluation system which covers the entire process including R&D, procurement, manufacturing, after-sales; secondly, we carry out quality evaluation work such as in-depth system maturity, process audits, special audits, while identifying quality risks in the quality system, and organizing each of the units to analyze and assess the quality risks and formulate preventive measures; thirdly, we constantly improve the documentation on quality system, to ensure the conformity, adequacy and effectiveness of the quality system. In 2023, we have issued a total of 100 documents on quality system, including 1 revision of the quality manual, revision of 27 procedures, amendments to 52 administrative measures, and 20 new administrative measures, covering 11 business areas of research and development, technology, procurement, planning, value, testing, quality, market, logistic, customer service and manufacturing.

In terms of quality control, we conduct product inspection and consistency review in a problem-oriented manner, inspecting 66 complete vehicles in the year, with a 93.4% problem rectification closure rate; inspecting 35 assemblies, with a 95.19% problem rectification closure rate, and decreasing the average value of PPM value of complete vehicle inspection by 15.35%, with a significant enhancement of the quality of physical objects. Daily and special audits were carried out for the assembly process and the quality of the actual vehicle, with a 92.13% problem closure rate.

In terms of quality improvement, guided by "zero-kilometer" and after-sales issues, we have identified 27 annual research projects, 85 group-level improvement projects and 204 second-tier company-level improvement projects, of which the claim amount of the group-level projects decreased by 31% compared to 2022; The failure rate of 64 improvement projects was reduced by more than 30%.

### 2. HEALTH, SAFETY AND ENVIRONMENTAL RISKS

The Group always adheres to the principles of "safety first, prevention oriented, comprehensive management" and "prevention first combined with fire protection", implements the management concept of "centralized supervision, and management and accountability", with the theme of "full participation, implementing responsibilities, comprehensive management and handsome reward and severe punishment" and the main line of preventing and resolving various types of safety risks throughout the year, comprehensively promotes the implementation of accountability of production safety for all personnel of the Group and continuously improves the safety and environmental management system. It also constantly enhances the safety and environmental management level, resolutely curb all kinds of safety accidents to ensure the safety production work has been running smoothly as a whole.

#### MITIGATION MEASURES:

The Group always adheres to strengthening the inspection of safety and environment and eliminating hidden dangers in safety and environment. The Group conducted a total of 725 on-site inspections throughout 2023, of which including 412 special inspections, mainly special inspections on hazardous waste and hazardous chemical products, environmental protection, material hidden dangers. In the event of discovering issues during inspections, notices for hidden dangers rectification were delivered in a timely manner, and all hidden dangers have been rectified. In 2023, the Group provided incentives a total of RMB423,900 for units with excellent execution of safety and environmental protection work, and assessed those that did not carry out work in accordance with the Group's requirements.

Taking production lines and facilities that discharge pollution as the environmental risks management and control unit, the Group accurately identified the environmental risks of pollution sources (being exhaust gas, waste water and solid waste) and has renewed and updated the list of environmental risk spots. For environmental risk spots of each level in the list, sorting governance, single-point breakthrough and dynamic monitoring have been implemented to realize the environmental management covering the whole process of pollution production and discharge and accomplish the general goal of the prevention and control of environmental risks.

In order to ensure safety in fire protection, in 2023, we conducted a total of 1,085 emergency preparedness drills with 29,916 participants. Through the drills, the staffs' capability to handle fire emergency situation was enhanced. Safety and environmental protection monitoring and control platform was built in the Group and the second-tier company respectively to realize the dual supervision of fire safety. At present, the monitoring and control platform has set up 297 video monitoring points, 2,299 fire equipment and facilities points.

### 3. FOREIGN EXCHANGE RISKS

Various management and control means were used and various preventive measures were taken in advance by the Group to avoid or reduce the potential risks such as exchange losses in unstable exchange rates. Through the use of the following mitigation measures, we have effectively prevented and controlled the impact of exchange rate fluctuation risks on the Group's operating efficiency.

#### MITIGATION MEASURES:

The Group prioritized and recommended to adopt cross-border Renminbi as settlement currency for foreign operations and to agree on Renminbi prices or adopt stipulated Renminbi exchange rate during business negotiation so as to avoid exchange risks to the maximum extent. The Group took the initiative to adopt forfaiting to handle forward letters of credit, accelerating the collection of trade receivables. The Group purchased bank forward exchange rate financial products to lock in foreign exchange rate in a certain stage to insulate funds from exchange rate fluctuations.

The foreign exchange management working group was set up to pay constant attention to the market exchange rate, establish a daily communication mechanism with the cooperative banks, closely track the market dynamics, and form a regular weekly exchange rate analysis report, which including exchange rate trends and analyzing the prognosis. Research on exchange rate fluctuations was strengthened, the Group conduct exchange settlements at favorable time according to business and capital needs and changes in market exchange rates.

## BUSINESS STRATEGIES AND PROSPECTS

Looking ahead in 2024, from an international perspective, geopolitical tension, high interest rates, high inflation and swelling debts will continue to exist, and the world economy will still be at the downside of the growth cycle. As for domestic economy, 2024 is a crucial year for the implementation of the 14th Five-Year Plan. The Chinese government will uphold the general principle of "making progress while maintaining stability, promoting stability by making progress, and building the new before breaking the old" in the work of all sectors, enhance counter-cyclical and cross-cyclical adjustments, solidify and strengthen the positive trend of economic rebound, improve social expectation and continuously drive the economy to achieve effective improvement in quality and reasonable growth in quantity.

# MANAGEMENT DISCUSSION AND ANALYSIS

From the perspective of the commercial vehicle industry, as the economy gradually returns to normal and various national policies have been implemented to stabilise the economy growth, the consumers' confidence will be further enhanced and it is expected that the market will recover continuously in the future. Firstly, the daily logistic needs brought by the China's economic volume will provide strong base support for the commercial vehicle industry; secondly, natural renewal needs of the huge amount of commercial vehicle in use and the gradually implementation of the national IV restrictions will enable the industry to realise replacement increments; thirdly, the opportunity of structural increments for gas vehicles comes after the oil and gas price gap will still exist and the demand for gas vehicles will keeping increasing; fourthly, the technologies of new energy commercial vehicles will gradually mature, thus the cost for a complete vehicle will decline, scenarios covered will be further enlarged and demand will be further enhanced; fifthly, overseas demand will still flourish, the emerging markets and the growth of economy in developing countries will generate stable growth in demand for commercial vehicles. In general, demand in the commercial vehicle industry will demonstrate a growing trend.

The Group insists on "customer satisfaction is our purpose" as our core value, and aims to achieve our strategic vision as a world-class enterprise in terms of all series of commercial vehicles. In 2024, the Group will strive to perform well in the following four areas:

1. Continue exploring overseas market and promote brand internationalization. The Group will accelerate the upgrading and adjustment of overseas product structures, make up the shortages of products in segment markets, spare no efforts in exploring the high-end markets dominated with European and American brands, and enhance service capability and brand construction through localization operation, thus establishing a high-end image of overseas brands.

2. Optimise marketing network and strengthen channel empowerment to improve marketing ability. Firstly, the Group will speed up the improvement of network construction, cultivation and screening, so as to enhance network competitiveness; secondly, the Group will precisely identify customers' requirements in each segment market through digital system and formulate targeted promotion and sales strategies for products, thus to achieve accurate marketing.

3. Accelerate the promotion of new energy products and seize the increment opportunity. Firstly, the Group will focus on Beijing, Shenzhen, Chongqing, Chengdu and other cities where policies are firstly implemented and the application scenarios such as steel plant, power plant, cement factory, coal mine and logistics park, to speed up the bulk sales of products and occupy the market share. Secondly, the Group will continue to enrich the application scenarios, from short distance, closed scenarios to longer-distance and more diversified scenarios, to broaden the room for new energy products to enter.

4. Innovate business mode and realise growth for new business. Based on digitalization and intelligence, the Group will cultivate the assets operation and management ability through the full life cycle of vehicles for users' operation, form a full life cycle ecological business layout of "intelligent logistics, vehicles rental and sales, out of warranty market, used cars", establish a good cycle of driving vehicle sales with service, and improve the after-market service ecological system of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period was RMB85,498 million, representing an increase of RMB26,093 million or 43.9% YoY. The increase in the revenue was due to a significant recovery in HDTs demand benefited from the steady improvement of the domestic macroeconomic economy and the increasing demand in overseas markets. By seizing market opportunities and continuously adjusting its product structure and business structure, the Group has achieved substantial growth in product sales, continued to increase the proportion of high-end products, and significantly improved profitability.

The Group's gross profit for the Period was RMB14,236 million, representing an increase of RMB4,229 million or 42.3% YoY. The increase in gross profit was mainly due to the significant increase in sales in trucks and expansion of production scale. Gross profit margin (gross profit divided by revenue) for the Period was 16.7%, representing a decrease of 0.1 percentage points YoY. The gross profit margin decreased because due to the decrease of the contribution from the Finance Segment which have higher profit margin.

### OTHER INCOME AND GAINS

The other income and gains for the Period was RMB817 million, representing a decrease of RMB478 million or 36.9% YoY. The decrease was mainly due to the decrease in foreign exchange gains and no gain on disposal of subsidiaries.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Period was RMB4,002 million, representing an increase of RMB1,128 million or 39.2% YoY and such increase was due the increase in export sales. During the Period, the ratio of selling and distribution expenses to Products Revenue was 4.7%, representing a decrease of 0.1 percentage points YoY. Warranty expenses accounted for 0.9% of Products Revenue for the Period, representing an increase of 0.6 percentage points YoY. The increase was mainly due to the increase in sales, particularly, the export sales which bears higher warranty expenses.

### ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB4,669 million, representing a decrease of RMB201 million or 4.1% YoY. During the Period, administrative expenses to revenue ratio was 5.5%, representing a decrease of 2.7 percentage points YoY. The administrative expenses maintained even the sales and production increase significantly. Among them, research and development expenses accounted for 52.5% of the administrative expenses, representing a decrease by 0.9 percentage points YoY.

### REVERSAL OF NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

The reversal of net impairment losses of financial assets for the Period was RMB171 million while net impairment losses for the Previous Period was RMB419 million. When the Group assesses the impairment of trade, financing and bills receivables, the Group will use 12-month, whole life and simplified expected credit loss models and consider historical observed default rates, forecast economic conditions and public credit information of each debtor or borrower. Based on the assessment, net impairment loss allowance of impairment of trade, financing and bills receivables at RMB102 million was reversed. In addition, net impairment loss allowance of financial assets in other receivables at RMB70 million was reversed. Further details of the trade, financing and bills receivables are set out in the sections headed "FINANCE SEGMENT" and "RECEIVABLES FROM TRADE AND FINANCING ACTIVITIES" and note 22 of the audited financial report. In addition, impairment loss of off-balance sheet credit business at RMB5 million was reversed during the Period (2022: impairment loss allowance at RMB5 million was made).

# MANAGEMENT DISCUSSION AND ANALYSIS

## OTHER EXPENSES

The other expenses for the Period was RMB65 million, representing a decrease of RMB286 million or 81.5% YoY. The decrease was mainly due to the decrease in fair value loss on financial assets at fair value through profit or loss including forward foreign exchange contracts for the purpose of reducing foreign exchange fluctuations and the decrease in impairment of investments in associates.

## FINANCE INCOME - NET

Net finance income for the Period was RMB284 million, representing an increase of RMB153 million or 116.8% YoY. The increase in finance income was mainly due to the strengthen the cooperation of funding arrangement with financial institutions and increase deposit interest rates, leading to growth in interest income.

## SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates for the Period was RMB111 million, compared with net losses at RMB23 million in the Previous Period, representing an increase of profits shared by RMB134 million YoY. The increase in share of profits of associates was mainly due to the share of profits from those engaged in sales of parts and components of trucks.

## INCOME TAX EXPENSE

Income tax expense for the Period was RMB1,056 million, representing an increase of RMB98 million or 10.2% YoY. The increase was due to the increase in profit before tax. The effective tax rate (profit before income tax but excluding share of profits of associates) for the Period was 15.6%, representing a decrease of 17.2 percentage points YoY due to enjoyment of additional tax benefits from research and development expenses and utilisation of unrecognised tax losses of prior years.

## PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the Period was RMB5,827 million, representing an increase of RMB3,889 million or 200.7% YoY. Net profit ratio (profit for the Period divided by revenue) was 6.8%, representing an increase of 3.5 percentage points or 106.1% YoY.

Profit attributable to equity shareholders of the Company for the Period was RMB5,318 million, representing an increase of RMB3,645 million or 217.9% YoY. The basic earnings per share attributable to equity shareholders of the Company for the Period was RMB1.93, representing an increase of RMB1.32 or 216.4% YoY.

## RECEIVABLES

### FROM TRADE ACTIVITIES

As at 31 December 2023, the Aggregate Trade Balance amounted to RMB18,496 million, representing an increase of RMB4,334 million or 30.6% when compared to the balance as at 31 December 2022. The increase in the Aggregate Trade Balances was due to the substantial increase in domestic sales and truck exports (with longer credit periods) during the Period, in particular, the total sales in the second half of 2023 exceeded the sales in the first half of the year.

In addition to granting standard credit period to certain privileged customers, the Group received acceptance bills for settlement of trade receivables. The Group granted large dealers with good repayment history credit period from 3 to 12 months and/or accepted the settlement by commercial and bank acceptance bills and, hence, their ageing of the Aggregate Trade Balances was longer than that of other customers.

The trade receivables turnover (average Aggregate Trade Balances divided by Products Revenue multiplied by 365 days (2022: 365 days)) for the Period was 70.7 days (2022: 80.8 days), representing a decrease of 10.1 days.

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, the Aggregate Trade Balances aged not more than twelve months amounted to RMB17,895 million or 96.8% of the Aggregate Trade Balances.

The Group reviewed the repayment progress of key customers or customers with higher risk of default in repayment on a monthly basis and assessed impairment loss by reference to their businesses, repayment information, etc. During the Period, the Group reversed impairment loss allowance for Aggregate Trade Balances at the amount of RMB2 million.

## FROM FINANCING ACTIVITIES

As at 31 December 2023, the net financing receivables was RMB12,539 million, representing an increase of RMB829 million or 7.1% when compared to the balance as at 31 December 2022.

As at 31 December 2023, the net financing receivables aged not more than twelve months amounted to RMB7,570 million or 60.4% of the net financing receivables.

During the Period, the Group reversed impairment loss allowance for financing receivables at the amount of RMB100 million. Further details of the financing receivables and discounting bills are set out in the section headed "FINANCE SEGMENT".

## TRADE PAYABLES

As at 31 December 2023, the trade and bills payables amounted to RMB46,624 million, representing an increase of RMB13,353 million or 40.1% when compared to the balance as at 31 December 2022.

The trade payables turnover (average trade and bills payables balances divided by costs of Products Revenue multiplied by 365 days (2022: 365 days)) for the Period was 206.8 days (2022: 262.2 days), representing a decrease of 55.4 days YoY.

## CASH FLOWS

Net cash inflow generated from operating activities for the Period was RMB11,368 million. Despite substantial increase in sales and trade payables but offset by the increase in inventories, trade and financing receivables and payment of income tax, operating activities for the Period generated additional cash of RMB468 million when compared with those of the Previous Period.

Net cash outflow used in investing activities for the Period was RMB11,059 million. During the Period, the Group reduced net purchase of financial assets at RMB7,601 million, did not make any new investments in associates resulting RMB715 million saving and received proceeds from disposal of business at RMB593 million while such savings were partly offset by the increase in net purchase of property, plant and equipment at RMB990 million and net increase in lending to associates at RMB211 million. The cash outflow from investing activities decreased by RMB7,559 million YoY.

Net cash outflow generated from financing activities for the Period was RMB471 million. Compared with the Previous Period, the Group borrowed additional amount at RMB410 million, reduced the payment of dividends including those to non-controlling interests by totalling RMB870 million and the stop of the purchase of treasury stock by a subsidiary saved RMB75 million. Cash outflow from the financing activities decreased by RMB1,365 million YoY.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group had cash and cash equivalents of RMB15,252 million, representing a decrease of RMB65 million or 0.4% when compared to the balance as at 31 December 2022. The Group's total borrowings were about RMB5,049 million as at 31 December 2023, representing an increase of RMB1,159 million or 29.8% when compared with the balance as at 31 December 2022. Its gearing ratio (total borrowings divided by total assets) and debt-to-equity ratio (total borrowings divided by equity) as at 31 December 2023 were 4.1% and 10.5% respectively (31 December 2022: 3.7% and 9.0% respectively). As at 31 December 2023, current ratio (total current assets divided by total current liabilities) was 1.2 (31 December 2022: 1.3).

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, all borrowings were denominated in RMB (31 December 2022: all in RMB) and 96.7% borrowings were charged with reference to bank's preferential fixed rates (31 December 2022: all at fixed rates). The maturity profile of all borrowings was as follows:

| | As at 31 December 2023 RMB million | As at 31 December 2022 RMB million |
|---|---|---|
| Within one year | **4,907** | 3,890 |
| After 1 year but within 2 years | **53** | — |
| After 2 years but within 5 years | **89** | — |
| | **5,049** | 3,890 |

As at 31 December 2023, total consolidated equity of the Company was RMB47,961 million, representing an increase of RMB4,929 million or 11.5% when compared with the balance as at 31 December 2022.

As at 31 December 2023, the Company's market capitalization was RMB38,332 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HK$15.32 per Share and at the exchange rate of 1:0.90622 between HK$ and RMB).

As at 31 December 2023, the unutilized credit facilities of the Group from the banks amounted to RMB40,243 million (31 December 2022: RMB37,552 million). The Finance Segment mandatorily placed deposits of RMB2,223 million (31 December 2022: RMB1,883 million) to the PBOC for its financial operations. In addition, an aggregate amount of RMB2,711 million (31 December 2022: RMB2,672 million) of restricted cash was pledged mainly for credit facilities. The Group meets its daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, sufficient banking facilities and issuance of bills such as short-term commercial acceptance bills and bank acceptance bills.

## INVESTMENTS

The Group continued to pay attention to potential strategic investment opportunities in the market, and timely acquired or invested in those meet the Group's strategic development requirements.

### INVESTMENTS IN SUBSIDIARIES

On 27 September 2023, the Group completed the capital contribution at amount of RMB400 million to Intelligent Technology and, thereafter, Intelligent Technology became a 72.362% owned subsidiary. For the details of the capital contribution, please refer to the Company's announcement dated 20 September 2023.

### EQUITY INVESTMENTS FORMING PART OF THE GROUP'S OPERATIONS

Other than investment in subsidiaries, the Group holds long-term equity investments forming part of its business operations:

a) **Investment in associates**

As at 31 December 2023, the amount of investment in associates was RMB2,018 million, representing 1.7% of the total assets of the Group. Performance of these investments are disclosed in the section headed "SHARE OF PROFITS OF ASSOCIATES".

b) **Other long term equity investments**

As at 31 December 2023, the Group's unlisted equity investments for long term strategic investment purpose amounted to RMB32 million, representing less than 0.1% of the total assets of the Group. These investments were classified as financial assets at fair value through other comprehensive income.

## OTHER SECURITIES INVESTMENTS

For the purposes of increasing profitability of short term funds and managing the liquidity of the Group, the Group invested in short-term equity investments which consisted of listed securities in Hong Kong and China. As at 31 December 2023, the Group had short term equity investment at RMB3 million, representing less than 0.1% of its total assets. Such equity investments are accounted for as equity investments in financial assets at fair value through profit or loss. Their fair values keep changing from time to time depending on factors including but are not limited to their operation results, economic situation and stock markets sentiments.

## CAPITAL COMMITMENT

As at 31 December 2023, the Group committed capital expenditure in respect of property, plant and equipment as well as intangible assets amounting to RMB1,686 million which would be funded by internal resources and borrowing facilities.

## CHARGES ON GROUP ASSETS

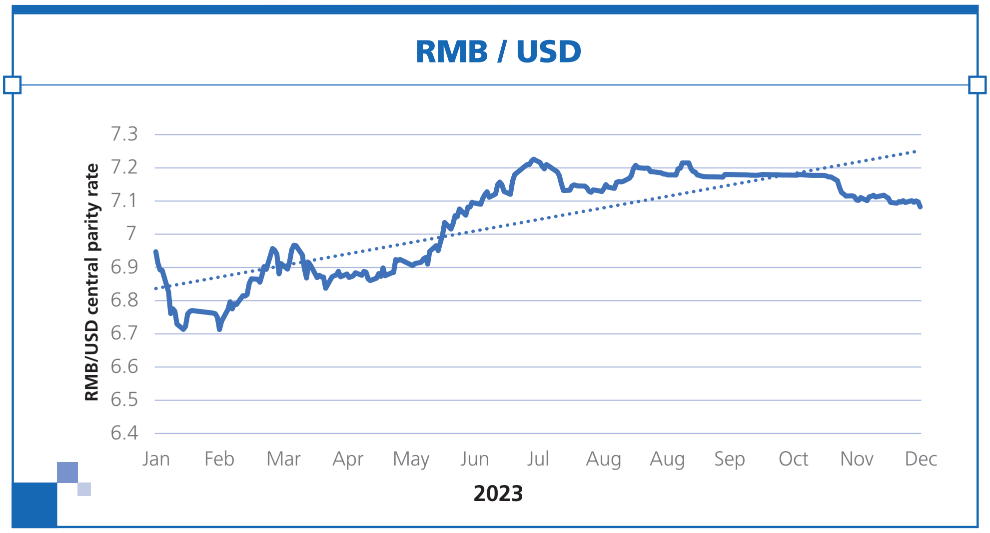
Save as disclosed in the section headed "LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE", as at 31 December 2023, there were motor vehicles with an aggregate carrying value of RMB210 million being pledged for borrowings at RMB173 million.

## FINANCIAL MANAGEMENT AND POLICY

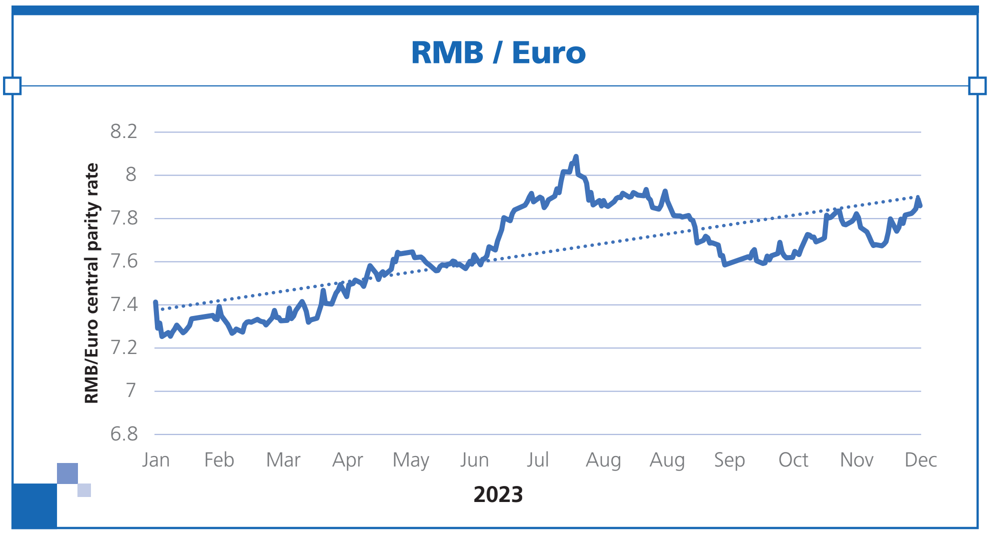
The finance & operation management department is responsible for the financial risk management of the Group. One of the primary objectives of financial policies of the Group is to manage exchange rate risk while the foreign exchange management working group directly participates in foreign exchanges management. The major foreign exchange risk exposure arises from its exporting and importing activities, business operations outside the PRC as well as the financing activities in Hong Kong. Although the Group does not aim for speculative activities, the Group uses forward exchange contracts, foreign exchange derivatives, etc. to manage the foreign exchange risks and purchases several wealth management products of which the return is linked with non-RMB foreign currencies.

# MANAGEMENT DISCUSSION AND ANALYSIS

The following charts show the RMB/USD and RMB/Euro central parity rates for the Period in the PRC (data source: State Administration of Foreign Exchange, the PRC):




The RMB/USD central parity rate in the PRC as at 29 December 2023 was 7.0827, representing a depreciation of RMB by 1.70% when compared to the rate of 6.9646 as at 30 December 2022. RMB against USD central parity rates recorded a high of 7.2258 and a low rate of 6.7130 with volatility at 14.70% and showed a trend of depreciation during the Period but strengthened at the end of 2023.



The RMB/Euro central parity rate in the PRC as at 29 December 2023 was 7.8592, representing a depreciation of RMB by 5.88% when compared with the rate of 7.4229 as at 30 December 2022. RMB against Euro central parity rates recorded a high of 8.0879 and a low of 7.2535 with volatility at 21.18% and showed trend of depreciation during the Period.

As at 31 December 2023, most of the Group's monetary assets and liabilities were denominated in RMB while the major non-RMB denominated net monetary assets were in USD and Euro. During the Period, the Group recorded foreign exchange gains of RMB165 million in operating profit and losses of RMB103 million on forward foreign exchange contracts for the purpose of reducing foreign exchange fluctuations. The material potential foreign exchange impacts to monetary assets and liabilities of the Group as at 31 December 2023 are:

| | USD denominated net assets | EURO denominated net assets |
|---|---|---|
| 5% appreciation/ depreciation in RMB | Loss/gain before tax of RMB230 million/ RMB247 million | Loss/gain before tax of RMB29 million/ RMB29 million |

## GOING CONCERN

Based on the current financial forecast and the funding that can be utilized, the Group will have sufficient financial resources to continue its operations in the foreseeable future. As a result, the financial statements were prepared on the going concern assumption.

## CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

As at 31 December 2023, there was no material contingent liabilities.

During the Period, the Group was not involved in any material litigation or arbitration.

## DISCLAIMER ON NON-GAAP FINANCIAL MEASURES

Export revenue (including affiliated exports) is a non-GAAP financial measure and is used for assessing the Group's performance. Hence, it may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP financial measure should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP financial measure is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally, since the Group has historically reported non-GAAP results to investors, it is considered the inclusion of non-GAAP financial measure provides consistency in the Group's financial reporting.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Wang Zhijian (王志堅先生)**, born in January 1971, has been an executive Director since 5 December 2022. He holds a bachelor's degree in internal combustion engine from Jilin University of Technology (吉林工業大學), a master degree in power engineering from Tianjin University (天津大學), and a ph.D. degree of engineering from Tsinghua University (清華大學). He is a chief senior engineer (正高級工程師). Mr. Wang Zhijian is currently the deputy secretary of the party committee and deputy chief manager of SHIG, the secretary of the party committee, vice chairman and general manager of CNHTC. Mr. Wang Zhijian previously served as the deputy secretary of the party committee of Weichai Holdings and the executive president of Weichai Power, etc.

**Mr. Wang Chen (王琛先生)**, born in June 1984, has been an executive Director since 29 June 2022. He holds a bachelor's degree from Tsinghua University (清華大學) and a master degree from London School of Economics and Political Science, and is an assistant economist. He is a deputy senior engineer (副高級工程師). Mr. Wang Chen is currently the executive deputy general manager of CNHTC, etc. Mr. Wang Chen previously served as the director of new business development (新業務拓展總監) of SHIG, the director of intelligent network connection (智能網聯總監) and the vice president of the automotive research institute (汽車研究總院) of CNHTC, etc.

**Mr. Liu Wei (劉偉先生)**, born in April 1970, has been an executive Director since 9 December 2014. He holds a bachelor's degree in engineering majoring in automotive internal combustion engineering from Wuhan Institute of Technology (武漢工學院) (now known as "Wuhan University of Technology (武漢理工大學)") and a master degree in business administration from the School of Management of Shandong University (山東大學管理學院). Mr. Liu currently is also the deputy general manager of CNHTC. Mr. Liu has successively served in various technical and management positions of CNHTC and was a director of CNHTC, a director of Ji'nan Truck Company, and the head of the international sales division of the Company.

**Mr. Zhang Wei (張偉先生)**, born in April 1978, has been an executive Director since 5 December 2022. He holds a master of science in engineering from Jilin University (吉林大學) and is an engineer. Mr. Zhang is currently the deputy general manager of CNHTC. Mr. Zhang previously served as the vice president of Foton Motor Group Company Limited (北汽福田汽車集團有限公司), the executive vice president of Beijing Foton Daimler Automobile Co., Ltd. (北京福田戴姆勒汽車有限公司), and the vice president and the deputy general manager of Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司), etc.

# DIRECTORS AND SENIOR MANAGEMENT

**Ms. Li Xia (李霞女士)**, born in January 1980, has been an executive Director and financial controller of the Group since 11 May 2021. She a senior accountant with a master degree in business administration. Ms. Li currently is the deputy general manager and financial controller of CNHTC. Ms. Li has successively served various positions including as the departmental head of the finance department and deputy financial controller of Weichai Power, the financial controller and concurrently the departmental head of the finance department of Weichai Heavy-duty Machinery Co., Ltd. (濰柴重機股份有限公司), and a director of Yangzhou Yaxing Motor Coach Co., Ltd., (揚州亞星客車股份有限公司), etc.

**Ms. Zhao Hong (趙紅女士)**, born in January 1979, has been an executive Director since 5 December 2022. She holds a bachelor's degree from Lanzhou University of Technology (蘭州理工大學) and is a senior engineer. Ms. Zhao is currently the deputy general manager of CNHTC. Ms. Zhao previously served as a director and the general manager of Sinotruk (Ji'nan) Light-duty Truck Co., Ltd. (中國重汽(濟南)輕卡有限公司), etc.

**Mr. Richard von Braunschweig**, born in February 1973, has been an executive Director since 30 November 2019. Mr. von Braunschweig obtained his law degree at the Universities of Heidelberg and Dresden, Germany. Mr. von Braunschweig has rich experience in consulting and mergers and acquisitions in global companies. He was previously a senior consultant at PricewaterhouseCoopers corporate finance advisory. In 2006, Mr. von Braunschweig joined MAN SE and built up the mergers & acquisition department within MAN SE and its subsidiaries. He held various managerial positions, including the head of international finance cooperations and within MAN Finance International GmbH (the holding company of the former captive of the MAN Group) as the head of strategy & corporate development. From 2015 to September 2021, Mr. von Braunschweig was appointed as the head of cooperations, M&A in MAN Truck & Bus SE and was also managing director for human resources and legal affairs of MAN Truck & Bus Österreich GesmbH from March 2021 to August 2021. From September 2021 to August 2023, Mr. von Braunschweig was appointed as the head of corporate development of MAN Truck & Bus SE. Since September 2023, Mr. von Braunschweig has been the finance director of the MAN sales entity in the United Kingdom (MAN Truck & Bus UK Ltd).

# DIRECTORS AND SENIOR MANAGEMENT

## NON-EXECUTIVE DIRECTORS

**Mr. Sun Shaojun (孫少軍先生)**, born in June 1965, has been an executive Director since 4 March 2022 and re-designated as a non-executive Director on 5 December 2022. He is a researcher in applied engineering technology and holds a doctoral degree in engineering from Tianjin University (天津大學). Mr. Sun is a candidate of National Million and Ten Million Talents Project (國家百千萬人才工程), receives a special subsidy from the State Council and is a Taishan Mountain scholar specialist appointed by Shandong People's Government (山東省人民政府泰山學者特聘專家). Mr. Sun is currently a deputy chief manager of Weichai Holdings and an executive director of Weichai Power. He was a deputy chief manager of SHIG and an executive president of Weichai Power.

**Mr. Alexander Albertus Gerhardus Vlaskamp**, born in July 1971, has been a non-executive Director since 21 March 2022. Mr. Vlaskamp has a bachelor's degree in automotive engineering granted by HAN University of Applied Sciences, Netherlands. He has rich experience in the commercial vehicle industry. He held various board, supervisory board and senior management positions in a number of Scania Group's affiliates. Since November 2021, Mr. Vlaskamp has been the chairman of the executive board of MAN Truck & Bus SE (a subsidiary of TRATON SE) and a member of the executive board of TRATON SE.

**Mr. Karsten Oellers**, born in April 1976, has been a non-executive Director since 14 December 2021. Mr Oellers has a Diploma in Industrial Engineering from the Technical University of Darmstadt, Germany. He joined DaimlerChrysler AG in 2002 and served in various senior managerial positions in various affiliates of Daimler AG. From March 2019 to June 2021, he served as the Senior Vice President of Global Sales Controlling for MAN Truck, Bus, Van and Aftersales of MAN Truck & Bus SE. Mr. Oellers joined TRATON SE in July 2021 and is currently the Head of Group Finance.

