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SINOTRUK (HONG KONG) LIMITED

中國重汽(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3808)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS

The Board is pleased to announce the consolidated results of Sinotruk (Hong Kong) Limited and its subsidiaries for the year ended 31 December 2018 together with the comparative figures for the previous year as follows:

Consolidated statement of profit or loss

For the year ended 31 December 2018

(All amounts in RMB thousands unless otherwise stated)

	Note	2018 Audited	2017 Audited
Revenue	4	61,784,667	55,457,928
Cost of sales	5	(50,610,072)	(45,429,858)
Gross profit		11,174,595	10,028,070
Distribution costs	5	(3,021,155)	(3,228,577)
Administrative expenses	5	(2,901,157)	(2,951,790)
Net impairment losses of financial assets		(303,510)	—
Other gains – net	6	693,370	423,879
Operating profit		5,642,143	4,271,582
Finance income		89,270	81,335
Finance costs		(89,344)	(342,928)
Finance costs – net		(74)	(261,593)
Share of profits less losses of investments accounted for using the equity method		70,351	45,444
Dilution gain on investment in an associate		6,283	—
Profit before income tax		5,718,703	4,055,433
Income tax expense	7	(993,058)	(719,538)
Profit for the year		4,725,645	3,335,895

Consolidated statement of profit or loss (continued)

For the year ended 31 December 2018

(All amounts in RMB thousands unless otherwise stated)

	Note	2018 Audited	2017 Audited
Profit attributable to:			
– Owners of the Company		4,344,545	3,023,023
– Non-controlling interests		381,100	312,872
		<u>4,725,645</u>	<u>3,335,895</u>

Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB per share)

– basic and diluted	8	<u>1.57</u>	<u>1.09</u>
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Consolidated statement of comprehensive income

For the year ended 31 December 2018

(All amounts in RMB thousands unless otherwise stated)

	Note	2018 Audited	2017 Audited
Profit for the year		4,725,645	3,335,895
Other comprehensive income:			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employment benefit obligations		122	(1,654)
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties		—	11,666
<i>Items that may be reclassified to profit or loss</i>			
Change in value of available-for-sale financial assets		—	5,120
Share of other comprehensive income of investments accounted for using the equity method		6,151	16
Currency translation differences		(5,089)	200
Other comprehensive income for the year, net of tax		<u>1,184</u>	<u>15,348</u>
Total comprehensive income for the year		<u>4,726,829</u>	<u>3,351,243</u>
Attributable to:			
– Owners of the Company		4,345,668	3,038,002
– Non-controlling interests		381,161	313,241
Total comprehensive income for the year		<u>4,726,829</u>	<u>3,351,243</u>

Consolidated statement of financial position

As at 31 December 2018

(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2018 Audited	31 December 2017 Audited
ASSETS			
Non-current assets			
Land use rights		1,611,631	1,650,123
Property, plant and equipment		10,366,478	9,937,766
Investment properties		712,797	709,576
Intangible assets		324,051	356,827
Goodwill		3,868	3,868
Deferred income tax assets		1,413,518	1,484,254
Investments accounted for using the equity method		534,148	477,827
Financial assets at fair value through other comprehensive income		37,925	—
Financial assets at fair value through profit or loss		173,688	—
Available-for-sale financial assets		—	205,533
Receivables and other assets	9	2,194,684	1,946,712
		17,372,788	16,772,486
Current assets			
Inventories		11,594,492	13,246,027
Receivables and other assets	9	12,589,314	15,150,697
Financial assets at amortised cost	10	33,990	—
Financial assets at fair value through other comprehensive income	11	2,523,058	—
Financial assets at fair value through profit or loss		2,078,180	781,981
Available-for-sale financial assets		—	2,340,073
Amounts due from related parties	12	520,232	352,768
Cash and bank balances		14,968,357	12,417,389
		44,307,623	44,288,935
Assets classified as held for sale		—	121,595
		44,307,623	44,410,530
Total assets		61,680,411	61,183,016

Consolidated statement of financial position (continued)

As at 31 December 2018

(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2018 Audited	31 December 2017 Audited
EQUITY			
Equity attributable to owners of the Company			
Share capital		16,717,024	16,717,024
Other reserves		(334,071)	(576,483)
Retained earnings		9,092,592	6,616,922
		<u>25,475,545</u>	<u>22,757,463</u>
Non-controlling interests		<u>2,852,307</u>	<u>2,673,248</u>
Total equity		<u><u>28,327,852</u></u>	<u><u>25,430,711</u></u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		41,056	51,398
Termination and post-employment benefit obligations		9,307	14,233
Deferred income		316,438	361,200
		<u>366,801</u>	<u>426,831</u>
Current liabilities			
Trade payables, other payables and other current liabilities	13	28,305,197	28,545,935
Current income tax liabilities		284,642	395,068
Borrowings		3,000,000	3,990,000
Amounts due to related parties	14	467,336	1,416,385
Provisions for other liabilities		928,583	978,086
		<u>32,985,758</u>	<u>35,325,474</u>
Total liabilities		<u><u>33,352,559</u></u>	<u><u>35,752,305</u></u>
Total equity and liabilities		<u><u>61,680,411</u></u>	<u><u>61,183,016</u></u>

Notes to the consolidated financial information

(All amounts in RMB thousands unless otherwise stated)

1. General information

The Company was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation of CNHTC. The address of the Company's registered office is Units 2102-2103, 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.

The Group is principally engaged in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks and related key parts and components including engines, cabins, axles, steel frames and gearbox and the provision of financial services.

Section 436 of the Companies Ordinance

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of 2018 annual results do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2018 and 2017. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Companies Ordinance.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

2. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and requirements of the Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets (including derivative instruments) at fair value through profit or loss, assets classified as held for sale and investment properties which are carried at fair value. These consolidated financial statements comply with the applicable requirements of the Companies Ordinance, with the exception of Section 381 of the Companies Ordinance which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to the Companies Ordinance) in the Company’s annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of Section 380(6), the Company has departed from Section 381 and has not treated such company as subsidiary but it is accounted for as a joint venture of the Company in accordance with its accounting policies.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

3. Accounting Policies

3.1 New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly:

		Effective for annual periods beginning on or after
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018
Annual Improvements 2014-2016 Cycle		1 January 2018

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. Therefore, the reclassification and adjustments arising from the new impairment rules are not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position as at 1 January 2018.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as at 1 January 2018 and these comparatives will not be restated.

The other newly adopted standards or amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future period.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

3. Accounting Policies (continued)

3.2 The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021 or earlier adoption when HKFRS 15 and HKFRS 9 being applied
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

3. Accounting Policies (continued)

HKFRS 16, Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB17,148,000. The Group estimates that approximately 37% of these relate to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately RMB9,981,000 on 1 January 2019, lease liabilities of RMB9,918,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Group expects that profit before income tax will decrease by approximately RMB134,000 for 2019 as a result of adopting the new rules.

For the year 2019, operating cash flows will increase and financing cash flows will decrease by approximately RMB5,246,000 as repayment of the lease liabilities will be classified as cash flows from financing activities.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Revenue and Segment information

The segment results for the year ended 31 December 2018 as follows:

	Audited					Total
	Year ended 31 December 2018					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Elimination	
Revenue from external customers						
Sales of goods	47,690,661	11,043,604	1,287,919	—	—	60,022,184
Provision of financing services	—	—	—	987,993	—	987,993
Rendering of services	753,707	3,233	17,550	—	—	774,490
Total revenue from external customers	48,444,368	11,046,837	1,305,469	987,993	—	61,784,667
Inter-segment revenue	350,137	397,713	12,806,027	427,447	(13,981,324)	—
Total Segment revenue	48,794,505	11,444,550	14,111,496	1,415,440	(13,981,324)	61,784,667
Operating profit before unallocated expenses	2,268,497	377,123	2,212,951	851,103	(22,821)	5,686,853
Unallocated expenses						(44,710)
Operating profit						5,642,143
Finance costs – net						(74)
Share of profit less loss of investments accounted for using the equity method						70,351
Dilution gain on investment in an associate						6,283
Profit before income tax						5,718,703
Income tax expense						(993,058)
Profit for the year						4,725,645

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Revenue and Segment information (continued)

The segment results for the year ended 31 December 2017 as follows:

	Audited					Total
	Year ended 31 December 2017					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Elimination	
Revenue from external customers						
Sales of goods	44,455,157	8,500,823	1,068,917	—	—	54,024,897
Provision of financing services	—	—	—	669,264	—	669,264
Rendering of services	731,289	4,692	27,786	—	—	763,767
Total revenue from external customers	45,186,446	8,505,515	1,096,703	669,264	—	55,457,928
Inter-segment revenue	378,698	420,590	13,609,053	462,743	(14,871,084)	—
Total Segment revenue	<u>45,565,144</u>	<u>8,926,105</u>	<u>14,705,756</u>	<u>1,132,007</u>	<u>(14,871,084)</u>	<u>55,457,928</u>
Operating profit before unallocated expenses	<u>1,507,123</u>	<u>231,737</u>	<u>2,351,064</u>	<u>546,266</u>	<u>(351,568)</u>	4,284,622
Unallocated expenses						(13,040)
Operating profit						4,271,582
Finance costs – net						(261,593)
Share of profit less loss of investments accounted for using the equity method						45,444
Profit before income tax						4,055,433
Income tax expense						(719,538)
Profit for the year						<u>3,335,895</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Revenue and Segment information (continued)

Other segment items included in profit or loss for the year ended 31 December 2018 are as follows:

	Audited					
	Year ended 31 December 2018					
	Heavy duty	Light duty	Engines	Finance	Unallocated	Total
	trucks	trucks				
Depreciation	392,361	144,695	539,701	1,653	44	1,078,454
Amortisation of intangible assets and land use rights	<u>42,508</u>	<u>11,116</u>	<u>47,929</u>	<u>468</u>	<u>19</u>	<u>102,040</u>

Other segment items included in profit or loss for the year ended 31 December 2017 are as follows:

	Audited					
	Year ended 31 December 2017					
	Heavy duty	Light duty	Engines	Finance	Unallocated	Total
	trucks	trucks				
Depreciation	427,534	153,240	570,604	1,065	45	1,152,488
Amortisation of intangible assets and land use rights	<u>37,667</u>	<u>9,645</u>	<u>47,966</u>	<u>415</u>	<u>19</u>	<u>95,712</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Revenue and Segment information (continued)

The segment assets and liabilities as at 31 December 2018 and the segment capital expenditure for the year then ended are as follows:

	Audited					Total
	As at 31 December 2018					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	
Segment assets	42,217,468	5,161,705	17,670,474	33,838,256	1,446,126	100,334,029
Elimination						<u>(38,653,618)</u>
Total assets						<u><u>61,680,411</u></u>
Segment liabilities	24,862,912	4,040,822	6,729,186	27,074,651	2,868,916	65,576,487
Elimination						<u>(32,223,928)</u>
Total liabilities						<u><u>33,352,559</u></u>
Segment capital expenditure	512,070	220,059	819,780	2,344	—	<u><u>1,554,253</u></u>

Reconciled to entity assets and liabilities as follows:

	Audited	
	As at 31 December 2018	
	Assets	Liabilities
Segment assets/liabilities after elimination	60,234,285	30,483,643
Unallocated:		
Deferred tax assets/liabilities	1,413,518	41,056
Current tax assets/liabilities	3,006	284,642
Current borrowings	—	2,536,000
Other assets/liabilities of the Company	<u>29,602</u>	<u>7,218</u>
Total	<u><u>61,680,411</u></u>	<u><u>33,352,559</u></u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Revenue and Segment information (continued)

The segment assets and liabilities as at 31 December 2017 and the segment capital expenditure for the year then ended are as follows:

	Audited					Total
	As at 31 December 2017					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	
Segment assets	48,994,733	5,278,752	17,332,626	15,258,637	1,621,239	88,485,987
Elimination						<u>(27,302,971)</u>
Total assets						<u>61,183,016</u>
Segment liabilities	32,817,847	3,349,943	7,117,232	10,196,819	3,644,201	57,126,042
Elimination						<u>(21,373,737)</u>
Total liabilities						<u>35,752,305</u>
Segment capital expenditure	451,412	95,428	694,520	3,448	—	<u>1,244,808</u>

Reconciled to entity assets and liabilities as follows:

	Audited	
	As at 31 December 2017	
	Assets	Liabilities
Segment assets/liabilities after elimination	59,561,777	32,108,104
Unallocated:		
Deferred tax assets/liabilities	1,484,254	51,398
Current tax assets/liabilities	3,428	395,068
Current borrowings	—	3,190,000
Other assets/liabilities of the Company	133,557	7,735
Total	<u>61,183,016</u>	<u>35,752,305</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Revenue and Segment information (continued)

Revenue is allocated based on the countries in which the customers are located.

	2018	2017
	Audited	Audited
Revenue		
Mainland China	54,394,928	48,462,394
Overseas	7,389,739	6,995,534
	<u>61,784,667</u>	<u>55,457,928</u>

Total assets are allocated based on where the assets are located.

	2018	2017
	Audited	Audited
Total assets		
Mainland China	59,758,643	59,632,527
Overseas	1,921,768	1,550,489
	<u>61,680,411</u>	<u>61,183,016</u>

Non-current assets excluding deferred income tax assets are allocated based on where the assets are located.

	2018	2017
	Audited	Audited
Non-current assets other than deferred income tax assets		
Mainland China	15,066,963	14,494,677
Overseas	892,307	793,555
	<u>15,959,270</u>	<u>15,288,232</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Revenue and Segment information (continued)

Capital expenditure is allocated based on where the assets are located.

	2018	2017
	Audited	Audited
Capital expenditure		
Mainland China	1,539,728	1,244,151
Overseas	14,525	657
	<u>1,554,253</u>	<u>1,244,808</u>

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

	Audited	
	As at	As at
	31 December	1 January
	2018	2018
Heavy duty trucks	1,797,403	2,191,867
Light duty trucks	518,976	542,827
Engines	32,787	23,343
Total contract liabilities	<u>2,349,166</u>	<u>2,758,037</u>

All contract liabilities as at 1 January 2018 have been recognised as revenue during the year ended 31 December 2018.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

5. Expenses by nature

	2018	2017
	Audited	Audited
Materials cost	45,529,719	40,307,297
Employee benefit expenses	3,853,211	3,718,599
Transportation expenses	1,321,801	1,362,327
Depreciation of property, plant and equipment	1,078,454	1,152,488
Subcontracting costs	889,390	783,440
Warranty expenses	854,578	1,082,619
Utilities expenses	821,304	863,451
Maintenance costs	527,403	521,914
Travel and office expenses	338,584	325,520
Provision for impairment of trade and other receivables	—	234,392
Transaction taxes	200,632	203,483
Write-down of inventories to net realisable value	179,649	222,646
Advertising costs	100,613	56,252
Amortisation of intangible assets	63,548	57,105
Rental expenses	52,642	56,400
Amortisation of land use rights	38,492	38,607
Exhibition expenses	37,376	59,487
Auditors' remuneration		
– Financial audit services	10,000	13,562
– Internal control audit services	500	755
– Taxation professional services	300	388
– Environmental, social and governance report services	200	300
– Financial information reporting services	—	10
Other charges	<u>633,988</u>	<u>549,183</u>
Total	<u><u>56,532,384</u></u>	<u><u>51,610,225</u></u>
Representing:		
Cost of sales	50,610,072	45,429,858
Distribution costs	3,021,155	3,228,577
Administrative expenses	<u>2,901,157</u>	<u>2,951,790</u>
Total	<u><u>56,532,384</u></u>	<u><u>51,610,225</u></u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

6. Other gains – net

	2018	2017
	Audited	Audited
Gains on disposal of property, plant and equipment	3,894	8,269
Fair value gains on investment properties	3,221	18,972
Losses on disposal of intangible assets	(29)	—
Gains on disposal of a subsidiary	—	51,553
Gains on disposal of an associate	—	1,016
Dividends received from financial assets at fair value through other comprehensive income	2,250	—
Dividends received from financial assets at fair value through profit or loss	1,354	2,313
Fair value (losses)/gains on financial assets at fair value through profit or loss	(25,882)	22,138
Gains on disposal of financial assets at fair value through profit or loss	119,335	27,546
Dividends received from available-for-sale financial assets	—	2,047
Interests received from available-for-sale financial assets	—	8,721
Gains on disposal of available-for-sale financial assets	—	109,102
Gains on disposal of wealth management products with principal and interests guaranteed	27,912	21,670
Gains on disposal of assets classified as held for sale	63,087	—
Government grants	194,915	93,961
Penalties income	102,582	—
Disposal of scraps	41,580	15,909
Rental income	36,409	29,287
Foreign exchange gains/(losses) – net	46,286	(57,593)
Others	76,456	68,968
Total	<u>693,370</u>	<u>423,879</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

7. Income tax expense

The amount of income tax expense charged to profit or loss represents:

	2018	2017
	Audited	Audited
Current tax:		
– Hong Kong profits tax	1,686	8,756
– PRC corporate income tax	929,224	1,015,958
– Income tax in other jurisdiction	1,754	326
Total current tax	932,664	1,025,040
Deferred tax	60,394	(305,502)
Income tax expense	993,058	719,538

The estimated weighted average annual income tax rate expected for the full financial year is 17% (the estimated tax rate for the year ended 31 December 2017 was 18%).

The Company, Sinotruk (Hong Kong) International Investment Limited and Sinotruk (Hong Kong) Capital Holding Limited are subject to Hong Kong profits tax at the rate of 16.5% (2017: 16.5%) on their estimated assessable profit for the year. The Company is determined as a Chinese-resident enterprise and, accordingly, is subject to corporate income tax of the People's Republic of China (the "PRC"), which has been calculated based on the corporate income tax rate of 25% (2017: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the year ended 31 December 2018 at the rates of taxation prevailing in the countries in which the Group operates.

Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprises in 2016. Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engines Co., Ltd. have been recognised as the High New Tech Enterprises in 2017. Sinotruk Ji'nan Fuqiang Power Co., Ltd. had been recognised as the High New Tech Enterprises in 2018. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% (2017: 15%).

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

7. Income tax expense (continued)

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. and Sinotruk Mianyang Special Vehicles Co., Ltd. are subject to a corporate income tax rate of 15% according to the Western Development tax incentives of the CIT Law (2017: 15%).

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax rate of 20% according to Tax Code of the Russian Federation (2017: 20%).

Sinotruk South Africa (Pty) Ltd. is subject to a corporate income tax rate of 28% according to South Africa Tax Law (2017: 28%).

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax rate of 20% according to Kazakhstan Tax Law (2017: 20%).

The remaining subsidiaries are subject to the PRC corporate income tax, which have been calculated based on the corporate income tax rate of 25% (2017: 25%).

8. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company.