**Mr. Mats Lennart Harborn**, born in February 1961, has been a non-executive Director since 14 December 2021. Mr. Harborn holds a bachelor of arts degree granted by Lund University in Sweden majoring in Oriental Studies and Business Administration. He was previously the Commercial Counsellor at the Swedish Embassy in China. Mr. Harborn joined Scania in 2004. He served successively as the Managing Director of Scania China Representative office as well as of Scania Sales (China) Co., Ltd. and the Executive Director of Scania China Strategic Office. Mr. Harborn has been the president of Scania China Group since May 2020. In addition, Mr. Harborn has been actively involved in Sino-European trade and business relations. He was previously the President of the European Chamber of Commerce in China, the Chairman of Swedish Chamber of Commerce in China and the Chairman of the China Commercial Vehicles Board of European Automobile Manufacturers' Association (ACEA).

# DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Wang Dengfeng (王登峰博士)**, born in March 1963, has been an independent non-executive Director since 9 March 2016. Dr. Wang is currently a professor and doctoral tutor of the Department of Automobiles at the School of Automotive Engineering of Jilin University (吉林大學), the PRC. Dr. Wang is also the chairman of the panelist committee of the China Automotive Lightweight Technology Innovation Strategic Alliance (中國汽車輕量化技術創新戰略聯盟), a member and a council member of the executive committee of the Society of Automotive Engineers of China (中國汽車工程學會). Dr. Wang completed his bachelor, master and doctorate degrees in engineering at Jilin University of Technology (吉林工業大學), the PRC. Dr. Wang successively held various positions including as a lecturer, a professor and the head of the Automotive and Tractor Faculty of Jilin University of Technology, a professor, doctoral tutor and associate dean of Automotive Engineering Faculty of Jilin University and Dr. Wang leads several national major research and development projects, technology support projects, the National High-tech R&D Program (863 Program) and projects supported by the National Natural Science Foundation of China. Dr. Wang received the title of "Excellent National Teacher" granted by the Ministry Education of the PRC, first class reward of China Automotive S&T Award in 2016 and the "Outstanding Person"award of the Chinese Automobile Industry for the 40th anniversary of the reform and opening up.

**Mr. Zhao Hang (趙航先生)**, born in July 1955, has been an independent non-executive Director since 11 April 2016. Mr. Zhao is a researcher-grade senior engineer and obtained his bachelor's degree in engineering from Jilin University of Technology (吉林工業大學), and a degree in executive master of business administration from China Europe International Business School (中歐國際工商學院). Mr. Zhao served as a doctoral tutor at Wuhan University of Technology (武漢理工大學), the PRC and an instructor and adjunct professor at Tongji University (同濟大學), the PRC, Jilin University (吉林大學), the PRC, Jiangsu University (江蘇大學), the PRC and Chongqing Jiaotong University (重慶交通大學), the PRC (which is previously known as "Chongqing Vocational College of Transportation (重慶交通學院)"). In addition, Mr. Zhao held various other positions including the deputy chairman and chief secretary of the National Technical Committee of Auto Standardization (全國汽車標準化技術委員會), the deputy chairman of the Society of Automotive Engineers of China (中國汽車工程學會) and the vice president of the China Association of Automobile Manufacturers (中國汽車工業協會). Mr. Zhao also served as an instructor at Transportation Engineering Institute of the Chinese People's Liberation Army (中國人民解放軍運輸工程學院) and the deputy chairman and chairman of China Automotive Technology & Research Center, etc. Mr. Zhao also held positions in various companies. He was a director of China Yiqi Co., Ltd. (中國一汽股份有限公司) (an unlisted company), a director of Zhejiang Wanfeng Auto Wheel Co., Ltd. (浙江萬豐奧威汽輪股份有限公司), an independent non-executive director of Sun.King Technology Group Limited (賽晶科技集團有限公司), an independent director of Shanghai Baolong Automotive Corporation (上海保隆汽車科技股份有限公司) and an independent director of SG Automotive Group Co., Ltd. (遼寧曙光汽車集團股份有限公司). In addition, Mr. Zhao currently is also the chairman of Zhongfalian Investment Co., Ltd. (中發聯投資有限公司) (an unlisted company) and an independent director of Hainan Drinda Automotive Trim Co., Ltd. (海南鈞達汽車飾件股份有限公司). In addition, he received the 2004 China Automobile Manufacturing Outstanding Technology Talent Award (2004年中國汽車工業優秀科技人才獎).

# DIRECTORS AND SENIOR MANAGEMENT

**Mr. Liang Qing (梁青先生)**, born in May 1953, has been an independent non-executive Director since 1 September 2016. Mr. Liang graduated from Beijing Open University (北京開放大學), the PRC (formerly known as "Beijing Radio and Television University (北京廣播電視大學)") in 1985, where he studied Chinese language and literature. Mr. Liang was a president assistant of China Minmetals Corporation (中國五礦集團), the deputy chairman, a director and the general manager of China Minmetals H.K. (Holdings) Limited (中國五礦香港控股有限公司). Mr. Liang has abundant experience in international trading and investment. Mr. Liang is currently an independent non-executive director and a member of the audit committee and remuneration committee of Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司) and an executive director of Jiangxi Copper Company Limited (江西銅業股份有限公司).

**Mr. Lyu Shousheng (呂守升先生)**, born in May 1971, has been an independent non-executive Director since 16 May 2019. He has an MBA granted by the University of Illinois. Mr. Lyu possesses extensive experience in the areas of strategic management, organizational reform and human resource management. He previously served as the human resource manager of Bausch & Lomb (美國博士倫公司), the chief consulting officer and the national capability director of the China Region of Hay Group, senior vice president and a member of the executive committee of Kingsoft Corporation Limited (金山軟件有限公司), the deputy manager of Weichai Holdings, and the senior vice president, chief human resources officer and an executive committee member of AsiaInfo Technologies Limited (亞信科技控股有限公司). Mr. Lyu is currently a partner at HIPO (高潛諮詢公司) and the honorary chairman of Human Resource Association for Chinese & Foreign Enterprises (HRA). He currently also holds various social roles including a member of the National Science and Technology Expert Database and a professional instructor in business administration at National School of Development of Peking University.

**Mr. Zhang Zhong (張忠先生)**, born in November 1968, has been an independent non-executive Director since 23 September 2021. Mr. Zhang is a lawyer and is currently a partner of Beijing Zhonglun Law Firm (北京市中倫律師事務所). He holds a a bachelor's degree in laws and a master degree in laws both from Renmin University of China (中國人民大學). Mr. Zhang currently is an independent non-executive director of Concord New Energy Group Limited (協和新能源集團有限公司) and an independent director of China Spacesat Co., Ltd. (中國東方紅衛星股份有限公司).

**Dr. Liu Xiaolun (劉霄侖博士)**, born in March 1972, has been an independent non-executive Director since 12 March 2024. Dr. Liu holds a doctoral degree in enterprise management (corporate governance direction) and is a Chinese Certified Public Accountant (non-practicing). He is currently a lecturer, an associate professor, and the responsible professor of the risk management and internal control programme at Beijing National Accounting Institute (北京國家會計學院). Dr. Liu has previously served as a senior auditor of Arthur Andersen • Hua Qiang Certified Public Accountants and a senior auditor at the Beijing office of Price Waterhouse (now known as PricewaterhouseCoopers). He has also served as an independent director of China Transinfo Technology Co., Ltd. (北京千方科技股份有限公司), Guangdong Highsun Group Co., Ltd. (廣東海印集團股份有限公司), and INKON Life Technology Co., Ltd. (盈康生命科技股份有限公司). Dr. Liu currently serves as an independent director of Hundsun Technologies Inc. (恒生電子股份有限公司) and Jiangsu Bioperfectus Technologies Co., Ltd. (江蘇碩世生物科技股份有限公司).

## COMPANY SECRETARY

**Mr. Kwok Ka Yiu (郭家耀先生)**, aged 59, has been our company secretary and financial controller since 12 November 2007. Mr. Kwok holds an MBA degree from the University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Kwok has nearly seven years of audit experience in one of the prestigious international audit firms, KPMG and more than twenty years of financial and accounting experiences with companies listed on the Stock Exchange.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board and senior management of the Company commit to maintain a high standard of corporate governance, formulate good corporate governance practice for improvement of accountability and transparency in operations, and strengthen the internal control system from time to time so as ensure to meet with the expectations of the Shareholders. The Company has adopted the corporate governance codes as set out in Appendix C1 "Corporate Governance Code" (the "CG Code") to the Listing Rules as its own code of corporate governance.

During the Period, the Company had been in compliance with the code provisions under the CG Code, save and except for the code provisions D.2.6 and F.1.1 of the CG Code.

In accordance with code provision D.2.6 of the CG Code, the Company has established a whistleblowing policy and system. From 29 March 2023, the Group further improves its whistleblowing reporting channel under which employees and those who deal with the Group (such as customers and suppliers) can raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Group.

In respect of code provision F.1.1 of the CG Code, the Company should have a policy on payment of dividends. The Company has not established a dividend policy as the Company will consider various factors such as the current operating results, distributable reserves, financial position, expected financial performance, expected working capital requirements, sustainable development to determine the dividend, which is to the best interest of the Company and its Shareholders as a whole.

The Company has also amended its terms of reference of the Remuneration Committee on 30 March 2023 to provide for the Remuneration Committee's duty to review and/or approve matters relating to share schemes and implement any share scheme in accordance with the decision of the Board from time to time.

## BOARD OF DIRECTORS

### OVERALL ACCOUNTABILITY

The Board is accountable to the Shareholders. In discharging its corporate accountability, every Director is required to pursue excellence in the interests of the Shareholders and fulfill his/her fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements. The Company attaches great importance to the level of Directors' commitment to the Company and the Board. The Directors have devoted sufficient time to the Company and closely monitored the Company's businesses. Each Director is subject to retirement by rotation at least once every three years.

### BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible for formulating group policies and business and strategic directions, establishing good corporate governance practices and procedures and monitoring risk management, internal controls and operation performances. The EDs and the Executive Committee are delegated with the responsibilities of the day-to-day management of the Group and making operational and business decisions within the control of and delegation framework of the Group. The NEDs and INEDs, particularly, with their independent views, contribute valuable views and proposals for the Board's deliberation and decisions.

The Board has delegated some of its functions to the board committees, details of which are set out below. Matters specifically reserved to the Board include assessment on the nomination of new Directors, determination of remuneration of Directors and senior management, establishment of an effective risk management and internal control system, assessment on the effectiveness of the processes for financial reporting and of compliance of the Listing Rules, approval of financial statements, and review and/or approval of proposed dividend, material accounting policies, material contracts, significant appointments such as company secretary and external auditors, terms of reference of board committees, as well as major corporate policies such as code of conduct.

# CORPORATE GOVERNANCE REPORT

All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors and members of any board committees to discharge their duties at the Group's expense upon their request.

The primary role of the chairman ("Chairman") of the Board is to provide leadership for the Board. The Chairman ensures that all Directors are properly briefed on issues arising at board meetings and all Directors receive adequate information, which is complete and reliable, in a timely manner and encourages all directors to make a full and active contribution to the Company's affairs.

The primary responsibilities of the president ("President") of the Company comprise the day-to-day management of the business, the implementation of major strategies and initiatives adopted by the Board, the development and formulation of business plans, budgets, strategies, business and financial objectives for consideration by the Board, and the establishment and maintenance of proper internal controls and systems.

The Board believes that the existing roles between the Chairman and the President provides the Group with strong leadership, ensures prompt and efficient implementation of decisions and best promotes the interests of shareholders.

## COMPOSITION OF THE BOARD

As at 31 December 2023, the Board had a total number of seventeen Directors including seven EDs, four NEDs and six INEDs. Biographies of each existing Director are set out in the section headed "DIRECTORS AND SENIOR MANAGEMENT". Save as disclosed, there is no financial, business, family or other material/relevant relationships between Board members. A list of the Directors identifying their roles and functions are available on the websites of the Company and the Stock Exchange.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis as and when necessary.

## EXECUTIVE DIRECTORS

As at 31 December 2023, there were seven EDs including Mr. Wang Zhijian, Mr. Wang Chen, Mr. Liu Wei, Mr. Zhang Wei, Ms. Li Xia, Ms. Zhao Hong and Mr. Richard von Braunschweig. Mr. Wang Zhijian is the Chairman and Mr. Wang Chen is the President.

## NON-EXECUTIVE DIRECTORS

As at 31 December 2023, there were four NEDs including Mr. Sun Shaojun, Mr. Alexander Albertus Gerhardus Vlaskamp, Mr. Karsten Oellers and Mr. Mats Lennart Harborn.

Each of Mr. Sun Shaojun, Mr. Alexander Albertus Gerhardus Vlaskamp, Mr. Karsten Oellers and Mr. Mats Lennart Harborn as a NED has entered into a letter of appointment with the Company for a term of three years commenced from 5 December 2022, 21 March 2022, 14 December 2021 and 14 December 2021, respectively. Each of the letter of appointment of the NEDs can be terminated by either party giving not less than three months' prior written notice.

## INDEPENDENT NON-EXECUTIVE DIRECTORS AND THEIR INDEPENDENCE

As at 31 December 2023, there were six INEDs including Dr. Lin Zhijun, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng and Mr. Zhang Zhong.

Each of Dr. Lin Zhijun, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng and Mr. Zhang Zhong has entered into a letter of appointment with the Company for a term of three years commenced from 26 July 2022, 9 March 2022, 11 April 2022, 1 September 2022, 16 May 2022 and 23 September 2021, respectively. Each of the letter of appointment of the INEDs can be terminated by either party giving not less than three months' prior written notice.

With Dr. Lin Zhijun's past working experience as an auditor and his academic background in accounting and finance, the Company considers that Dr. Lin is a qualified person with appropriate professional knowledge in accounting and finance as required by Rule 3.10(2) of the Listing Rules.

The Company has already received annual confirmation letters of independence from all INEDs for the Period and each of them has declared fulfillment of all the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules. Accordingly, the Board and the Nomination Committee consider that each of the INEDs is independent as defined under the Listing Rules.

## ATTENDANCE OF BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

During the Period, details of each Director's attendance in the Board and committees meetings are set out below:

| | Numbers of meetings attended/entitled to attend | | | | | | |
|---|---|---|---|---|---|---|---|
| **Directors** | **Board meetings** | **Executive Committee meetings** | **Strategy and Investment Committee meetings** | **Remuneration Committee meetings** | **Audit Committee meetings** | **Nomination Committee meetings** | **General meetings** |
| EXECUTIVE DIRECTORS: | | | | | | | |
| Mr. Wang Zhijian | 7/7 | 2/2 | 1/1 | | | | 1/2 |
| Mr. Wang Chen | 7/7 | 2/2 | 1/1 | | | | 1/2 |
| Mr. Liu Wei | 7/7 | 2/2 | | | | | 2/2 |
| Mr. Zhang Wei | 7/7 | 2/2 | | | | | 1/2 |
| Ms. Li Xia | 7/7 | 2/2 | 1/1 | | | | 2/2 |
| Ms. Zhao Hong | 7/7 | 2/2 | | | | | 2/2 |
| Mr. Richard von Braunschweig | 3/7 | 0/2 | 0/1 | | | | 0/2 |
| NON-EXECUTIVE DIRECTORS: | | | | | | | |
| Mr. Sun Shaojun | 5/7 | | | 2/3 | | 1/1 | 2/2 |
| Mr. Alexander Albertus Gerhardus Vlaskamp | 3/7 | | | | | | 0/2 |
| Mr. Karsten Oellers | 3/7 | | | | | | 0/2 |
| Mr. Mats Lennart Harborn | 3/7 | | | | | | 0/2 |
| INDEPENDENT NON-EXECUTIVE DIRECTORS: | | | | | | | |
| Dr. Wang Dengfeng | 7/7 | | | | 5/5 | | 2/2 |
| Mr. Zhao Hang | 7/7 | | 1/1 | | | | 1/2 |
| Mr. Liang Qing | 7/7 | | | 3/3 | | | 0/2 |
| Mr. Lyu Shousheng | 7/7 | | | 3/3 | 5/5 | 1/1 | 2/2 |
| Mr. Zhang Zhong | 7/7 | | | 2/3 | | 1/1 | 2/2 |
| FORMER INDEPENDENT NON-EXECUTIVE DIRECTOR: | | | | | | | |
| Dr. Lin Zhijun | 7/7 | | | 3/3 | 5/5 | | 2/2 |

# CORPORATE GOVERNANCE REPORT

## BOARD MEETINGS

The Company generally convenes four regular full Board meetings per year or more meetings when necessary.

During the Period, seven Board meetings were convened to review, consider and approve the following major agenda items:

(1) the 2022 annual report of the Company and related results announcements, circulars and documents, the 2022 ESG Report, the call for the 2023 AGM and extraordinary general meetings of the Company during the Period and the relevant closures of register of members;

(2) the annual review of the effectiveness and adequacy of the Group's risk management and internal control systems;

(3) the non-competition undertaking of CNHTC;

(4) the 2023 interim report of the Company and related results announcements and documents;

(5) the connected transactions for the years 2022 and 2023 as well as the renewal of continuing connected transactions during the Period;

(6) the recommendation of the appointment of KPMG as the Company's auditor and the re-election of the retiring Directors in the 2023 AGM;

(7) the recommendation of the payment of the final dividend for the year 2022;

(8) the operational and financial reports of the Group;

(9) matters raised by the Audit Committee including the assessment of internal control report, the risk management report and ESG Report; and

(10) the amount of incentives for senior and core employees for the year of 2022.

## BOARD COMMITTEES

The Board has set up the Executive Committee, the Strategy and Investment Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee to deal with different businesses and matters. Details of different committees are discussed below.

### EXECUTIVE COMMITTEE

The Executive Committee has been formed by all the EDs as appointed from time to time and is responsible for implementing the decisions made by the Board including but not limit to financing operations, operating strategies, business development, and managing daily operations and the effective implementation of corporate strategy and policies.

As at 31 December 2023, the Executive Committee comprised seven members, namely, Mr. Wang Zhijian, Mr. Wang Chen, Mr. Liu Wei, Mr. Zhang Wei, Ms. Li Xia, Ms. Zhao Hong and Mr. Richard von Braunschweig. Mr. Wang Zhijian is the chairman of the Executive Committee.

During the Period, the Executive Committee convened two meetings to consider and approve the following major agenda items:

(1) the operation and financial reports of the Group;

(2) 2023 business plan and targets; and

(3) determination of 2022 employee reward amount and allocation.

### STRATEGY AND INVESTMENT COMMITTEE

The Strategy and Investment Committee is mainly responsible for the formulation of medium and long term strategic plans and business development strategies of the Group including the study and recommendation of significant investment financing initiatives and significant capital operations and asset operation projects.

As at 31 December 2023, the Strategy and Investment Committee comprised five members, namely, Mr. Wang Zhijian, Mr. Wang Chen, Ms. Li Xia, Richard von Braunschweig and Mr. Zhao Hang. Mr. Wang Zhijian, Mr. Wang Chen, Ms. Li Xia and Mr. Richard von Braunschweig are EDs while Mr. Zhao Hang is an INED. Mr. Wang Zhijian is the chairman of the Strategy and Investment Committee.

During the Period, the Strategy and Investment Committee had convened one meeting to discuss, review and approve the resolution on capital contribution to Intelligent Technology.

## REMUNERATION COMMITTEE

The Remuneration Committee is mainly responsible for the appraisal of the Directors and senior management performance and making recommendation to the Board on their remuneration including the formulation of performance assessment standards, procedures, major proposals and mechanisms of the assessment systems, rewards and penalties as well as review and/or approve matters of share schemes. The Remuneration Committee will also supervise the remuneration and other benefits offered by the Group to the Directors.

As at 31 December 2023, the Remuneration Committee comprised five members, namely, Mr. Lyu Shousheng, Dr. Lin Zhijun, Mr. Liang Qing, Mr. Zhang Zhong and Mr. Sun Shaojun. Mr. Lyu Shousheng, Dr. Lin Zhijun, Mr. Liang Qing and Mr. Zhang Zhong are INEDs while Mr. Sun Shaojun is a NED. Mr. Lyu Shousheng is the chairman of the Remuneration Committee. The most up-to-date version of the terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

During the Period, the Remuneration Committee had convened three meetings to discuss and review the proposed 2022 employee reward amount and allocation, the proposed adjustment of the remuneration of NEDs and INEDs and the proposed adoption of a restricted share award scheme (which is a share scheme funded by existing Shares only). For details of the restricted share award scheme, please refer the sections headed "Share Scheme" and "Subsequent Events" in the Report of the Directors of this annual report.

## AUDIT COMMITTEE

The Audit Committee is mainly responsible for reviewing and monitoring the financial control, internal control, risk management systems, including reassessment of the financial and accounting policies, review of interim reports, annual reports and financial statements, supervision of ESG work including review of the ESG report, review of the risk management and internal control systems, the effectiveness of the internal audit function, etc. In addition, the Audit Committee is responsible for the appointment, re-appointment and removal of external auditor, and for reporting to the Board on the recommendation, review and supervision of the external auditor in respect of its independence and objectivity, the effectiveness of the audit procedures, review of the scope and amount of the provision of non-audit services by the external auditor annually as well as the impact to the independence of the external auditor, the handling of any issues related to the resignation of auditor or the removal of such auditor and the communication with the external auditor on auditing matters. The most up-to-date version of the terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

### CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is also responsible for performing the corporate governance functions including the following corporate governance duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report in the annual report of the Company.

# CORPORATE GOVERNANCE REPORT

As at 31 December 2023, the Audit Committee comprised three members, namely, Dr. Lin Zhijun, Dr. Wang Dengfeng and Mr. Lyu Shousheng who were all INEDs. Dr. Lin Zhijun was the chairman of the Audit Committee.

During the Period, the Audit Committee convened five meetings and had discussed, reviewed and approved the following major agenda items:

(1) the auditor's reports to the Audit Committee in respect of the 2022 annual audit and the 2023 interim review of the Group;

(2) the 2022 annual report, the 2022 ESG Report, the 2023 interim report and their relevant preliminary results announcements;

(3) discussion with Ernst & Young in respect of its retirement and the recommendation of appointment of KPMG as the auditor of the Company in 2023 AGM;

(4) the review of independence of auditors, Ernst & Young and KPMG, the nature and the level of remuneration of non-audit services;

(5) the assessment of the financial reporting system of the Group;

(6) a series of internal controls reports of the Group;

(7) the half-year and annual internal audit report, internal control reports and the risk management report of the Group; and

(8) review on corporate governance report and an improved whistleblowing reporting channel.

In additional to reviewing and approving the above agenda items, the Audit Committee directly communicated with the management regarding the performance and key risk areas of the Group, the relevant internal controls etc. and met the auditors at least twice a year in the absence of the management.

## NOMINATION COMMITTEE

The Nomination Committee is responsible for reviewing the Board's structure, size, composition (including the skills, knowledge and experience) and diversity at least annually and making recommendations on any proposed changes to complement the Company's corporate strategy, including the selection of individuals nominated for directorships, the appointment or re-appointment of Directors, succession planning for Directors and accessing the independence of independent non-executive Directors. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in vehicles industry and/or other professional areas.

As at 31 December 2023, the Nomination Committee comprised three members, namely, Mr. Zhang Zhong, Mr. Lyu Shousheng and Mr. Sun Shaojun. Mr. Zhang Zhong and Mr. Lyu Shousheng are INEDs while Mr. Sun Shaojun is a NED. Mr. Zhang Zhong is the chairman of the Nomination Committee. The most up-to-date version of the terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

During the Period, the Nomination Committee held one meeting to review and evaluate the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy, to assess independence of the independent non-executive Directors and to review and recommend the re-appointment of the retiring Directors at the general meeting of the Company.

During the Period, the Board has reviewed and concluded that its existing structure, size, composition and diversity are appropriate.

## DIVERSITY POLICY AND NOMINATION PROCEDURES

The Company recognizes and embraces the importance and benefit to achieve diversity on the Board to corporate governance and the board effectiveness. The Company adopted a board diversity policy on 1 September 2013. The board diversity policy is to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance and sets out the measurable objectives to select board candidates based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

For the purpose of implementation of the board diversity policy, the following measurable objectives:

1. at least one third of the Directors shall be independent non-executive Directors;

2. at least one Director and senior management is female; and

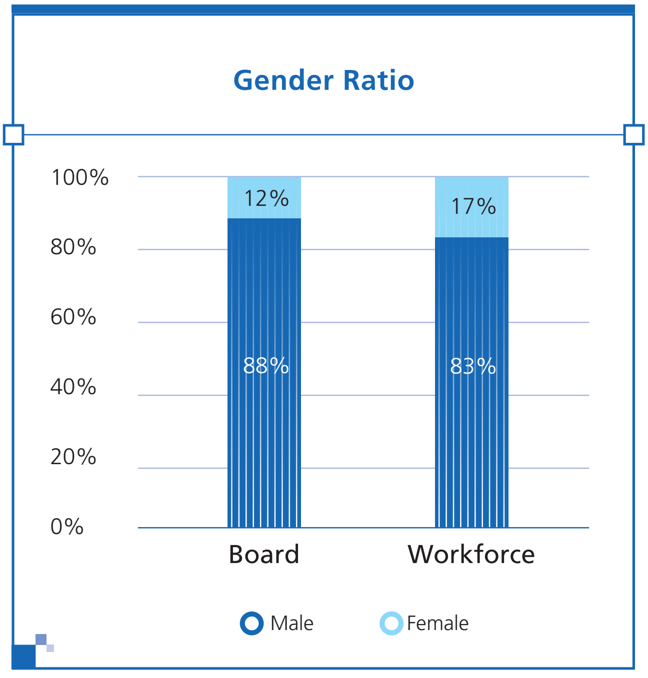
3. at least one Director shall have obtained accounting or other professional qualifications.

During the Period, all the measurable objectives have been fulfilled.

The Company does not have a formal nomination policy in place. The Nomination Committee have primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the diversity policy in selection of board candidates. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Group's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard to the benefits of diversity on the Board.

For succession planning to maintain gender diversity on the Board, the Board will ensure, by upholding an open, fair, just and reasonable human resource policy with equal opportunities for talent attraction and promotion regardless of gender, that a diverse pipeline of candidates is available to take up leadership positions when any vacancy arises.

As at 31 December 2023, the gender ratio of the Board and the all employees (including senior management) are shown in the charts below:




The Company has also taken and continues to take steps to promote diversity at all levels of its workforce. Our approach for talent recruitment and retention is to employ a diverse team that works together collaboratively and encourage differences and individuality in employees with respect to equal opportunities, diversity and anti-discrimination. Notwithstanding the fact that, with a view to enhancing efficiency, we have not set a measurable objective for achieving gender diversity at the workforce level. The Company is determined to commit to the meritocratic and diverse approach which provides equal consideration and opportunities to all qualified candidates regardless of gender in terms of hiring and promotion process.

# CORPORATE GOVERNANCE REPORT

## SUBSEQUENT CHANGE OF INED

Dr. Lin Zhijun tendered his resignation as an INED, the chairman of the Audit Committee and a member of the Remuneration Committee with effect from 12 March 2024. Dr. Liu Xiaolun has been appointed as an INED, the chairman of the Audit Committee and a member of the Remuneration Committee with effect from 12 March 2024. Dr. Liu Xiaolun has entered into a letter of appointment with the Company for a term of three years commenced from 12 March 2024. Dr. Liu Xiaolun obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 10 March 2024 and has confirmed that he understood his obligations as a Director of the Company. When appointed as an INED, Dr. Liu has declared fulfillment of all the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that, based on his professional qualifications and accounting and related financial management expertise, Dr. Liu Xiaolun is a qualified person with appropriate professional knowledge in accounting and finance as required by Rule 3.10(2) of the Listing Rules.

Following the aforementioned resignation of Dr. Lin Zhijun and the appointment of Dr. Liu Xiaolun and as at the Latest Practicable Date:

- the Company had six INEDs, namely Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng, Mr. Zhang Zhong and Dr. Liu Xiaolun
- the Remuneration Committee comprised five members, namely, Mr. Lyu Shousheng (chairman of the Remuneration Committee), Mr. Liang Qing, Mr. Zhang Zhong, Dr. Liu Xiaolun and Mr. Sun Shaojun
- the Audit Committee comprised three members, namely, Dr. Liu Xiaolun (chairman of the Audit Committee), Dr. Wang Dengfeng and Mr. Lyu Shousheng
- there is no Director whose length of directorship with the Company being more than nine years

## DIVIDEND POLICY

As at 31 December 2023, the Company did not have a dividend policy in place.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Appendix C3 - Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiries with all Directors and all Directors confirm that they have complied with the standards required by the Model Code during the Period.

## CHANGES IN DIRECTORS' INFORMATION

Mr. Wang Zhijian was appointed as the deputy secretary of the party committee and deputy chief manager of SHIG and vice chairman of CNHTC.

Mr. Wang Chen became a deputy senior engineer and resigned as the deputy secretary of the party committee of CNHTC.

Mr. Richard von Braunschweig resigned as the head of corporate development of MAN Truck & Bus SE and became the chief financial officer of the MAN sales entity in the United Kingdom (MAN Truck & Bus UK Ltd).

Mr. Sun Shaojun resigned as the deputy chief manager of SHIG and was appointed as the deputy chief manager of Weichai Holdings.

Mr. Zhao Hang resigned as an independent director of SG Automotive Group Co., Ltd.

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors have kept abreast of their responsibilities as Directors and of the conduct, business activities and development of the Company. Directors are continuously updated with regulatory and governance developments.

Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. The Company has devised a training record to assist the Directors to record the training they have undertaken. In addition, the Company will reimburse Directors any reasonable costs incurred for the attendance of these professional development courses and seminars.

In December 2023, the Company provided training materials, "Memorandum on the Duties and Responsibilities of a Director of a Company Listed on the Main Board of the Stock Exchange of Hong Kong Limited" and/or "董事培訓", prepared by Reed Smith Richards Butler LLP, legal advisers to the Company as to Hong Kong laws, to all Directors. Each of Mr. Wang Zhijian, Mr. Wang Chen, Mr. Liu Wei, Mr. Zhang Wei, Ms. Li Xia, Ms. Zhao Hong, Mr. Richard von Braunschweig, Mr. Sun Shaojun, Mr. Alexander Albertus Gerhardus Vlaskam, Mr. Karsten Oellers, Mr. Mats Lennart Harborn, Dr. Lin Zhijun, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng and Mr. Zhang Zhong has confirmed in writing that he/she had participated in continuous professional developments to develop and refresh their knowledge and skills as directors during the Period by way of attending the training and/or reading the above training materials.

## REMUNERATION OF AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

For NEDs and INEDs, their remuneration paid to each of them is director's fees only. Apart from basic salaries, EDs are also entitled to year-end bonus and employee incentive scheme, which depend on the market conditions, and performance of the Group and individual persons during the Period.

For the Period, the remuneration payable to members of senior management by band are follows:

| Emolument bands (in RMB) | Number of individuals |
|---|---|
| 500,000 or below | 8 |
| 500,001 - 1,000,000 | 1 |
| 1,000,001 or above | 7 |

Two Directors waived their remuneration during the Period.

Further particulars regarding Directors' remuneration and the five highest paid individuals as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in notes 9 and 10 to the consolidated financial statements.

## ACCOUNTABILITY AND AUDITING

The Directors are responsible for preparing the financial statements for the financial year ended 31 December 2023 to reflect a true and fair view of the Company's and the Group's financial positions and results and cash flows during the year.

In preparing the financial statements for the year ended 31 December 2023, the GAAP in Hong Kong, Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards are adopted, with consistent use of appropriate accounting policies, for making reasonable and prudent judgments and estimates. The financial statements for the year ended 31 December 2023 were prepared on a going concern basis.

The reporting responsibilities of the auditors are set out in the Independent Auditor's Report in this annual report.

# CORPORATE GOVERNANCE REPORT

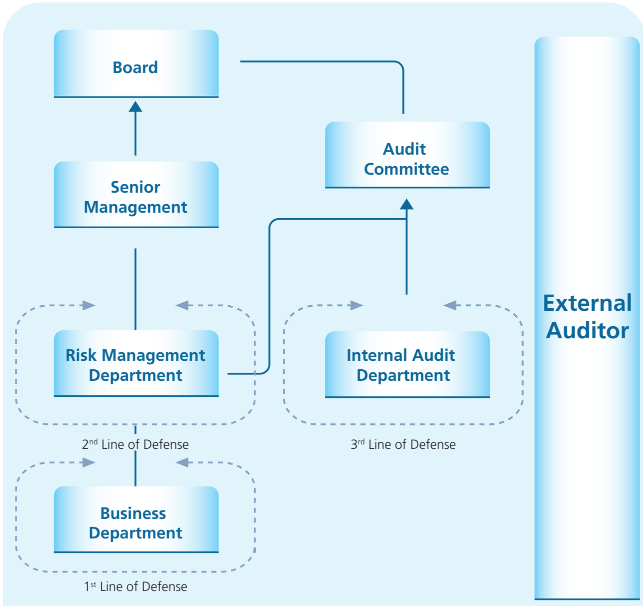
## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the maintenance of a stable and effective risk management and internal control systems for the Group and also responsible for reviewing their effectiveness. The Board, with the assistance from the Audit Committee, conducted annual review on the effectiveness of the Group's risk management (including ESG risks) and internal control systems as required by the CG Code, covering financial, operational and compliance controls and risk management functions, and including reviews on the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting function for the Period and considered they were effective and adequate.

The Company has established an organizational structure with defined levels of responsibility and reporting procedures. The risk management department and the group internal audit department assist the Board and/or the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through these departments are kept regularly apprised of significant risks that may impact on the Group's performance.

The Company has established "Overall Risk Management Procedures"《全面風險管理流程》to ensure further improvement of management standards, increase competitiveness, and promote steady development. Relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework is guided by the following model as shown below:



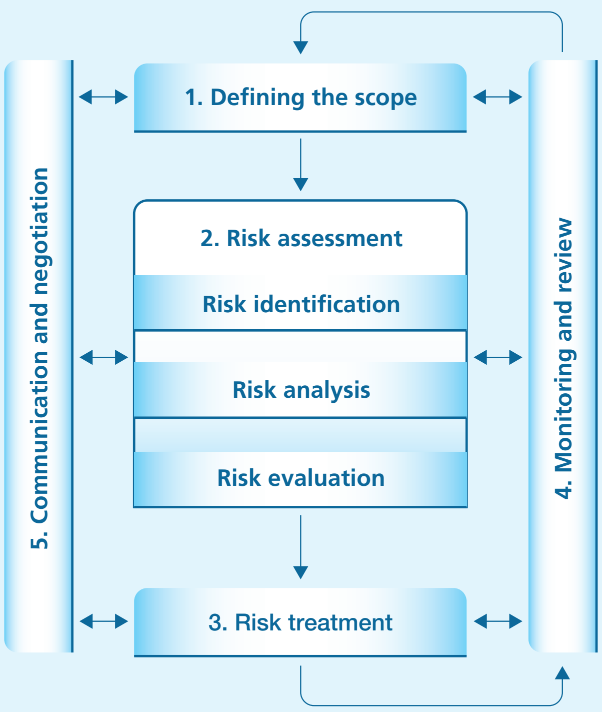

Senior management is responsible for reviewing the establishment of the overall risk management organization and the definition of the responsibilities, approving the annual risk management work plan and supervising its implementation, reviewing the development, implementation and adjustment of significant risk reaction programs, determining the key risk monitoring indicators, decompositing these indicators and reviewing risk management related systems and significant risk management policies.

The internal audit department is responsible for assessing, reviewing the effectiveness of risk management processes and systems, assessing whether risks are properly assessed, assessing the reporting of significant risks, and reviewing the management of significant risks.

The risk management department is responsible for establishing the risk management organization and defining responsibilities, procedures and system of risk management, formulating the annual risk management work plan, carrying out risk assessment, proposing the risk management strategy, assisting the relevant departments carrying out significant risk management. It also prepares risk management performance appraisal program and conducts annual performance appraisal and arranges risk management training.

Business units identify, analyze and evaluate their business risks and identify significant risks, develop risk management strategies, solutions and crisis management plans for significant risks, dynamically monitor significant risk associated indicators and execute the procedures and policies of the risk management and internal controls of the Group.

The Group adopts the principles of "ISO 31000:2009 Risk Management - Principles and Guidelines" as its approach to manage its business and operational risks. The following diagram illustrates the key processes used to identify, evaluate and manage the Group's significant risks:




| | |
|---|---|
| 1 | Group risk management department establishes common risk terminology, risk definition, risk assessment criteria and risk classification. |
| 2 | Business units carry out internal and external information and risk areas collection to form risk information database, conduct risk assessment based on the standard and develop response action plans. Through the comprehensive evaluation of significant risks, pre-event, during the event and after-event plans and crisis management plans are formulated. |
| 3 | Business units, based on established procedures, carry out risk assessment and execute significant risk management programs and regularly report to the group risk management department about the progress. |
| 4 and 5 | Group risk management department monitors the risk management status of the business units and reports the relevant information to the Audit Committee on a regular basis.<br>Group risk management department is responsible for negotiation and coordination of risk management tasks over different departments and business units, and reporting risk information.<br>Group internal audit department reviews the effectiveness of risk management, and the assessment and management of significant risks. |

# CORPORATE GOVERNANCE REPORT

The Group has incorporated its risk management systems into the core operating practices of the business. On an ongoing basis, the respective business units review and assess the status of potential risks which may impact on their ability to achieve their business objectives and/or those of the Group. The business units report to their risk management department on the changes in the significant risk management and the related indicators on a quarterly basis. The group risk management department conducts a risk assessment on a regular basis and reports to the Audit Committee on the significant risk management of the Group and the implementation of the risk response measures at each regular meeting.

The Executive Committee had provided the Board with the written confirmation that the risk management and internal controls were effective during the Period. The Executive Committee also confirmed that the Group had properly complied with the internal control procedures over the connected transactions including but not limited to those in respect of the pricing and the annual caps (if applicable) of such transactions. The internal audit department had regularly reviewed the internal controls systems including connected transactions and did not identify any significant issues during the Period.

The Board confirmed that the risk management system and internal control systems of the Group (including but not limited to in respect of the compliance with financial reporting and Listing Rules) were effective and adequate and that there were no significant risk events occurred during the Period.

The internal audit department of the Group and each subsidiary are responsible for carrying out internal audit. They review the significant controls of the Group on a continuous basis and aim to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective.

Both the risk management department and the internal audit department submit their 6-month reports for the review of the Audit Committee when the Audit Committee reviews interim and annual results of the Company.

In addition to the review of risk management and internal controls undertaken within the Group, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

In addition, Ji'nan Truck Company appointed KPMG HuaZhen LLP to express audit opinion on the effectiveness of internal controls in its financial reports. KPMG HuaZhen LLP opined that Ji'nan Truck Company had maintained the effective internal controls in its financial reports in all material aspects under "Basic Standard for Enterprise Internal Control" and the relevant regulations as at 31 December 2023.

The Capital Operation Department is responsible for handling and dissemination of inside information. The Company has established "Disclosure of Inside Information Policy"《內幕信息披露制度》and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved and made, while the dissemination of such information is efficiently and consistently made. The Company regularly communicates with relevant employees about the status of the implementation of the inside information disclosure policies and provides them the relevant trainings.

The Group has set up a whistleblowing mechanism against anti-corruption, business ethics discipline, etc. and provided channels to stakeholders including face-to-face reporting, telephone calls, letters, e-mail messages, etc. We investigate, handle and report relevant cases in a timely manner in the light of procedures and adopt confidentiality and protection measures. Behaviors including intentional leakage of whistleblowers' information and retaliation against whistleblowers are prohibited.

## NON-COMPETITION UNDERTAKING

In order to protect the Group's interests, CNHTC entered into a non-competition undertaking (the "Non- competition Undertaking") with the Group in November 2007. The Board has received an annual confirmation from CNHTC for its compliance with the Non-competition Undertaking for the year ended 31 December 2023. After conducting the review, the Directors, including all INEDs, are of the view that the Non-competition Undertaking have been complied with by all parties.

## REMUNERATION OF AUDITORS

For the Period, details of the remuneration in respect of the Group's former auditors, Ernst & Young and current auditors, KPMG and their related entities are as follows:

| | RMB'000 |
|---|---|
| For financial audit services: | 6,233 |
| For other services: | |
| Internal control audit of services for a subsidiary | 377 |
| Taxation professional services | 80 |
| Total fee for other services | 457 |
| Total remuneration | 6,690 |

## COMPANY SECRETARY

The company secretary of the Company ("Company Secretary"), Mr. Kwok Ka Yiu, has confirmed that he has attended not less than 15 hours of relevant professional training during the Period. His biographical details are set out in the section headed "Directors and Senior Management" in this annual report.

## SHAREHOLDERS AND INVESTOR RELATIONS

### COMMUNICATION POLICY

The Board considers that active communications with investors are important and provides reports with transparency and clarity in disclosures. Any significant events of the Group fall to be disclosed will be published in a timely, accurate and complete manner through the websites of the Company and the Stock Exchange, so as to safeguard Shareholders' rights of information and participation. Ji'nan Truck Company publishes its announcements in the designed website as required by the regulations of the Shenzhen Stock Exchange while the Company announces the latest financial information of Ji'nan Truck Company from time to time on the websites of the Company and the Stock Exchange.

The notice of the AGM together with relevant documents will be sent out to the Shareholders not less than 21 days prior to the date on which the AGM will be held and not less than 14 days prior to the date on which all other general meetings will be held. The notice contains details on the procedures for voting by poll as well as other relevant information related to the proposed resolutions.

Sinotruk's website (www. sinotruk.com) has been adopted as the designated company website for publication of the Company's announcements, notices and other corporate communications. As at 31 December 2023, about 9.3 per cent of registered Shareholders in Sinotruk's register of the members opted to receive corporate communications via print version.

The Group establishes investor relations telephone hotlines both at the PRC (+86 531 5806 3808) and in Hong Kong (+852 3102 3808) and email accounts including zhengquanbu@sinotruk.com, securities@sinotrukhk.com and boardenquiries@sinotrukhk.com for shareholders and investors communication.

The Company has assessed the above communication channels with the Shareholders and considered that they were effective during the Period.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDING ANALYSIS

Based on publicly available information and within the Directors' knowledge as at the date of this annual report, approximately 24 per cent of Shares were held by the public.

As at 31 December 2023, the major shareholders of the Company were SHIG and FPFPS. SHIG is a PRC state-owned enterprise and indirectly holds 51% of the entire issued capital of the Company. One of the SHIG Group's principal businesses is commercial vehicles manufacturing. FPFPS indirectly holds 25% of the entire issued share capital of the Company plus one Share. The FPFPS Group, including Volkswagen Group, is one of the world's leading automobile manufacturers in commercial vehicles and passenger cars. Volkswagen Group owns twelve brands from seven European countries: Volkswagen Passenger Cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN.

The Company's market capitalization and shareholding distribution as at 31 December 2023 are set out in the section headed "SHAREHOLDER INFORMATION" of this annual report.

## INVESTOR RELATIONS

The Capital Operation Department is responsible for promoting investor relations, enhancing communication and ensuring that the investors are able to obtain information about the Group on a fair and timely basis to assist them in making the best investment decisions. To cultivate good relationship with Shareholders and potential investors, the Company has participated in a number of one-on-one meetings, investors' conferences, road shows and site visits during the Period. Analysts and fund managers may gain better knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company at www.sinotruk.com for the latest information available in respect of the Group including information on the financial conditions and the latest business developments of the Group.

## ANNUAL GENERAL MEETING

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all the Shareholders and improving the Shareholders' returns. The Board considers that the AGM is an important opportunity for direct communication with the Shareholders. The 2023 AGM was successfully held on 28 June 2023 at the meeting centre of the Company, No. 688 Shunhua South Road, Licheng District, Ji'nan City, Shandong Province, PRC and Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong. Certain members of the Board and external auditors of Company attended the 2023 AGM in person or via video conferencing system and communicated with the Shareholders. Details of the voting particulars were disclosed in the Company's announcement dated 28 June 2023.

The Board encourages all the Shareholders to participate in the forthcoming 2024 AGM where the members of the Board and external auditors will be present and communicate with the Shareholders.

## SHAREHOLDERS' RIGHTS

### (1) Procedures for Shareholders to convene a general meeting

Any one or more Shareholders holding at the date of deposit of the Requisition (as defined below) at least 5% of the total voting rights of all Shareholders having rights to vote at general meetings of the Company (the "Requisitionist(s)") shall at all times have the right, by requisition (the "Requisition") to the Board or the Company Secretary to convene a general meeting.

# CORPORATE GOVERNANCE REPORT

The Requisition must state the business to be dealt with at the general meeting. It must also be authenticated by such Requisitionist(s) and either deposited at the registered office of the Company (the "Registered Office") at Units 2102-03, China Merchants Tower, Shun Tak Centre, 168 - 200 Connaught Road Central, Hong Kong or by email to generalmeeting@sinotrukhk.com for attention of the "Company Secretary".

If the Directors do not within 21 days from the date of the deposit of the Requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which notice convening the meeting is given, such Requisitionist(s), or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting in accordance with the relevant provisions of the Companies Ordinance, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

**(2) Procedures for putting forward proposals at Shareholders' meeting**

Eligible Shareholders may submit a request to make proposals or move a resolution at the general meeting (the "Request"). "Eligible Shareholder(s)" means:

(i) any number of Shareholders representing at least 2.5% of the total voting rights of all Shareholders having at the date of the Request a right to vote at the general meeting to which the Request relates; or

(ii) at least 50 Shareholders who have a right to vote at the general meeting to which the Request relates.

The Request must state clearly the name(s) and contact information of the Eligible Shareholders, his/her/their shareholding, the proposed resolution, accompanied by a statement (the "Statement") of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the proposed business to be dealt with at the general meeting.

The Request and the Statement must be authenticated by the Eligible Shareholder(s) making the Request and either deposited at the Registered Office or by email to resolutionrequest@sinotrukhk.com for the attention of the "Company Secretary" at least six (6) weeks before the AGM to which the Request relates; or if later, the time at which notice is given of that AGM, and in all other cases, at least seven (7) days before the general meeting to which the Request relates.

The Eligible Shareholder(s) need not pay the circulation of the Statement if the Request and the Statement have been duly received by the Company and been sent together with notice of the AGM. In all other cases, the Eligible Shareholder(s) concerned shall deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution, a circular or a supplemental circular (as the case may be) concerned together with the Statement at least seven (7) days before the general meeting to which the Request relates in accordance with the Companies Ordinance and the requirements under the Listing Rules to all the Shareholders.

# CORPORATE GOVERNANCE REPORT

**(3) Shareholders' enquiries to the Board**

Shareholders may send their enquiries and concerns together with their names and contact information to the Board by addressing them to the Registered Office of the Company by post or email to boardenquiries@sinotrukhk.com for the attention of the "Company Secretary". The Board will reply to the enquiries and concerns as soon as possible.

## CONSTITUTIONAL DOCUMENTS

The new Articles of the Company was adopted by way of a special resolution passed by the Shareholders at the 2023 AGM held on 28 June 2023. Such amendments to the Articles were made in order to (i) allow greater flexibility for Company to hold general meetings in the physical, hybrid or full virtual form; (ii) reflect and align with the latest requirements under the Listing Rules; and (iii) make certain housekeeping amendments. The new Articles of the Company is available on the websites of the Company and the Stock Exchange.

## DISCLAIMER

The contents of the section headed "SHAREHOLDERS' RIGHTS" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the Shareholders. Shareholders should seek their own independent legal or other professional advice as to their rights as Shareholders. The Company disclaims all liabilities and losses incurred by the Shareholders in reliance on any contents of the section headed "SHAREHOLDERS' RIGHTS".

# REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2023.

## PRINCIPAL BUSINESS

The Company is principally engaged in investment holding. The Group primarily specializes in the research, development and manufacturing of HDTs, LDTs, buses, etc and related key assemblies, parts and components, including engines, cabins, axles, steel frames and gearboxes as well as provision of financing services to those parties related to the production and sales of the Group's products and to the CNHTC Group. Details of principal activities of the Company's principal subsidiaries are set out in note 19 to the consolidated financial statements.

An analysis of the Group's performance for the Period by operating segments is set out in note 4 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's performance during the Period using financial key performance indicators, a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" of this annual report. This discussion forms part of this report of the Directors.

## OPERATING RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income.

## PROPOSED DIVIDENDS

The Board recommends to distribute to Shareholders whose names appear on the register of members of the Company on Wednesday, 10 July 2024 a final dividend of either HK$1.063 or RMB0.965 per Share (converted at the exchange rate of RMB0.90774 to HK$1 as published by the PBOC on Monday, 25 March 2024) for the year ended 31 December 2023 (the "**2023 Final Dividend**") with a sum of approximately HK$2,935 million or RMB2,664 million which is subject to the Shareholders' approval at the forthcoming 2024 AGM.

The Company has been determined as a Chinese-resident enterprise. Pursuant to the "Enterprise Income Tax Law of the PRC"《中華人民共和國企業所得稅法》and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the PRC"《中華人民共和國企業所得稅法實施條例》, a Chinese-controlled offshore incorporated enterprise shall withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders. As the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders to whom the Company pays the 2023 Final Dividend.

In respect of all the Shareholders whose names are not registered as natural persons (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organizations, which are all considered as non-PRC resident enterprise shareholders), the Company will distribute the 2023 Final Dividend after deducting an enterprise income tax of 10% or other appropriate rates.

# REPORT OF THE DIRECTORS

Investors who invest in Shares through the Shanghai Stock Exchange or the Shenzhen Stock Exchange (the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect investors), whether natural persons or enterprises, are investors who hold the Shares through HKSCC Nominees Limited, and in accordance with the above requirements, the Company will pay to HKSCC Nominees Limited the amount of the 2023 Final Dividend after withholding for payment the 10% enterprise income tax.

The Company will not withhold and pay the income tax in respect of the 2023 Final Dividend payable to PRC resident enterprise shareholders, exempted entities or any natural person shareholders.

## PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investing purposes are set out in note 16 to the consolidated financial statements.

## SHARE ISSUED DURING THE PERIOD

There were no issue of Shares during the Period. Details of the movements in the equity of the Company during the Period are set out in the consolidated statement of changes in equity and notes 35 and 36 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserves as at 31 December 2023, calculated under Part 6 of the Companies Ordinance, were approximately RMB3,885,000,000 (2022: approximately RMB3,718,300,000).

## CHARITABLE DONATIONS

The Group did not make monetary charitable donations for the Period (2022: RMB20,000). The Group had engaged in certain public-welfare and charity endeavors during the Period, details of which are disclosed in 2023 ESG Report.

## BORROWINGS

Details of the Group's borrowings as at 31 December 2023 are set out in note 30 to the consolidated financial statements.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results, the assets and liabilities of the Group for the past five financial years is set out on page 220.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities during the Period.

# REPORT OF THE DIRECTORS

## SHARE SCHEME

The Company did not have any share scheme as at 31 December 2023. In January 2024, the Board approved the proposed adoption of a restricted share award scheme, which will be a share scheme solely funded by existing Shares of the Company. The proposed restricted share award scheme was formally adopted on 17 March 2024. For the details of the restricted share award scheme, please refer to the section headed "Subsequent Events" of this annual report and Company's announcements dated 23 January 2024 and 17 March 2024.

## DIRECTORS

During the Period and as at the date of this report, the Directors were as follows:

### EXECUTIVE DIRECTORS:

Mr. Wang Zhijian (*Chairman*)
Mr. Wang Chen (*President*)
Mr. Liu Wei
Mr. Zhang Wei
Ms. Li Xia
Ms. Zhao Hong
Mr. Richard von Braunschweig

### NON-EXECUTIVE DIRECTORS:

Mr. Sun Shaojun
Mr. Alexander Albertus Gerhardus Vlaskamp
Mr. Karsten Oellers
Mr. Mats Lennart Harborn

### INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Wang Dengfeng
Mr. Zhao Hang
Mr. Liang Qing
Mr. Lyu Shousheng
Mr. Zhang Zhong
Dr. Liu Xiaolun (appointed on 12 March 2024)

### FORMER INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Lin Zhijun (resigned on 12 March 2024)

Dr. Lin Zhijun tendered his resignation as an INED, the chairman of the Audit Committee and a member of the Remuneration Committee with effect from 12 March 2024 due to changes in the operational management and development requirements of the Company. The Board is of the view that there is no matter relating to the resignation of Dr. Lin that needs to be brought to the attention of the shareholders of the Company.

Pursuant to article 82 of the Articles, Dr. Liu Xiaolun will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election as Director.

Pursuant to article 83 (1) of the Articles, Ms. Li Xia, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Lyu Shousheng and Mr. Zhang Zhong will retire at the forthcoming annual general meeting and, being eligible, will offer herself/himself for re-election as Directors.

### DIRECTORS OF THE COMPANY'S SUBSIDIARIES

During the Period, Directors, Mr. Wang Chen, Mr. Liu Wei, Mr. Zhang Wei, Ms. Li Xia, Ms. Zhao Hong and Mr. Sun Shaojun are also directors in certain subsidiaries of the Company.

A full list of the names of the directors of the Company's subsidiaries can be found in the Company's website at www.sinotruk.com under "Investor Relations" • "Corporate" • "Board of directors".

# REPORT OF THE DIRECTORS

### PERMITTED INDEMNITY

Pursuant to the Articles, subject to the statues, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. Subject to the applicable laws and the Articles, the Company has taken out insurance against the liability and costs associated with legal actions against all the Directors arising out of corporate activities.

### DIRECTORS' SERVICE CONTRACTS

None of the Directors has or is proposed to have any service contract with the Company or its subsidiary that is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

During the Period, Mr. Wang Zhijian is the deputy secretary of the party committee and deputy chief manager of SHIG, the secretary of the party committee, vice chairman and the general manager of CNHTC; Mr. Wang Chen is the executive deputy general manager of CNHTC; Mr. Liu Wei is the deputy general manager of CNHTC; Mr. Zhang Wei is the deputy general manager of CNHTC; Ms. Li Xia is the deputy general manager and the financial controller of CNHTC; Ms. Zhao Hong is the deputy general manager of CNHTC; Mr. Richard von Braunschweig is finance director of the MAN sales entity in the United Kingdom (MAN Truck & Bus UK Ltd.); Mr. Sun Shaojun is a deputy chief manager of Weichai Holdings and an executive director of Weichai Power; Mr. Alexander Albertus Gerhardus Vlaskamp is the chairman of the executive board of MAN Truck & Bus SE and a member of the executive board of TRATON SE; Mr. Karsten Oellers is the head of group finance at TRATON SE and Mr. Mats Lennart Harborn is the president of Scania China Group. The CNHTC Group and the Weichai Group are subsidiaries of SHIG. TRATON SE, MAN Truck & Bus SE and Scania China Group are non-wholly owned subsidiaries or division of FPFPS.

Save for transactions amongst group members, between the Group and the SHIG Group and between the Group and the FPFPS Group as disclosed in section headed "CONNECTED TRANSACTIONS" below in the report of the Directors and in the related party transactions in note 42 to the consolidated financial statements, no other transactions, arrangements and contracts of significance to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director and the Director's connected party had any material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

The manufacture and sales of trucks and/or bus activities of the SHIG Group and the FPFPS Group constitute competing businesses to the Group.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current Directors and senior management of the Company as at the date of this report are set out on pages 44 to 49.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests or short positions (if any) of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

## ASSOCIATED CORPORATION

Ordinary A shares in Weichai Power Co., Ltd. — a fellow subsidiary of the Company

### LONG POSITIONS

| Name of Director | Nature of interest | Number of ordinary shares held | Approximate percentage of shareholding in the class |
|---|---|---|---|
| Mr. Wang Zhijian | Beneficial owner | 600,000 | 0.01 |
| Mr. Sun Shaojun | Beneficial owner | 13,684,324 | 0.20 |

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, other than the interests of the Directors and chief executives of the Company as disclosed above, the Company has been notified of the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO:

### A) THE COMPANY

**Long position**

| Name of Shareholder | Capacity in which interests are held | Note | Number of Shares held | Approximate percentage of shareholding |
|---|---|---|---|---|
| SHIG | Interest in controlled corporation | (a) | 1,408,106,603 | 51% |
| CNHTC | Interest in controlled corporation | (b) | 1,408,106,603 | 51% |
| Sinotruk (BVI) Limited | Beneficial owner | | 1,408,106,603 | 51% |
| FPFPS | Interest in controlled corporation | (c) | 690,248,336 | 25% |
| Ferdinand Porsche Familien-Holding GmbH | Interest in controlled corporation | (d), (l) | 690,248,336 | 25% |
| Ferdinand Alexander Porsche GmbH | Interest in controlled corporation | (e) | 690,248,336 | 25% |
| Familie Porsche Beteiligung GmbH | Interest in controlled corporation | (f), (m) | 690,248,336 | 25% |
| Porsche Automobil Holding SE | Interest in controlled corporation | (g), (n) | 690,248,336 | 25% |
| Volkswagen AG | Interest in controlled corporation | (h) | 690,248,336 | 25% |
| Volkswagen Finance Luxemburg S.A. | Interest in controlled corporation | (i) | 690,248,336 | 25% |
| TRATON SE | Interest in controlled corporation | (j) | 690,248,336 | 25% |
| TRATON International S.A. | Interest in controlled corporation | (k) | 690,248,336 | 25% |
| MAN Finance and Holding S.A. | Beneficial owner | | 690,248,336 | 25% |

Notes:

(a) SHIG holds 65% interest in CNHTC. SHIG is deemed to have interest in all the Shares held (or deemed to be held) by CNHTC under the SFO.

(b) CNHTC holds the entire issued share capital of Sinotruk (BVI) Limited. CNHTC is deemed to have interest in all the Shares held (or deemed to be held) by Sinotruk (BVI) Limited under the SFO.

(c) FPFPS holds 90% interest in Ferdinand Porsche Familien-Holding GmbH. FPFPS is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Porsche Familien-Holding GmbH under the SFO.

(d) Ferdinand Porsche Familien-Holding GmbH holds 73.85% interest in Ferdinand Alexander Porsche GmbH. Ferdinand Porsche Familien-Holding GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Alexander Porsche GmbH under the SFO.

(e) Ferdinand Alexander Porsche GmbH holds 100% interest in Familie Porsche Beteiligung GmbH. Ferdinand Alexander Porsche GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Familie Porsche Beteiligung GmbH under the SFO.

(f) Familie Porsche Beteiligung GmbH holds 51.69% interests in Porsche Automobil Holding SE. Familie Porsche Beteiligung GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Porsche Automobil Holding SE under the SFO.

(g) Porsche Automobil Holding SE holds 50.73% interest in Volkswagen AG. Porsche Automobil Holding SE is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen AG under the SFO.

(h) Volkswagen AG holds 100% interest in Volkswagen Finance Luxemburg S.A. Volkswagen AG is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen Finance Luxemburg S.A. under the SFO.

(i) Volkswagen Finance Luxemburg S.A. holds 89.72% voting interest in TRATON SE. Volkswagen Finance Luxemburg S.A. is deemed to have interest in all the Shares held (or deemed to be held) by TRATON SE under the SFO.

(j) TRATON SE holds 100% voting interest in TRATON International S.A. TRATON SE is deemed to have interest in all the Shares held (or deemed to be held) by TRATON International S.A. under the SFO.

(k) TRATON International S.A. holds 100% voting interest in MAN Finance and Holding S.A. TRATON International S.A. is deemed to have interest in all the Shares held (or deemed to be held) by MAN Finance and Holding S.A. under the SFO.

(l) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 31 December 2023, Ferdinand Porsche Familien-Holding GmbH holds 100% interest in Ferdinand Alexander Porsche GmbH.

(m) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 31 December 2023, Famille Porsche Beteiligung GmbH held a 27.73% interest in the capital of Porsche Automobil Holding SE and had a voting interest of 55.46% in this entity.

(n) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 31 December 2023, Porsche Automobil Holding SE held a 31.40% interest in the capital of Volkswagen AG and had a voting interest of 53.30% in this entity.

# REPORT OF THE DIRECTORS

## B) MEMBERS OF THE GROUP

### Long position

| Name of equity holder | Nature of interests | Name of the member of the Group | Approximate percentage of equity interest held |
|---|---|---|---|
| Liuzhou Yunli Investment Co., Ltd. | Beneficial owner | Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd. | 40% |
| Yongan Fudi Investment Co., Ltd. | Beneficial owner | Sinotruk Fujian Haixi Vehicles Co., Ltd. | 20% |
| Chengdu Qingbaijiang District State-owned Asset Investment and Management Co., Ltd. | Beneficial owner | Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. | 20% |
| Suizhou Huawei Investment Holdings Co., Ltd. | Beneficial owner | Sinotruk Hubei Huawei Special Vehicles Co., Ltd. | 40% |
| Kodiak America LLC. | Beneficial owner | Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd. | 49% |
| Shandong International Trust Co., Ltd. | Beneficial owner | Sinotruk Auto Finance Co., Ltd. | 6.52% |
| SHIG Investment Co., Ltd | Beneficial owner | Sinotruk (Ji'nan) Business Co., Ltd. | 40% |
| Weichai Power Co.,Ltd. | Beneficial owner | Weichai Intelligent Technology Co., Ltd. | 15.793% |
| Weichai Lovol Intelligent Agricultural Technology Co., Ltd. | Beneficial owner | Weichai Intelligent Technology Co., Ltd. | 7.502% |
| Zouping State-owned Assets Investment Holdings Co., Ltd. | Beneficial owner | Tongxin Zhixing Park Operation and Management (Zouping) Co.,Ltd. | 20% |
| Rizhao Fengtai Transportation Co., Ltd. | Beneficial owner | Tongxin Zhixing Logistics Technology (Rizhao) Co., Ltd. | 25% |
| Rizhao Development Co., Ltd. | Beneficial owner | Tongxin Zhixing Logistics Technology (Rizhao) Co., Ltd. | 15% |

Save as disclosed above, as at 31 December 2023, no other persons had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the Period.

## MAJOR CUSTOMERS AND SUPPLIERS

The followings are the percentages of purchases and sales attributable to the major customers and suppliers of the Group for the Period:

### Sales

| | |
|---|---|
| – the largest customer | 5.8% |
| – the five largest customers | 15.2% |

### Purchases

| | |
|---|---|
| – the largest supplier | 11.5% |
| – the five largest suppliers | 16.4% |

Weichai Power and CNHTC Ji'nan Specialty Vehicles Co., Ltd., being being fellow subsidiaries of the Company, were the largest and one of the five largest suppliers of the Group, respectively. Saved as disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and that Weichai Power and CNHTC Ji'nan Specialty Vehicles Co., Ltd. are indirect subsidiaries of SHIG, none of the Directors, or any of their associates or any shareholders who, to the knowledge of the Directors, hold over 5% of the issued share capital of the Company, had any beneficial interest in the major customers or suppliers of the Group noted above.

# REPORT OF THE DIRECTORS

## CONNECTED TRANSACTIONS

Set out below are the details of the connected transactions of the Company as required to be reported under the Listing Rules.

### A. CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

#### 1) The Capital Contribution Agreement

| | | |
|---|---|---|
| Date of agreement | : | 20 September 2023 |
| Parties | : | Ji'nan Power Company<br>Shantui Investment Co., Ltd.<br>Weichai Lovol Heavy Industry Co., Ltd.<br>Weichai Power<br>Zhongtong Bus Holding Co., Ltd.<br>Intelligent Technology |
| Objective | : | After the making of capital contribution by Ji'nan Power Company, the Group's equity interest in Intelligent Technology increased from 30% to 72.362% and Intelligent Technology became an indirect non-wholly owned subsidiary of the Company. The capital contribution was made for the purpose of further enhancing the digitization and intelligence level of the Group's commercial vehicles, accelerating the application of advanced driver assistance technologies in commercial vehicles, and strengthening the competitive advantage of the Group's products and achieving greater synergy |
| Consideration | : | RMB400,000,000 |

Details of the transactions contemplated under the capital contribution agreement were disclosed in the Company's announcement dated 20 September 2023. The contribution was completed on 27 September 2023.

## B. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

### 1) 2023 CNHTC Property Leasing In Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2021 |
| Parties | : | CNHTC<br>the Company |
| Term | : | two years from 1 January 2022 to 31 December 2023 |
| Objective | : | the CNHTC Group has agreed to provide leasing services to the Group including lease of land, office buildings and factory premises |
| Consideration | : | the consideration was determined on the basis of the market price approach |
| Annual cap for the year ended 31 December 2023 | : | RMB6,000,000 |
| Actual consideration for the year ended 31 December 2023 | : | RMB1,863,855 |

Details of the transactions contemplated under the 2023 CNHTC Property Leasing In Agreement were disclosed in the Company's announcement dated 31 March 2021.