	2018	2017
	Audited	Audited
Profit attributable to owners of the Company	<u>4,344,545</u>	<u>3,023,023</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,760,993</u>	<u>2,760,993</u>
Basic earnings per share (RMB per share)	<u>1.57</u>	<u>1.09</u>

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2018 and 2017 as there are no dilutive potential shares existed during the years.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

9 Receivables and other assets

	2018 Audited	2017 Audited
Non-current		
Financing receivables	2,210,192	1,976,359
Less: Provision for impairment of financing receivables	<u>(44,876)</u>	<u>(29,647)</u>
Financing receivables – net	2,165,316	1,946,712
Prepayments for long term assets	<u>29,368</u>	—
Receivables and other assets – net	<u><u>2,194,684</u></u>	<u><u>1,946,712</u></u>
Current		
Accounts receivable	6,107,507	5,588,123
Less: Provision for impairment of accounts receivable	<u>(1,065,423)</u>	<u>(803,354)</u>
Accounts receivable – net	5,042,084	4,784,769
Notes receivable	—	<u>2,685,325</u>
Trade receivables – net	5,042,084	7,470,094
Financing receivables	6,510,697	5,228,935
Less: Provision for impairment of financing receivables	<u>(132,741)</u>	<u>(90,649)</u>
Financing receivables – net	6,377,956	5,138,286
Other receivables and other assets	342,036	1,099,044
Less: Provision for impairment of other receivables and other assets	<u>(55,078)</u>	<u>(63,588)</u>
Other receivables and other assets – net	286,958	1,035,456
Interest receivables	<u>55,882</u>	<u>51,504</u>
Receivables and other assets before prepaid items	11,762,880	13,695,340
Prepayments	224,689	442,393
Prepaid taxes other than income tax	598,739	1,009,536
Prepaid income taxes	<u>3,006</u>	<u>3,428</u>
Receivables and other assets – net	<u><u>12,589,314</u></u>	<u><u>15,150,697</u></u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

9 Receivables and other assets (continued)

The ageing analysis of financing receivables – net at respective dates of statement of financial position are as follows:

	2018	2017
	Audited	Audited
Less than 3 months	1,914,717	2,321,760
3 months to 6 months	1,330,683	1,818,342
6 months to 12 months	3,407,030	2,249,046
1 year to 2 years	1,837,589	695,361
2 years to 3 years	53,253	—
Over 3 years	—	489
	<u>8,543,272</u>	<u>7,084,998</u>

Financing receivables represents loans granted by Sinotruk Finance Company and HOWO Auto Finance Company which are involved in the provision of financing services, to individuals and entities when they purchased commercial vehicles of the Group from dealers at an interest rate of 1.10% to 18.00% per annum, and to suppliers of the Group at an interest rate of 2.70% to 7.80% per annum. These receivables to those who purchased commercial vehicles of the Group from dealers were mainly secured by the vehicle or guarantees provided by these dealers and their relevant parties.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

9 Receivables and other assets (continued)

The ageing analysis of trade receivables – net based on invoice date at respective dates of statement of financial position are as follows:

	2018	2017
	Audited	Audited
Less than 3 months	3,545,796	5,069,670
3 months to 6 months	651,162	1,554,192
6 months to 12 months	551,639	667,152
1 year to 2 years	280,327	117,657
2 years to 3 years	2,171	51,684
Over 3 years	10,989	9,739
	<u>5,042,084</u>	<u>7,470,094</u>

The sales policy of the Group generally requires its customers to pay a certain amount of deposits when orders of trucks are made and purchase prices are settled either in cash, on credit or by acceptance notes. A credit period from 3 to 12 months is granted to selected customers based on credit assessment.

As at 31 December 2018, accounts receivable of the Group of approximately RMB668,673,000 (2017: RMB602,731,000) were secured by certain letters of credit issued by overseas third parties. As at 31 December 2018, RMB2,427,334,000 (2017: RMB1,237,053,000) were guaranteed by China Export and Credit Insurance Corporation.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

10. Financial assets at amortised cost

The finance segment provides bills discounting services. Following the adoption of HKFRS 9, receivables from bills discounting services was reclassified from trade receivables to financial assets at amortised cost. Receivables from bills discounting services included in the financial assets at amortised cost as at 31 December 2018 is approximately RMB33,990,000 (2017: Nil).

The aging analysis of receivables from bills discounting services based on transaction dates at the respective dates of statement of financial position is as follows:

	2018	2017
	Audited	Audited
Less than 3 months	4,480	—
3 months to 6 months	24,351	—
6 months to 12 months	5,159	—
	<hr/> 33,990 <hr/>	<hr/> — <hr/>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

11. Financial assets at fair value through other comprehensive income

Acceptance notes included in financial assets at fair value through other comprehensive income as at 31 December 2018 is approximately RMB2,523,058,000 (31 December 2017: Nil). The Group receives acceptance notes from its customers to settle the purchase prices consideration and intends to use these acceptance notes either to pay off its trade and other payables or to hold until maturity. These acceptance notes are classified as financial assets at fair value through other comprehensive income under HKFRS 9 during the Period while they were classified as note receivables which formed part of trade receivables in 2017.

The aging analysis of these acceptance notes based on transaction dates at the respective dates of statement of financial position is as follows:

	2018	2017
	Audited	Audited
Less than 3 months	1,460,368	—
3 months to 6 months	855,267	—
6 months to 12 months	207,423	—
	<u>2,523,058</u>	<u>—</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

12. Amounts due from related parties

Trade receivables included in the amounts due from related parties as at 31 December 2018 is approximately RMB370,147,000 (31 December 2017: approximately RMB341,348,000).

The ageing analysis of trade receivables from related parties based on invoice date at respective dates of statement of financial position are as follows:

	2018	2017
	Audited	Audited
Less than 3 months	335,739	325,056
3 months to 6 months	34,408	16,281
6 months to 12 months	—	—
1 year to 2 years	—	11
2 years to 3 years	—	—
	<u>370,147</u>	<u>341,348</u>

Financing receivables included in the amounts due from related parties as at 31 December 2018 is approximately RMB150,000,000 (31 December 2017: Nil).

The ageing analysis of loan to a related party as at the respective date of statement of financial position is as follows:

	2018	2017
	Audited	Audited
6 months to 12 months	<u>150,000</u>	<u>—</u>

The interest rate of loan to a related party is 4.13% per annum.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

13 Trade payables, other payables and other current liabilities

	2018	2017
	Audited	Audited
Trade and bills payables	21,718,641	22,413,165
Advances from customers	—	2,744,023
Contract liabilities	2,341,803	—
Accrued expenses	1,128,632	848,793
Staff welfare and salaries payable	601,566	563,861
Taxes liabilities other than income tax	293,190	142,856
Other payables	2,221,365	1,833,237
	<u>28,305,197</u>	<u>28,545,935</u>

As at 31 December 2018, the ageing analysis of the trade and bills payables based on invoice date was as follows:

	2018	2017
	Audited	Audited
Less than 3 months	19,971,081	20,038,522
3 months to 6 months	1,583,580	2,125,755
6 months to 12 months	68,962	162,225
1 year to 2 years	79,247	66,581
2 years to 3 years	6,322	10,624
Over 3 years	9,449	9,458
	<u>21,718,641</u>	<u>22,413,165</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

14. Accounts due to related parties

Trade payables included in the amounts due to related parties as at 31 December 2018 is approximately RMB70,271,000 (31 December 2017: approximately RMB23,359,000).

The ageing analysis of trade payables from related parties based on invoice date at respective dates of statement of financial position are as follows:

	2018	2017
	Audited	Audited
Less than 3 months	69,705	22,709
3 months to 6 months	566	—
6 months to 12 months	—	650
	<hr/>	<hr/>
	70,271	23,359
	<hr/> <hr/>	<hr/> <hr/>

Proposed Final Dividends and Relevant Withholding Tax

The Board recommends the payment of a final dividend of HKD0.64 per Share for the year ended 31 December 2018 (the “**2018 Final Dividend**”) with a sum of approximately HKD1,767,036,000 which is subject to Shareholders’ approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 26 June 2019. The 2018 Final Dividend, if approved, will be distributed on or about Friday, 26 July 2019 to Shareholders whose names appear on the register of members of the Company on Friday, 5 July 2019.

The Company has been determined as a Chinese resident enterprise. Pursuant to the “Enterprise Income Tax Law of the People’s Republic of China” 《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 People’s Republic of China” 《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 2018 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 organisations, which are all considered as non-PRC resident enterprise Shareholders), the Company will distribute the 2018 Final Dividend after deducting an enterprise income tax of 10% or other appropriate rates. The Company will not withhold and pay the income tax in respect of the 2018 Final Dividend payable to its PRC resident enterprise Shareholders, exempted entities or any natural person Shareholders.

Closure of Register of Members

The annual general meeting of the Company will be held on Wednesday, 26 June 2019 and the register of members of the Company will be closed from Friday, 21 June 2019 to Wednesday, 26 June 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to attend and vote in the annual general meeting, holders of the Shares must lodge their Share certificates together with the relevant Share transfer documents with Computershare Hong Kong Investor Services Limited, the share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 20 June 2019.

For the distribution of the 2018 Final Dividend, the register of members of the Company will be closed from Thursday, 4 July 2019 to Friday, 5 July 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to receive the proposed 2018 Final Dividend, holders of the Shares must lodge their Share certificates together with the relevant Share transfer documents with Computershare Hong Kong Investor Services Limited, the share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 3 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

TRUCKS MARKET

In 2018, the domestic heavy duty truck industry grew slightly and the total sales volume hit a new record, mainly due to the combined impact of stable macroeconomic growth, the replacement of high polluting vehicles, and the launch of various infrastructure projects. During 2018, demand composition for various heavy duty trucks changed considerably. The sales volume of engineering products such as mixer trucks and tipper trucks saw tremendous growth in the first half of the year while demand declined significantly in the third quarter of the year. In contrast, due to regression of policy dividend, demand for tractor trucks declined significantly in the first half of the year compared with the same period last year. On the other hand, the demand in the second half of the year was stabilised and increased due to the need of storage and transportation of coal ready for the use in winter, natural gas and e-commerce logistics. Demand for specialty vehicles maintained relatively rapid growth while demand for freight trucks was stable throughout the year. Sales of LDTs saw steady growth throughout the year as a result of urbanization and increasing demand for suburban logistics freight.

LOANS MARKET

In 2018, the Chinese government continued to implement its prudent and neutral monetary policy. During the Period, the base interest rates for RMB denominated loan with a term of not more one year and RMB denominated loan with a term of over one year but not more than five years maintained at 4.35% and 4.75%, respectively, same as last year.