# REPORT OF THE DIRECTORS

## 2) 2023 CNHTC Technology Support and Services Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2021 |
| Parties | : | CNHTC<br>the Company |
| Term | : | two years from 1 January 2022 to 31 December 2023 |
| Objective | : | the Group has agreed to provide the CNHTC Group the technology support and services such as technology research and development, technology consultancy and support services, and design supervisory services |
| Consideration | : | the consideration was determined on the basis of:<br>(a) guidance price<br>(b) a cost plus profit margin approach with margin between 5% to 20% |
| Annual cap for the year ended 31 December 2023 | : | RMB80,000,000 |
| Actual consideration for the year ended 31 December 2023 | : | RMB40,672,396 |

Details of the transactions contemplated under the 2023 CNHTC Technology Support and Services Agreement were disclosed in the Company's announcement dated 31 March 2021.

### 3) 2023 CNHTC Guarantee Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2021 |
| Parties | : | CNHTC (as grantor of the credit guarantee)<br>the Company (as beneficiary of the credit guarantee) |
| Term | : | two years from 1 January 2022 to 31 December 2023 |
| Objective | : | members of the CNHTC Group agreed to provide credit guarantee to the Group in respect of the payment obligations of loans and, as supplemented, finance lease arrangements to customers of the CNHTC Group |
| Consideration | : | without charging any guarantee fees, the credit guarantee shall be in the amount of the repayment obligations of relevant customers under the underlying loan, and the repurchase shall be made at the price equivalent to the outstanding amount of the underlying loan |
| Annual cap for the year ended 31 December 2023 | : | maximum day-end guarantee balance: RMB850,000,000 (revised) |
| Actual consideration for the year ended 31 December 2023 | : | maximum day-end guarantee balance: RMB38,329,355 |

Details of the transactions contemplated under the 2023 CNHTC Guarantee Agreement and the Supplemented 2023 CNHTC Guarantee Agreement were disclosed in the Company's announcements dated 31 March 2021 and 31 March 2022, respectively.

# REPORT OF THE DIRECTORS

### 4) 2023 CNHTC Parts Sales Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2021 |
| Parties | : | CNHTC<br>the Company |
| Term | : | two years from 1 January 2022 to 31 December 2023 |
| Objective | : | the Group has agreed to supply raw materials, parts and components and semi-finished products to the CNHTC Group |
| Consideration | : | the consideration was determined on the basis of:<br>(a) off-the-shelf parts: market price approach<br>(b) unique and proprietary parts: a cost plus profit margin approach with margin between 5% to 20% |
| Annual cap for the year ended 31 December 2023 | : | RMB1,684,000,000 |
| Actual consideration for the year ended 31 December 2023 | : | RMB713,898,264 |

Details of the transactions contemplated under the 2023 CNHTC Parts Sales Agreement were disclosed in the Company's announcement dated 31 March 2021.

### 5) 2023 MTB Parts Sales Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2021 |
| Parties | : | MAN Truck & Bus SE<br>the Company |
| Term | : | two years from 1 January 2022 to 31 December 2023 |
| Objective | : | the Group has agreed to supply raw materials, auxiliary materials, parts and spare parts, semi-finished products for production and operation and moulds for the production of these spare parts, etc. to MAN Truck & Bus SE and its associates |
| Consideration | : | the consideration was determined on the basis of:<br>(a) off-the-shelf products: market price approach<br>(b) unique and proprietary products: a cost plus profit margin approach with margin between 5% to 20% |
| Annual cap for the year ended 31 December 2023 | : | RMB657,000,000 |
| Actual consideration for the year ended 31 December 2023 | : | RMB17,705,983 |

Details of the transactions contemplated under the 2023 MTB Parts Sales Agreement were disclosed in the Company's announcement dated 31 March 2021.

# REPORT OF THE DIRECTORS

### 6) 2024 CNHTC Parts Purchase Agreement

| | | |
|---|---|---|
| Date of agreement | : | 3 November 2021 |
| Parties | : | CNHTC<br>the Company |
| Term | : | three years from 1 January 2022 to 31 December 2024 |
| Objective | : | the CNHTC Group has agreed to supply raw materials, parts and components, assemblies, semi-finished products, etc. to the Group |
| Consideration | : | the consideration was determined on the basis of the market price approach with reference to the prices as quoted in the price lists of the CNHTC Group for all its customers including the Group |
| Annual cap for the year ended 31 December 2023 | : | RMB874,000,000 |
| Actual consideration for the year ended 31 December 2023 | : | RMB56,923,920 |

Details of the transactions contemplated under the 2024 CNHTC Parts Purchase Agreement were disclosed in the Company's announcement dated 3 November 2021.

### 7) 2023 Provision of Ancillary Services Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2021 |
| Parties | : | CNHTC<br>the Company |
| Term | : | two years from 1 January 2022 to 31 December 2023 |
| Objective | : | the Group has agreed to provide utility connection and support services and property management and ancillary services which comprise (i) the supply of utility resources including water, electricity, coal gas and natural gas, and (ii) the provision of property management services and ancillary services such as conferencing and catering services, to the CNHTC Group (revised) |
| Consideration | : | the consideration was determined on the basis of:<br>(a) the government-prescribed price or government-guided price<br>(b) the prevailing market price charged by independent third parties for similar services<br>(c) a cost plus profit margin approach with margin between 5% to 20% |
| Annual cap for the year ended 31 December 2023 | : | RMB49,000,000 (revised) |
| Actual consideration for the year ended 31 December 2023 | : | RMB37,404,839 |

Details of the transactions contemplated under the 2023 Provision of Ancillary Services Agreement and the Supplemented 2023 Provision of Ancillary Services Agreement were disclosed in the Company's announcement dated 31 March 2023.

# REPORT OF THE DIRECTORS

### 8) 2023 Property Rent Out Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2021 |
| Parties | : | CNHTC<br>the Company |
| Term | : | two years from 1 January 2022 to 31 December 2023 |
| Objective | : | the Group has agreed to provide leasing services to the CNHTC Group including lease of land, office buildings, factory premises, etc. |
| Consideration | : | the consideration was determined on the basis of the market price approach |
| Annual cap for the year ended 31 December 2023 | : | RMB78,000,000 (revised) |
| Actual consideration for the year ended 31 December 2023 | : | RMB44,111,845 |

Details of the transactions contemplated under the 2023 Property Rent Out Agreement and the Supplemented 2023 Property Rent Out Agreement were disclosed in the Company's announcement dated 31 March 2023.

### 9) 2023 Receipt of General Services Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2021 |
| Parties | : | CNHTC<br>the Company |
| Term | : | two years from 1 January 2022 to 31 December 2023 |
| Objective | : | the CNHTC Group has agreed to provide general services such as property management, transportation, short-term leasing, products testing and improvement services, technology development services and other services to the Group (revised) |
| Consideration | : | the consideration was determined on the basis of:<br>(a) the price prescribed by the government or any regulatory authority<br>(b) the prevailing market price charged by independent third parties in the provision of similar services |
| Annual cap for the year ended 31 December 2023 | : | RMB750,000,000 (revised) |
| Actual consideration for the year ended 31 December 2023 | : | RMB114,020,163 |

Details of the transactions contemplated under the 2023 Receipt of General Services Agreement (as supplemented on 31 March 2022) and the Supplemented 2023 Receipt of General Services Agreement were disclosed in the Company's announcement dated 31 March 2023.

# REPORT OF THE DIRECTORS

### 10) 2023 Provision of Interest Subsidy Agreement (Ji'nan Truck Company)

| | | |
|---|---|---|
| Date of agreement | : | 18 October 2022 |
| Parties | : | Ji'nan Truck Company<br>Strong Financial Leasing Co., Ltd. ("Strong Leasing") |
| Term | : | from 18 October 2022 to 31 December 2023 |
| Objective | : | Ji'nan Truck Company has agreed to provide interest subsidy to its customers who obtained financing from the group of Strong Leasing ("Strong Leasing Group") to purchase its products by way of Ji'nan Truck Company paying certain interest amount to the Strong Leasing Group directly with an aim to facilitate the sales of vehicle products |
| Consideration | : | the subsidy ratio (the proportion of the interest payment) is determined by Ji'nan Truck with reference to the sales campaign expected to be made by the Group to their customers, the type of vehicles and sales target regarding such vehicles that forms the focus of sales during the designated promotional period |
| Annual cap for the year ended 31 December 2023 | : | RMB35,000,000 (revised) |
| Actual consideration for the year ended 31 December 2023 | : | RMB25,233,888 |

Strong Leasing is a non-wholly owned subsidiary of SHIG, a controlling shareholder of the Company, and hence, a connected person. Details of the transactions contemplated under the 2023 Provision of Interest Subsidy Agreement (Ji'nan Truck Company) (as further supplemented on 18 October 2022 and on 23 December 2022) and the Supplemented 2023 Provision of Interest Subsidy Agreement (Ji'nan Truck Company) dated 31 March 2023 were disclosed in the Company's announcement dated 31 March 2023.

### 11) 2023 Provision of Interest Subsidy Agreement (Ji'nan Commercial Truck Company)

| | | |
|---|---|---|
| Date of agreement | : | 18 October 2022 |
| Parties | : | Ji'nan Commercial Truck Company<br>Strong Leasing |
| Term | : | from 18 October 2022 to 31 December 2023 |
| Objective | : | Ji'nan Commercial Truck Company has agreed to provide interest subsidy to its customers who obtained financing from the Strong Leasing Group to purchase its products by way of Ji'nan Commercial Truck Company paying certain interest amount to the Strong Leasing Group directly with an aim to facilitate the sale of its products |
| Consideration | : | the subsidy ratio (the proportion of the interest payment) is determined by Ji'nan Commercial Truck Company with reference to the sales campaign expected to be made by the Group to their customers, the type of vehicles and sales target regarding such vehicles that forms the focus of sales during the designated promotional period |
| Annual cap for the year ended 31 December 2023 | : | RMB25,000,000 (revised) |
| Actual consideration for the year ended 31 December 2023 | : | RMB4,066,408 |

Details of the transactions contemplated under the 2023 Provision of Interest Subsidy Agreement (Ji'nan Commercial Truck Company) (as supplemented on 18 October 2022 and on 23 December 2022) and the Supplemented 2023 Provision of Interest Subsidy Agreement (Ji'nan Commercial Truck Company) dated 31 March 2023 were disclosed in the Company's announcement dated 31 March 2023.

# REPORT OF THE DIRECTORS

## 12) 2025 Provision of Repurchase Guarantee (New Energy Vehicles) Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2023 |
| Parties | : | the Company<br>Strong Leasing |
| Term | : | from 31 March 2023 to 31 December 2025 |
| Objective | : | the Group has agreed to provide guarantee to the Strong Leasing Group in repurchasing certain leased products (which comprise new energy vehicles) pursuant to the relevant finance lease arrangements provided by the Strong Leasing Group to the customers of the Group in purchase of the Group's products |
| Consideration | : | the repurchase shall be made at a price equivalent to the outstanding amount of the underlying loans under the relevant finance lease arrangements (including the relevant penalties and costs and expenses) |
| Annual cap for the year ended 31 December 2023 | : | maximum accumulated repurchase amount: RMB450,000,000 |
| Actual consideration for the year ended 31 December 2023 | : | maximum accumulated repurchase amount: nil |

Details of the transactions contemplated under the 2025 Provision of Repurchase Guarantee (New Energy Vehicles) Agreement were disclosed in the Company's announcement dated 31 March 2023.

### 13) 2023 Intelligent Technology Products Purchase Agreement

| | | |
|---|---|---|
| Date of agreement | : | 30 October 2023 |
| Parties | : | (i) CNHTC<br>(ii) Intelligent Technology |
| Term | : | from 27 September 2023 to 31 December 2023 |
| Objective | : | the CNHTC Group has agreed to sell products (including vehicles and related products) to the group of Intelligent Technology |
| Consideration | : | the consideration was determined on the basis of the market price approach with reference to the prices as quoted in the price lists of the CNHTC Group for all its customers including the Group |
| Annual cap for the period form 27 September 2023 to 31 December 2023 | : | RMB570,000,000 |
| Actual consideration for the period form 27 September 2023 to 31 December 2023 | : | RMB259,538,938 |

Details of the transactions contemplated under the 2023 Intelligent Technology Products Purchase Agreement were disclosed in the Company's announcement dated 30 October 2023.

# REPORT OF THE DIRECTORS

### 14) 2023 Intelligent Technology Provision of Ancillary Services Agreement

| | | |
|---|---|---|
| Date of agreement | : | 30 October 2023 |
| Parties | : | (i) CNHTC<br>(ii) Intelligent Technology |
| Term | : | from 27 September 2023 to 31 December 2023 |
| Objective | : | the group of Intelligent Technology has agreed to provide ancillary services such as logistics services, utility connection and support services, etc. to the CNHTC Group |
| Consideration | : | the consideration was determined on the basis of:<br>(a) the government-prescribed price or government-guided price<br>(b) the prevailing market price charged by independent third parties for similar services<br>(c) a cost plus profit margin approach |
| Annual cap for the period form 27 September 2023 to 31 December 2023 | : | RMB65,000,000 |
| Actual consideration for the period form 27 September 2023 to 31 December 2023 | : | RMB355,298 |

Details of the transactions contemplated under the 2023 Intelligent Technology Provision of Ancillary Services Agreement were disclosed in the Company's announcement dated 30 October 2023.

### 15) 2025 Finance Lease and Guarantee Agreement

| | | |
|---|---|---|
| Date of agreement | : | 30 October 2023 |
| Parties | : | (i) CNHTC<br>(ii) the Company |
| Term | : | from 27 September 2023 to 31 December 2025 |
| Objective | : | for the Group's purchase of vehicles and related products ("Leased Products"), the Group obtained financing from financial institutions (which may be a member of the CNHTC Group or an independent third party) ("Financial Institutions") by way of receiving finance lease services (which may be direct leasing or sale and lease-back arrangements) and in connection with the obtaining of the finance lease services, (i) the Group may provide repurchase guarantees to the CNHTC Group in case that the Group obtained finance lease services from the CNHTC Group, (ii) the Group may provide repurchase guarantees to Financial Institutions in respect of the finance services obtained by connected subsidiaries |
| Consideration | : | the repurchase of the Leased Products from the relevant Financial Institution was made at a price equivalent to the outstanding amount of the underlying loan and relevant penalties and expenses |
| Annual cap for the period form 27 September 2023 to 31 December 2023 | : | maximum day-end balance of the outstanding amount: RMB330,000,000 |
| Actual consideration for the period form 27 September 2023 to 31 December 2023 | : | maximum day-end balance of the outstanding amount: RMB33,758,400 |

Details of the transactions contemplated under the 2025 Finance Lease and Guarantee Agreement were disclosed in the Company's announcement dated 30 October 2023.

# REPORT OF THE DIRECTORS

## C. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

### 1) 2024 Weichai Parts Sales Agreement

| | | |
|---|---|---|
| Date of agreement | : | 4 March 2022 |
| Parties | : | Weichai Holdings<br>the Company |
| Term | : | three years from 1 January 2022 to 31 December 2024 |
| Objective | : | the Group has agreed to supply raw materials, assemblies, parts and components, semi-finished products, etc. to the Weichai Group |
| Consideration | : | (a) off-the-shelf parts: market price approach<br>(b) unique and proprietary parts: a cost plus profit margin approach with margin between 5% to 20% |
| Annual cap for the year ended 31 December 2023 | : | RMB497,000,000 |
| Actual consideration for the year ended 31 December 2023 | : | RMB48,710,272 |

Details of the transactions contemplated under the 2024 Weichai Parts Sales Agreement were disclosed in the Company's announcement dated 4 March 2022 and the Company's circular dated 12 April 2022.

### 2) 2023 Weichai Parts Purchase Agreement

| | | |
|---|---|---|
| Date of agreement | : | 2 November 2022 |
| Parties | : | Weichai Holdings<br>the Company |
| Term | : | one year from 1 January 2023 to 31 December 2023 |
| Objective | : | the Weichai Group has agreed to sell raw materials, parts and components, assemblies, semi-finished products (including but not limited to engines, gearboxes and axles), and related services, etc. to the Group |
| Consideration | : | the consideration was determined on the basis of the market price approach with reference to the prices as quoted in the price lists of the Weichai Group for all its customers including the Group |
| Annual cap for the year ended 31 December 2023 | : | RMB17,680,000,000 (revised) |
| Actual consideration for the year ended 31 December 2023 | : | RMB14,174,919,931 |

Details of the transactions contemplated under the 2023 Weichai Parts Purchase Agreement were disclosed in the Company's announcements dated 2 November 2022 and 30 October 2023 and the Company's circulars dated 2 December 2022 and 27 November 2023.

# REPORT OF THE DIRECTORS

### 3) 2023 CNHTC Products Purchase Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2021 |
| Parties | : | CNHTC<br>the Company |
| Term | : | two years from 1 January 2022 to 31 December 2023 |
| Objective | : | the CNHTC Group has agreed to sell products including vehicles, refitted trucks, chassis, and add-on products such as trunk, flatbed, tank, etc. to the Group |
| Consideration | : | the consideration was determined on the basis of:<br>(a) refitted products: market price approach or, at the case may be, prices mutually agreed between the Group's customers and the CNHTC Group<br>(b) products only available from the CNHTC Group: prices as quoted in the price lists of the CNHTC Group for all its customers |
| Annual cap for the year ended 31 December 2023 | : | RMB3,724,000,000 (revised) |
| Actual consideration for the year ended 31 December 2023 | : | RMB3,517,381,360 |

Details of the transactions contemplated under the 2023 Products Purchase Agreement and the Supplemental Agreement to the 2023 CNHTC Products Purchase Agreement were disclosed in the Company's announcements dated 31 March 2021 and 31 March 2023, respectively, and the Company's circulars dated 21 May 2021 and 29 May 2023, respectively.

### 4) 2023 CNHTC Products Sales Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2021 |
| Parties | : | CNHTC<br>the Company |
| Term | : | two years from 1 January 2022 to 31 December 2023 |
| Objective | : | the Group has agreed to supply products including trucks, chassis and semi-tractor trucks to the CNHTC Group |
| Consideration | : | the consideration was determined on the basis of the market price approach with reference to same price list to independent third parties and the CNHTC Group |
| Annual cap for the year ended 31 December 2023 | : | RMB2,491,000,000 (revised) |
| Actual consideration for the year ended 31 December 2023 | : | RMB1,030,580,130 |

Details of the transactions contemplated under the 2023 CNHTC Products Sales Agreement and the Supplemental Agreement to the 2023 CNHTC Products Sales Agreement were disclosed in the Company's announcements dated 31 March 2021 and 31 March 2023, respectively and the Company's circular dated 29 May 2023.

### 5) 2023 Financial Services Agreement

| | | |
|---|---|---|
| Date of agreement | : | 31 March 2021 |
| Parties | : | CNHTC<br>the Company |
| Term | : | two years from 1 January 2022 to 31 December 2023 |
| Objective | : | the Group will provide a wide range of financial services to the CNHTC Group |
| Consideration | : | (a) bills discounting services, (b) unsecured and secured loan services (revised), (c) issue of bills and (d) entrustment loan arrangements: market price approach |
| Annual cap for the year ended 31 December 2023 | : | (a) bills discounting services: (i) maximum day end balance: RMB200,000,000 (revised) and (ii) interest income: RMB6,000,000 (revised)<br>(b) unsecured and secured loan services: (i) maximum day end balance: RMB3,338,000,000 (revised) and (ii) interest income: RMB128,000,000 (revised)<br>(c) issue of bills: (i) maximum day end balance: RMB800,000,000 (revised), (ii) fee income: RMB1,000,000 (revised) and (iii) interest expense for surety: RMB4,000,000 (revised)<br>(d) entrustment loan arrangements' fee income: RMB200,000 |
| Actual consideration for the year ended 31 December 2023 | : | (a) bills discounting services: (i) maximum day end balance: nil and (ii) interest income: nil<br>(b) unsecured and secured loan services: (i) maximum day end balance: RMB1,424,516,358 and (ii) interest income: RMB42,101,585<br>(c) issue of bills: (i) maximum day and balance: RMB142,150,400, (ii) fee income: RMB5,660 and (iii) interest expense for surety: RMB266,834<br>(d) entrustment loan arrangements' fee income: nil |

Details of the transactions contemplated under the 2023 Financial Services Agreement and the Supplemental Agreement to the 2023 Financial Services Agreement were disclosed in the Company's announcement dated 31 March 2021 and 31 March 2023 and the Company's circular dated 29 May 2023.

All the above continuing connected transactions did not exceed the relevant annual cap amounts. The price and the terms of the above transactions have been determined in accordance with the pricing policies and guideline set out in their relevant announcements and/or the relevant circulars.

The Directors (including the INEDs) have reviewed the continuing connected transactions of the Company and confirmed that they have been entered into:

i. in the ordinary and usual course of business of the Group;

ii. on normal commercial terms or better; and

iii. in accordance with the relevant agreements governing these transactions on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.

The auditors of the Company was engaged to report the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants.

KPMG, the auditors of the Company, has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions for the Period disclosed above in accordance with the Rule 14A.56 of the Listing Rules and confirmed nothing has come to their attention that causes them to believe that the continuing connected transactions:

i. have not been approved by the Board;

ii. were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provisions of goods or services by the Group;

iii. were not entered into, in all material respects, in accordance with the relevant agreements governing these continuing connected transactions; and

iv. have exceeded the relevant annual caps.

# REPORT OF THE DIRECTORS

## RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 42 to the consolidated financial statements. Apart from the connected transaction and continuing connected transactions disclosed above, certain related party transactions disclosed in the note 42(c), which also fall under the scope of connected transactions and continuing connected transactions under Chapter 14A of the Listing Rules, are exempt from reporting, annual review, announcement or independent shareholders' approval requirements and have complied with the requirements of Chapter 14A of the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company, and within the knowledge of the Directors, as at the Latest Practicable Date, the Company has maintained sufficient public float in accordance with the Listing Rules.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The 2023 Environmental, Social and Governance Report of the Company is disclosed separately at the websites of the Company and the Stock Exchange.

## AUDITORS

PricewaterhouseCoopers retired as the auditors of the Company upon expiration of its term of office at the conclusion of the 2020 AGM on 29 June 2020. Thereafter, the Company appointed Ernst & Young as its auditors. Ernst & Young retired as the auditors of the Company upon expiration of its term of office at the conclusion of the 2023 AGM on 28 June 2023. Thereafter, the Company appointed KPMG as its auditors.

The consolidated financial statements have been audited by KPMG who will retire at the forthcoming AGM of the Company.

## SUBSEQUENT EVENTS

The Company adopted a restricted share award scheme for the designated employees and directors as part of employee rewards. Under the scheme, the Company may grant up to 27,600,000 shares of the Company which are funded by existing shares of the Company. 30%, 30% and 40% of total shares to be granted are expected to be vested after 24 months, 36 months and 48 months from the date of grant, respectively and the shares will be vested only when the vesting conditions as imposed by the Board (or the Remuneration Committee) (including the predesigned operating revenue and sales profit margin as well as certain individual assessment results) are met. As at the Latest Practicable Date, no share was granted under the scheme. Save as disclosed above, no significant subsequent event has taken place after the end of the Period.

By Order of the Board
**Wang Zhijian**
*Chairman*

Ji'nan, PRC, 25 March 2024

# INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of
**Sinotruk (Hong Kong) Limited**
*(Incorporated in Hong Kong with limited liability)*

## OPINION

We have audited the consolidated financial statements of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 106 to 219, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS (CONTINUED)

### Recoverability of Trade and Financing Receivables

*Refer to note 22 to the consolidated financial statements and the accounting policies on note 2.4. Impairment of financial assets*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2023, the Group's gross carrying amount of trade and financing receivables amounted to RMB23,352,909,000, against which an allowance of RMB1,715,975,000 for expected credit losses (ECLs) was recorded. The Group's trade receivables mainly arose from its heavy duty trucks, light duty trucks and engines businesses. The financing receivables arose from the Group's money lending business.<br><br>Management applies the simplified approach to measure the ECL allowance for trade receivables and the general approach to measure the ECL allowance for financing receivables. Trade and financing receivables are grouped according to shared credit risk characteristics. The ECL assessment takes into account the ageing of trade receivable balances, the historical overdue data of financing receivable balances, the payment history of the Group's customers, current market conditions, and forward-looking information. Such assessment involves significant management judgement and estimation.<br><br>We identified the ECL allowance for trade and financing receivables as a key audit matter because determining the level of the ECL allowance requires the exercise of significant management judgement, which is inherently subjective. | Our audit procedures to assess the ECL allowance for trade and financing receivables included the following:<br><br>• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimation of the ECL allowance;<br><br>• evaluating the Group's policies for estimating the ECL allowance with reference to the requirements of the applicable accounting standard;<br><br>• obtaining an understanding of the key parameters and assumptions that management used in its implementation of the ECL model, including the basis of segmentation of the trade and financing receivables based on shared credit risk characteristics of customers and the historical credit loss data used in management's estimated loss rates;<br><br>• for trade and financing receivables that were assessed for ECLs individually, assessing reasonableness of the bases upon which the ECL allowance was measured, including inquiring and understanding the customer's financial condition, checking the ageing of trade receivables and historical overdue data of financing receivables, cash flows expected to be received and historical payment and so forth;<br><br>• assessing whether items in the trade receivables ageing reports were categorised in the appropriate ageing bracket by comparing individual items therein with relevant underlying documentation, on a sample basis; |

## KEY AUDIT MATTERS (CONTINUED)

### Recoverability of Trade and Financing Receivables (continued)

*Refer to note 22 to the consolidated financial statements and the accounting policies on note 2.4. Impairment of financial assets*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| | • assessing the appropriateness of management's estimates of the ECL allowance for trade receivables by examining the information used by management to derive such estimates, including testing the accuracy of the historical credit loss data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions and forward-looking information;<br>• evaluating the reasonableness of management's assessment on whether the credit risk of the financing receivables has, or has not, increased significantly since initial recognition and whether the financing receivables is credit-impaired by selecting risk-based samples. For the selected samples, we evaluated the reasonableness of the credit risk staging by inspecting the relevant financing receivables overdue information, obtaining the financial information of the borrowers and researching market information about their businesses;<br>• re-performing the calculation of the ECL allowance as at 31 December 2023 based on the Group's ECL policies; and<br>• evaluating the reasonableness of the credit risk related disclosures in the consolidated financial statements with reference to the requirements of the applicable accounting standards. |

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (CONTINUED)

### Recognition of Warranty Provisions

*Refer to note 31 to the consolidated financial statements and the accounting policies on note 2.4. Provisions.*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2023, the Group recorded warranty provisions amounting to RMB1,637,850,000.<br><br>Provisions for warranties granted by the Group to customers are recognised based on sales volume and estimated costs of warranty claims on products sold. The determination of the estimated warranty provisions requires significant management judgement in estimating the warranty cost per unit of vehicle sold.<br><br>We identified recognition of warranty provisions as a key audit matter because the magnitude of the amount of warranty provisions and because significant management judgement is required in estimating the costs in respect of future warranty claims. | Our audit procedures to assess the recognition of warranty provisions included the following:<br><br>• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to past experience data collection, estimation and recording of warranty provisions;<br><br>• evaluating the appropriateness of the warranty provisioning model with reference to the requirements of the prevailing accounting standards;<br><br>• assessing the reasonableness of the warranty cost per unit of vehicle sold based on our knowledge of the business and by comparing, on a sample basis, the actual warranty cost incurred for claims during the year with provisions made in prior year;<br><br>• evaluating, on a sample basis, the reliability of the information used in calculating warranty cost per unit of vehicle sold, by comparing:<br><br>(a) the historical sales quantity with sales receipts; and<br><br>(b) the historical actual claims with claims documents from services providers of the group;<br><br>• testing the mathematical accuracy of calculation based on management's warranty provision model; and<br><br>• evaluating the reasonableness of the disclosures in the consolidated financial statements in respect of warranty provisions with the reference to the requirements of the prevailing accounting standards. |

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors are assisted by the audit committee of the Company (the "Audit Committee") in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ka Chun.

**KPMG**
*Certified Public Accountants*

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

**For the year ended 31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

| | Notes | 2023 | 2022 (restated) |
|---|---|---|---|
| **Revenue** | 5 | **85,498,035** | 59,405,299 |
| Cost of sales | | **(71,262,502)** | (49,398,724) |
| **Gross profit** | | **14,235,533** | 10,006,575 |
| Other income and gains | 6 | **816,951** | 1,294,910 |
| Selling and distribution expenses | | **(4,001,904)** | (2,874,018) |
| Administrative expenses | | **(4,669,217)** | (4,870,446) |
| Reversal of impairment losses/(impairment losses) on financial assets, net | | **170,652** | (418,648) |
| Other expenses | | **(64,914)** | (351,030) |
| **Operating profit** | | **6,487,101** | 2,787,343 |
| Finance income | | **313,874** | 140,442 |
| Finance costs | | **(29,413)** | (9,592) |
| Finance income, net | 8 | **284,461** | 130,850 |
| Share of profits and losses of associates | | **111,119** | (23,066) |
| **Profit before tax** | 7 | **6,882,681** | 2,895,127 |
| Income tax expense | 11 | **(1,055,830)** | (957,565) |
| **Profit for the year** | | **5,826,851** | 1,937,562 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **5,318,107** | 1,672,662 |
| Non-controlling interests | | **508,744** | 264,900 |
| | | **5,826,851** | 1,937,562 |
| **Earnings per share** | 14 | | |
| (expressed in RMB per share) | | | |
| Basic and diluted | | **1.93** | 0.61 |

The restatement of the Company's consolidated financial statements is due to business combination under common control. Details of the business combination are set out in note 38.

The notes on pages 115 to 219 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 13.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

| | Note | 2023 | 2022 (restated) |
|---|---|---|---|
| **Profit for the year** | | **5,826,851** | 1,937,562 |
| **Other comprehensive income (after tax)** | 12 | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | | |
| Changes in fair value of financial assets at fair value through other comprehensive income ("FVOCI") | | **(15,397)** | (15,107) |
| Exchange differences on translation of foreign operations | | **(2,884)** | 845 |
| Share of other comprehensive income of associates | | **563** | 2,337 |
| Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods | | **(17,718)** | (11,925) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Remeasurements of termination and post-employment benefit obligations | | **(30,493)** | 5,157 |
| Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties | | **16,333** | — |
| Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods | | **(14,160)** | 5,157 |
| **Other comprehensive loss for the year, net of tax** | | **(31,878)** | (6,768) |
| **Total comprehensive income for the year** | | **5,794,973** | 1,930,794 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **5,285,271** | 1,666,709 |
| Non-controlling interests | | **509,702** | 264,085 |
| | | **5,794,973** | 1,930,794 |

The notes on pages 115 to 219 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

| | Notes | 2023 | 2022 (restated) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **15,823,031** | 15,504,161 |
| Investment properties | 16 | **1,060,721** | 840,134 |
| Right-of-use assets | 17 | **2,260,256** | 2,315,368 |
| Goodwill | | **68,933** | 68,933 |
| Intangible assets | 18 | **152,072** | 232,366 |
| Investments in associates | 20 | **2,017,567** | 1,928,616 |
| Equity investments designated at FVOCI | 24 | **31,925** | 31,925 |
| Trade and financing receivables | 22 | **5,032,516** | 2,274,760 |
| Prepayments, other receivables and other assets | 23 | **6,113,115** | 192,798 |
| Deferred tax assets | 32 | **2,158,585** | 2,302,340 |
| Total non-current assets | | **34,718,721** | 25,691,401 |
| **Current assets** | | | |
| Inventories | 21 | **13,338,401** | 13,502,057 |
| Trade, financing and bills receivables | 22 | **17,078,156** | 16,229,544 |
| Prepayments, other receivables and other assets | 23 | **17,018,790** | 18,480,345 |
| Financial assets at FVOCI | 25 | **8,924,104** | 7,367,333 |
| Financial assets at fair value through profit or loss ("FVPL") | 26 | **10,521,843** | 4,500,202 |
| Cash and cash equivalents and restricted cash | 27 | **20,185,473** | 19,871,392 |
| Total current assets | | **87,066,767** | 79,950,873 |
| **Current liabilities** | | | |
| Trade and bills payables | 28 | **46,624,080** | 33,271,076 |
| Other payables and accruals | 29 | **19,062,656** | 22,232,422 |
| Borrowings | 30 | **4,907,134** | 3,889,799 |
| Lease liabilities | 17 | **1,709** | 4,411 |
| Tax payable | | **216,189** | 480,291 |
| Provisions | 31 | **1,718,293** | 1,536,767 |
| Total current liabilities | | **72,530,061** | 61,414,766 |
| **Net current assets** | | **14,536,706** | 18,536,107 |
| **Total assets less current liabilities** | | **49,255,427** | 44,227,508 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

| | Notes | 2023 | 2022 (restated) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | 30 | 141,533 | — |
| Lease liabilities | 17 | 1,195 | 143 |
| Deferred tax liabilities | 32 | 98,900 | 109,755 |
| Termination and post-employment benefit obligations | 33 | 410,374 | 525,467 |
| Deferred income | 34 | 642,894 | 560,157 |
| Total non-current liabilities | | 1,294,896 | 1,195,522 |
| **Net assets** | | 47,960,531 | 43,031,986 |
| **Equity** | | | |
| **Equity attributable to equity shareholders of the Company** | | | |
| Share capital | 35 | 16,717,024 | 16,717,024 |
| Other reserves | 36 | 3,603,118 | 3,164,288 |
| Retained earnings | | 19,952,019 | 16,053,241 |
| | | 40,272,161 | 35,934,553 |
| **Non-controlling interests** | | 7,688,370 | 7,097,433 |
| **Total equity** | | 47,960,531 | 43,031,986 |

The notes on pages 115 to 219 form part of these consolidated financial statements.

The consolidated financial statements on pages 106 to 219 were approved by the Board of Directors on 25 March 2024 and were signed on its behalf by:

**Wang Zhijian**
*Director*

**Li Xia**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

| | Note | Attributable to equity shareholders of the Company | | | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital reserve | Revaluation reserve | Fair value reserve of financial assets at FVOCI | Statutory reserve | Discretionary reserve | Merger reserve | Translation and other reserves | Retained earnings | Total | | |
| At 1 January 2023 | | 16,717,024 | (1,973,431) | 44,124 | (25,826) | 4,350,699 | 104,294 | 628,451 | 35,977 | 16,053,241 | 35,934,553 | 7,097,433 | 43,031,986 |
| Profit for the year | | – | – | – | – | – | – | – | – | 5,318,107 | 5,318,107 | 508,744 | 5,826,851 |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | | | | |
| Changes in fair value of financial assets at FVOCI | | – | – | – | (13,300) | – | – | – | – | – | (13,300) | (2,097) | (15,397) |
| Exchange differences on translation of foreign operations | | – | – | – | – | – | – | – | (2,884) | – | (2,884) | – | (2,884) |
| Share of other comprehensive income of associates | | – | – | – | – | – | – | – | 563 | – | 563 | – | 563 |
| Remeasurements of termination and post-employment benefit obligations | | – | – | (33,548) | – | – | – | – | – | – | (33,548) | 3,055 | (30,493) |
| Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties | | – | – | 16,333 | – | – | – | – | – | – | 16,333 | – | 16,333 |
| Total comprehensive income for the year | | – | – | (17,215) | (13,300) | – | – | – | (2,321) | 5,318,107 | 5,285,271 | 509,702 | 5,794,973 |
| Transactions with equity shareholders in their capacity as owners: | | | | | | | | | | | | | |
| Dividends of the Company for 2022 | | – | – | – | – | – | – | – | – | (812,222) | (812,222) | – | (812,222) |
| Capital injection from non-controlling interests | | – | – | – | – | – | – | – | – | – | – | 2,000 | 2,000 |
| Changes in ownership interests in a subsidiary without change of control | | – | (32) | – | – | – | – | – | – | – | (32) | (9,449) | (9,481) |
| Dividends of subsidiaries distributed to non-controlling interests | 13 | – | – | – | – | – | – | – | – | – | – | (46,725) | (46,725) |
| Total transactions with equity shareholders in their capacity as owners | | – | (32) | – | – | – | – | – | – | (812,222) | (812,254) | (54,174) | (866,428) |
| Effect of business combination under common control | | – | – | – | – | – | – | (135,409) | – | – | (135,409) | 135,409 | – |
| Appropriation to reserves | | – | – | – | – | 607,107 | – | – | – | (607,107) | – | – | – |
| At 31 December 2023 | | 16,717,024 | (1,973,463) | 26,909 | (39,126) | 4,957,806 | 104,294 | 493,042 | 33,656 | 19,952,019 | 40,272,161 | 7,688,370 | 47,960,531 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 December 2022**
**(Expressed in thousands of RMB unless otherwise indicated)**

| | | (restated) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to equity shareholders of the Company | | | | | | | | | | Non-controlling interests | Total equity |
| | Note | Share capital | Capital reserve | Revaluation reserve | Fair value reserve of financial assets at FVOCI | Statutory reserve | Discretionary reserve | Merger reserve | Translation and other reserves | Retained earnings | Total | | |
| At 31 December 2021 | | 16,717,024 | (1,976,564) | 40,775 | (13,342) | 4,137,418 | 104,294 | 480,081 | (9,357) | 16,190,815 | 35,671,144 | 7,096,943 | 42,768,087 |
| Effect of business combination under common control | | – | – | – | – | 89 | – | 72,362 | – | (32,892) | 39,559 | 15,110 | 54,669 |
| At 1 January 2022 | | 16,717,024 | (1,976,564) | 40,775 | (13,342) | 4,137,507 | 104,294 | 552,443 | (9,357) | 16,157,923 | 35,710,703 | 7,112,053 | 42,822,756 |
| Profit for the year | | – | – | – | – | – | – | – | – | 1,672,662 | 1,672,662 | 264,900 | 1,937,562 |
| Other comprehensive (loss)/income for the year: | | | | | | | | | | | | | |
| Changes in fair value of financial assets at FVOCI | | – | – | – | (12,484) | – | – | – | – | – | (12,484) | (2,623) | (15,107) |
| Exchange differences on translation of foreign operations | | – | – | – | – | – | – | – | 845 | – | 845 | – | 845 |
| Share of other comprehensive income of associates | | – | – | – | – | – | – | – | 2,337 | – | 2,337 | – | 2,337 |
| Remeasurements of termination and post-employment benefit obligations | | – | – | 3,349 | – | – | – | – | – | – | 3,349 | 1,808 | 5,157 |
| Total comprehensive income for the year | | – | – | 3,349 | (12,484) | – | – | – | 3,182 | 1,672,662 | 1,666,709 | 264,085 | 1,930,794 |
| Transactions with equity shareholders in their capacity as owners: | | | | | | | | | | | | | |
| Dividends of the Company for 2021 | | – | – | – | – | – | – | – | – | (1,555,910) | (1,555,910) | – | (1,555,910) |
| Changes in ownership interests in a subsidiary without change of control | | – | 3,133 | – | – | – | – | – | – | – | 3,133 | (42,893) | (39,760) |
| Dividends of subsidiaries distributed to non-controlling interests | 13 | – | – | – | – | – | – | – | – | – | – | (172,706) | (172,706) |
| Effect of business combination under common control | | – | – | – | – | – | – | 76,008 | – | 33,910 | 109,918 | 12,000 | 121,918 |
| Total transactions with equity shareholders in their capacity as owners | | – | 3,133 | – | – | – | – | 76,008 | – | (1,522,000) | (1,442,859) | (203,599) | (1,646,458) |
| Appropriation to reserves | | – | – | – | – | 213,192 | – | – | – | (213,192) | – | – | – |
| Treasury stock of a subsidiary | | – | – | – | – | – | – | – | – | – | – | (75,106) | (75,106) |
| Transfer to safety production reserve | | – | – | – | – | – | – | – | 42,152 | (42,152) | – | – | – |
| At 31 December 2022 | | 16,717,024 | (1,973,431) | 44,124 | (25,826) | 4,350,699 | 104,294 | 628,451 | 35,977 | 16,053,241 | 35,934,553 | 7,097,433 | 43,031,986 |

The notes on pages 115 to 219 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

| | Notes | 2023 | 2022 (restated) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | **6,882,681** | 2,895,127 |
| Adjustments for: | | | |
| Finance costs | 8 | **29,413** | 9,592 |
| Share of profits and losses of associates | | **(111,119)** | 23,066 |
| Finance income | 8 | **(313,874)** | (140,442) |
| Dividend income from financial assets at FVPL | 6 | **(65)** | (189) |
| (Gains)/losses on disposal of property, plant and equipment | 7 | **(14,529)** | 1,706 |
| Gain on disposal of subsidiaries and businesses | 6 | **—** | (311,379) |
| Loss on disposal of part of the equity in an associate | | **—** | 404 |
| Gain on disposal of financial assets at FVPL | 6 | **(137,749)** | (99,611) |
| Revaluation losses on investment properties | 16 | **114** | 25,851 |
| Fair value losses on financial assets at FVPL | | **31,580** | 170,141 |
| Fair value loss on contingent consideration | | **—** | 2,577 |
| Fair value loss on listed equity investments | | **2,018** | 1,438 |
| Depreciation of right-of-use assets | 17 | **98,735** | 64,312 |
| Depreciation of property, plant and equipment | 15 | **1,408,229** | 1,352,234 |
| Amortisation of intangible assets | 18 | **65,529** | 73,053 |
| Impairment of property, plant and equipment | 15 | **7,632** | 1,365 |
| Impairment of intangible assets | 18 | **30,134** | — |
| Impairment of other long-term deferred expenses | 23 | **150,041** | — |
| (Reversal of allowance)/allowance for financial assets included in prepayments, other receivables and other assets | 23 | **(69,666)** | 133,313 |
| Impairment of trade receivables | 22 | **4,221** | 223,583 |
| (Reversal of impairment)/impairment of financing receivables | 22 | **(99,573)** | 63,193 |
| Reversal of impairment of bills receivable | 22 | **(6,720)** | (6,168) |
| (Reversal of allowance)/allowance for expected credit losses from the off-balance sheet credit business | 31 | **(4,582)** | 4,727 |
| Impairment of investments in an associate | 7 | **6,405** | 124,532 |
| Write-down of inventories to net realisable value | 21 | **808,086** | 622,733 |
| Recognition of deferred income | 34 | **(34,813)** | (29,259) |
| Foreign exchange differences, net | | **(96,662)** | (128,440) |
| | | **8,635,466** | 5,077,459 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

| | Notes | 2023 | 2022 (restated) |
|---|---|---|---|
| (Increase)/decrease in inventories | | **(644,430)** | 2,300,597 |
| (Increase)/decrease in trade, financing and bills receivables | | **(3,513,097)** | 6,225,935 |
| (Increase)/decrease in prepayments, other receivables and other assets | | **(4,271,384)** | 868,345 |
| Decrease/(increase) in restricted cash | | **120,782** | (931,559) |
| Increase/(decrease) in trade and bills payables | | **12,990,385** | (4,407,262) |
| (Decrease)/increase in other payables and accruals | | **(1,643,407)** | 2,602,903 |
| Increase/(decrease) in provisions | | **186,108** | (661,459) |
| Decrease in termination and post-employment benefits | | **(145,587)** | (30,525) |
| Increase in government grants | | **112,072** | 12,625 |
| Increase in operating fund of finance segment | 39 | **748,946** | 379,285 |
| Cash generated from operations | | **12,575,854** | 11,436,344 |
| Interest paid | | **(21,249)** | (15,729) |
| Income tax paid | | **(1,186,250)** | (520,805) |
| **Net cash flows generated from operating activities** | | **11,368,355** | 10,899,810 |
| **Cash flows from investing activities** | | | |
| Interest received | | **207,511** | 137,785 |
| Dividends received from an associate | | **16,326** | 9,388 |
| Dividend income received from financial assets at FVPL | | **65** | 189 |
| Purchases of property, plant and equipment | | **(2,547,777)** | (1,451,336) |
| Purchase of investment properties | | **—** | (1,838) |
| Proceeds from disposal of property, plant and equipment | | **117,710** | 10,876 |
| Purchase of acquisition of right-of-use assets | | **—** | (17,140) |
| Proceeds from disposal of right-of-use assets | | **—** | 9,933 |
| Proceeds from government grants | | **5,478** | 54,926 |
| Purchase of intangible assets | | **(11,774)** | (35,954) |
| Acquisition of associates | | **—** | (581,934) |
| Capital increase in investment of an associate | | **—** | (133,333) |
| Proceeds from disposal of part of the equity in an associate | | **—** | 1,604 |
| Proceeds from disposal of subsidiaries and businesses | | **593,132** | 209,288 |
| Purchases of financial assets at FVPL | | **(16,246,052)** | (10,191,358) |
| Proceeds from disposal of financial assets at FVPL | | **10,268,806** | 8,596,043 |
| Purchase of financial assets at amortised cost | | **(73,496,802)** | (52,181,999) |
| Proceeds from disposal of financial assets at amortised cost | | **70,245,085** | 36,947,224 |
| Repayments of loan received from an associate | | **75,000** | — |
| Designated loan to an associate | | **(285,900)** | — |
| **Net cash flows used in investing activities** | | **(11,059,192)** | (18,617,636) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended 31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

| | Notes | 2023 | 2022 (restated) |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **604,972** | — |
| Repayments of borrowings | | **(195,146)** | — |
| Principal portion of lease payments | | **(6,295)** | (3,862) |
| Interests paid | | **(8,065)** | (362) |
| Capital injection from non-controlling interests | | **2,000** | 12,000 |
| Acquisition of non-controlling interests | | **(9,481)** | (39,760) |
| Dividends to the equity shareholders of the Company | | **(812,222)** | (1,555,910) |
| Dividends to the non-controlling interests of subsidiaries | | **(46,725)** | (172,706) |
| Purchase of treasury stock of a subsidiary | | **—** | (75,106) |
| **Net cash flows generated used in financing activities** | | **(470,962)** | (1,835,706) |
| **Net decrease in cash and cash equivalents** | | **(161,799)** | (9,553,532) |
| Cash and cash equivalents at beginning of year | 27 | **15,316,645** | 24,741,737 |
| Effect of foreign exchange rate changes, net | | **96,662** | 128,440 |
| **Cash and cash equivalents at end of year** | | **15,251,508** | 15,316,645 |
| **Analysis of balances of cash and cash equivalents** | | | |
| Cash and bank balances | 27 | **13,749,099** | 14,263,752 |
| Time deposits | 27 | **1,502,409** | 1,052,893 |
| **Cash and cash equivalents as stated in the consolidated statement of cash flows** | | **15,251,508** | 15,316,645 |

The notes on pages 115 to 219 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 1. CORPORATE AND GROUP INFORMATION

Sinotruk (Hong Kong) Limited (the "Company") was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation of China National Heavy Duty Truck Group Company Limited ("CNHTC"). The address of the Company's registered office is Units 2102-03, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries are hereinafter collectively referred to as the Group. The Group is principally engaged in the research, development and manufacture of heavy duty trucks, medium-heavy duty trucks, light duty trucks, etc and related key assemblies, parts and components including engines, cabins, axles, steel frames and gearboxes, and the provision of financial services.

In the opinion of the directors, the holding company of the Company is Sinotruk (BVI) Limited, which is incorporated in the British Virgin Islands. The ultimate holding company of the Company is Shandong Heavy Industry Group Co., Ltd. ("SHIG"), which is incorporated in Mainland China.

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under Section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap 622).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 2. MATERIAL ACCOUNTING POLICIES

## 2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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 requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value.

### BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of 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, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

## 2.1. BASIS OF PREPARATION (CONTINUED)

### BASIS OF CONSOLIDATION (CONTINUED)

Profit or loss and each component of other comprehensive income are attributed to the equity shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Business combinations arising from transfers of interests in entities that are under the control of the controlling party that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling investor's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid for the acquisition is recognised directly in equity.

## 2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 2.3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

| | *Effective for accounting periods beginning on or after* |
|---|---|
| Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")* | 1 January 2024 |
| Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")* | 1 January 2024 |
| Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback* | 1 January 2024 |
| Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements* | 1 January 2024 |
| Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability* | 1 January 2025 |

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 2.4.MATERIAL ACCOUNTING POLICIES

### INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS *5 Non-current Assets Held for Sale and Discontinued Operations.*

### BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Business combinations arising from transfers of interests in entities that are under the control of the controlling party that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling investor's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid for the acquisition is recognised directly in equity.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### FAIR VALUE MEASUREMENT

The Group measures its investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or paid to transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

| | |
|---|---|
| Level 1 valuations: | Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date |
| Level 2 valuations: | Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available. |
| Level 3 valuations: | Fair value measured using significant unobservable inputs |

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the statement of profit or loss in the period in which it arises.

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis or, for certain equipment, the double declining balance method to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, as follows:

| | |
|---|---|
| Buildings | 8 - 35 years |
| Machinery | 7 - 18 years |
| Furniture, fittings and equipment | 4 - 18 years |
| Motor Vehicles | 5 - 10 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents building and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

### INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### Proprietary technology

Proprietary technology recognised from development expenditures is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

#### Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

#### Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**(a) Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Leasehold land | 50 - 999 years |
| Buildings | 1 to 20 years |
| Motor vehicles | 1 to 5 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

**(b) Lease liabilities**

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

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

The Group's lease liabilities are separately disclosed in the consolidated statement of financial position.

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### LEASES (CONTINUED)

#### Group as a lessee (Continued)

**(c) Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, tools, furniture and fixtures and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of tools, furniture and fixtures and motor vehicles that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception or when there is a lease modification each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
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## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### INVESTMENTS AND OTHER FINANCIAL ASSETS

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

#### Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

#### Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments*: *Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. 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 original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in thousands of RMB unless otherwise indicated)

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

#### Impairment of financial assets (Continued)

**Simplified approach**

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

### FINANCIAL LIABILITIES

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables and accruals, and borrowings.

#### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

#### Financial liabilities at amortised cost (borrowings)

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### FINANCIAL LIABILITIES (CONTINUED)

#### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

### DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

### OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**(Expressed in thousands of RMB unless otherwise indicated)**

## 2.4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of trucks and related key assemblies parts and components for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs, discounted to their present values as appropriate.

### INCOME TAX

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences；

- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future；

- taxable temporary differences arising on the initial recognition of goodwill; and

- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

## 2.4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### INCOME TAX (CONTINUED)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

### GOVERNMENT GRANTS

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### REVENUE RECOGNITION

#### Revenue from contracts with customers

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### REVENUE RECOGNITION (CONTINUED)

#### Revenue from contracts with customers (Continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

**(a) Sale of goods**

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally, on delivery of goods.

***Dealers***

Sales are recognised when control of the products has transferred, being when the products are delivered to the dealers, the dealer has full discretion over the channel and price to sell the produces, and there is no unfulfilled obligation that could affect the dealer's acceptance of the products. Delivery of the products occurs when the products have been shipped to the specific location where are mutually agreed by both parties.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

***End use customers***

The Group also sells its products directly to end user customers. Revenue from the sales of products is recognised when the products are delivered to end user customers.

***Volume rebates***

Some contracts for the sale of goods provide customers with rebates. The rebates give rise to variable consideration. Retrospective rebates may be provided to certain customers according to the Group's business policy. Rebates are offset against amounts payable by the customer. The Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of rebates.

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### REVENUE RECOGNITION (CONTINUED)

#### Revenue from contracts with customers (Continued)

**(b) Rendering of services**

Revenue from the rendering of services is recognised in the accounting period in which the services are rendered, by reference to the acceptance of the total service by the customers, or stage of completion of the specific transaction which is assessed on the basis of the actual services provided as a proportion of the total services to be provided.

#### Revenue from other sources

Revenue from provision of financing services is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

#### Other income

Rental income is recognised on a time proportion basis over the lease terms.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

### CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### EMPLOYEE BENEFITS

#### Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

#### Termination and post-employment benefits

Termination and post-employment benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

#### Housing funds

Full-time employees of the Group in Mainland China are entitled to participate in various government-supervised housing funds. The Group contributes on a monthly basis to these funds based on the rates ranging from 5% to 12% of the basic salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

### BORROWINGS COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2.4.MATERIAL ACCOUNTING POLICIES (CONTINUED)

### FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries not established in the PRC are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal or liquidation of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**(Expressed in thousands of RMB unless otherwise indicated)**

## 3. MATERIAL ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### Provision for expected credit losses on trade and financing receivables

The Group uses a provision matrix to calculate ECLs for trade and financing receivables.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and financing receivables is disclosed in note 22 to the consolidated financial statements.

#### Provision for inventories

A write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgements and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed. The Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realisable value and makes reserves for slow-moving items and obsolescence by using the lower of cost and net realisable value rule. The Group re-estimates the allowance to reduce the valuation of inventories to net realisable value item by item at the end of each reporting period. At 31 December 2023, the amount of write-down of inventories was RMB693,292,000 (2022 (restated): RMB595,500,000).

#### Estimation of fair value of investment properties

The fair value of investment properties is determined by using valuation techniques.

The carrying amount of investment properties at 31 December 2023 was RMB1,060,721,000 (2022 (restated): RMB840,134,000). Details of the judgement and assumptions have been disclosed in note 16 to the consolidated financial statements.

# 3. MATERIAL ACCOUNTING ESTIMATES (CONTINUED)

## ESTIMATION UNCERTAINTY (CONTINUED)

### Termination and post-employment benefit obligations

The Group has recognised the early retirement plan and the supplementary pension insurance plans and other comprehensive retirement benefit plans. The estimated amounts of such benefit expenses and liabilities are calculated on the basis of various assumption conditions, including discount rate, growth rate of related benefits and others. The difference between the actual results and actuarial assumption may affect the accuracy of accounting estimations. The changes in the above assumptions will affect the amount of liabilities for early retirement and supplementary pension benefits and other comprehensive benefit plan liabilities, even though management considers that the assumptions are reasonable. At 31 December 2023, termination and post-employment benefit obligations amounted to RMB593,405,000 (2022 (restated): RMB727,303,000). Further details are included in note 33 to the consolidated financial statements.

### Product warranty provisions

The Group generally offers warranties with periods of 6 months to 96 months for its trucks, buses and engines. The assessment of the provision amount involves management's judgements and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying amount of the product warranty provisions and the provision amount charged/reversed in the period in which such estimate has been changed. At 31 December 2023, the provision for product warranties amounted to RMB1,637,850,000 (2022 (restated): RMB1,466,673,000) Further details are included in note 31 to the consolidated financial statements.

### Useful lives of items of property, plant and equipment

The Group's management determines the estimated useful lives for its property, plant and equipment. The estimation is based on the historical experience of the actual useful lives. Management will revise the depreciation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

### Limitations on the estimation of variable consideration

In estimating variable consideration, the Group considers all such information as shall be reasonably obtained, including historical data, current data and projected data, thereby estimating the amount of possible consideration and the probability to the extent of such quantities as shall be reasonable. If it is estimated that multiple outcomes are possible for the contracts, the Group estimates the amount of variable consideration based on the expected value approach. If it is estimated that only two outcomes are possible, the variable consideration is arrived at using the most likely outcome method. Variable consideration is included in the transaction price to the extent it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognized when the uncertainty is resolved. In assessing whether it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognized when the uncertainty relevant to the variable consideration is resolved, the Group also considers the possibility of reversal of income and the ratio of reversed amount. On each balance sheet date, the Group re-assesses the amount of variable consideration, including re-assessing whether the estimation of variable consideration is limited, to reflect the circumstance as at the end of the reporting period as well as changes during the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 4. OPERATING SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Heavy duty trucks – Manufacture and sale of heavy duty trucks, medium-heavy duty trucks and related components;

(ii) Light duty trucks and others – Manufacture and sale of light duty trucks, buses, etc. and related components;

(iii) Engines – Manufacture and sale of engines, gearboxes and related parts; and

(iv) Finance – Provision of deposit taking, borrowings, bills discounting, issue of bills and entrustment loans to the members of the Group and members of CNHTC and its subsidiaries excluding the Group ("CNHTC Group") as well as the provision of auto and supply chain financing services to the public.

### (a) SEGMENT RESULTS, ASSETS AND LIABILITIES

For the purposes of assessing segment performance and allocating resources among segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of prepaid income tax, deferred tax assets and other corporate assets. Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include borrowings and other liabilities that are incurred for financing rather than operating purposes unless the segment is engaged in financing activities. Segment liabilities exclude deferred tax liabilities, income tax payable and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 4. OPERATING SEGMENT INFORMATION (CONTINUED)

### (b) RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES

The segment results for the year ended 31 December 2023 are as follows:

| | Heavy duty trucks | Light duty trucks and others | Engines | Finance | Elimination | Total |
|---|---|---|---|---|---|---|
| **External revenue** | | | | | | |
| Sales of goods | 74,255,696 | 8,809,918 | 587,679 | — | — | 83,653,293 |
| Rendering of services | 575,242 | 17,757 | 31,953 | — | — | 624,952 |
| Provision of financing services | — | — | — | 1,219,790 | — | 1,219,790 |
| **Total external revenue** | 74,830,938 | 8,827,675 | 619,632 | 1,219,790 | — | 85,498,035 |
| Inter-segment revenue | 457,168 | 1,485,979 | 13,934,607 | 167,644 | (16,045,398) | — |
| **Total segment revenue** | 75,288,106 | 10,313,654 | 14,554,239 | 1,387,434 | (16,045,398) | 85,498,035 |
| Operating profit/(loss) before unallocated expenses | 4,351,977 | (623,466) | 2,070,110 | 771,212 | (60,391) | 6,509,442 |
| Unallocated expenses | | | | | | (22,341) |
| **Operating profit** | | | | | | 6,487,101 |
| Finance income, net | | | | | | 284,461 |
| Share of profits and losses of associates | | | | | | 111,119 |
| **Profit before tax** | | | | | | 6,882,681 |
| Income tax expense | | | | | | (1,055,830) |
| **Profit for the year** | | | | | | 5,826,851 |

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## 4. OPERATING SEGMENT INFORMATION (CONTINUED)

### (b) RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES (CONTINUED)

The segment results for the year ended 31 December 2022 are as follows:

| | (restated) | | | | | |
|---|---|---|---|---|---|---|
| | Heavy duty trucks | Light duty trucks and others | Engines | Finance | Elimination | Total |
| **External revenue** | | | | | | |
| Sales of goods | 49,277,493 | 7,569,819 | 721,540 | — | — | 57,568,852 |
| Rendering of services | 502,330 | 20,534 | 32,171 | — | — | 555,035 |
| Provision of financing services | — | — | — | 1,281,412 | — | 1,281,412 |
| **Total external revenue** | 49,779,823 | 7,590,353 | 753,711 | 1,281,412 | — | 59,405,299 |
| Inter-segment revenue | 519,758 | 951,317 | 10,670,633 | 433,438 | (12,575,146) | — |
| **Total segment revenue** | 50,299,581 | 8,541,670 | 11,424,344 | 1,714,850 | (12,575,146) | 59,405,299 |
| Operating profit/(loss) before unallocated expenses | 2,598,875 | (672,708) | 59,372 | 685,304 | 151,817 | 2,822,660 |
| Unallocated expenses | | | | | | (35,317) |
| **Operating profit** | | | | | | 2,787,343 |
| Finance income, net | | | | | | 130,850 |
| Share of profits and losses of associates | | | | | | (23,066) |
| **Profit before tax** | | | | | | 2,895,127 |
| Income tax expense | | | | | | (957,565) |
| **Profit for the year** | | | | | | 1,937,562 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 4. OPERATING SEGMENT INFORMATION (CONTINUED)

Other segment items included in profit or loss for the year ended 31 December 2023 are as follows:

| | Heavy duty trucks | Light duty trucks and others | Engines | Finance | Unallocated | Total |
|---|---|---|---|---|---|---|
| Depreciation of property, plant and equipment | **593,791** | **235,232** | **577,073** | **2,123** | **10** | **1,408,229** |
| Depreciation of right-of-use assets | **58,048** | **16,525** | **24,162** | **—** | **—** | **98,735** |
| Amortisation of intangible assets | **23,080** | **12,094** | **28,910** | **1,445** | **—** | **65,529** |

Other segment items included in profit or loss for the year ended 31 December 2022 are as follows:

| | (restated) | | | | | |
|---|---|---|---|---|---|---|
| | Heavy duty trucks | Light duty trucks and others | Engines | Finance | Unallocated | Total |
| Depreciation of property, plant and equipment | 501,885 | 220,119 | 628,592 | 1,629 | 9 | 1,352,234 |
| Depreciation of right-of-use assets | 33,597 | 21,730 | 8,983 | 2 | — | 64,312 |
| Amortisation of intangible assets | 24,850 | 13,529 | 33,862 | 812 | — | 73,053 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in thousands of RMB unless otherwise indicated)

## 4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 31 December 2023 and addition to non-current assets of the segments for the year then ended are as follows:

| | Heavy duty trucks | Light duty trucks and others | Engines | Finance | Unallocated | Total |
|---|---|---|---|---|---|---|
| **Segment assets** | 76,102,819 | 13,999,854 | 27,372,875 | 56,055,447 | 2,352,407 | 175,883,402 |
| Elimination | | | | | | (54,097,914) |
| **Total assets** | | | | | | 121,785,488 |
| **Segment liabilities** | 48,231,935 | 14,206,563 | 10,268,600 | 45,991,510 | 325,763 | 119,024,371 |
| Elimination | | | | | | (45,199,414) |
| **Total liabilities** | | | | | | 73,824,957 |
| **Addition to non-current assets** | 840,597 | 962,147 | 909,167 | 2,828 | — | 2,714,739 |

A reconciliation for entity assets and liabilities is as follows:

| | Assets | Liabilities |
|---|---|---|
| **Segment assets/liabilities after elimination** | 119,433,081 | 73,499,194 |
| Unallocated: | | |
| Deferred tax assets/liabilities | 2,158,585 | 98,900 |
| Prepaid income tax/tax payable | 112,409 | 216,189 |
| Other assets/liabilities | 81,413 | 10,674 |
| | 2,352,407 | 325,763 |
| **Total** | 121,785,488 | 73,824,957 |

(Expressed in thousands of RMB unless otherwise indicated)

## 4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 31 December 2022 and addition to non-current assets of the segments for the year then ended are as follows:

| | (restated) | | | | | |
|---|---|---|---|---|---|---|
| | Heavy duty trucks | Light duty trucks and others | Engines | Finance | Unallocated | Total |
| **Segment assets** | 67,236,440 | 10,059,783 | 23,435,479 | 50,320,322 | 2,506,134 | 153,558,158 |
| Elimination | | | | | | (47,915,884) |
| **Total assets** | | | | | | 105,642,274 |
| **Segment liabilities** | 42,451,429 | 10,558,759 | 10,225,358 | 40,263,559 | 599,584 | 104,098,689 |
| Elimination | | | | | | (41,488,401) |
| **Total liabilities** | | | | | | 62,610,288 |
| **Addition to non-current assets** | 1,878,616 | 346,720 | 1,217,404 | 7,356 | 12 | 3,450,108 |

A reconciliation for entity assets and liabilities is as follows:

| | (restated) | |
|---|---|---|
| | Assets | Liabilities |
| **Segment assets/liabilities after elimination** | 103,136,140 | 62,010,704 |
| Unallocated: | | |
| Deferred tax assets/liabilities | 2,302,340 | 109,755 |
| Prepaid income tax/tax payable | 155,357 | 480,291 |
| Other assets/liabilities | 48,437 | 9,538 |
| | 2,506,134 | 599,584 |
| **Total** | 105,642,274 | 62,610,288 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 4. OPERATING SEGMENT INFORMATION (CONTINUED)

### GEOGRAPHICAL INFORMATION

#### (a) Revenue from external customers

| | 2023 | 2022 (restated) |
|---|---|---|
| Mainland China | **54,669,888** | 38,243,826 |
| Overseas | **30,828,147** | 21,161,473 |
| | **85,498,035** | 59,405,299 |

The revenue information above is based on the locations of the customers.