REVIEW OF OPERATIONS

HEAVY DUTY TRUCKS SEGMENT

During the Period, the sales volume of the Group's HDTs was 168,048 units, representing an increase of 7.6% YoY. Revenue from the HDT segment was RMB48,795 million, representing an increase of 7.1% YoY. The segment operating profit margin was 4.6%, representing an increase of 1.3 percentage points YoY, mainly due to the lower fixed production costs per unit by the significant increase in scale of sales.

Domestic Business

During the Period, the Group sold 131,748 HDTs in the PRC, representing an increase of 4.9% YoY.

The Group took advantage of a recovery in the construction vehicle market to boost the sales of engineering trucks as a result of the launch of various infrastructure projects in different areas. Sales of mixer trucks and tipper trucks increased by 54.2% and 31.8% YoY, respectively. The Group's affordable high-end Hohan (豪瀚) N-series truck which was launched in August last year was well accepted by the market and the sales orders increased rapidly in 2018. SITRAK series trucks has performed well in high-end segment markets such as long-distance road vehicles and specialty vehicles, and the brand's high-end image has been widely recognised by the market.

As at 31 December 2018, the Group had a total of 969 HDT dealerships (including 153 4S centers and 97 SINOTRUK branded dealerships), 1,340 service centers providing high quality after-sales service, and 151 refitting companies to provide truck refitting services to HDTs in the PRC.

International Business

During the Period, the Group's export volume of HDTs (including affiliated exports) was 36,300 units, representing an increase of 18.6% YoY. Export revenue (including affiliated exports) was RMB10,237 million, representing an increase of 17.2% YoY.

During the Period, the Group adhered to China's "Belt and Road" initiative and laid out the development of the international market. For the market with a relatively complete sales network, the Group manages and optimises these existing sales network, improve the efficiency of these existing network through extensive marketing of its classic truck models. Meanwhile, the Group also enhanced its relationships with large customers and explored in-depth cooperation methods, and built up solid basis of the cooperation. The Group also paid close attention to new market demands, timely enriched product lines, and expanded sales and market share. In order to accelerate the localisation process, the production lines of the Nigerian joint venture plant of the Group's joint venture – Sinotruk (Hong Kong) Hongye Co., Ltd. had been upgraded to further meet the demand for trucks in Nigeria and surrounding markets.

During the Period, the Group achieved a historic breakthrough in exports. According to internal non-GAAP measures, the Group has held a market-leading position in the export of HDTs in China for 14 consecutive years.

As at 31 December 2018, the Group had 110 primary distributor sales centers in over 60 countries and regions. Through cooperation with overseas distributors, the Group has also established 231 service outlets and 205 spare parts and accessory stores.

LIGHT DUTY TRUCKS SEGMENT

During the Period, the Group's LDTs sales volume increased by 24.5% YoY to 134,046 units, exceeding the industry average growth of 10.24%. The Group's LDTs business has grown into an important force in the industry. During the Period, revenue from the LDTs segment increased to RMB11,445 million, representing an increase of 28.2% YoY. The segment operating profit margin was 3.3%, representing an increase of 0.7 percentage points. The increase was due to the significant increase in sales volume which diluted the fixed production cost per unit.

The Group's Ji'nan LDT division continued to promote the distribution of the entire value chain of the distribution network to improve the operational quality, focus on key market segments, adjust market development plans in a targeted manner, and implement accurate marketing. It fully implements standardisation management, builds up marketing team management competitiveness, and achieves a substantial increase in product sales.

Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. (“**Chengdu Wangpai Company**”) comprehensively improved production and operation standards and accelerated the pace of its transformation and upgrading. Adhering to a customer-focused strategy, Chengdu Wangpai Company continued to optimise its product mix and promote innovative management principles in order to enhance the comprehensive strength. With high-quality products and strong marketing teams, Chengdu Wangpai Company expanded its domestic and international markets, realised management upgrade, quality upgrade and efficiency upgrade, and achieved a new record-high sales volume throughout the year.

Sinotruk Fujian Haixi Vehicles Co., Ltd. strengthened its market development efforts, continuously improved its competitiveness and further enhanced its brand awareness and market share.

As at 31 December 2018, the Group had a total of 1,969 LDT dealerships (including 52 4S centers and 372 SINOTRUK branded dealerships), 2,128 service centers that provide high quality after-sales service, and 34 refitting companies to provide truck refitting services to LDTs in the PRC.

ENGINES SEGMENT

During the Period, the sales volume of the engine segment decreased by 4.7% YoY to 175,889 units. Segment revenue decreased by 4.0% YoY to RMB14,111 million. External sales of engines accounted for 9.3% of the segment revenue, representing an increase of 1.8 percentage points YoY. The segment operating profit margin accounted for 15.7%, representing a decrease of 0.3 percentage points YoY. The decrease was due to the decrease in volume sales of engines which reduced benefits from economic scale.

The Group is committed to the continual research and development of new engine technologies, the benchmarking of its engine design in compliance with international standards, strengthening quality controls, expanding the application of MAN engines and to provide customers with high-tech products that are reliable and fuel-efficient. The Group continued to gain customer recognition for its advanced and high-quality MAN engines. In addition to supplying engines for the Group's own production, the Group sold engines to other HDTs, bus and engineering machinery manufacturers.

RESEARCH AND DEVELOPMENT

The Group remains committed to its technology-focused strategy. With the launch of a national heavy duty truck engineering technology research center, the Group further enhances its capacity for product research and development, inspection, and testing. The Group takes full advantage of its research platforms and increases investment in the research and development of new technology to strengthen its technological development and innovation capacity. By strengthening its cooperation with the MAN Group and other reputable international enterprises, the Group develops high quality and high-tech standard engines, parts and components as well as whole truck designs to further grow its industrial competitive edge.

During the Period, the Group's research and development team focused on a variety of projects, including: the "Development and Application of Euro-VI Heavy Duty Diesel Engines" (「歐VI重型柴油機開發及應用」) supported by the National Key Technology R&D Program, "Emergency Road Rescue Technology Research and Application Specifications" (「道路應急搶通關鍵技術研究與應用規範」), "Key Technologies and System Integration of Diesel Vehicle Emission Control Meeting National VI Standards" (「滿足國VI標準的柴油車排放控制關鍵技術及系統集成」) and "Development and Research of Super Energy-saving Heavy Duty Truck Hybrid Power Systems" (「超級節能型重型載貨汽車混合動力系統開發研究」) (2017YFB0103500, 2017-2020) supported by the National Key Research and Development Program, and "Hybrid Power System Optimisation Method and Electromechanical Coupling High Frequency Coordinated Control" (「混合動力系統優選方法及機電耦合高頻協調控制」) (U1764257, 2018-2021) supported by the National Natural Science Foundation, etc. During the Period, the Group's technology center completed a total of 56 research and development projects related to trucks, key parts and components.

FINANCE SEGMENT

During the Period, the Group's finance segment revenue was RMB1,415 million, representing an increase of 25.0% YoY, and segment external revenue was RMB988 million, representing an increase of 47.7% YoY. The segment operating profit margin was 60.1%, representing an increase of 11.9 percentage points YoY. The increase was mainly due to the vigorous development of auto financing and supply chain financing which increased operation scale and return of capital, and the further optimisation of sources of funding.

The Group continued to develop its innovative business model by taking full advantage of national policies and utilising its auto financing services platform. The Group promoted auto financing services to meet demand for truck financing and promote the Group's truck sales. During the Period, the Group sold 27,748 trucks with financing, representing an increase of 22.9% YoY. The Group also actively expanded its profit drivers by provision for supply chain financing to those premier suppliers so as to enhance its profitability.

As at 31 December 2018, the Group had 22 regional offices and extended its financing services business coverage to over 30 provinces, covering most parts of China, and further improved its auto financing services.

PRINCIPAL RISKS AND SOLUTIONS

Quality Risk:

During the products and services life cycle, the quality of the products and services designed, produced, sold and provided by the Group shall face uncertainty which may bring negative effects and impact on the competitiveness and reputation of the Group.

Mitigation Measures: in 2018, the Group began to operate the IATF16949 Quality Control System (automotive industry) and conducted overall planning of the quality management system in accordance with these relevant standards, making it suitable for the whole process of product design and development, manufacturing, sales and after-sales service of the Group. At the same time, the quality control department prepared “Related Parties and Risk Control Process 《相關方及風險管理程序》” in combination with the requirements of the quality management system standards for the identification and control activities of technical risks and quality risks in the Group’s quality system. In addition, with the launch of such campaigns as “Quality Month” and “Follow up of Quality Issues policy”, each production unit combined quality monitoring with risk management, added key quality indicators on the major risk indicators which were determined at the beginning of the year, monitored the relevant indicators in a dynamic manner and applied the trends of the changes of these indicators in quality control management decisions. Regarding to after-sales service management, the Group continued to promote “Non-stop Service Socialisation” (“不停車服務社會化”) and “Full Life-cycle Service” (“全生命週期服務”), continuously improving user satisfaction.

Foreign Exchange Risks:

The Group’s international trades are currently transacted in USD or Euro. If there are any significant exchange rate fluctuations of RMB against these currencies, the Group may face the uncertainty that is not existed under fixed exchange rates manner. The Group could be exposed to potential risks such as foreign exchange losses and a decline in investment return.