#### (b) Non-current assets

| | 2023 | 2022 (restated) |
|---|---|---|
| Mainland China | **31,510,303** | 22,412,197 |
| Overseas | **1,049,833** | 976,864 |
| | **32,560,136** | 23,389,061 |

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

(Expressed in thousands of RMB unless otherwise indicated)

## 4. OPERATING SEGMENT INFORMATION (CONTINUED)

### GEOGRAPHICAL INFORMATION (CONTINUED)

#### (c) Contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

| | 2023 | 2022 (restated) |
|---|---|---|
| Heavy duty trucks | 4,662,850 | 4,599,149 |
| Light duty trucks and others | 550,788 | 432,789 |
| Engines | 17,754 | — |
| Finance | 428 | 31,071 |
| | 5,231,820 | 5,063,009 |

### Information about major customers

During the years ended 31 December 2023 and 2022, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 5. REVENUE

An analysis of revenue is as follows:

| | 2023 | 2022 (restated) |
|---|---|---|
| *Revenue from contracts with customers* | **84,278,245** | 58,123,887 |
| *Revenue from other sources* | | |
| Provision of financing services | **1,219,790** | 1,281,412 |
| | **85,498,035** | 59,405,299 |

### REVENUE FROM CONTRACTS WITH CUSTOMERS

#### (a) Disaggregated revenue information

| | 2022 | 2021 (restated) |
|---|---|---|
| **Types of goods or services** | | |
| Sale of goods | **83,653,293** | 57,568,852 |
| Rendering of services | **624,952** | 555,035 |
| Total revenue from contracts with customers | **84,278,245** | 58,123,887 |
| **Geographical markets** | | |
| Mainland China | **53,450,098** | 36,962,414 |
| Overseas | **30,828,147** | 21,161,473 |
| Total revenue from contracts with customers | **84,278,245** | 58,123,887 |
| **Timing of revenue recognition** | | |
| Transferred at a point in time | **83,315,271** | 56,799,827 |
| Transferred over time | **962,974** | 1,324,060 |
| Total revenue from contracts with customers | **84,278,245** | 58,123,887 |

## 5. REVENUE (CONTINUED)

### REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

#### (a) Disaggregated revenue information (Continued)

The following table shows the amounts of the contract liabilities at the beginning of the reporting period were recognised as revenue in the current reporting period :

| | 2023 | 2022 (restated) |
|---|---|---|
| **Contract liabilities at the beginning of the reporting period recognised as revenue:** | | |
| Sale of goods | **4,768,663** | 4,415,029 |
| Rendering of services | **294,346** | 492,865 |
| | **5,063,009** | 4,907,894 |

#### (b) Performance obligations

Information about the Group's performance obligations is summarised below:

**Sale of goods**

The performance obligation is satisfied upon delivery of goods. Payment in advance is normally required, except for some customers with good credit, where payment is generally due from 3 to 12 months from delivery. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

**Rendering of services**

Revenue from the rendering of services is recognised in the accounting period in which the services are rendered, by reference to the acceptance of the total services by the customers, or stage of completion of the specific transaction which is assessed on the basis of the actual services provided as a proportion of the total services to be provided.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 6. OTHER INCOME AND GAINS

| | 2023 | 2022 (restated) |
|---|---|---|
| Income on disposal of scraps | 186,167 | 114,995 |
| Foreign exchange differences, net | 164,507 | 496,543 |
| Gain on disposal of financial assets at FVPL | 137,749 | 99,611 |
| Penalties income | 112,811 | 28,287 |
| Government grants | 105,489 | 138,101 |
| Rental income from leases | 61,846 | 46,570 |
| Others | 33,788 | 54,822 |
| Gains on disposal of items of property, plant and equipment | 14,529 | — |
| Dividend income from financial assets at FVPL | 65 | 189 |
| Gain on disposal of subsidiaries and businesses | — | 311,379 |
| Gain on disposal of right-of-use assets | — | 4,413 |
| | 816,951 | 1,294,910 |

(Expressed in thousands of RMB unless otherwise indicated)

## 7. PROFIT BEFORE TAX

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

| | Notes | 2023 | 2022 (restated) |
|---|---|---|---|
| Cost of inventories sold | | **64,507,415** | 41,613,858 |
| Warranty expenses | | **757,682** | 178,687 |
| Depreciation and amortisation | | | |
| Depreciation of property, plant and equipment | 15 | **1,408,229** | 1,352,234 |
| Depreciation of right-of-use assets | 17(a) | **98,735** | 64,312 |
| Amortisation of intangible assets | 18 | **65,529** | 73,053 |
| Research and development costs* | | **2,450,110** | 2,521,832 |
| Auditor's remuneration: | | | |
| Financial audit services | | **6,233** | 6,289 |
| Internal control audit services | | **377** | 468 |
| Taxation professional services | | **80** | 83 |
| Environmental, social and government report services | | **—** | 159 |
| Employee benefit expense (including directors' and chief executive's remuneration (note 9)): | | | |
| Wages, salaries, allowances, social security and benefits | | **4,194,053** | 3,708,213 |
| Defined contribution pension schemes** | | **524,909** | 574,983 |
| Termination benefits | 33(a) | **65,572** | 147,676 |
| Post-employment benefits | 33(b) | **(31,774)** | 22,616 |
| Housing benefits | | **381,620** | 426,604 |
| Other staff benefits | | **356,627** | 421,837 |
| Lease payments not included in the measurement of lease liabilities | 17(c) | **41,414** | 54,508 |
| (Gains)/losses on disposal of property, plant and equipment | | **(14,529)** | 1,706 |
| Fair value changes on financial assets at FVPL | | **(33,958)** | (174,156) |
| Impairment loss/(reversal of impairment) | | | |
| Impairment of trade receivables | 22(a) | **4,221** | 223,583 |
| (Reversal of impairment)/impairment of financing receivables | 22(b) | **(99,573)** | 63,193 |
| Reversal of impairment loss of bills receivable | 22(c) | **(6,720)** | (6,168) |
| Impairment of other long-term deferred expenses | 23 | **150,041** | — |
| (Reversal of impairment)/impairment of financial assets included in prepayments, other receivables and other assets | 23 | **(69,666)** | 133,313 |
| Impairment of property, plant and equipment | 15 | **7,632** | 1,365 |
| Impairment of intangible assets | 18 | **30,134** | — |
| (Reversal of allowance)/allowance for expected credit losses from the off-balance sheet credit business | 31 | **(4,582)** | 4,727 |
| Impairment of investment in an associate | | **6,405** | 124,532 |
| Foreign exchange differences, net*** | | **(164,507)** | (496,543) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 7. PROFIT BEFORE TAX (CONTINUED)

* The research and development costs of RMB2,450,100,000 (2022(restated): RMB2,521,832,000) are included in "Administrative expenses" in the consolidated statement of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

*** Foreign exchange differences, net are included in "Other income and gains", "Other expenses" in the consolidated statement of profit or loss.

## 8. FINANCE INCOME

An analysis of finance income is as follows:

| | 2023 | 2022 (restated) |
|---|---|---|
| Finance costs: | | |
| – Borrowings | **(29,195)** | (9,230) |
| – Interest on lease liabilities (note 17 (b)) | **(218)** | (362) |
| | **(29,413)** | (9,592) |
| Finance income: | | |
| – Interest income from bank deposits | **313,874** | 140,442 |
| Finance income, net | **284,461** | 130,850 |

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2023 | 2022 (restated) |
|---|---|---|
| Fees | **1,520** | 1,480 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **13,867** | 13,647 |
| Defined contribution pension schemes | **248** | 193 |
| | **15,635** | 15,320 |

Except for directors' fees, there were no other emoluments payable to the independent non-executive directors during the year (2022: nil).

(Expressed in thousands of RMB unless otherwise indicated)

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

The names of the directors and chief executive and their remuneration during the year are as follows:

| 2023 | Notes | Fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Employer's contribution to retirement benefit schemes | Total |
|---|---|---|---|---|---|---|
| Executive directors: | | | | | | |
| Mr. Wang Zhijian | (i) | — | 1,634 | — | 21 | 1,655 |
| Mr. Wang Chen | (ii) | — | 2,004 | — | 41 | 2,045 |
| Mr. Liu Wei | | — | 3,349 | — | 41 | 3,390 |
| Mr. Zhang Wei | (iii) | — | 2,733 | — | 63 | 2,796 |
| Ms. Li Xia | | — | 1,968 | — | 41 | 2,009 |
| Ms. Zhao Hong | (iv) | — | 1,622 | — | 41 | 1,663 |
| Mr. Richard von Braunschweig | | — | 557 | — | — | 557 |
| Non-executive directors: | | | | | | |
| Mr. Sun Shaojun | (v) | — | — | — | — | — |
| Mr. Alexander Albertus Gerhardus Vlaskamp | (vi) | — | — | — | — | — |
| Mr. Karsten Oellers | | 190 | — | — | — | 190 |
| Mr. Mats Lennart Harborn | | 190 | — | — | — | 190 |
| Independent non-executive directors: | | | | | | |
| Dr. Wang Dengfeng | | 190 | — | — | — | 190 |
| Mr. Zhao Hang | | 190 | — | — | — | 190 |
| Mr. Liang Qing | | 190 | — | — | — | 190 |
| Mr. Lyu Shousheng | | 190 | — | — | — | 190 |
| Mr. Zhang Zhong | | 190 | — | — | — | 190 |
| Former director: | | | | | | |
| Dr. Lin Zhijun | (vii) | 190 | — | — | — | 190 |
| Total | | 1,520 | 13,867 | — | 248 | 15,635 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

| | | (restated) | | | | |
|---|---|---|---|---|---|---|
| 2022 | Notes | Fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Employer's contribution to retirement benefit schemes | Total |
| Executive directors: | | | | | | |
| Mr. Wang Zhijian | (i) | — | 105 | — | 3 | 108 |
| Mr. Wang Chen | (ii) | — | 250 | — | 6 | 256 |
| Mr. Liu Wei | | — | 3,238 | — | 39 | 3,277 |
| Mr. Zhang Wei | (iii) | — | 862 | — | 5 | 867 |
| Ms. Li Xia | | — | 2,384 | — | 39 | 2,423 |
| Ms. Zhao Hong | (iv) | — | 515 | — | 3 | 518 |
| Mr. Richard von Braunschweig | | — | 557 | — | — | 557 |
| Non-executive directors: | | | | | | |
| Mr. Sun Shaojun | (v) | — | — | — | — | — |
| Mr. Alexander Albertus Gerhardus Vlaskamp | (vi) | — | — | — | — | — |
| Mr. Karsten Oellers | | 180 | — | — | — | 180 |
| Mr. Mats Lennart Harborn | | 180 | — | — | — | 180 |
| Independent non-executive directors: | | | | | | |
| Dr. Wang Dengfeng | | 180 | — | — | — | 180 |
| Mr. Zhao Hang | | 180 | — | — | — | 180 |
| Mr. Liang Qing | | 180 | — | — | — | 180 |
| Mr. Lyu Shousheng | | 180 | — | — | — | 180 |
| Mr. Zhang Zhong | | 180 | — | — | — | 180 |
| Former directors: | | | | | | |
| Mr. Cai Dong | (viii) | — | 2,458 | — | 36 | 2,494 |
| Mr. Liu Zhengtao | (ix) | — | 1,482 | — | 36 | 1,518 |
| Mr. Dai Lixin | (x) | — | 1,154 | — | 20 | 1,174 |
| Mr. Li Shaohua | (xi) | — | 642 | — | 6 | 648 |
| Mr. Jiang Kui | (xii) | — | — | — | — | — |
| Dr. h.c. Andreas Tostmann | (xiii) | 40 | — | — | — | 40 |
| Dr. Lin Zhijun | (vii) | 180 | — | — | — | 180 |
| Total | | 1,480 | 13,647 | — | 193 | 15,320 |

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

Notes:

(i) Mr. Wang Zhijian was appointed as an executive director on 5 December 2022.

(ii) Mr. Wang Chen was appointed as an executive director on 29 June 2022.

(iii) Mr. Zhang Wei was appointed as an executive director on 5 December 2022.

(iv) Ms. Zhao Hong was appointed as an executive director on 5 December 2022.

(v) Mr. Sun Shaojun was appointed as an executive director on 4 March 2022, and was re-designated from an executive director to a non-executive Director on 5 December 2022. He waived all his emoluments during his tenure.

(vi) Mr. Alexander Albertus Gerhardus Vlaskamp was appointed as a non-executive director on 21 March 2022. He waived all his emoluments during his tenure.

(vii) Dr. Lin Zhijun resigned as an independent non-executive director with effect from 12 March 2024.

(viii) Mr. Cai Dong resigned as an executive director with effect from 5 December 2022.

(ix) Mr. Liu Zhengtao resigned as an executive director with effect from 5 December 2022.

(x) Mr. Dai Lixin resigned as an executive director with effect from 29 June 2022.

(xi) Mr. Li Shaohua resigned as an executive director with effect from 4 March 2022.

(xii) Mr. Jiang Kui resigned as a non-executive director with effect from 5 December 2022. He waived all his emoluments during his tenure.

(xiii) Dr. h.c. Andreas Tostmann resigned as a non-executive director with effect from 21 March 2022.

(xiv) There was no amount paid or payable by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office for the year 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included five directors (2022: five directors), details of whose remuneration are set out in note 9 above.

There was no amount paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year 2023.

## 11. INCOME TAX

The Company and Sinotruk (Hong Kong) International Investment Limited are subject to Hong Kong profits tax at the rate of 16.5% (2022: 16.5%) on their estimated assessable profits during the period. The Company is also determined as a Chinese-resident enterprise and, is subject to corporate income tax at a rate of 25% (2022: 25%) according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"). Sinotruk (Hong Kong) Capital Holding Limited is a qualifying entity under the two-tiered profits tax rates regime in Hong Kong. Its first HK$2 million assessable profits is taxed at a rate of 8.25% and the remaining at 16.5% (2022: first HK$2 million assessable profits taxed at a rate of 8.25% and the rest at 16.5%).

Sinotruk Ji'nan Power Co., Ltd., Sinotruk Hangzhou Engines Co., Ltd. and Sinotruk Datong Gear Co., Ltd. have been recognised as the High New Tech Enterprises in 2020 and have been applied the renewal of its High New Tech Certificate in 2023. Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as High New Tech Enterprise in 2022. These companies are entitled to a reduced corporate income tax rate of 15% (2022:15%) according to the tax incentives of the CIT Law for the High New Tech Enterprises.

Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., Sinotruk (Chongqing) Light Vehicle Co., Ltd. and Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd. are subject to corporate income tax at a rate of 15% (2022:15%) according to the Western Development tax incentives of the CIT Law.

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax at a rate of 20% (2022: 20%) according to the Tax Code of the Russian Federation.

Sinotruk South Africa (Pty) Ltd. is subject to corporate income tax at a rate of 28% (2022: 28%) according to the South Africa tax law.

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax at a rate of 20% (2022: 20%) according to the Kazakhstan tax law.

Sinotruk (Kenya) Limited is subject to a corporate income tax at a rate of 30% (2022: 30%) according to the Kenya tax law.

The remaining subsidiaries in the PRC are subject to corporate income tax at a rate of 25% (2022: 25%) according to the CIT Law.

(Expressed in thousands of RMB unless otherwise indicated)

## 11. INCOME TAX (CONTINUED)

| | 2023 | 2022 (restated) |
|---|---|---|
| Current tax: | | |
| – Hong Kong | | |
| Charge for the year | — | 112 |
| – Mainland China | | |
| Charge for the year | **970,848** | 1,069,349 |
| Overprovision in prior years | **(49,020)** | (40,527) |
| | **921,828** | 1,028,934 |
| – Other countries | **320** | 1,486 |
| Total current tax | **922,148** | 1,030,420 |
| Deferred tax (note 32) | **133,682** | (72,855) |
| Total tax charge | **1,055,830** | 957,565 |

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

| | 2023 | 2022 (restated) |
|---|---|---|
| Profit before tax | **6,882,681** | 2,895,127 |
| Tax at the statutory tax rate | **1,706,576** | 713,799 |
| Lower tax rates enacted by local authorities | **(52,406)** | (11,585) |
| Additional deduction for research and development expenditure | **(551,255)** | (374,117) |
| Adjustments in respect of current tax of previous periods | **(49,020)** | (40,527) |
| Income not subject to tax | **(20,787)** | (2,564) |
| Expenses not deductible for tax | **25,043** | 15,226 |
| Utilisation of unrecognised tax losses from previous periods | **(248,604)** | (83,472) |
| Tax losses and deductible temporary differences not recognised | **246,283** | 740,805 |
| Tax charge | **1,055,830** | 957,565 |

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## 12. OTHER COMPREHENSIVE INCOME

### (a) TAX EFFECTS RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME

| | 2023 | | | (restated) 2022 | | |
|---|---|---|---|---|---|---|
| | Before-tax amount | Tax benefit/ (expense) | Net-of-tax amount | Before-tax amount | Tax benefit | Net-of-tax amount |
| **Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:** | | | | | | |
| Changes in fair value of financial assets at FVOCI | **(21,623)** | **6,226** | **(15,397)** | (18,437) | 3,330 | (15,107) |
| Exchange differences on translation of foreign operations | **(2,884)** | **—** | **(2,884)** | 845 | — | 845 |
| Share of other comprehensive income of associates | **563** | **—** | **563** | 2,337 | — | 2,337 |
| | **(23,944)** | **6,226** | **(17,718)** | (15,255) | 3,330 | (11,925) |
| **Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:** | | | | | | |
| Remeasurements of termination and post-employment benefit obligations | **(30,493)** | **—** | **(30,493)** | 5,157 | — | 5,157 |
| Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties | **21,777** | **(5,444)** | **16,333** | — | — | — |
| | **(8,716)** | **(5,444)** | **(14,160)** | 5,157 | — | 5,157 |
| Other comprehensive income | **(32,660)** | **782** | **(31,878)** | (10,098) | 3,330 | (6,768) |

## 13. DIVIDENDS

At a meeting held on 25 March 2024, the Board proposed a final dividend in respect of the year ended 31 December 2023 of either HK$1.063 or RMB0.965 (2022: HK$0.33 or RMB0.29) per ordinary share, representing a total dividend of approximately HK$2,934,936,000 (2022: approximately HK$911,128,000) or approximately RMB2,664,359,000 (2022: approximately RMB800,688,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Dividends payable to equity shareholders of the Company attributable to the previous financial year of RMB812,222,000 were approved and paid during the year.

During the year ended 31 December 2023, certain non-wholly-owned subsidiaries of the Company have approved the dividends to non-controlling interests amounting to approximately RMB46,725,000 (2022 (restated): approximately RMB172,706,000).

(Expressed in thousands of RMB unless otherwise indicated)

## 14. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,760,993,339 (2022: 2,760,993,339) in issue during the year.

There are no dilutive potential ordinary shares during the year ended 31 December 2023 (2022: nil).

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Machinery | Furniture, fittings and equipment | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2023** | | | | | | |
| At 1 January 2023: | | | | | | |
| Cost | 10,182,533 | 16,077,240 | 630,188 | 408,408 | 3,700,816 | 30,999,185 |
| Accumulated depreciation and impairment | (2,958,644) | (11,914,729) | (390,383) | (213,471) | (17,797) | (15,495,024) |
| Net carrying amount | 7,223,889 | 4,162,511 | 239,805 | 194,937 | 3,683,019 | 15,504,161 |
| At 1 January 2023, net of accumulated depreciation and impairment | 7,223,889 | 4,162,511 | 239,805 | 194,937 | 3,683,019 | 15,504,161 |
| Additions | 34,455 | 62,123 | 18,468 | 35,489 | 2,130,500 | 2,281,035 |
| Transfers | 1,388,121 | 1,945,981 | 67,356 | 227,524 | (3,628,982) | — |
| Transfer to investment properties (note 16) | (195,972) | — | — | — | — | (195,972) |
| Transfer to right-of-use assets (note 17(a)) | — | — | — | — | (63,707) | (63,707) |
| Transfer to intangible assets (note 18) | — | — | — | — | (3,595) | (3,595) |
| Transfer to long-term deferred expenses | — | — | — | — | (68,038) | (68,038) |
| Revaluation gains recognised in other comprehensive income | 21,777 | — | — | — | — | 21,777 |
| Disposals | (48,410) | (149,501) | (3,626) | (35,232) | — | (236,769) |
| Depreciation (note 7) | (345,697) | (945,099) | (86,269) | (31,164) | — | (1,408,229) |
| Impairment (note 7) | (7,632) | — | — | — | — | (7,632) |
| At 31 December 2023, net of accumulated depreciation and impairment | 8,070,531 | 5,076,015 | 235,734 | 391,554 | 2,049,197 | 15,823,031 |
| At 31 December 2023: | | | | | | |
| Cost | 11,346,217 | 17,815,267 | 700,725 | 631,120 | 2,063,540 | 32,556,869 |
| Accumulated depreciation and impairment | (3,275,686) | (12,739,252) | (464,991) | (239,566) | (14,343) | (16,733,838) |
| Net carrying amount | 8,070,531 | 5,076,015 | 235,734 | 391,554 | 2,049,197 | 15,823,031 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | (restated) | | | | | |
|---|---|---|---|---|---|---|
| | **Buildings** | **Machinery** | **Furniture, fittings and equipment** | **Motor vehicles** | **Construction in progress** | **Total** |
| **For the year ended 31 December 2022** | | | | | | |
| At 1 January 2022: | | | | | | |
| Cost | 9,781,417 | 15,740,142 | 554,794 | 403,610 | 2,644,917 | 29,124,880 |
| Accumulated depreciation and impairment | (2,773,111) | (11,483,792) | (356,298) | (198,201) | (89,278) | (14,900,680) |
| Net carrying amount | 7,008,306 | 4,256,350 | 198,496 | 205,409 | 2,555,639 | 14,224,200 |
| At 1 January 2022, net of accumulated depreciation and impairment | 7,008,306 | 4,256,350 | 198,496 | 205,409 | 2,555,639 | 14,224,200 |
| Additions | 101,321 | 2,310 | 47,122 | 11,754 | 3,231,389 | 3,393,896 |
| Transfers | 849,172 | 1,060,743 | 69,107 | 17,415 | (1,996,437) | — |
| Transfer from investment properties (note 16) | 4,403 | — | — | — | — | 4,403 |
| Transfer to investment properties (note 16) | (103,322) | — | — | — | — | (103,322) |
| Transfer to other assets | — | — | — | — | (21,362) | (21,362) |
| Disposal of subsidiaries and businesses | (326,868) | (182,989) | (2,163) | (6,378) | (47,954) | (566,352) |
| Disposals | — | (32,948) | (1,815) | (684) | (38,256) | (73,703) |
| Depreciation (note 7) | (308,177) | (940,536) | (70,942) | (32,579) | — | (1,352,234) |
| Impairment (note 7) | (946) | (419) | — | — | — | (1,365) |
| At 31 December 2022, net of accumulated depreciation and impairment | 7,223,889 | 4,162,511 | 239,805 | 194,937 | 3,683,019 | 15,504,161 |
| At 31 December 2022: | | | | | | |
| Cost | 10,182,533 | 16,077,240 | 630,188 | 408,408 | 3,700,816 | 30,999,185 |
| Accumulated depreciation and impairment | (2,958,644) | (11,914,729) | (390,383) | (213,471) | (17,797) | (15,495,024) |
| Net carrying amount | 7,223,889 | 4,162,511 | 239,805 | 194,937 | 3,683,019 | 15,504,161 |

(Expressed in thousands of RMB unless otherwise indicated)

## 15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2023, the Group's aggregate carrying value of the buildings without ownership certificates was approximately RMB2,106,516,000 (2022 (restated): approximately RMB2,266,907,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and/or use the buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

## 16. INVESTMENT PROPERTIES

| | 2023 | 2022 (restated) |
|---|---|---|
| Carrying amount at 1 January | **840,134** | 753,520 |
| Addition | **—** | 5,015 |
| Transfer from property, plant and equipment (note 15) | **195,972** | 103,322 |
| Transfer to property, plant and equipment (note 15) | **—** | (4,403) |
| Transfer from right-of-use assets (note 17(a)) | **24,729** | 8,531 |
| Revaluation losses recognised in other income and gains | **(114)** | (25,851) |
| Carrying amount at 31 December | **1,060,721** | 840,134 |

Investment properties are located in Hong Kong, Shandong province, Zhejiang province, Jiangsu province, Sichuan province, Shanxi province and Guangxi province of the PRC and were revalued as at 31 December 2023 on an open market value. Investment properties in Hong Kong are held on leases over 50 years. Investment properties in Mainland China are held on leases between 35 and 50 years.

An independent valuation of the Group's investment properties was performed by the surveyors, PRUDENTIAL Property Surveyors (Hong Kong) Limited and Shandong Zhongping Hengxin Assets Appraisal Co., Ltd., to determine the fair value of the investment properties as at 31 December 2023 (2022: PRUDENTIAL Property Surveyors (Hong Kong) Limited and Shandong Zhongping Hengxin Assets Appraisal Co., Ltd.). The revaluation gains or losses are included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss.

As at 31 December 2023, the Group's aggregate carrying value of the buildings without ownership certificates was approximately RMB35,354,000 (2022 (restated): approximately RMB23,074,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and/or use the buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in thousands of RMB unless otherwise indicated)

## 16. INVESTMENT PROPERTIES (CONTINUED)

### FAIR VALUE HIERARCHY

The Group's policy is to recognise transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstance that caused the transfers. There were no transfers among levels 1, 2 and 3 during the year (2022: nil).

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

| | Fair value measurement as at 31 December 2023 using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| Recurring fair value measurement for: | | | | |
| – Warehouses | — | — | 189,607 | 189,607 |
| – Factories | — | — | 521,657 | 521,657 |
| – Office units | — | 286,883 | 22,882 | 309,765 |
| – Residential properties | — | 39,692 | — | 39,692 |
| | — | 326,575 | 734,146 | 1,060,721 |

| | (restated) Fair value measurement as at 31 December 2022 using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| Recurring fair value measurement for: | | | | |
| – Warehouses | — | — | 167,583 | 167,583 |
| – Factories | — | — | 309,193 | 309,193 |
| – Office units | — | 295,895 | 25,263 | 321,158 |
| – Residential properties | — | 42,200 | — | 42,200 |
| | — | 338,095 | 502,039 | 840,134 |

Level 2 fair values of the investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation is the selling price per square foot or per square metre.

(Expressed in thousands of RMB unless otherwise indicated)

## 16. INVESTMENT PROPERTIES (CONTINUED)

### FAIR VALUE HIERARCHY (CONTINUED)

Level 3 fair values of the investment properties are based on the income capitalisation approach (term and reversionary method), direct comparison method or replacement cost approach. The income capitalisation approach largely used unobservable inputs (rental value and capitalisation rate) and took into account the significant adjustment on term yield to account for the risk upon the reversionary and estimation in vacancy rate after the expiry of the current lease.

Information about fair value measurement of investment properties using significant unobservable inputs (Level 3):

| Fair value as at 31 December 2023 | Valuation technique | Unobservable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| **630,205** | Income capitalisation approach | Rental value | RMB0.29 - 2.51per day per square metre | The higher the rental value, the higher the fair value |
| | | Capitalisation rate | 6.8% - 8% | The higher the capitalisation rate, the lower the fair value |
| **60,265** | Direct comparison method | Unit price | RMB900.37 – 905.27 per square metre | The higher the unit price, the higher the fair value |
| **43,676** | Replacement cost approach | Integrated depreciation rate | 13% - 69% | The higher the integrated depreciation rate, the lower the fair value |

| (restated) | | | | |
|---|---|---|---|---|
| Fair value as at 31 December 2022 | Valuation technique | Unobservable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
| 52,468 | Income capitalisation approach | Rental value | RMB0.20 - 2.56 per day per square metre | The higher the rental value, the higher the fair value |
| | | Capitalisation rate | 6.8% - 8% | The higher the capitalisation rate, the lower the fair value |
| 393,206 | Direct comparison method | Unit price | RMB901.4 - 915.67 per square metre | The higher the unit price, the higher the fair value |
| 56,365 | Replacement cost approach | Integrated depreciation rate | 14% - 56% | The higher the integrated depreciation rate, the lower the fair value |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
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## 17. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, buildings and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years or more, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 5 years. Motor vehicles generally have lease terms between 1 and 5 years and/or are individually of low value. There are several lease contracts that include extension options, which are further discussed below.

### (a) RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | Land use rights | Buildings | Motor Vehicles | Total |
|---|---|---|---|---|
| As at 1 January 2022 (restated) | 2,543,802 | 9,146 | 5,334 | 2,558,282 |
| Additions | 11,301 | 1,546 | 2,396 | 15,243 |
| Transfer to investment properties (note 16) | (8,531) | — | — | (8,531) |
| Disposals | (9,933) | — | — | (9,933) |
| Disposal of subsidiaries and businesses | (175,381) | — | — | (175,381) |
| Depreciation (note 7) | (56,770) | (6,844) | (698) | (64,312) |
| As at 31 December 2022 (restated) | **2,304,488** | **3,848** | **7,032** | **2,315,368** |
| Additions | **—** | **4,645** | **—** | **4,645** |
| Transfer from property, plant and equipment (note 15) | **63,707** | **—** | **—** | **63,707** |
| Transfer to investment properties (note 16) | **(24,729)** | **—** | **—** | **(24,729)** |
| Depreciation (note 7) | **(92,041)** | **(5,885)** | **(809)** | **(98,735)** |
| As at 31 December 2023 | **2,251,425** | **2,608** | **6,223** | **2,260,256** |

As at 31 December 2023, certain parcels of the Group's land use rights with an aggregate carrying amount of approximately RMB6,565,000 (2022 (restated): approximately RMB6,700,000) did not have land use right certificates registered under the names of the respective subsidiaries of the Company.

(Expressed in thousands of RMB unless otherwise indicated)

## 17. LEASES (CONTINUED)

### (b) LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year are as follows:

| | 2023 | 2022 (restated)) |
|---|---|---|
| Carrying amount at 1 January | **4,554** | 6,763 |
| New leases | **4,645** | 1,653 |
| Accretion of interest recognised during the year (note 8) | **218** | 362 |
| Payments | **(6,513)** | (4,224) |
| Carrying amount at 31 December | **2,904** | 4,554 |
| Analysed into: | | |
| Current portion | **1,709** | 4,411 |
| Non-current portion | **1,195** | 143 |
| Total | **2,904** | 4,554 |

### (c) THE AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS IN RELATION TO LEASES ARE AS FOLLOWS:

| | 2023 | 2022 (restated) |
|---|---|---|
| Interest on lease liabilities | **218** | 362 |
| Depreciation charge of right-of-use assets | **98,735** | 64,312 |
| Expense relating to short-term and low-value leases (note 7) | **41,414** | 54,508 |
| Total amount recognised in profit or loss | **140,367** | 119,182 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**(Expressed in thousands of RMB unless otherwise indicated)**

## 17. LEASES (CONTINUED)

### (d) THE TOTAL CASH OUTFLOW FOR LEASES IS DISCLOSED IN NOTE 39(C) TO THE CONSOLIDATED FINANCIAL STATEMENTS.

#### The Group as a lessor

The Group leases its investment properties (note 16) consisting of sixteen (2022: sixteen) commercial properties in Mainland China and Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was approximately RMB70,697,000 (2022 (restated): approximately RMB49,489,000).

At 31 December 2023, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 2023 | 2022 (restated) |
|---|---|---|
| Within one year | 16,159 | 20,701 |
| After one year but within five years | 86,650 | 58,090 |
| After five years | 8,581 | 3,488 |
| | 111,390 | 82,279 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 18. INTANGIBLE ASSETS

| | Development costs | Proprietary technology | Software | Total |
|---|---|---|---|---|
| **For the year ended 31 December 2023** | | | | |
| Cost at 1 January 2023, net of accumulated amortisation | — | 158,466 | 73,900 | 232,366 |
| Additions | — | — | 11,774 | 11,774 |
| Transfers (note 15) | — | — | 3,595 | 3,595 |
| Impairment (note 7) | — | (30,134) | — | (30,134) |
| Amortisation (note 7) | — | (49,536) | (15,993) | (65,529) |
| At 31 December 2023 | — | 78,796 | 73,276 | 152,072 |
| At 31 December 2023: | | | | |
| Cost | — | 1,568,635 | 201,013 | 1,769,648 |
| Accumulated amortisation and impairment | — | (1,489,839) | (127,737) | (1,617,576) |
| Net carrying amount | — | 78,796 | 73,276 | 152,072 |
| **For the year ended 31 December 2022** | | (restated) | | |
| Cost at 1 January 2022, net of accumulated amortisation | 49,234 | 169,720 | 50,558 | 269,512 |
| Additions | — | — | 35,954 | 35,954 |
| Disposal of subsidiaries and businesses | — | (36) | (11) | (47) |
| Transfers | (49,234) | 49,234 | — | — |
| Amortisation (note 7) | — | (60,452) | (12,601) | (73,053) |
| At 31 December 2022 | — | 158,466 | 73,900 | 232,366 |
| At 31 December 2022: | | | | |
| Cost | — | 1,495,877 | 183,156 | 1,679,033 |
| Accumulated amortisation and impairment | — | (1,337,411) | (109,256) | (1,446,667) |
| Net carrying amount | — | 158,466 | 73,900 | 232,366 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 19. INFORMATION ABOUT SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

| Name | Place of incorporation/ registration and business/ kind of legal entity | Issued ordinary/ registered share capital (in million) | Percentage of equity attributable to the Company Direct % | Indirect % | Principal activities |
|---|---|---|---|---|---|
| Sinotruk Ji'nan Truck Co., Ltd.* 中國重汽集團濟南卡車股份有限公司 | PRC/Mainland China/ Joint stock company with limited liability | RMB1,174.87 | 51.00 | — | Manufacture and sale of trucks and spare parts |
| Sinotruk Ji'nan Power Co., Ltd.* 中國重汽集團濟南動力有限公司 | PRC/Mainland China/Limited liability company | RMB6,713.08 | 100.00 | — | Manufacture and reproduction of engines |
| Sinotruk Ji'nan Commercial Truck Co., Ltd.* 中國重汽集團濟南商用車有限公司 | PRC/Mainland China//Limited liability company | RMB1,871.29 | 100.00 | — | Manufacture and sale of trucks and spare parts |
| Sinotruk International 中國重汽集團國際有限公司 | PRC/Mainland China/Limited liability company | RMB1,750.00 | 100.00 | — | Import and export of trucks and spare parts |
| Sinotruk (Hong Kong) International Investment Limited 中國重汽(香港)國際資本有限公司 | Hong Kong/Hong Kong/Limited liability company | HK$1,518.27 | 100.00 | — | Consultation and strategic planning in respect of the automobile market, import and export trading, asset operations and investment holding |
| Sinotruk Finance Co., Ltd. * 中國重汽財務有限公司 | PRC/MainlandChina/Limited liability company | RMB3,050.00 | 51.33 | 44.87 | Taking deposits, facilitating borrowings, discounting bills, and providing entrusted loans, entrusted and investment |

(Expressed in thousands of RMB unless otherwise indicated)

## 19. INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

| Name | Place of incorporation/ registration and business/ kind of legal entity | Issued ordinary/ registered share capital (in million) | Percentage of equity attributable to the Company Direct % | Indirect % | Principal activities |
|---|---|---|---|---|---|
| Sinotruk (Ji'nan) Axle Co., Ltd.* 重汽(濟南)車橋有限公司 | PRC/Mainland China/Limited liability company | RMB646.74 | 49.00 | 26.01 | Manufacture and sale of trucks and axle and transmission parts |
| Sinotruk Auto Finance Co., Ltd. * 重汽汽車金融有限公司 | PRC/Mainland China/Limited liability company | RMB2,600.00 | 76.09 | 13.04 | Taking deposits, facilitating borrowings and financing leases, providing loans and customer credit |
| Sinotruk Hangzhou Engines Co., Ltd. * 中國重汽集團杭州發動機有限公司 | PRC/Mainland China/Limited liability company | RMB1,931.00 | 49.00 | 51.00 | Manufacture and reproduction of engines |
| Sinotruk Ji'ning Commercial Truck Co., Ltd. * 中國重汽集團濟寧商用車有限公司 | PRC/Mainland China/Limited liability company | RMB300.00 | — | 100.00 | Manufacture and sale of trucks and spare parts |
| Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. * 中國重汽集團成都王牌商用車有限公司 | PRC/Mainland China/Limited liability company | RMB800.00 | — | 80.00 | Research & development, manufacture and sale of commercial vehicles |
| Sinotruk (Jinan) Aftermarket Intelligent Service Co., Ltd.* 重汽(濟南)後市場智慧服務有限公司 | PRC/Mainland China/Limited liability company | RMB20 | — | 51.00 | sales of vehicle accessories |
| Sinotruk Fujian Haixi Vehicles Co., Ltd. 中國重汽集團福建海西汽車有限公司 | PRC/Mainland China/Limited liability company | RMB200 | — | 80.00 | Research & development, manufacture and sale of commercial vehicles |

* The English names of the entities represent the best effort made by the directors of the Company in translating the Chinese names as they do not have English names, and are for reference only.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 20. INVESTMENTS IN ASSOCIATES

| | 2023 | 2022 (restated) |
|---|---|---|
| Associates | **2,017,567** | 1,928,616 |

The Group's receivable and payable balances with associates are disclosed in note 42(b) to the consolidated financial statements.

Particulars of the Group's associates are as follows:

| Name | Particulars of registered capital (in million) | Place of Registration/ business | Ownership interest | Percentage of voting power | Profit sharing | Principal activities |
|---|---|---|---|---|---|---|
| Prinx (Cayman) Holding Limited (Prinx)* | USD50 | Cayman Islands/PRC | 9.67% | 9.67% | 9.67% | Investment holding |
| Sinotruk Panzhihua Mining Truck Co., Ltd. (Panzhihua Mining Truck) | RMB30 | PRC/Mainland China | 30% | 30% | 30% | Sale of heavy duty trucks |
| UZ TRUCK AND BUS MOTORS Limited Liability Company (UZ TRUCK AND BUS MOTORS) | EUR11 | Uzbekistan/ Uzbekistan | 32.89% | 32.89% | 32.89% | Manufacture and sale of heavy duty trucks |
| Suzhou Tsintel Co., Ltd. (Suzhou Tsintel) | RMB7 | PRC/Mainland China | 9.09% | 9.09% | 9.09% | Manufacture and sale of automotive electronics, auto parts, machinery and equipment and related consulting |
| Shandong Guochuang Fuel Cell Technology Innovation Center Co., Ltd. (Shandong Guochuang) | RMB65 | PRC/ Mainland China | 30.77% | 30.77% | 30.77% | Fuel cell design and development |
| Shengrui Transmission Co., Ltd. (Shengrui Transmission) | RMB165 | PRC/Mainland China | 20% | 20% | 20% | Manufacture and sale of auto parts and related maintenance services |
| Chongqing Yunyang Automotive Manufacturing Co., Ltd. (Chongqing Yunyang) | RMB216 | PRC/Mainland China | 35.05% | 35.05% | 35.05% | Manufacture and sale of automobile and parts |
| Chongyou Gaoke Fuel System Co., Ltd. (Chongyou Gaoke) | RMB496 | PRC/Mainland China | 40% | 40% | 40% | Manufacture and sale of fuel pumps |
| Sinotruk Mianyang Special Vehicles Co., Ltd. (Mianyang Special Vehicles) | RMB190 | PRC/Mainland China | 34% | 34% | 34% | Manufacture and sale of automobile and parts |
| Weichai Freshen Air Co., Ltd. (Weichai Freshen Air) | RMB143 | PRC/Mainland China | 30% | 30% | 30% | Manufacture and sale of air purification products |

* The fair value of investment in Prinx was approximately RMB424,836,000 as at 31 December 2023 (31 December 2022:approximately RMB333,468,000).

(Expressed in thousands of RMB unless otherwise indicated)

## 20. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | 2023 | 2022 (restated) |
|---|---|---|
| Share of the associates' profit/(loss) | **111,119** | (23,066) |
| Share of the associates' other comprehensive income | **563** | 2,337 |
| Share of the associates' total comprehensive income/(loss) | **111,682** | (20,729) |
| Aggregate carrying amount of the Group's investments in associates | **2,017,567** | 1,928,616 |

## 21. INVENTORIES

| | 2023 | 2022 (restated) |
|---|---|---|
| Raw materials | **2,808,311** | 2,948,947 |
| Work in progress | **1,479,755** | 1,306,481 |
| Finished goods - engines, parts and components | **329,694** | 214,309 |
| Finished goods - trucks and others | **9,413,933** | 9,627,820 |
| | **14,031,693** | 14,097,557 |
| Less: write-down of inventories to net realisable value | **(693,292)** | (595,500) |
| | **13,338,401** | 13,502,057 |

### (a) COST OF INVENTORIES

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

| | 2023 | 2022 |
|---|---|---|
| Carrying amount of inventories sold | **63,699,329** | 40,991,125 |
| Write-down of inventories | **877,497** | 662,332 |
| Reversal of write-down of inventories | **(69,411)** | (39,599) |
| | **64,507,415** | 41,613,858 |

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain goods as a result of a change in consumer preferences.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 22. TRADE, FINANCING AND BILLS RECEIVABLES

| | 2023 | 2022 (restated) |
|---|---|---|
| Trade receivables | **10,107,093** | 7,523,263 |
| Provision for impairment | **(1,008,635)** | (1,183,822) |
| Trade receivables, net (a) | **9,098,458** | 6,339,441 |
| Financing receivables | **13,245,816** | 12,516,860 |
| Provision for impairment | **(707,340)** | (806,913) |
| Financing receivables, net (b) | **12,538,476** | 11,709,947 |
| Bills receivable | **480,988** | 468,886 |
| Provision for impairment | **(7,250)** | (13,970) |
| Bills receivable, net (c) | **473,738** | 454,916 |
| | **22,110,672** | 18,504,304 |
| *Current portion* | | |
| Trade receivables | **9,034,015** | 6,207,225 |
| Financing receivables | **7,570,403** | 9,567,403 |
| Bills receivable | **473,738** | 454,916 |
| | **17,078,156** | 16,229,544 |
| *Non-current portion* | | |
| Trade receivables | **64,443** | 132,216 |
| Financing receivables | **4,968,073** | 2,142,544 |
| | **5,032,516** | 2,274,760 |

(a) Trade receivables

The sales policy of the Group generally requires its customers to pay a certain amount of deposits when orders of trucks are made and to settle purchase price in cash, on credit or by acceptance bills. A credit period from 3 to 12 months is granted to selected customers based on credit assessment. Trade receivables are non-interest-bearing.

As at 31 December 2023, approximately RMB2,745,338,000 (2022: approximately RMB2,261,309,000) of the trade receivables are secured by letters of credit issued by certain overseas third parties. As at 31 December 2023, approximately RMB2,274,781,000 (2022: approximately RMB2,321,850,000) of the trade receivables were guaranteed by China Export and Credit Insurance Corporation.

(Expressed in thousands of RMB unless otherwise indicated)

## 22. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

An ageing analysis of the trade receivables based on the invoice date at the end of the reporting period, net of provisions, is as follows:

| | 2023 | 2022 |
|---|---|---|
| Less than 3 months | **5,166,749** | 2,369,642 |
| 3 months to 6 months | **1,727,168** | 1,622,969 |
| 6 months to 12 months | **1,603,614** | 1,176,986 |
| 1 year to 2 years | **268,718** | 649,735 |
| 2 years to 3 years | **92,698** | 120,866 |
| Over 3 years | **239,511** | 399,243 |
| | **9,098,458** | 6,339,441 |

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

| | 2023 | 2022 |
|---|---|---|
| At 1 January | **1,183,822** | 1,134,084 |
| impairment loss, net (note 7) | **4,221** | 223,583 |
| Amount written off as uncollectible | **(179,408)** | (155,815) |
| Disposal of subsidiaries and businesses | **—** | (18,030) |
| At 31 December | **1,008,635** | 1,183,822 |

An impairment analysis is performed at each reporting date using a provision matrix or individually assessed to measure expected credit losses. The provision rates of the provision matrix are based on ageing groupings on the invoice date of various customer segments with similar loss patterns. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 22. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

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

| | Ageing as at 31 December 2023 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1 to 2 years | 2 to 3 years | Over 3 years | Total |
| Expected credit loss rate | **0.63%** | **11.97%** | **65.94%** | **75.72%** | **9.98%** |
| Gross carrying amount (RMB'000) | **8,548,843** | **312,965** | **258,640** | **986,645** | **10,107,093** |
| Expected credit losses (RMB'000) | **53,497** | **37,469** | **170,535** | **747,134** | **1,008,635** |

As at 31 December 2022

| | Ageing as at 31 December 2022 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1 to 2 years | 2 to 3 years | Over 3 years | Total |
| Expected credit loss rate | 2.34% | 23.77% | 40.42% | 66.02% | 15.74% |
| Gross carrying amount (RMB'000) | 5,293,208 | 852,343 | 202,850 | 1,174,862 | 7,523,263 |
| Expected credit losses (RMB'000) | 123,611 | 202,608 | 81,984 | 775,619 | 1,183,822 |

(Expressed in thousands of RMB unless otherwise indicated)

## 22. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(b) Financing receivables

Financing receivables represent loans to CNHTC Group, dealers and suppliers of the Group and CNHTC Group and end-users, as well as lease financing to individuals and entities when they purchase commercial vehicles of the Group from dealers and issue of bills. Receivables from those who purchased commercial vehicles of the Group from dealers were secured by the vehicles and most of these receivables were provided with guarantees from these dealers and their relevant parties.

An ageing analysis of the financing receivables based on the maturity date at the end of the reporting period, net of provisions, is as follows:

| | 2023 | 2022 |
|---|---|---|
| Less than 3 months | **2,122,665** | 3,343,562 |
| 3 months to 6 months | **2,237,868** | 2,839,269 |
| 6 months to 12 months | **3,209,871** | 3,384,572 |
| 1 year to 2 years | **3,829,274** | 1,925,074 |
| 2 years to 3 years | **1,138,798** | 217,470 |
| | **12,538,476** | 11,709,947 |

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

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| At 1 January 2023 | **671,661** | **3,939** | **131,313** | **806,913** |
| (Decrease)/increase (note 7) | **(433,593)** | **311,024** | **22,996** | **(99,573)** |
| At 31 December 2023 | **238,068** | **314,963** | **154,309** | **707,340** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| At 1 January 2022 | 646,962 | 2,990 | 128,490 | 778,442 |
| Increase (note 7) | 24,699 | 949 | 37,545 | 63,193 |
| Amount written off as uncollectible | — | — | (34,722) | (34,722) |
| At 31 December 2022 | 671,661 | 3,939 | 131,313 | 806,913 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 22. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(c) Bills receivable

Bills receivable are financial asset at amortised cost and held for the purpose of collection of contractual cash flows.

| | 2023 | 2022 |
|---|---|---|
| Bank acceptance bills | **196,709** | 60,714 |
| Commercial acceptance bills | **284,279** | 408,172 |
| Provision for impairment of commercial acceptance bills | **(7,250)** | (13,970) |
| | **473,738** | 454,916 |

An ageing analysis of bills receivable based on transaction dates at the end of the reporting period, net of provisions, is as follows:

| | 2023 | 2022 |
|---|---|---|
| Less than 3 months | **184,803** | 362,006 |
| 3 months to 6 months | **286,149** | 92,910 |
| 6 months to 12 months | **2,786** | — |
| | **473,738** | 454,916 |

(Expressed in thousands of RMB unless otherwise indicated)

## 22. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(c) Bills receivable (Continued)

The movement in provision for impairment of bills receivables is as follows:

| | 2023 | 2022 |
|---|---|---|
| At 1 January | **13,970** | 20,138 |
| Reversal of impairment loss, net (note 7) | **(6,720)** | (6,168) |
| At 31 December | **7,250** | 13,970 |

(d) The carrying amounts of the Group's trade, financing and bills receivables are denominated in the following currencies:

| | 2023 | 2022 |
|---|---|---|
| RMB | **17,656,039** | 14,837,394 |
| USD | **3,953,556** | 3,511,810 |
| EURO | **420,227** | 147,195 |
| ZAR (South African Rand) | **11,473** | 4,916 |
| Others | **69,377** | 2,989 |
| | **22,110,672** | 18,504,304 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 2023 | 2022 (restated) |
|---|---|---|
| *Current portion* | | |
| Prepayments | **1,419,850** | 815,442 |
| Deposits and other receivables | **611,257** | 996,307 |
| Financial assets at amortised cost | **13,571,253** | 16,031,727 |
| Others | **1,486,787** | 776,969 |
| | **17,089,147** | 18,620,445 |
| Provision for impairment - financial assets | **(70,357)** | (140,100) |
| | **17,018,790** | 18,480,345 |
| *Non-current portion* | | |
| Long-term prepayments | **185,970** | 56,312 |
| Financial assets at amortised cost | **4,966,794** | — |
| Time deposits | **816,943** | — |
| Long-term deferred expenses | **486,402** | 330,653 |
| Others | **10,786** | 9,513 |
| | **6,466,895** | 396,478 |
| Provision for impairment - financial assets | **(59)** | — |
| Provision for impairment - long-term deferred expenses | **(353,721)** | (203,680) |
| | **(353,780)** | (203,680) |
| | **6,113,115** | 192,798 |
| | **23,131,905** | 18,673,143 |

(Expressed in thousands of RMB unless otherwise indicated)

## 23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

The movements in provision for impairment of financial assets at amortised cost in prepayments, other receivables and other assets are as follows:

| | 2023 | 2022 (restated) |
|---|---|---|
| At 1 January | **140,100** | 31,777 |
| (Reversal of impairment)/impairment losses, net (note 7) | **(69,666)** | 133,313 |
| Amount written off as uncollectible | **(18)** | (16,269) |
| Disposal of subsidiaries and businesses | **—** | (8,721) |
| At 31 December | **70,416** | 140,100 |

Financial assets mainly represent deposits with suppliers and other parties, national debt reverse repurchase, pledge-style repo and designated loan to an associate. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2023 was 0.37% (2022: 0.82%). The credit quality of the financial assets is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

The carrying amounts of the Group's other receivables are denominated in the following currencies:

| | 2022 | 2021 |
|---|---|---|
| RMB | **14,094,281** | 16,877,186 |
| USD | **15,609** | 8,385 |
| HK$ | **2,217** | 2,363 |
| EUR | **2** | — |
| NZD | **44** | — |
| | **14,112,153** | 16,887,934 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 24. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2023 | 2022 (restated) |
|---|---|---|
| Equity investments | **31,925** | 31,925 |

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.

## 25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2023 | 2022 (restated) |
|---|---|---|
| Debt investments | | |
| – bank acceptance bills | **8,924,104** | 7,367,333 |

The Group receives acceptance bills from its customers to settle their debts and intends to use these acceptance bills either to pay off its trade and other payables or to hold until maturity.

An ageing analysis of these acceptance bills based on transaction dates at the end of the reporting period is as follows:

| | 2023 | 2022 |
|---|---|---|
| Less than 3 months | **4,897,165** | 4,156,779 |
| 3 months to 6 months | **4,003,737** | 3,118,757 |
| 6 months to 12 months | **23,202** | 91,797 |
| | **8,924,104** | 7,367,333 |

All debt investments as at 31 December 2023 and 2022 are denominated in RMB.

(Expressed in thousands of RMB unless otherwise indicated)

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2023 | 2022 (restated) |
|---|---|---|
| Wealth management product | | |
| - with the principal and interest non-guaranteed | **10,508,803** | 4,460,060 |
| Listed equity investments, at fair value | **3,288** | 5,306 |
| Forward currency contracts | **9,752** | 34,836 |
| | **10,521,843** | 4,500,202 |

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

Financial assets at fair value through profit or loss are denominated in the following currencies:

| | 2023 | 2022 |
|---|---|---|
| RMB | **10,518,555** | 4,494,896 |
| HK$ | **3,288** | 5,306 |
| | **10,521,843** | 4,500,202 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

| | 2023 | 2022 (restated) |
|---|---|---|
| Cash and bank balances | 13,749,099 | 14,263,752 |
| Time deposits | 1,502,409 | 1,052,893 |
| Cash and cash equivalents | 15,251,508 | 15,316,645 |
| Restricted cash | 4,933,965 | 4,554,747 |
| | 20,185,473 | 19,871,392 |

As at 31 December 2023, the cash and bank balances and time deposits of the Group denominated in RMB amounted to approximately RMB13,580,254,000, (2022 (restated): approximately RMB13,488,960,000). The RMB kept in Mainland China is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks which are authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the deposit rates of the respective periods. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Management considered the credit risks in respect of bank deposits with financial institutions are relatively minimum as each counterparty either bears a high credit rating or is a large state-owned or listed PRC bank with good reputation.

The breakdown of restricted cash by nature as at the year end is as follows:

| | 2023 | 2022 |
|---|---|---|
| Deposits for issuing bank acceptance bills | 2,161,277 | 1,867,310 |
| Deposits for issuing letters of credit | 500,000 | 800,000 |
| Mandatory reserve deposits (a) | 2,223,400 | 1,883,225 |
| Other restricted cash | 49,288 | 4,212 |
| | 4,933,965 | 4,554,747 |

(a) Sinotruk Finance Co., Ltd. and Sinotruk Auto Finance Co., Ltd. are required to place mandatory deposits with the People's Bank of China ("PBOC") for deposit taking.

(Expressed in thousands of RMB unless otherwise indicated)

## 27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

Cash and cash equivalents and restricted cash are denominated in:

| | 2023 | 2022 |
|---|---|---|
| RMB | **18,487,739** | 17,735,920 |
| USD | **1,328,981** | 1,862,994 |
| EURO | **284,391** | 220,591 |
| HK$ | **22,321** | 10,551 |
| Others | **62,041** | 41,336 |
| | **20,185,473** | 19,871,392 |

## 28. TRADE AND BILLS PAYABLES

| | 2023 | 2022 (restated) |
|---|---|---|
| Trade payables | **31,703,351** | 23,229,252 |
| Bills payable | **14,920,729** | 10,041,824 |
| | **46,624,080** | 33,271,076 |

An ageing analysis of the trade and bills payables based on the invoice date as at the end of the reporting period is as follows:

| | 2023 | 2022 |
|---|---|---|
| Less than 3 months | **30,129,969** | 20,245,960 |
| 3 months to 6 months | **14,027,999** | 10,002,980 |
| 6 months to 12 months | **2,270,559** | 2,879,175 |
| 1 year to 2 years | **96,289** | 108,794 |
| 2 years to 3 years | **67,100** | 11,941 |
| Over 3 years | **32,164** | 22,226 |
| | **46,624,080** | 33,271,076 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 28. TRADE AND BILLS PAYABLES (CONTINUED)

Trade payables are non-interest-bearing. Credit periods granted by each individual supplier or contractor are on a case-by-case basis and set out in the respective contracts.

Trade and bills payables are denominated in:

| | 2023 | 2022 |
|---|---|---|
| RMB | 46,623,456 | 33,270,463 |
| USD | 624 | 613 |
| | 46,624,080 | 33,271,076 |

## 29. OTHER PAYABLES AND ACCRUALS

| | 2023 | 2022 (restated) |
|---|---|---|
| Other payables | 7,898,981 | 11,741,149 |
| Volume rebate | 1,840,691 | 1,534,076 |
| Contract liabilities (a) | 5,231,820 | 5,063,009 |
| Accruals | 2,125,350 | 1,314,625 |
| Staff salaries and welfare | 1,315,312 | 1,817,741 |
| Termination and post-employment benefits due less than one year (note 33) | 183,031 | 201,836 |
| Other taxes and surcharge payables | 467,471 | 559,986 |
| | 19,062,656 | 22,232,422 |

Other payables are non-interest-bearing and repayable on demand.

(Expressed in thousands of RMB unless otherwise indicated)

## 29. OTHER PAYABLES AND ACCRUALS (CONTINUED)

(a) Details of contract liabilities are as follows:

| | 31 December 2023 | (restated) 31 December 2022 | (restated) 1 January 2022 |
|---|---|---|---|
| Short-term advances received from customers | | | |
| Sale of goods | **4,883,613** | 4,768,663 | 4,887,249 |
| Rendering of services | **348,207** | 294,346 | 20,678 |
| | **5,231,820** | 5,063,009 | 4,907,927 |

Contract liabilities mainly represent receipts in advance from customers prior to the satisfaction of performance obligations. All of the other contract liabilities are expected to be recognised as income within one year.

Other payables are denominated in:

| | 2023 | 2022 |
|---|---|---|
| RMB | **7,893,334** | 11,720,797 |
| USD | **2,605** | 4,914 |
| HK$ | **2,437** | 2,030 |
| KTZ | **—** | 221 |
| ZAR (South African Rand) | **599** | 923 |
| KES (Kenya Rand) | **6** | 12,264 |
| | **7,898,981** | 11,741,149 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 30. BORROWINGS

| | 2023 | | | (restated) 2022 | | |
|---|---|---|---|---|---|---|
| | Effective interest rate (%) | Maturity | | Effective interest rate (%) | Maturity | |
| Current | | | | | | |
| Bank borrowings | **2.85 - 3.55** | **2024** | **4,858,860** | 3.1 - 3.35 | 2,023 | 3,889,799 |
| Interest bearing borrowings | **4.8 - 6** | **2024** | **48,274** | — | — | — |
| | | | **4,907,134** | | | 3,889,799 |
| Non-current | | | | | | |
| Bank borrowings | **3.2** | **2025-2026** | **17,000** | | | — |
| Interest bearing borrowings | **4.8 - 6** | **2025-2028** | **124,533** | | | — |
| | | | **141,533** | | | — |
| | | | **5,048,667** | | | 3,889,799 |

| **Analysed into:** | **2023** | **2022** |
|---|---|---|
| Within one year | **4,907,134** | 3,889,799 |
| After 1 year but within 2 years | **52,957** | — |
| After 2 years but within 5 years | **88,576** | — |
| | **5,048,667** | 3,889,799 |

At the end of the reporting period, all borrowings were denominated in RMB.

All of the above non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

At 31 December 2023, the interest-bearing borrowings of the Group were secured by mortgages over motor vehicles with an aggregate carrying value of RMB209,582,000 (2022 (restated): nil). All other borrowings are not secured.

(Expressed in thousands of RMB unless otherwise indicated)

## 31. PROVISIONS

| | Product warranties | Legal claims | Expected credit losses from the off-balance sheet credit business | Total |
|---|---|---|---|---|
| At 1 January 2023 | 1,466,673 | 65,367 | 4,727 | 1,536,767 |
| Additional provisions | 1,060,228 | 20,209 | — | 1,080,437 |
| Amounts utilised during the year | (889,051) | (5,278) | — | (894,329) |
| Amounts reversed during the year | — | — | (4,582) | (4,582) |
| At 31 December 2023 | 1,637,850 | 80,298 | 145 | 1,718,293 |

The Group provides product warranties ranging from half year to three years to its customers on the trucks and buses and five to eight years on the batteries of the buses during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and estimated warranty cost per unit of vehicle sold. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

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**(Expressed in thousands of RMB unless otherwise indicated)**

## 32. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

### DEFERRED TAX ASSETS

| | Provision for receivables and inventories | Pensions and other post-retirement benefits | Unrealised profit | Accrued expenses and provisions | Fair value adjustment arising from business combination | Deferred income | Loss available for offsetting against future taxable profits | Others | Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2022 (restated) | 351,636 | 97,173 | 479,056 | 1,084,763 | 70,841 | 56,850 | 54,514 | 210,079 | 2,404,912 |
| Deferred tax credited/(charged) to profit or loss (note 11) | 172,081 | (2,164) | (87,178) | (131,556) | (8,434) | 13,164 | 225,950 | (72,978) | 108,885 |
| Deferred tax credited to other comprehensive income | — | — | — | — | — | — | — | 3,330 | 3,330 |
| At 31 December 2022 (restated) | **523,717** | **95,009** | **391,878** | **953,207** | **62,407** | **70,014** | **280,464** | **140,431** | **2,517,127** |
| Deferred tax credited/(charged) to profit or loss (note 11) | **(7,428)** | **11,755** | **(97,922)** | **317,111** | **(2,326)** | **10,520** | **(249,828)** | **(48,526)** | **(66,644)** |
| Deferred tax credited to other comprehensive income | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **6,226** | **6,226** |
| At 31 December 2023 | **516,289** | **106,764** | **293,956** | **1,270,318** | **60,081** | **80,534** | **30,636** | **98,131** | **2,456,709** |

(Expressed in thousands of RMB unless otherwise indicated)

## 32. DEFERRED TAX (CONTINUED)

### DEFERRED TAX LIABILITIES

| | Depreciation allowance in excess of related depreciation | Fair value adjustment arising from business combination | Fair value arising from financial assets at fair value through profit or loss | Fair value arising from property, plant and equipment and land use right | Fair value adjustment arising from investment properties | Total |
|---|---|---|---|---|---|---|
| At 1 January 2022 (restated) | 197,615 | 87,929 | 13,397 | 8,781 | 1,649 | 309,371 |
| Charged/(credited) to profit or loss (note 11) | 48,141 | (27,594) | 6,182 | — | 9,301 | 36,030 |
| Disposal of subsidiaries and businesses | — | (20,859) | — | — | — | (20,859) |
| At 31 December 2022 (restated) | **245,756** | **39,476** | **19,579** | **8,781** | **10,950** | **324,542** |
| Charged/(credited) to profit or loss (note 11) | **45,248** | **(282)** | **17,919** | **—** | **4,153** | **67,038** |
| Charged to other comprehensive income | **—** | **—** | **—** | **—** | **5,444** | **5,444** |
| At 31 December 2023 | **291,004** | **39,194** | **37,498** | **8,781** | **20,547** | **397,024** |

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | 2023 | 2022 |
|---|---|---|
| Net deferred tax assets recognised in the consolidated statement of financial position | **2,158,585** | 2,302,340 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **98,900** | 109,755 |

The Group has tax losses arising in Hong Kong of approximately RMB11,310,000 (2022 (restated): approximately RMB4,005,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**(Expressed in thousands of RMB unless otherwise indicated)**

## 32. DEFERRED TAX (CONTINUED)

### DEFERRED TAX LIABILITIES (CONTINUED)

The Group also has tax losses arising in Mainland China of approximately RMB6,873,395,000 (2022 (restated): approximately RMB8,010,891,000) that will expire in one to five or ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

| | 2023 | 2022 |
|---|---|---|
| Tax losses | 6,884,705 | 8,014,896 |
| Deductible temporary differences | 2,214,658 | 1,358,162 |
| | 9,099,363 | 9,373,058 |

## 33. TERMINATION AND POST-EMPLOYMENT BENEFITS

| | 2023 | 2022 (restated) |
|---|---|---|
| Termination benefits (a) | 302,841 | 378,098 |
| Post-employment benefits (b) | 290,564 | 349,205 |
| | 593,405 | 727,303 |
| Less: current portion (note 29) | 183,031 | 201,836 |
| Non-current portion | 410,374 | 525,467 |

(a) The termination benefit balance mainly represents the early retirement plan under the streamlining of the human resources structure. The termination benefits recognised in the consolidated statement of profit or loss are as follows:

| | 2023 | 2022 |
|---|---|---|
| Termination benefits, included in staff cost | 65,572 | 147,676 |

(Expressed in thousands of RMB unless otherwise indicated)

## 33. TERMINATION AND POST-EMPLOYMENT BENEFITS (CONTINUED)

(b) The Group established the supplementary pension insurance plans and other comprehensive retirement benefit plans for employees who retired before 1 January 2019. These plans include annual living subsidies for employees after their retirement.

The amounts of post-employment benefits recognised in the consolidated statement of financial position are determined as follows:

| | 2023 | 2022 |
|---|---|---|
| Present value of benefit plans | **290,564** | 349,205 |
| Liability in the consolidated statement of financial position | **290,564** | 349,205 |

The movements of post-employment benefits recognised in the consolidated statement of financial position are as follows:

| | 2023 | 2022 |
|---|---|---|
| As at 1 January | **349,205** | 367,512 |
| Post-employment benefits recognised in profit or loss (note 7) | **(31,774)** | 22,616 |
| Remeasurement of post-employment benefits recognised in other comprehensive income | **(7,414)** | (6,563) |
| Benefits paid | **(19,453)** | (25,566) |
| Disposal of subsidiaries and businesses | **—** | (8,794) |
| As at 31 December | **290,564** | 349,205 |
| Less: current portion | **20,479** | 34,034 |
| Non-current portion | **270,085** | 315,171 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**(Expressed in thousands of RMB unless otherwise indicated)**

## 33. TERMINATION AND POST-EMPLOYMENT BENEFITS (CONTINUED)

The material actuarial assumptions used in valuing these obligations are as follows:

(i) Discount rates adopted and salary increase adopted:

| | 2023 | 2022 |
|---|---|---|
| Termination benefits and post-employment benefits discount rate | **2.25%/2.5%** | 2.25%/2.85% |
| Average salary increase rate | **10%** | 10% |

(ii) Mortality: Average life expectancy of residents in the PRC.

## 34. DEFERRED INCOME

| | 2023 | 2022 (restated) |
|---|---|---|
| Government grants | **642,894** | 560,157 |

During 2023, recognition of deferred income amounting to RMB34,813,000 is credited to profit or loss (2022 (restated): RMB29,259,000).

## 35. SHARE CAPITAL

| | 2023 | 2022 |
|---|---|---|
| Issued and fully paid: | | |
| 2,760,993,339 (2022: 2,760,993,339) ordinary shares | **16,717,024** | 16,717,024 |

## 36. OTHER RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's capital reserve is the reserve arising from asset donations and transactions with CNHTC as a result of the reorganisation and transactions with non-controlling interests.

The Group's statutory reserves are the aggregate statuary reserves of all PRC subsidiaries. In accordance with PRC regulation and the articles of association of the subsidiaries incorporated in the PRC ("PRC subsidiaries"), before distributing the profit each year, the PRC subsidiaries are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under the PRC accounting regulations to the statutory reserve. When the balance of such reserve reached 50% of the capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior year's losses or issue bonus shares. However, such statutory reserve must be maintained at a minimum of 25% of the entity's capital after such issuance.