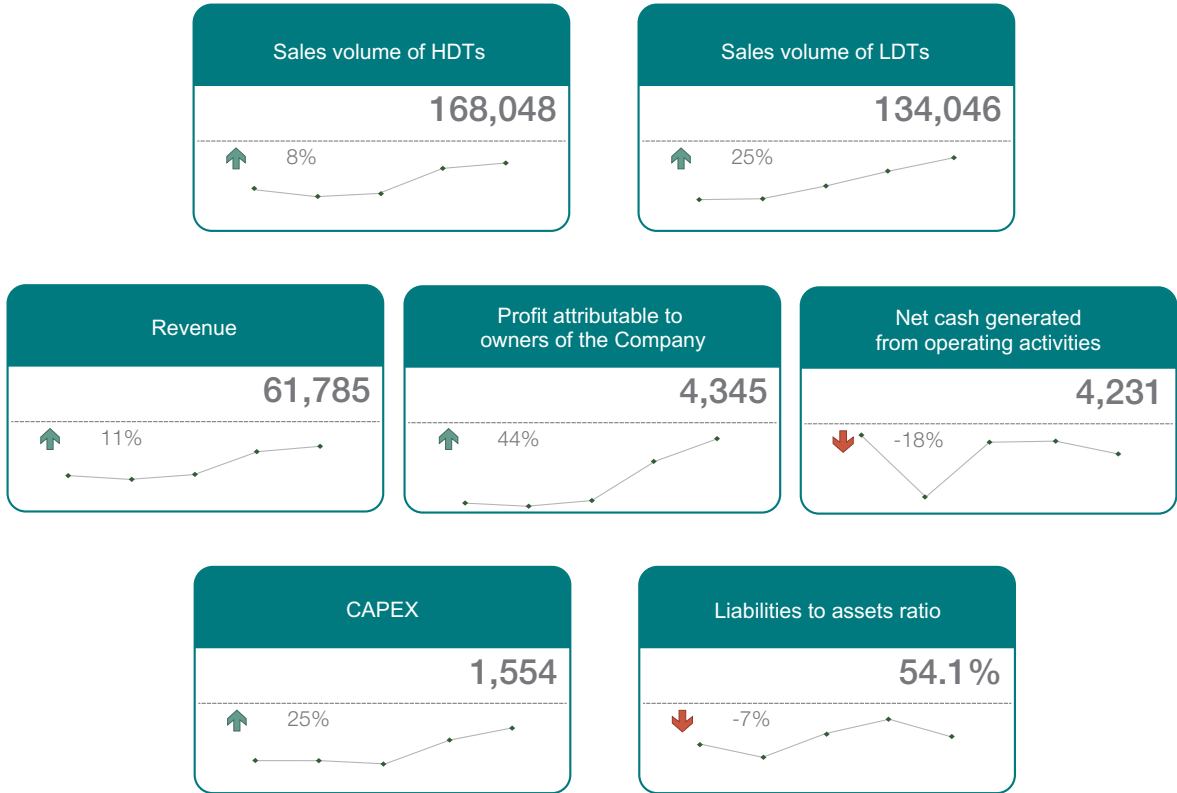
Mitigation Measures: The Group reduces the impact of foreign exchange rate fluctuations through domestic and foreign currency management. Firstly, the Group actively carries out the foreign exchange settlement and sales business, and uses the membership of the inter-bank foreign exchange market of Sinotruk Finance Company to reduce the cost of foreign currencies conversion. Secondly, the Group reduces the impact of exchange rate fluctuations through the forward exchange rate contracts, forfaiting and other measures to collect receivables earlier and fixing foreign exchange rates.

KEY PERFORMANCE INDICATORS

(All amounts of the indicators in RMB million unless otherwise stated)

Directors focus on the sustainability and continuing development of the Group and interests of the Shareholders. Directors use financial and non-financial measures as benchmarks and assist to make assessments and decisions. Sales volume of HDTs and LDTs as well as revenue show actual operating results and performance. Cash is essential for survival and net cash generated from operating activities provides insight of the ability of cash to be generated from ongoing operating activities. Liabilities to assets ratio shows the management how to balance the use of equity and debts financing when maintaining the Group’s liquidity. Capital expenditure (“CAPEX”) provides information for medium to long term development of the Group. Profit attributable to owners of the Company provides the return to the Shareholders for the current reporting period.

The following charts and table present these key performance indicators for the following years:



Key performance

indicators	2018	2017	2016	2015	2014
HDTs sales volume (units)	168,048	156,243	91,511	81,959	102,675
LDTs sales volume (units)	134,046	107,660	77,961	54,906	52,361
Revenue	61,785	55,458	32,959	28,305	32,809
Profit attributable to owners					
of the Company	4,345	3,023	532	206	408
Net cash generated from					
operating activities	4,231	5,155	5,238	1,040	5,681
CAPEX	1,554	1,245	641	724	707
Liabilities to assets ratio	54.1%	58.4%	54.9%	48.7%	52.0%

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND OTHERS

The Group values and has always maintained good relationships with its customers, business partners (including suppliers and distributors) and employees. The Group believes that establishing long-term interests with them is a top priority in building mutual trust, loyalty and business development, and is also a reliance on the Group's success and sustainable development.

The Group strives to provide its customers with comprehensive services and formulated a service manual 《「親人」服務手冊》 to establish a service brand 「親人」. The Group established a three-level service system consisting of customer service centers, regional dealers and special service stations, set up a 24-hour 400 service hotline and launched the Smart Sinotruk app 「智慧重汽」 to manage customer complaints and feedback. Strictly pursuant to domestic and foreign laws and regulations pertaining to recalls of defective vehicles including the “Administrative Regulation on the Recall of Defective Motor Vehicles” 《缺陷汽車產品召回管理條例》, the Group has formulated the “Motor Vehicle Recall Control Process” 《汽車產品召回控制程序》, and established a complete product recall process with the function of identifying, collecting, analysing, delivering and storing quality issues information, built up the system for the voluntary recalling (or instruction recalling) of defective products, and taken remedial and prevention measures, so as to preserve customers' interests. The Group, through the “Administrative Measures for the Protection of Trade Secrets” 《商業秘密保護管理辦法》, stipulates that customer information is an important part of the Group's trade

secrets, and adopts a hierarchical approach to manage customer information to strictly protect customer privacy. The Group established the Customer Satisfaction Survey and Analysis Procedure 「顧客滿意度調查分析程序」 to conduct annual customer satisfaction surveys and get an in-depth understanding of customer feedback, which are ultimately used in the preparation of the satisfaction survey research and analysis evaluation report.

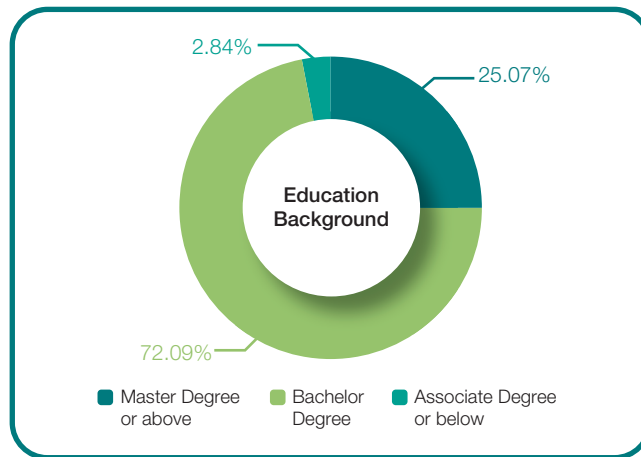
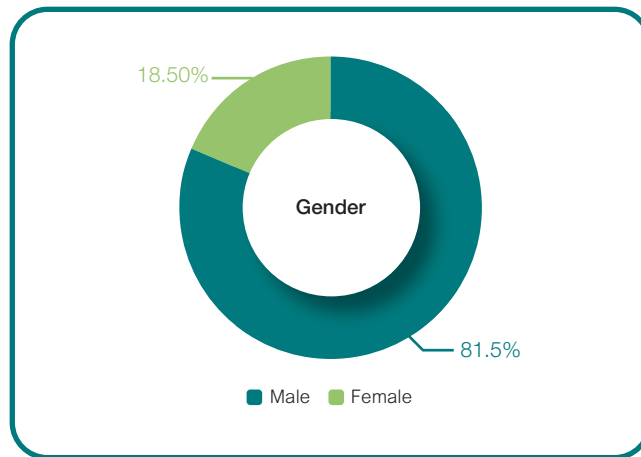
While learning from advanced upstream and downstream supply chain companies, the Group conveys the Group's safety and corporate social responsibility concepts, and leads the supply chain companies to continuously improve and jointly realise their social responsibility commitments in the fields of environmental protection, safety and health. The Group conducts audits of the first suppliers of each subsidiary through the supplier access office, with subsequent supplier audits being carried out by the subsidiaries themselves. Through the “Approval Procedures for Supplier Access and Product Release” 《配套產品供方准入和產品釋放批准程序》, the Group has established a strict supplier screening process to make sure that the products and service provided by suppliers will meet the requirements of the Group in order to continuously improve the quality of the Group's products. The Group transmits environmental and quality policies to suppliers through different channels and methods, requiring suppliers to meet the requirements of relevant industries and environmental protection. Through the terms of procurement contracts, suppliers are required to fulfill relevant social responsibilities.

The Group always considers its employees as the most valuable asset of the enterprise. The Group provides a complete career path, ensures the safety and health of employees, and provides trainings to help intertwine employees' personal growth with enterprise development. The Group has formulated the “Positions, Performances and Wages System” 《崗位績效工資制度》, adheres to the principle of compensation according to work, pays attention to efficiency and fairness, and has established a perfect performance salary system, which stipulates that employee compensation shall consist of basic salary, annual salary for seniority and performance appraisal salary. Employee income is linked to the economic benefits of the enterprise and employee's actual contribution, providing employees with competitive salary compensation. The Group adopts the “Recruitment and Management Methods of Personnel of the Supervisor-grades” 《主管級人員聘任管理辦法》 and nominates supervisor grade personnel through methods including public recruitment and appointment. The Group also adopts the “Implementation of Promotion Management of Non-leadership Positions at Level 8 and above” 《非領導職務八崗及以上崗位晉升管理實施辦法》, which provides another promotion path for staff who are not in leadership positions.