According to the regulations of the Notice of the Ministry of Finance on Issuing the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued on 30 March 2012, financial enterprises shall, based on their actual conditions, carry out quantitative analysis on the risks to which the risk assets are exposed via the internal model approach or standard approach to determine the estimated value of potential risk. A general provision is made for the part that the estimated value of potential risk exceeds the impairment of assets. In principle, the balance of general provision shall not be lower than 1.5% of the ending balance of the risk assets. The proportion (1.5%) that the balance of general provision accounts for the ending balance of the risk assets could be reached in several years, but no more than 5 years in principle, if it is not available for a financial enterprise by one-time.

The merger reserve of the Group represents the difference between the nominal value of the shares or the capital of the subsidiaries that had been acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the Reorganisation or consideration paid for the acquisition of a subsidiary as a business combination under common control subsequent to the Reorganisation.

Pursuant to certain regulations issued by the Ministry of Finance and the Emergency Department, the Group is required to set aside from profit after tax an amount to a safety production reserve for its subsidiaries operated in the PRC at different rates ranging from 0.05% to 2.35% of revenue of the previous year. The reserve can be utilised for improvements of safety on production, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred, and at the same time the corresponding amounts of safety production reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**(Expressed in thousands of RMB unless otherwise indicated)**

## 37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Company's subsidiaries that have material non-controlling interests are set out below:

| Sinotruk Ji'nan Truck Co., Ltd. | 2023 | 2022 |
|---|---|---|
| Percentage of equity interest held by non-controlling interests | **49.00%** | 49.00% |

| Sinotruk Ji'nan Truck Co., Ltd. | 2023 | 2022 |
|---|---|---|
| Profit for the year allocated to non-controlling interests | **468,405** | 277,183 |
| Dividends paid to non-controlling interests | **46,970** | 172,706 |
| Accumulated balances of non-controlling interests at the reporting date | **6,815,421** | 6,300,046 |

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

| Sinotruk Ji'nan Truck Co., Ltd. | 2023 | 2022 |
|---|---|---|
| Revenue | **34,647,094** | 23,160,445 |
| Total expenses | **(33,691,166)** | (22,594,766) |
| Profit for the year | **955,928** | 565,679 |
| Total comprehensive income for the year | **958,798** | 590,223 |
| Current assets | **23,603,881** | 21,967,877 |
| Non-current assets | **5,837,101** | 5,929,267 |
| Current liabilities | **15,446,528** | 14,719,273 |
| Non-current liabilities | **274,277** | 320,635 |
| Net cash flows generated from operating activities | **1,426,783** | 3,517,024 |
| Net cash flows used in investing activities | **(1,244,134)** | (273,351) |
| Net cash flows used in financing activities | **(288,903)** | (747,116) |
| Net (decrease)/increase in cash and cash equivalents | **(106,254)** | 2,496,557 |

(Expressed in thousands of RMB unless otherwise indicated)

## 38. BUSINESS COMBINATION (CONTINUED)

The Group holds 72.362% equity interest in Weichai Intelligent Technology Co., Ltd. ("Intelligent Technology") after the completion of contribution of additional capital at the amount of RMB400,000,000 on 27 September 2023 ("Acquisition") and, thereafter, Intelligent Technology become a subsidiary of the Company. Prior to and following the Acquisition, the ultimate holding company of the Company and Intelligent Technology is SHIG. The Acquisition was accounted for by use of the merger accounting due to the fact that the Acquisition is a business combination under common control. Intelligent Technology is principally engaged in the design, development, consulting, transfer and promotion of intelligent driving assistance and self-driving systems and related technologies, and focuses on the planning, construction and operation of internet of vehicles business and intelligent logistics business system.

The book values of assets and liabilities of Intelligent Technology as at the date of the Acquisition were as follows:

| | Date of the Acquisition | 31 December 2022 |
|---|---|---|
| Non-current assets | | |
| Property, plant and equipment | 155,311 | 8,244 |
| Right-of-use assets | 5,912 | 4,305 |
| Intangible assets | 2,316 | — |
| Trade and financing receivables | 29,099 | — |
| Prepayments, other receivables and other assets | 3,597 | — |
| | 196,235 | 12,549 |
| Current assets | | |
| Inventories | 20,571 | 5,612 |
| Trade, financing and bills receivables | 374,489 | 89,147 |
| Financial assets at FVOCI | 27,912 | 7,946 |
| Prepayments, other receivables and other assets | 126,071 | 28,325 |
| Cash and cash equivalents | 526,341 | 67,207 |
| | 1,075,384 | 198,237 |
| Current liabilities | | |
| Trade and bills payables | 348,504 | 51,311 |
| Lease liabilities | 4,075 | 2,494 |
| Borrowings | 220,000 | — |
| Other payables and accruals | 85,817 | 51,473 |
| | 658,396 | 105,278 |
| Non-current liabilities | | |
| Lease liabilities | 1,986 | — |
| Borrowings | 150,658 | — |
| | 152,644 | — |
| Total net assets | 460,579 | 105,508 |
| Less: Non-controlling interest | 23,404 | 12,000 |
| Net assets acquired | 437,175 | 93,508 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2023, the Group endorsed bank acceptance bills to the suppliers for purchase of property, plant and equipment amounting to approximately RMB718,912,000 (2022 (restated): approximately RMB1,031,523,000).

### (b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2023

| | Borrowings | Lease liabilities | Total |
|---|---|---|---|
| **At 1 January 2023** | 3,889,799 | 4,554 | 3,894,353 |
| **Changes from financing cash flows:** | | | |
| Principal portion of lease payments | — | (6,295) | (6,295) |
| Proceeds from borrowings | 604,972 | — | 604,972 |
| Repayments of borrowings | (195,146) | — | (195,146) |
| Interests paid | (7,847) | (218) | (8,065) |
| **Other changes:** | | | |
| Interests on borrowings | 7,943 | — | 7,943 |
| Increase in operating fund of finance segment | 748,946 | — | 748,946 |
| New leases | — | 4,645 | 4,645 |
| Accretion of interest recognised during the year | — | 218 | 218 |
| At 31 December 2023 | 5,048,667 | 2,904 | 5,051,571 |

(Expressed in thousands of RMB unless otherwise indicated)

## 39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

2022

| | Borrowings | (restated) Lease liabilities | Total |
|---|---|---|---|
| **At 1 January 2022** | 3,510,514 | 6,763 | 3,517,277 |
| **Changes from financing cash flows:** | | | |
| Principal portion of lease payments | — | (3,862) | (3,862) |
| Interests paid | — | (362) | (362) |
| **Other changes:** | | | |
| Increase in operating fund of finance segment | 379,285 | — | 379,285 |
| New leases | — | 1,653 | 1,653 |
| Accretion of interest recognised during the year | — | 362 | 362 |
| **At 31 December 2022** | 3,889,799 | 4,554 | 3,894,353 |

### (c) TOTAL CASH OUTFLOW FOR LEASES

| | 2023 | 2022 (restated) |
|---|---|---|
| Within operating activities | **(33,226)** | (51,422) |
| Within financing activities | **(6,513)** | (4,224) |
| | **(39,739)** | (55,646) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**(Expressed in thousands of RMB unless otherwise indicated)**

## 40. CONTINGENT LIABILITIES

The directors are of the opinion that except for the provision for legal claims already made as disclosed in note 31, there is no material contingent liability in respect of legal claims. The provision for guarantees of product warranties is disclosed in note 31.

## 41. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

| | 2023 | 2022 (restated) |
|---|---|---|
| Property, plant and equipment and intangible assets | **1,686,380** | 2,233,604 |

(b) The Group had the following credit commitments at the end of the reporting period:

| | 2023 | 2022 (restated) |
|---|---|---|
| Issue of bills | **8,400** | 141,312 |

## 42. RELATED PARTY TRANSACTIONS

The immediate holding company of the Company is Sinotruk (BVI) Limited, a company incorporated in the British Virgin Islands. The ultimate holding company of the Company is SHIG which is a state-owned company established in the PRC and is controlled by the PRC Government. SHIG and its subsidiaries including CNHTC and Weichai Group Holdings Limited are referred to as SHIG Group.

The directors consider that the major related parties are the SHIG Group, the shareholder of the Company with significance influence over the Group, the associated companies of the Group, the key management personnel of the Company and its holding companies as well as their close family members, and other PRC government-related entities ("Other State-owned Enterprises").

MAN Finance and Holding S.A., which is a non-wholly-owned subsidiary of Ferdinand Porsche Familien – Privatstiftung, is a shareholder having significant influence over the Group. FPFPS and its subsidiaries are referred to as the FPFPS Group.

The Group transacts business with certain associated companies including Prinx and its subsidiaries (referred to as "Prinx Cayman Group"), Mianyang Special Vehicles and Panzhihua Mining Truck. The Group also transacts business with certain associated companies which are also members of the SHIG Group including Chongyou Gaoke, Suzhou Tsintel, Weichai Freshen Air, Shengrui Transmission and Intelligent Technology (before merger). The Group's business with UZ TRUCK AND BUS MOTORS is grouped with the FPFPS Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 42. RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (i) Financing activities with related parties

SHIG Group

| | | | (restated) | |
|---|---|---|---|---|
| | Highest balance during the year 2023 | Balance at 31 December 2023 | Highest balance during the year 2022 | Balance at 31 December 2022 |
| Assets | | | | |
| Financing receivables | **1,230,000** | **521,500** | 1,403,233 | 1,147,583 |
| Loans | **406,710** | **406,710** | 145,099 | 109,915 |
| | **1,636,710** | **928,210** | 1,548,332 | 1,257,498 |
| Liabilities | | | | |
| Deposit taking# | **2,867,850** | **2,222,290** | 3,009,367 | 2,219,769 |
| Others | | | | |
| Financial leasing and guarantees | **194,410** | **189,710** | — | — |
| Issue of bills | **142,150** | **12,000** | 143,017 | 141,203 |
| Receipt of guarantee | **38,329** | **38,329** | 87,515 | 38,121 |
| | **374,889** | **240,039** | 230,532 | 179,324 |

Mianyang Special Vehicles

| | | | (restated) | |
|---|---|---|---|---|
| | Highest balance during the year 2023 | Balance at 31 December 2023 | Highest balance during the year 2022 | Balance at 31 December 2022 |
| Liabilities | | | | |
| Deposit taking | **53** | **53** | 22,844 | 52 |

(Expressed in thousands of RMB unless otherwise indicated)

## 42. RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

#### (ii) Trading, servicing and other transactions with related parties

| | 2023 | 2022 (restated) |
|---|---|---|
| SHIG Group | | |
| Purchases of spare parts | **14,231,158** | 4,011,558 |
| Purchases of trucks | **3,777,179** | 2,855,810 |
| Sale of trucks | **839,874** | 242,020 |
| Sale of spare parts | **753,114** | 951,171 |
| Purchases of general services | **64,611** | 21,709 |
| Supply of technology development | **50,079** | 29,057 |
| Rental income | **45,204** | 15,328 |
| Aggregate of interest income for loan services | **40,763** | 46,544 |
| Supply of auxiliary production services | **38,204** | 10,034 |
| Interest expense for deposit taking services# | **33,251** | 24,371 |
| Provision of interest subsidy | **29,300** | 206 |
| Leasing expenses | **26,012** | 27,621 |
| Purchases of construction and project management services* | **2,322** | 1,097 |
| Interest expense for surety | **267** | 48 |
| Purchases of property, plant and equipment* | **220** | 12,162 |
| Sale of property, plant and equipment* | **116** | 33,686 |
| Commission charge | **6** | — |
| Capital contribution | **—** | 639,268 |
| Disposal of business | **—** | 590,897 |
| Disposal of a subsidiary | **—** | 162,257 |
| Purchases of right-of-use assets | **—** | 11,603 |
| Interest expense for leases | **—** | 39 |
| | **19,931,680** | 9,686,486 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 42. RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

#### (ii) Trading, servicing and other transactions with related parties (Continued)

| | 2023 | 2022 (restated) |
|---|---|---|
| FPFPS Group | | |
| Sale of spare parts | 17,706 | 130,819 |
| Prinx Cayman Group | | |
| Purchases of spare parts | 331,689 | 162,743 |
| Purchases of general services | 2,088 | — |
| Supply of auxiliary production services | 44 | 25 |
| Sale of spare parts | — | 9 |
| | 333,821 | 162,777 |
| Mianyang Special Vehicles | | |
| Sale of trucks | 6,405 | 163 |
| Purchases of trucks | 2,036 | 7,906 |
| Purchases of spare parts | — | 1,343 |
| Interest expense for deposit taking services | — | 44 |
| Aggregate of interest income for loan services | — | 18 |
| Supply of auxiliary production services | — | 2 |
| | 8,441 | 9,476 |
| Key management compensation | | |
| Short-term employee benefits | 15,387 | 15,127 |
| Pension scheme contributions | 248 | 193 |
| | 15,635 | 15,320 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 42. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) BALANCES WITH RELATED PARTIES

| | | 2023 | 2022 (restated) |
|---|---|---|---|
| (i) | Amounts due from related parties | | |
| | SHIG Group | | |
| | Trade receivables | **688,397** | 152,138 |
| | Financing receivables | **521,500** | 1,147,583 |
| | Loans | **406,710** | 109,915 |
| | Prepayments | **253,873** | 20,477 |
| | Other receivables | **48,252** | 709,401 |
| | | **1,918,732** | 2,139,514 |
| | Mianyang Special Vehicles | | |
| | Trade receivables | **869** | 917 |

The interest rate of financing receivables to related parties are 3.20% (2022 (restated): 3.60% to 3.69%) per annum. The interest rate of loans to an associate are 4.13% to 4.30% (2022 (restated): 4.13% to 4.30%) per annum.

| | | 2023 | 2022 (restated) |
|---|---|---|---|
| (ii) | Amounts due to related parties | | |
| | SHIG Group | | |
| | Deposit taking# | **2,222,290** | 2,219,769 |
| | Trade payables | **1,610,759** | 457,496 |
| | Other payables | **96,307** | 75,562 |
| | Contract liabilities | **16,865** | 21,220 |
| | Lease liabilities | **—** | 869 |
| | | **3,946,221** | 2,774,916 |
| | FPFPS Group | | |
| | Contract liabilities | **17,842** | 6,747 |
| | Prinx Cayman Group | | |
| | Trade payables | **197,670** | 79,091 |
| | Other payables | **4,932** | 8,899 |
| | | **202,602** | 87,990 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 42. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) BALANCES WITH RELATED PARTIES (CONTINUED)

| | | 2023 | 2022 (restated) |
|---|---|---|---|
| (ii) | Amounts due to related parties (continued) | | |
| | Mianyang Special Vehicles | | |
| | Trade payables | **12,610** | 3,538 |
| | Other payables | **3,301** | 4,453 |
| | Contract liabilities | **1,234** | 429 |
| | Deposit taking | **53** | 52 |
| | | **17,198** | 8,472 |
| | Panzhihua Mining Truck | | |
| | Other liabilities | **33** | 33 |

As at 31 December 2023, except for financing receivables amounted to RMB521,500,000 repayable within 3 years (31 December 2022 (restated): nil) and were secured by properties held by certain members of the SHIG Group (31 December 2022 (restated): no security), remaining financing receivables (including loans to related parties) were unsecured, bearing interest at rates mutually agreed and due within one year.

As at 31 December 2023 and 2022, except for deposit taking from related parties bearing interest at rates mutually agreed, all other amounts due from/to related parties were all unsecured, interest free and due within one year.

As at 31 December 2023, trade receivables due from related parties were not past due or impaired.

Balances with other state-owned enterprises

As at 31 December 2023, majority of the Group's bank balances and borrowings were with state-owned banks.

### (c) APPLICABILITY OF THE LISTING RULES RELATING TO CONNECTED TRANSACTIONS

The related party transactions with SHIG Group and FPFPS Group at (a)(i), (a)(ii) and (b)(ii) above constitute connected transactions or continuing connect transactions as defined in Chapter 14A of the Listing Rules. However, those transactions marked with (*) and (#) are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) and financial assistance received by the Group under Rule 14A.90, respectively.

(Expressed in thousands of RMB unless otherwise indicated)

## 43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**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 | Total |
|---|---|---|---|---|---|
| | | Debt investments | Equity investments | | |
| Equity investments designated at FVOCI | — | — | 31,925 | — | 31,925 |
| Financial assets included in prepayments, other receivables and other assets | — | — | — | 19,895,831 | 19,895,831 |
| Financial assets at FVPL | 10,521,843 | — | — | — | 10,521,843 |
| Trade, financing and bills receivables | — | — | — | 22,110,672 | 22,110,672 |
| Financial assets at FVOCI | — | 8,924,104 | — | — | 8,924,104 |
| Cash and cash equivalents and restricted cash | — | — | — | 20,185,473 | 20,185,473 |
| | 10,521,843 | 8,924,104 | 31,925 | 62,191,976 | 81,669,848 |

### FINANCIAL LIABILITIES

| | Financial liabilities at amortised cost |
|---|---|
| Trade and bills payables | 46,624,080 |
| Financial liabilities included in other payables and accruals | 10,024,331 |
| Borrowings | 5,048,667 |
| Lease liabilities | 2,904 |
| | 61,699,982 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 43. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

**2022**

### FINANCIAL ASSETS

| | Financial assets at fair value through profit or loss | (restated) Financial assets at fair value through other comprehensive income | | Financial assets at amortised cost | Total |
|---|---|---|---|---|---|
| | | Debt investments | Equity investments | | |
| Equity investments designated at FVOCI | — | — | 31,925 | — | 31,925 |
| Financial assets included in prepayments, other receivables and other assets | — | — | — | 16,887,934 | 16,887,934 |
| Financial assets at FVPL | 4,500,202 | — | — | — | 4,500,202 |
| Trade, financing and bills receivables | — | — | — | 18,504,304 | 18,504,304 |
| Financial assets at FVOCI | — | 7,367,333 | — | — | 7,367,333 |
| Cash and cash equivalents and restricted cash | — | — | — | 19,871,392 | 19,871,392 |
| | 4,500,202 | 7,367,333 | 31,925 | 55,263,630 | 67,163,090 |

### FINANCIAL LIABILITIES

| | Financial liabilities at amortised cost (restated) |
|---|---|
| Trade and bills payables | 33,271,076 |
| Financial liabilities included in other payables and accruals | 13,055,774 |
| Borrowings | 3,889,799 |
| Lease liabilities | 4,554 |
| | 50,221,203 |

(Expressed in thousands of RMB unless otherwise indicated)

## 44. FAIR VALUE OF FINANCIAL INSTRUMENTS

### (a) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

| | Fair value measurement as at 31 December 2023 using | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Financial assets at FVPL | **3,288** | **9,752** | **10,508,803** | **10,521,843** |
| Equity investments designated at FVOCI | **—** | **—** | **31,925** | **31,925** |
| Financial assets at FVOCI | **—** | **8,924,104** | **—** | **8,924,104** |
| | **3,288** | **8,933,856** | **10,540,728** | **19,477,872** |

| | (restated) Fair value measurement as at 31 December 2022 using | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Financial assets at FVPL | 5,306 | 34,836 | 4,460,060 | 4,500,202 |
| Equity investments designated at FVOCI | — | — | 31,925 | 31,925 |
| Financial assets at FVOCI | — | 7,367,333 | — | 7,367,333 |
| | 5,306 | 7,402,169 | 4,491,985 | 11,899,460 |

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2022.

During the year ended 31 December 2023, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

During the year ended 31 December 2023, there were no reclassifications of financial assets, no transfers among level 1, level 2 and level 3 and no other changes in valuation techniques.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

#### (i) Valuation techniques and inputs used in Level 1 and Level 2 fair value measurements

Level 1 financial assets at FVPL comprise equity investment traded on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange. Their fair values are based on closing prices.

Level 2 financial assets at FVPL comprise forward currency contracts. The fair values are determined by discounting the difference between the contractual forward price and the current forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

Level 2 financial assets at FVOCI comprise bank acceptance bills that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned banks.

#### (ii) Information about Level 3 fair value measurements

Level 3 financial assets at FVPL include wealth management products acquired from a trust company and from banks with the principals and interest rates non-guaranteed. Their fair values are estimated by using a discounted cash flow approach and main inputs used by the Group are estimated yield rates written in contracts by the counterparties.

Level 3 financial assets at FVOCI include equity investments that are not publicly traded, the Group uses its judgement to select a variety of valuation methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. In connection with the investments in shares, the Group adopts a combination of income and market approaches. The income approach adopts a discounted cash flow method to assess the fair value of these financial assets. Under this methodology, fair value is determined by discounting the projected cash flow of the investee company to present value based on profit and cash flow forecast and other relevant information provided by the investee company. The market approach adopts various sales/income multiplers to assess the fair value of these financial assets. Under this methodology, fair value is determined by multiplying various sales/income of the investee company to multipliers with regard to the risks and nature of the business.

(Expressed in thousands of RMB unless otherwise indicated)

## 44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

#### (ii) Information about Level 3 fair value measurements (Continued)

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

| | year ended 31 December | |
|---|---|---|
| | 2023 | 2022 (restated) |
| Financial assets at FVPL and equity investments designated at FVOCI: | | |
| At 1 January | **4,491,985** | 2,919,800 |
| Total gains recognised in the statement of profit or loss | **71,497** | 107,980 |
| Purchases | **16,246,052** | 10,191,358 |
| Disposal | **(10,268,806)** | (8,713,934) |
| Exercise of contingent consideration | **—** | (13,219) |
| At 31 December | **10,540,728** | 4,491,985 |

### (b) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

The carrying amounts of the Group's financial instruments including borrowings carried at cost or amortised cost were not materially different from their fair values as at 31 December 2022 and 2023.

## 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise funding for the Group's operations. The Group has various financial assets and liabilities such as trade, financing and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### FOREIGN CURRENCY RISK

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The major foreign exchange risk exposure arises from its exporting and importing activities as well as financing activities in Hong Kong. Accordingly, the Group has certain trade and other receivables, cash and cash equivalents and restricted cash, and trade and other payables denominated in foreign currencies, mainly the USD, EURO and HK$, which are exposed to foreign currency translation risk.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts to reduce foreign exchange risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD/EURO/HK$ and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

| | Increase/ (decrease) in exchange rates | Increase/(decrease) in profit before tax | |
|---|---|---|---|
| | % | 2023 | 2022 (restated) |
| If RMB weakens against USD | (5) | 247,226 | 221,140 |
| If RMB strengthens against USD | 5 | (230,419) | (174,356) |
| If RMB weakens against EURO | (5) | 28,887 | 18,389 |
| If RMB strengthens against EURO | 5 | (28,887) | (18,389) |
| If RMB weakens against HK$ | (5) | 1,168 | 810 |
| If RMB strengthens against HK$ | 5 | (1,168) | (810) |

(Expressed in thousands of RMB unless otherwise indicated)

## 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### INTEREST RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings. The Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments (excluding cash held for short-term working capital purposes). The Group's interest rate profile as monitored by management is set out in (i) below.

#### (i) Interest rate profile

The following details the interest rate profile of the Group's borrowings at the end of the reporting period:

| | 2023 | | (restated) 2022 | |
|---|---|---|---|---|
| | Effective interest rate % | Amount | Effective interest rate % | Amount |
| **Fixed rate borrowings:** | | | | |
| Borrowings | **2.85 - 6.00** | **4,880,594** | 3.1 - 3.35 | 3,889,799 |
| **Variable rate borrowings:** | | | | |
| Borrowings | **(1-year LPR-0.45) - (1-year LPR+1.15)** | **168,073** | — | — |
| | | **5,048,667** | | 3,889,799 |

#### (ii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB1,349,000 (2022 (restated): nil).

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Company to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the financial statements. The analysis is performed on the same basis as 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### CREDIT RISK

The carrying amounts of cash and cash equivalents and restricted cash, trade, financing and bills receivables, and financial assets included in prepayments, other receivables and other assets, and the off-balance sheet credit commitments represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents and restricted cash are held in major financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and off-balance sheet credit commitments.

**As at 31 December 2023**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| Trade, financing and bills receivables* | 12,299,971 | 786,566 | 159,279 | 10,588,081 | 23,833,897 |
| Other receivables | — | — | 611,257 | — | 611,257 |
| Financial assets at FVOCI | — | — | — | 8,988,020 | 8,988,020 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 19,354,990 | — | — | — | 19,354,990 |
| Cash and cash equivalents and restricted cash | 20,185,473 | — | — | — | 20,185,473 |
| Off-balance sheet credit commitments | 8,400 | — | — | — | 8,400 |
| | 51,848,834 | 786,566 | 770,536 | 19,576,101 | 72,982,037 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023
(Expressed in thousands of RMB unless otherwise indicated)

## 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### CREDIT RISK (CONTINUED)

#### Maximum exposure and year-end staging (Continued)

**As at 31 December 2022**

| | (restated) | | | | |
|---|---|---|---|---|---|
| | 12-month ECLs | Lifetime ECLs | | | |
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| Trade, financing and bills receivables* | 12,221,876 | 131,296 | 163,688 | 7,992,149 | 20,509,009 |
| Financial assets at FVOCI | — | — | — | 7,409,627 | 7,409,627 |
| Financial assets included in prepayments, other receivables and other assets – Normal** | 17,028,034 | — | — | — | 17,028,034 |
| Cash and cash equivalents and restricted cash | 19,871,392 | — | — | — | 19,871,392 |
| Off-balance sheet credit commitments | 141,312 | — | — | — | 141,312 |
| | 49,262,614 | 131,296 | 163,688 | 15,401,776 | 64,959,374 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to consolidated the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Further details about credit risks on trade, financing and bills receivables, and other receivables are disclosed in notes 22 and 23 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities and off-balance sheet credit commitments as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
| Trade and bills payables | **46,624,080** | **—** | **—** | **—** | **46,624,080** |
| Financial liabilities included in other payables and accruals | **10,024,331** | **—** | **—** | **—** | **10,024,331** |
| Borrowings | **4,997,416** | **58,726** | **92,506** | **—** | **5,148,648** |
| Lease liabilities | **1,760** | **1,413** | **—** | **—** | **3,173** |
| Off-balance sheet credit commitments | **8,400** | **—** | **—** | **—** | **8,400** |
| | **61,655,987** | **60,139** | **92,506** | **—** | **61,808,632** |

| | (restated) | | | | |
|---|---|---|---|---|---|
| | 2022 | | | | |
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
| Trade and bills payables | 33,271,076 | — | — | — | 33,271,076 |
| Financial liabilities included in other payables and accruals | 13,055,774 | — | — | — | 13,055,774 |
| Borrowings | 3,937,327 | — | — | — | 3,937,327 |
| Lease liabilities | 4,496 | 144 | — | — | 4,640 |
| Off-balance sheet credit commitments | 141,312 | — | — | — | 141,312 |
| | 50,409,985 | 144 | — | — | 50,410,129 |

(Expressed in thousands of RMB unless otherwise indicated)

## 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2023.

Similar to the others in the industry, the Group monitors capital using the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position), less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as at the end of the reporting periods were as follows:

| | 2023 | 2022 (restated) |
|---|---|---|
| Borrowings | **5,048,667** | 3,889,799 |
| Less: Cash and cash equivalents | **(15,251,508)** | (15,316,645) |
| Net debt | **(10,202,841)** | (11,426,846) |
| Total equity | **47,960,531** | 43,031,986 |
| Total capital | **37,757,690** | 31,605,140 |
| Gearing ratio | **Not Applicable** | Not Applicable |

## 46. EVENTS AFTER THE REPORTING PERIOD

On 17 March 2024, the Company announced the formal adoption of a restricted share award scheme for the designated employees and directors as part of employee rewards. Under the scheme, the Company may grant up to 27,600,000 shares of the Company which are funded by existing shares of the Company. 30%, 30% and 40% of total shares to be granted will be vested after 24 months, 36 months and 48 months from the date of grant, respectively and the shares will be vested only when the vesting conditions as imposed by the Board (or the Remuneration Committee) (including the predesigned operating revenue and sales profit margin as well as certain individual assessment results) are met. As at 25 March 2024, the date of the consolidated financial statements for the year ended 31 December 2023 of the Company being approved, there is no share granted under the scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2023**
**(Expressed in thousands of RMB unless otherwise indicated)**

## 47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | 16 | 27 |
| Investment properties | (a) | 39,693 | 42,200 |
| Investments in subsidiaries | | 20,228,124 | 19,978,124 |
| Deferred income tax assets | | 3,073 | 10,572 |
| Total non-current assets | | 20,270,906 | 20,030,923 |
| **Current assets** | | | |
| Prepayments, other receivables and other assets | | 310,760 | 410,839 |
| Cash and cash equivalents | | 40,701 | 12,744 |
| Total current assets | | 351,461 | 423,583 |
| **Current Liabilities** | | | |
| Trade payables | | 1,153 | 9 |
| Other payables and accruals | | 9,521 | 9,530 |
| Total current liabilities | | 10,674 | 9,539 |
| **Net current assets** | | 340,787 | 414,044 |
| **Total assets less current liabilities** | | 20,611,693 | 20,444,967 |
| **Net assets** | | 20,611,693 | 20,444,967 |
| **Equity** | | | |
| Share capital | | 16,717,024 | 16,717,024 |
| Other reserve | (b) | 9,643 | 9,643 |
| Retained earnings | (b) | 3,885,026 | 3,718,300 |
| **Total equity** | | 20,611,693 | 20,444,967 |

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2024 and was signed on its behalf by:

**Wang Zhijian**
*Director*

**Li Xia**
*Director*

(Expressed in thousands of RMB unless otherwise indicated)

## 47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

(a) The fair value of the Company's investment properties as at 31 December 2023 was RMB39,693,000 which was valued by the independent surveyor, PRUDENTIAL Property Surveyors (Hong Kong) Limited (31 December 2022: RMB42,200,000).

(b) A summary of the Company's reserves is as follows:

| | Revaluation reserve | Retained earnings |
|---|---|---|
| At 1 January 2022 | 9,643 | 3,476,419 |
| Profit for the year | — | 1,797,791 |
| Dividend for 2021 | — | (1,555,910) |
| At 31 December 2022 and 1 January 2023 | **9,643** | **3,718,300** |
| Profit for the year | **—** | **978,948** |
| Dividend for 2022 | **—** | **(812,222)** |
| **At 31 December 2023** | **9,643** | **3,885,026** |

# FIVE YEARS FINANCIAL SUMMARY

## OPERATING RESULTS

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2019<br>RMB'000 | 2020<br>RMB'000 | 2021<br>RMB'000 | 2022<br>RMB'000 | **2023<br>RMB'000** |
| Revenue | 62,613,499 | 98,197,985 | 93,357,031 | 59,405,299 | **85,498,035** |
| Profit before tax | 4,960,601 | 9,550,730 | 5,862,814 | 2,895,127 | **6,882,681** |
| Income tax expense | (1,044,542) | (2,127,080) | (1,153,352) | (957,565) | **(1,055,830)** |
| Profit for the year | 3,916,059 | 7,423,650 | 4,709,462 | 1,937,562 | **5,826,851** |
| Attributed to: | | | | | |
| Owners of the Company | 3,474,186 | 6,850,524 | 4,322,071 | 1,672,662 | **5,318,107** |
| Non-controlling interests | 441,873 | 573,126 | 387,391 | 264,900 | **508,744** |
| Profit for the year | 3,916,059 | 7,423,650 | 4,709,462 | 1,937,562 | **5,826,851** |

## ASSETS, LIABILITIES AND EQUITY

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2019<br>RMB'000 | 2020<br>RMB'000 | 2021<br>RMB'000 | 2022<br>RMB'000 | **2023<br>RMB'000** |
| Total assets | 67,102,872 | 111,008,261 | 107,019,934 | 105,642,274 | **121,785,488** |
| Total liabilities | 37,576,429 | 75,328,854 | 64,251,847 | 62,610,288 | **73,824,957** |
| Total equity: | | | | | |
| Owners of the Company | 26,359,642 | 32,115,008 | 35,671,144 | 35,934,553 | **40,272,161** |
| Non-controlling interests | 3,166,801 | 3,564,399 | 7,096,943 | 7,097,433 | **7,688,370** |
| | 29,526,443 | 35,679,407 | 42,768,087 | 43,031,986 | **47,960,531** |

In September 2023, the Group made further capital contribution to Intelligent Technology and then Intelligent Technology became a subsidiary of the Company. Intelligent Technology becoming a subsidiary of the Company was considered to be a business combination under common control as the Group and Intelligent Technology are under common control of SHIG both before and after the capital contribution. Accordingly, the results, assets and liabilities of Intelligent Technology should have been accounted for at historical amounts in the consolidated financial statements of the Company as if Intelligent Technology had always been part of the Group. The above financial figures for years 2019 to 2021 are not adjusted with inclusion of those of Intelligent Technology.


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