The Group has attached great importance to the growth of personal qualification and professional competency of employees and has formulated the “Measures for Implementation of Employee Training” 《員工培訓實施辦法》. With the support of the Group’s education and training centers, all subsidiaries and departments, the Group provides training to its employees and has maintained records for employees’ training to improve the overall quality of its workforce. The Group has established a three-level training system and provided trainings to middle and senior management personnel, high-level professionals, engineering technicians, marketing and management personnel, advanced technicians, on-site sub-department heads (sub-department heads directly under the Group), and workshop supervisors. The Group has cooperated with universities and made full use of their faculty and scientific research strength to train its high-level technicians. The Group has also accelerated the construction of network training institutes with the intent to achieve innovation of remote training mode by taking full advantage of network technology.

As at 31 December 2018, the Group had a total of 25,148 employees, which are classified by function, gender and education as follows:

	Number of employees	%
Management team	214	0.85
Technical staff	2,736	10.88
Research and development staff	1,008	4.01
Production staff	15,440	61.40
Operation and sales staff	1,600	6.36
Marketing staff	220	0.87
Administrative staff	3,930	15.63
	<hr/>	<hr/>
Total	<u>25,148</u>	<u>100.00</u>



ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

The Group strictly complies with various applicable national, provincial and local laws and regulations, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) and the Law of Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢棄物污染環境防治法》). The Group formulates internal management policies, including an “Environmental Protection Management Policy”《環境保護管理制度》 and a “Corporate Water Use Management Policy”《企業用水管理辦法》, and accredits with ISO14001 environmental management system certification. The Group regularly invites qualified third-party certification bodies to monitor waste gas discharges and ensure that discharged gases meet the requirements of the “GB 16297-96 Comprehensive Emission Standard of Air Pollutants”《GB 16297-96 大氣污染物排放標準》. Wastewater generated due to the Group’s operation is treated to meet national, provincial and local standards for wastewater

discharge, including the “GB/T 31962-2015 Wastewater Quality Standards for Discharge to Municipal Sewers”《GB/T 31962-2015 污水排入城鎮下水道水質標準》 before discharge. Online wastewater discharge monitoring systems are installed at wastewater treatment plant outlets to conduct online monitoring of the chemical oxygen demand (COD) and ammonia-nitrogen levels of the wastewater. The Group’s systems are connected to the provincial and local environmental protection departments, and wastewater discharge is monitored in real-time. Through the implementation of strict controls over subsidiaries, pollutant discharges and resource consumption from production and operating activities are efficiently reduced.

During the Period, as far as the Group is aware, there was no material breach or non-compliance with applicable laws and regulations (including the above mentioned laws and regulations) by the Group, which had a significant 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.

BUSINESS STRATEGIES AND PROSPECTS

Looking out to 2019, the momentum of the global economic recovery has slowed, and international trade is expected to be more complicated and challenging. With regard to the domestic economy, as highlighted at the Central Economic Work Conference at the end of 2018, China’s economy has seen changes amid overall stability with increased downward pressure. With such a complicated and challenging external environment, the economy is expected to face downward pressure.

With regard to the commercial vehicle industry, the scale of the local government special purpose bond issuance is expected to increase in 2019, which will gradually drive infrastructure investments and demand for construction vehicles. With the further roll out of the plan to Defend Blue Skies, a series of policies, including the “Action Plan for Controlling Diesel Truck Pollution”《柴油貨車污染治理攻堅戰行動計劃》, were released. The China VI Emission Standard will be implemented ahead of schedule in the Beijing-Tianjin-Hebei region and surrounding areas, the Yangtze River delta, Pearl River delta, the Chengdu-Chongqing region, and the Fenhe and Weihe plains. Coupled with the accelerated elimination of China III Emission Standard trucks, demand for new emission standard trucks will be

increased. At the same time, it should be noted that the situation of “excessive vehicles and insufficient goods” in road freight has not been changed. The country is advancing the transformation of bulk cargo transportation from roads to railways and waterways which makes truck logistics transportation being challenged. High volatility is expected in the commercial vehicle market in 2019 as competition intensifies. In the face of the complicated market environment, we regard “customer satisfaction is our aim” as the core value, and regard “Building domestic-leading and world class whole series commercial vehicles manufacturer” as the strategic vision of the enterprise.

The Group will focus on the following tasks:

1. Rapidly respond to changing market conditions. The Group will provide sufficient financial support and high quality products in market development, rapidly respond to problems based on customer feedback, closely integrate production, sales, marketing and research, and improve flexibility and variety of product to make sure that market demand is quickly met. The Group will also accelerate the automation of its production and manufacturing systems, improve labour productivity, and further enhance order delivery efficiency in order to support the sales activities.
2. Make breakthroughs in regional and other niche markets. The Group will benchmark itself against mainstream competing products and cater to specific segments of the market in an effort to sharpen its competitive edge. The Group will base on the consumers’ product requirements to optimise its product mix. The Group will leverage its strength in design of truck power systems to maintain its leading position in large horsepower dump trucks. The Group will actively respond to regulatory and policy changes for mixer trucks to ensure that it retains its dominant position in the traditional mixer trucks market. The Group will explore the implementation of innovative marketing models, create a differentiated competitive edge, and strive to achieve breakthroughs in freight trucks market. For specialty vehicles market, the Group will target sanitation vehicles for a breakthrough, focusing on high value-added vehicles such as fire trucks, oil fields trucks and pump trucks, etc. The Group will make efforts to achieve breakthroughs in innovating and upgrading the business, marketing, and cooperation models, and establish a close and cooperative relationship with refitting companies to achieve win-win situations.

3. Focus on innovative marketing models. The Group will promote its innovative online sales model, which focuses on “+ Internet”. In particular, the Group will leverage its “Smart Sinotruk” brand in the automobile after-sales market, and cooperate with well-known domestic platforms and Internet companies for shared success. The Group plans to continuously upgrade its marketing service models and processes, and make comprehensive and multi-dimensional marketing network improvement work. Furthermore, the Group will increase the network layout coverage, and in particular, expand the dealers’ online sales network.
4. Develop a full range of mid- to high-end LDTs. The Group will promote the differentiated competitive advantages of each unit of the LTD segment in terms of product, marketing management, market segmentation, etc., and realise the leap-forward sales growth in the LTD market. The Group will increase investment and improve the modularization and automation level of LDT manufacturing. The Group will also realise comprehensive application of LDTs in niche market segments such as logistics parks, rural areas, and fruit and vegetable markets. Focusing on new energy and intelligence, the Group will lay out next-generation product planning and market development to build a platform for high-end LDT products.
5. Expand implementation of digital transformation. The Group will build out its office automation system, accelerate the integration and interconnection across production, sales and research and development information system. In addition, the Group will also focus on the development and application of intelligent connected vehicles.
6. Expand to international markets. The Group will strengthen its ability to cover regional markets, increase the roles of its overseas representative offices to enhance the supervision of its overseas sales and service networks. The Group continues to seize the opportunities from the “Belt and Road” initiative and drive sales of products through working more closely with overseas construction projects that are managed by Chinese enterprises. By aiming to continually bulk order sales and build long-term market share, the Group will strengthen its sales and distribution system, produce customized classic models for targeting specific markets, and strive to cultivate more sustainable markets.

FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period recorded RMB61,785 million, representing an increase of RMB6,327 million or 11.4% YoY. The increase in the revenue is primarily attributable to the respective increase of sales volume of HDTs and LDTs by 7.6% and 24.5% and the optimisation of sales mix. The Group's gross profit for the Period was RMB11,175 million, representing an increase of RMB1,147 million or 11.4% YoY.

Gross profit margin for the Period was 18.1% (gross profit divided by revenue) same as last year.

DISTRIBUTION COSTS

Distribution costs for the Period was RMB3,021 million, representing a decrease of RMB208 million or 6.4% YoY. The decrease primarily resulted from the decrease in warranty expenses and, the classification of certain transportation costs at the amount of approximately RMB315 million as cost of sales instead of distribution costs during the Period, due to adoption of new accounting standards. During the Period, distribution costs to revenue of sales and service of trucks and engines ratio was 5.0%, representing a decrease of 0.9 percentage points YoY. The decrease in the ratio is mainly due to the decrease of warranty expenses by 21.1% and the increase of revenue of sales and service of trucks and engines by 11.0% YoY.

Warranty expenses accounted for 1.4% of revenue of trucks and engines for the Period, representing a decrease of 0.6 percentage points YoY. The decrease was mainly due to the improvement of the products quality which resulted in less warranty claims during the Period and the classification of certain warranty expenses at the amount of approximately RMB55 million as cost of sales instead of distribution costs during the Period due to adoption of new accounting standards.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB2,901 million, representing a decrease of RMB51 million or 1.7% YoY. During the Period, administrative expenses to revenue ratio was 4.7%, representing a decrease of 0.6 percentage points YoY. The decrease in the ratio was mainly due to the reclassification of provision for impairment of trade and other receivables at the amount of RMB304 million from administrative expenses to net impairment losses of financial assets in 2018, due to the adoption of new financial reporting standards. By exclusion of the effects of this reclassification, the administrative expenses increased by RMB253 million, due to increase in research and development costs and increase in salaries.

NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

Net impairment losses of financial assets for the Period was RMB304 million as compared to those of RMB234 million in year 2017, which was included in the administrative expenses. The impairment losses of trade and financing receivables was RMB307 million, representing 0.5% of total revenue for the Period. Further details of the trade and financing receivables was set out in the section headed “TRADE AND FINANCING RECEIVABLES”.

OTHER GAINS - NET

Net other gains for the Period was RMB693 million, representing an increase of RMB269 million or 63.4% YoY. The increase was mainly due to the increase in gain from foreign currency transactions other than those related to cash and bank balances by RMB104 million and the increase in government grant by RMB101 million.

FINANCE COSTS – NET

Net finance cost for the Period was RMB74 thousand, representing a decrease of RMB262 million YoY. The decrease was mainly due to the cut of average borrowing scale resulting the deduction of interest expenses by RMB99 million and increase in net gain from the conversion of foreign currencies into RMB and revaluation gain of foreign currency cash and bank balances by RMB149 million.

SHARE OF PROFITS LESS LOSSES OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The net profit of investments accounted for using the equity method for the Period was RMB70 million, representing an increase of RMB25 million. The increase was mainly due to the increase of profit from the group of Prinx (Cayman) Holdings Limited.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB993 million, representing an increase of RMB273 million or 37.9% YoY. The increase was due to the significant increase in profit before income tax.

PROFIT FOR THE PERIOD AND BASIC EARNINGS PER SHARE

Profit for the Period was RMB4,726 million, representing an increase of RMB1,390 million or 41.7% YoY. During the Period, operating profit ratio (operating profit divided by revenue) was 9.1% (2017: 7.7%) while net profit ratio (profit divided by revenue) was 7.6% (2017: 6.0%). Profit attributable to owners of the Company for the Period was RMB4,345 million, representing an increase of RMB1,322 million or 43.7% YoY. The basic earnings per share attributable to owners of the Company for the Period was RMB1.57, representing an increase of RMB0.48 or 44.0% YoY.

TRADE AND FINANCING RECEIVABLES

As at 31 December 2018, the trade receivables including related parties trade receivables were RMB5,412 million, representing a decrease of RMB2,399 million or 30.7% when compared the balance as at 31 December 2017. As at 31 December 2018, notes acceptance at the amount of RMB2,557 million (31 December 2017: RMB2,685 million) was not classified as trade receivables under the new financial report standards.

The trade receivables turnover (average trade receivables including related parties trade receivables divided by revenue multiplied by 365 days) for the Period was 31.6 days (2017 recalculated under new financial report standards by excluding notes receivables: 44.8 days), representing a decrease of 29.5% YoY and was still within the Group's credit policies which are from three to twelve months to the customers.

As at 31 December 2018, the trade receivables including related parties trade receivables aged not more than twelve months were RMB5,119 million or 94.6% of all trade receivables including related parties trade receivables.

At 31 December 2018, all notes receivables received from trading and bills discounting services at the amount of RMB2,557 million (classified as financial assets either at amortised cost or at fair value through other comprehensive income) aged not more than twelve months.

As at 31 December 2018, the financing receivables was RMB8,693 million, which included unsecured loan of RMB150 million to a related party, representing an increase of RMB1,608 million or 22.7% when compared the balance as at 31 December 2017.

As at 31 December 2018, the financing receivables including loan to a related party aged not more than twelve months were RMB6,802 million or 78.3% of all financing receivables including loan to a related party.

The finance segment of the Group has granted credit period generally from one year to three years. In addition, the auto financing services receivables are secured by the vehicles together with guarantees provided by the dealers and/or relevant parties while suppliers financing receivables are mainly secured by the beneficial owners of these applicants of financing services.

The Group reviews the repayment progress of key customers or customers with higher risk of default in repayment on monthly basis and assesses impairment loss by reference to their business, actual repayment information and other assessments. During the Period, the Group had made impairment loss allowance for trade receivables and financing receivables at the amount of approximately RMB245.9 million and RMB61.5 million respectively, of which amount at RMB202.1 million was made against one trade debtor.

TRADE PAYABLES

As at 31 December 2018, the trade payables including related parties trade payables were RMB21,789 million, representing a decrease of RMB648 million or 2.9% when compared the balance as at 31 December 2017.

The trade payables turnover (average trade payables including related parties trade payables divided by costs of sales of trucks and engines segments multiplied by 365 days) for the Period was 159.7 days (2017: 156.0 days), representing an increase of 2.4% YoY.

CASH FLOWS

Net cash inflow generated from operating activities for the Period was RMB4,231 million, compared with net cash inflow in last year same period, representing a decrease of cash inflow by RMB924 million or 17.9% YoY. The decrease was mainly due to the increase in payment of income tax and increase in payment of trade and bills payable.

Net cash inflow generated from investing activities for the Period was RMB979 million, compared with net cash outflow in last year same period, representing an increase of cash inflow of RMB3,656 million. The increase was mainly due to the receipts of the proceeds from the maturity of and liquidation of large amount of wealth management products during the Period.

Net cash outflow used from financing activities for the Period was RMB2,487 million, compared with net cash inflow in last year same period, representing an increase of cash outflow of RMB2,773 million. During the Period, in addition to the increase of payment of dividends to non-controlling interests, the Company increased the payment of dividends by RMB1,422 million as dividends to the Shareholders when comparing the dividends payment made in 2017. Furthermore, the Group cut its bank borrowings by RMB690 million during the Period while it increased its bank borrowings by RMB548 million last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group had cash and cash equivalents of RMB12,616 million, representing an increase of RMB2,776 million or 28.2% when compared the balance as at 31 December 2017. The Group's total borrowings (including borrowings from the related parties) were about RMB3,036 million as at 31 December 2018. Its gearing ratio (total borrowings divided by total assets) was 4.9% (31 December 2017: 6.6%). As at 31 December 2018, current ratio (total current assets divided by total current liabilities) was 1.3 (31 December 2017: 1.3).

As at 31 December 2018, all borrowings were denominated in RMB (31 December 2017: all in RMB) and all borrowings are charged with reference to bank's preferential fixed rates and were due within one year. The maturity profile of all borrowings were:

	As at 31 December 2018	As at 31 December 2017
Repayable within one year	RMB3,306 million	RMB4,206 million

As at 31 December 2018, total consolidated equity of the Company was RMB28,328 million, representing an increase of RMB2,897 million or 11.4% when compared with the balance as at 31 December 2017.

As at 31 December 2018, the Company's market capitalisation was RMB28,546 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD11.80 per Share and at the exchange rate of 1: 0.8762 between HKD and RMB).

As at 31 December 2018, total available credit facilities of the Group from the banks amounted to RMB36,908 million, of which RMB5,488 million had been utilised (31 December 2017: RMB5,400 million); an aggregate amount of RMB474 million (31 December 2017: RMB467 million) of security deposits and restricted bank deposits was pledged to secure various credit facilities. In addition, the finance segment has made mandatory deposits of RMB1,865 million to PBOC for its financial operations. 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, utilization of banking facilities and issuance of bills such as short-term commercial acceptance notes and bank acceptance notes.

SIGNIFICANT INVESTMENTS

Investments in subsidiaries

In May 2018, the Group had completed the capital injection at the amount of RMB957.2 million to HOWO Auto Finance Company and increased its equity interest in HOWO Auto Finance Company from 50% to approximately 82.15%. Details of the capital injection were disclosed in the Company's announcement dated 1 March 2018. In December 2018, the Company completed the capital injection of RMB115.8 million to HOWO Auto Finance Company. After the capital injection, the Group's equity interest in HOWO Auto Finance Company further increased to approximately 83.33%.

In September 2018, the Group acquired 0.16% equity interest in Sinotruk Finance Company for a consideration of RMB6,793,000, which subsequently increased the Group's equity interest in Sinotruk Finance Co., Ltd. in Sinotruk Finance Company to 94.65%.

Investments in associate

In August 2018, Ji'nan Power Company and Beijing Changjiu Logistics Co., Ltd. entered into an agreement to set up an associated company, Shandong Changjiu Sinotruk Logistics Co., Ltd. for the primary purpose of provision for the premier delivery services. Ji'nan Power Company and Beijing Changjiu Logistics Co., Ltd. injected RMB5 million and RMB15 million in cash for 25% and 75% equity interest in Shandong Changjiu Sinotruk Logistics Co., Ltd. respectively.

External Securities Investments

The Group's securities investments are classified into long-term equity investments forming part of the Group's business operations and short-term securities investment for trading purposes. As at 31 December 2018, the long-term equity investments and short-term securities investments amounted to RMB572 million and RMB104 million respectively, representing 0.9% and 0.2% of the total assets respectively. Long-term equity investments are investments accounted for using the equity method and equity investment in financial assets at fair value through other comprehensive income. Equity investment in financial assets at fair value through other comprehensive income are mainly unlisted equity investment and the amount involved was not material to the Group's assets. Short-term securities investments are used by the Group to manage liquidity and increase income, and mainly consists of listed securities investment in Hong Kong and Shanghai and their fair values kept changing from time to time depending on but not limit to their operation results, economic situations and stock markets sentiments.

Performance and details of investments accounted for using the equity method are disclosed in the section headed "Share of profits less losses of investments accounted for using the equity method".

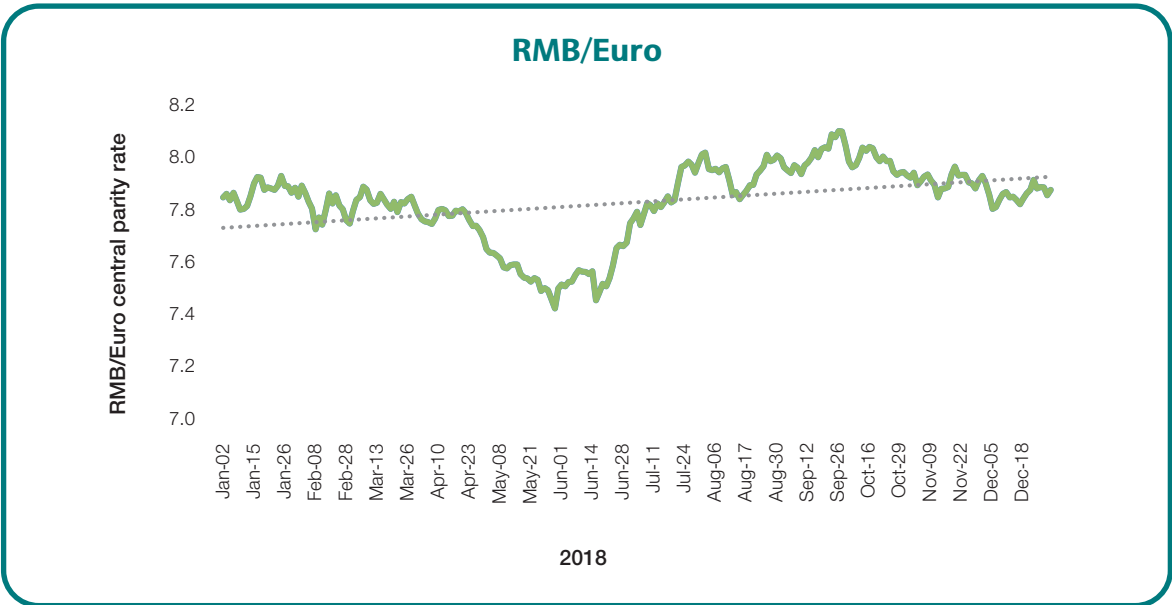
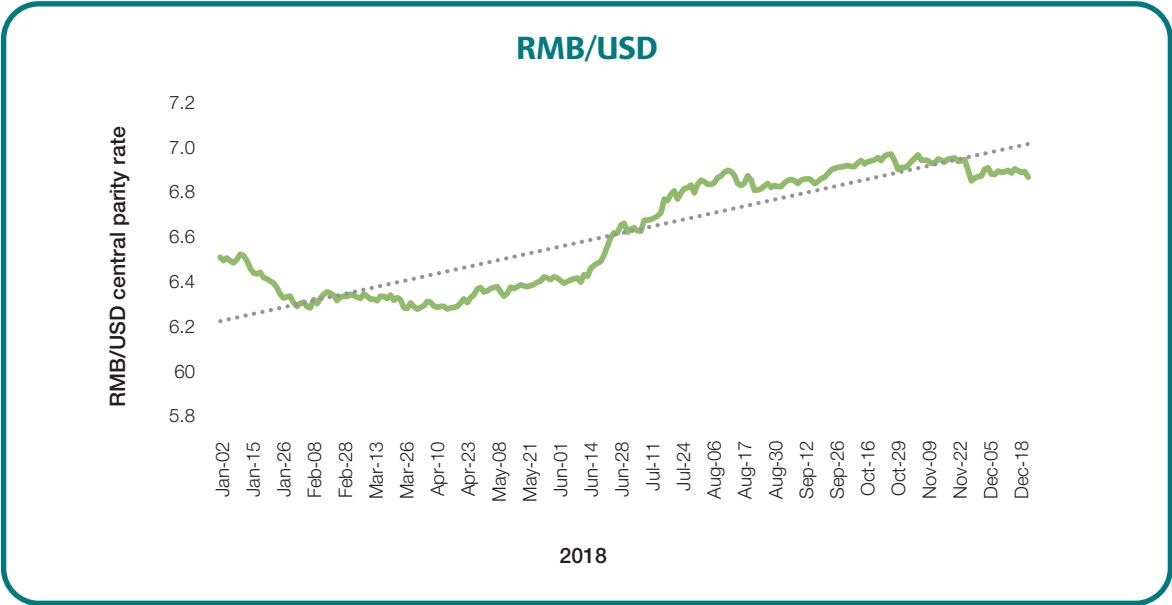
CHARGES ON GROUP ASSETS

Save as disclosed, as at 31 December 2018, there were no assets of the Group being pledged to secure credit facilities (31 December 2017: Nil).

FINANCIAL MANAGEMENT AND POLICY

The finance department is responsible for the financial risk management of the Group. One of the primary objectives of our financial policies is to manage exchange rate risk. 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 contracts to manage the foreign exchange risk and purchases some wealth management products which return are linked with non RMB foreign currencies.

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



The RMB/USD central parity rate in the PRC as at 28 December 2018 was 6.8632, representing a depreciation of RMB by 5.04% when compared the rate of 6.5342 as at 29 December 2017. The RMB/Euro central parity rate in the PRC as at 28 December 2018 was 7.8473, representing a depreciation of RMB by 0.58% when compared the rate of 7.8023 as at 29 December 2017. During the Period, both the overall trend of RMB/USD and RMB/Euro central parity rates show the depreciation of RMB.

As at 31 December 2018, most of the Group's assets and liabilities were denominated in RMB, except for cash and bank deposits which in total were equivalent to approximately RMB1,233 million, financial assets at fair value through profit or loss of approximately RMB104 million, accounts receivable and other receivable of approximately RMB2,166 million, accounts and other payables of approximately RMB122 million, all of which were denominated in currencies other than RMB.

During the Period, the Group recorded foreign exchange gains at RMB46 million in operating profit and foreign exchange gains at RMB53 million in finance costs. The potential foreign exchange impacts to the USD and Euro denominated net assets of the Group as at 31 December 2018 are:

	USD denominated net assets	Euro denominated net assets
5% strength/weakness by RMB	Loss/Gain before tax of RMB157 million	Loss/Gain before tax of RMB6 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. As a result, the financial statements were prepared under the going concern assumption.

CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

During the Period, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on the Group's financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB85 million. There was no provision for legal claims as at 31 December 2018.

DISCLAIMER

Non generally accepted accounting principles (“Non-GAAP”) measures

Certain non-GAAP measures, such as export revenue (including affiliated exports), are used for assessing the Group's performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures 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 measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally, since the Group has historically reported certain non-GAAP results to investors, it is considered the inclusion of non-GAAP measures provides consistency in the Group's financial reporting.

OTHER INFORMATION

Corporate Governance Practice

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 14 “Corporate Governance Code and Corporate Governance Report” to the Listing Rules as its own code of corporate governance (the “**CG Code**”).

During the Period, the Company has been in compliance with the CG Code, save for the Company did not establish a nomination committee as the Board takes up all functions of a nomination committee as required under the Listing Rules. Without the establishment of nomination committee, the Board has 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 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. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

In respect of Code Provision A.2.1, the positions of the chairman of the Board (the “**Chairman**”) and the president of the Company (the “**President**”) are held by the same individual, namely, Mr. Cai Dong, following the resignation of Mr. Wang Bozhi as the Chairman and an ED on 30 October 2018. As Mr. Cai Dong has acted as the President and ED since 2007 and has deep understanding of the Group’s businesses, the Board believes that holding the positions of both Chairman and President by Mr. Cai Dong provides the Group with strong and consistent leadership in the development and execution of long term business strategies, more effective planning and enhances efficiency in decision-making. In addition, under the supervision by the Board which currently consists of seven EDs, four NEDs and six INEDs, the interests of the shareholders of the Company will be adequately and fairly represented. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Code.

Furthermore, Code A.6.7 of the Code Provisions require that NEDs and INEDs should attend general meetings and develop a balanced understanding of the views of the Shareholders. Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing were unable to join 2018 AGM due to business commitments.

Directors' Securities Transactions

The Company has adopted Appendix 10 – “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) of 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.

Review of Financial Statements

The Company's consolidated financial statements for the year ended 31 December 2018 have been reviewed by the Audit Committee.

Scope of Work of PricewaterhouseCoopers

The financial figures in this announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's external auditor, PricewaterhouseCoopers (“**PwC**”), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by PwC on this announcement.

Past Performance and Forward-Looking Statements

The performance and the results of operations of the Group contained in this announcement are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained in this announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

Purchase, Sale or Redemption of Securities

The Company has not redeemed any of its Shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any shares of the Company during the Period.

Communications with Shareholders

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 website of Shenzhen Stock Exchange as required by the regulations. 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 investment management and securities department of the Group is responsible for promoting investor relations, enhancing communications 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. For cultivating 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 enrich their 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.

Constitutional Documents

There has been no changes to the Articles during the Period.

Publication of the 2018 Annual Results and the Annual Report

The annual results announcement for the year ended 31 December 2018 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinotruk.com). The annual report of the Company for the year ended 31 December 2018 will be despatched to Shareholders and published on the above websites in due course.

DEFINITIONS

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

“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
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, and for the purpose of this annual report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“CNHTC” or “Parent Company”	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 ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company” or “Sinotruk”	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the securities of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“ED(s)”	the executive Director(s)
“Euro”	the lawful currency of the European Union
“FPFPS”	Ferdinand Porsche Familien-Privatstiftung, an Austrian private foundation (Privatstiftung) (trust), being the beneficiary owner of 25% of the entired issued share capital of the Company plus 1 Share
“Group”	the Company and its subsidiaries
“HDT(s)”	heavy duty truck(s) and medium-heavy duty truck(s)
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HOWO Auto Finance Company”	山東豪沃汽車金融有限公司 (ShanDong HOWO Auto Finance Co., Ltd.), a company established under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company

“INED(s)”	the independent non-executive Director(s)
“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 established 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 incorporated 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)
“LDT(s)”	light duty truck(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAN Group”	MAN SE and its subsidiaries
“MAN SE”	MAN 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 German Stock Exchange in Germany (stock code: ISIN DE0005937007, WKN 593700 and symbol MAN)
“NED(s)”	the non-executive Director(s)
“PBOC”	The Peoples’ Bank of China
“Period”	the year ended 31 December 2018
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Sinotruk Finance Company”	中國重汽財務有限公司 (Sinotruk Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“USD”	United States dollars, the lawful currency of the United States of America
“YoY”	year-over-year
“%”	per cent

By order of the board of the Directors
Sinotruk (Hong Kong) Limited
Cai Dong
Chairman and President

Beijing, the PRC, 27 March 2019

As at the date of this announcement, the Board consists of seven executive directors of the Company including Mr. Cai Dong, Mr. Wang Shanpo, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Mr. Sun Chenglong and Mr. Jörg Mommertz; four non-executive directors of the Company including Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees, Mr. Jiang Kui and Ms. Annette Danielski; and six independent non-executive directors of the Company including Dr. Lin Zhijun, Mr. Chen Zheng, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing.