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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 2019

RESULTS

The Board is pleased to announce the consolidated results of Sinotruk (Hong Kong) Limited for the year ended 31 December 2019 together with the comparative figures for the previous year as follows:

Consolidated statement of profit or loss
For the year ended 31 December 2019
(All amounts in RMB thousands unless otherwise stated)

	Note	**2019 Audited**	2018 Restated
Revenue	4	**62,226,708**	62,727,504
Cost of sales	5	**(50,380,101)**	(51,403,463)
Gross profit		**11,846,607**	11,324,041
Distribution costs	5	**(3,399,708)**	(3,060,792)
Administrative expenses	5	**(3,406,475)**	(2,929,019)
Net impairment losses on financial assets		**(831,817)**	(309,475)
Other gains – net	6	**630,510**	699,099
Operating profit		**4,839,117**	5,723,854
Finance income		**45,225**	92,979
Finance costs		**(141,294)**	(160,757)
Finance costs – net		**(96,069)**	(67,778)
Share of profits less losses of investments accounted for using the equity method		**61,465**	70,351
Dilution gain on investment in an associate		**—**	6,283
Profit before income tax		**4,804,513**	5,732,710
Income tax expense	7	**(1,028,846)**	(1,005,719)
Profit for the year		**3,775,667**	4,726,991

Consolidated statement of profit or loss (continued)
For the year ended 31 December 2019
(All amounts in RMB thousands unless otherwise stated)

	Note	**2019 Audited**	2018 Restated
Profit attributable to:			
– Owners of the Company		**3,333,794**	4,345,891
– Non-controlling interests		**441,873**	381,100
		3,775,667	4,726,991
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB per share)			
– basic and diluted	8	**1.21**	1.57

Consolidated statement of comprehensive income
For the year ended 31 December 2019
(All amounts in RMB thousands unless otherwise stated)

	2019 Audited	2018 Restated
Profit for the year	**3,775,667**	4,726,991
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	**420**	122
Items that may be reclassified to profit or loss		
Other comprehensive income of investments accounted for using the equity method	**2,903**	6,151
Other comprehensive income realized due to step acquisition as a subsidiary	**(7,281)**	—
Currency translation differences	**(3,370)**	(5,089)
Other comprehensive (loss)/profit for the year, net of tax	**(7,328)**	1,184
Total comprehensive income for the year	**3,768,339**	4,728,175
Attributable to:		
– Owners of the Company	**3,326,468**	4,690,014
– Non-controlling interests	**441,871**	38,161
Total comprehensive income for the year	**3,768,339**	4,728,175

Consolidated statement of financial position

As at 31 December 2019

(All amounts in RMB thousands unless otherwise stated)

	Note	**31 December 2019 Audited**	31 December 2018 Restated
ASSETS			
Non-current assets			
Land use rights		**—**	1,611,631
Right-of-use assets		**1,629,136**	—
Property, plant and equipment		**9,905,639**	10,451,415
Investment properties		**797,168**	712,797
Intangible assets		**278,587**	325,163
Goodwill		**17,478**	3,868
Deferred income tax assets		**1,675,933**	1,490,079
Investments accounted for using the equity method		**496,521**	534,148
Financial assets at fair value through other comprehensive income	10	**33,125**	37,925
Financial assets at fair value through profit or loss		**—**	173,688
Receivables and other assets	11	**2,907,073**	2,300,620
		17,740,660	17,641,334
Current assets			
Inventories		**9,720,820**	11,600,047
Receivables and other assets	11	**16,050,575**	15,023,133
Financial assets at amortised cost	12	**9,711**	33,990
Financial assets at fair value through other comprehensive income	10	**2,251,792**	2,530,235
Financial assets at fair value through profit or loss		**1,715,101**	2,078,180
Amounts due from related parties	13	**270,601**	370,972
Cash and bank balances		**18,191,252**	15,190,878
		48,209,852	46,827,435
Total assets		**65,950,512**	64,468,769

Consolidated statement of financial position (continued)

As at 31 December 2019

(All amounts in RMB thousands unless otherwise stated)

	Note	**31 December 2019 Audited**	31 December 2018 Restated
EQUITY			
Equity attributable to owners of the Company			
Share capital		**16,717,024**	16,717,024
Other reserves		**438,288**	(60,683)
Retained earnings		**10,105,758**	8,832,204
		27,261,070	25,488,545
Non-controlling interests		**3,166,801**	2,852,307
Total equity		**30,427,871**	28,340,852
LIABILITIES			
Non-current liabilities			
Lease liabilities		**26,164**	—
Deferred income tax liabilities		**28,452**	41,056
Termination and post-employment benefit obligations		**6,892**	9,307
Deferred income		**285,959**	316,438
		347,467	366,801
Current liabilities			
Lease liabilities		**31,215**	—
Trade payables and other liabilities	14	**31,454,580**	29,194,413
Current income tax liabilities		**385,240**	284,642
Borrowings		**1,000,000**	3,000,000
Amounts due to related parties	15	**1,084,640**	2,305,088
Provisions for other liabilities		**1,219,499**	976,973
		35,175,174	35,761,116
Total liabilities		**35,522,641**	36,127,917
Total equity and liabilities		**65,950,512**	64,468,769

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, buses 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 2019 and 2018 included in this preliminary announcement of 2019 annual results do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements and those figures of 2018 are combined with the financial statements of Sinotruk Ji'nan HOWO Bus Co., Ltd. ("HOWO Bus") for the year ended 31 December 2018 under merger accounting (Note 3.3). 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 2018 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 2019 in due course.

The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2019 and 2018. 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.

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") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 and investment properties which are carried at fair value.

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.

(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 or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of which has significant financial impact to the Group except for HKFRS 16:

		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 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
Annual Improvements to HKFRS Standards 2015-2017 Cycle	Annual improvements of HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	1 January 2019

The change in accounting policy by the adoption of HKFRS 16 affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by RMB1,621,612,000

- Prepayments – decrease by RMB63,000

- Land use rights - decrease by RMB1,611,631,000

- Lease liabilities (current portion) – increase by RMB5,038,000

- Lease liabilities (non-current portion) – increase by RMB4,880,000

There was no impact on retained earnings on 1 January 2019.

(All amounts in RMB thousands unless otherwise stated)

3 Accounting policies (continued)

3.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

3.3 Business combination between entities under common control

In April 2019, Sinotruk Ji'nan Power Co., Ltd. (Ji'nan Power), a wholly-owned subsidiary of the Company, acquired from CNHTC the entire equity interest of HOWO Bus. The consideration was satisfied by cash, amounting to approximately RMB306,612,000.

Since Ji'nan Power and HOWO Bus are ultimately controlled by CNHTC both before and after the above mentioned acquisition, the acquisition is regarded as "common control combination". Accordingly, the Group has applied merger accounting to account for the acquisition of HOWO Bus in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

4 Segment information

The chief operating decision-maker has been identified as the Board while it delegates the Executive Committee. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee has determined the operating segments based on these reports.

The Executive Committee considers the business from both a geographic and business perspective. From a geographic perspective, the Executive Committee assesses the revenue from Mainland China and overseas. From a business perspective, the Executive Committee assesses the performance of heavy duty trucks, light duty trucks and buses, engines and finance.

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

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

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

(iv) Finance – Provision for deposits taking, borrowings, bills and notes discounting and entrustment loans to the members of the Group and the members of CNHTC Group as well as provision for auto and supply chain financing services to the public.

The Executive Committee assesses the performance of the operating segments based on a measure of revenue and operating profit.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated expenses.

4 Segment information (continued)

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the consolidated statement of financial position. Segment assets consist of primarily of right-of-use assets, investment properties, property, plant and equipment, intangible assets, inventories, investments accounted for using the equity method, financial assets at fair value through other comprehensive income, profit or loss and amortised cost, goodwill, amounts due from related parties, receivables and other assets, and operating cash (prior year: land use rights, investment properties, property, plant and equipment, intangible assets, inventories, investments accounted for using the equity method, financial assets at fair value through other comprehensive income, profit or loss and amortised cost, goodwill, amounts due from related parties, receivables and other assets, and operating cash). They exclude income tax assets.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include borrowings and other liabilities that are incurred for financing rather than operating purpose unless the segment is engaged in financing activities. Segment liabilities do not include income tax liabilities.

Unallocated assets mainly represent deferred tax assets, prepaid tax and the assets of the Company. Unallocated liabilities mainly represent borrowings, deferred tax liabilities, current tax liabilities and the liabilities of the Company.

Addition to non-current assets comprises mainly additions to right-of-use assets, property, plant and equipment, and intangible assets, including additions resulting from acquisitions through business combinations.

Sales between segments are carried out on terms mutually agreed amongst these operating segments.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

The segment results for the year ended 31 December 2019 as follows:

	Audited Year ended 31 December 2019					
	Heavy duty trucks	**Light duty trucks and buses**	**Engines**	**Finance**	**Elimination**	**Total**
Revenue from external customers						
Sales of goods	**49,636,444**	**9,693,140**	**1,159,358**	**—**	**—**	**60,488,942**
Provision of financing services	**—**	**—**	**—**	**979,661**	**—**	**979,661**
Rendering of services	**714,780**	**6,404**	**36,921**	**—**	**—**	**758,105**
Total revenue from external customers	**50,351,224**	**9,699,544**	**1,196,279**	**979,661**	**—**	**62,226,708**
Inter-segment revenue	**735,256**	**511,779**	**13,466,111**	**607,074**	**(15,320,220)**	**—**
Segment revenue	**51,086,480**	**10,211,323**	**14,662,390**	**1,586,735**	**(15,320,220)**	**62,226,708**
Operating profit/(loss) before unallocated expenses	**3,394,240**	**(1,112,145)**	**1,921,583**	**934,565**	**(288,750)**	**4,849,493**
Unallocated expenses						**(10,376)**
Operating profit						**4,839,117**
Finance costs – net						**(96,069)**
Share of profit less loss of investments accounted for using the equity method						**61,465**
Profit before income tax						**4,804,513**
Income tax expense						**(1,028,846)**
Profit for the year						**3,775,667**

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

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

	Restated Year ended 31 December 2018					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	Total
Revenue from external customers						
Sales of goods	47,690,661	11,986,441	1,287,919	—	—	60,965,021
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	11,989,674	1,305,469	987,993	—	62,727,504
Inter-segment revenue	350,137	631,615	12,806,027	427,447	(14,215,226)	—
Segment revenue	48,794,505	12,621,289	14,111,496	1,415,440	(14,215,226)	62,727,504
Operating profit before unallocated expenses	2,268,497	461,582	2,212,951	851,103	(25,569)	5,768,564
Unallocated expenses						(44,710)
Operating profit						5,723,854
Finance costs – net						(67,778)
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						5,732,710
Income tax expense						(1,005,719)
Profit for the year						4,726,991

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

Other segment items included in profit or loss for the year ended 31 December 2019 are as follows:

	Audited					
	Year ended 31 December 2019					
	Heavy duty trucks	**Light duty trucks and buses**	**Engines**	**Finance**	**Unallocated**	**Total**
Depreciation of property, plant and equipment	**439,762**	**166,789**	**886,624**	**1,780**	**43**	**1,494,998**
Depreciation of right-of-use assets	**38,538**	**20,692**	**8,187**	**301**	**19**	**67,737**
Amortisation of intangible assets	**23,938**	**2,365**	**39,698**	**522**	**—**	**66,523**

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

	Restated					
	Year ended 31 December 2018					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Depreciation of property, plant and equipment	392,361	149,502	539,701	1,653	44	1,083,261
Amortisation of intangible assets and land use rights	42,508	11,380	47,929	468	19	102,304

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

The segment assets and liabilities as at 31 December 2019 and addition to non-current assets of the segments for the year then ended are as follows:

	Audited As at 31 December 2019					
	Heavy duty trucks	**Light duty trucks and buses**	**Engines**	**Finance**	**Unallocated**	**Total**
Segment assets	**48,544,043**	**7,579,797**	**19,628,441**	**43,331,497**	**1,780,964**	**120,864,742**
Elimination						**(54,914,230)**
Total assets						**65,950,512**
Segment liabilities	**30,315,948**	**7,966,168**	**8,165,991**	**36,023,474**	**1,122,118**	**83,593,699**
Elimination						**(48,071,058)**
Total liabilities						**35,522,641**
Addition to non-current assets	**361,713**	**186,072**	**578,382**	**1,644**	**—**	**1,127,811**

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

Reconciled to entity assets and liabilities as follows:

	Audited	
	As at 31 December 2019	
	Assets	Liabilities
Segment assets/liabilities after elimination	64,169,548	34,400,523
Unallocated:		
Deferred tax assets/liabilities	1,675,933	28,452
Current tax assets/liabilities	76,526	385,240
Current borrowings	—	700,000
Other assets/liabilities of the Company	28,505	8,426
Total	65,950,512	35,522,641

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

The segment assets and liabilities as at 31 December 2018 and addition to non-current assets of the segments for the year then ended are as follows:

	Restated					
	As at 31 December 2018					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Segment assets	42,217,468	8,035,022	17,670,474	33,838,256	1,522,687	103,283,907
Elimination						(38,815,138)
Total assets						64,468,769
Segment liabilities	24,862,912	4,823,316	6,729,186	27,074,651	4,718,916	68,208,981
Elimination						(32,081,064)
Total liabilities						36,127,917
Addition to non-current assets	512,070	287,008	819,780	2,344	—	1,621,202

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

Reconciled to entity assets and liabilities as follows:

	Restated	
	As at 31 December 2018	
	Assets	Liabilities
Segment assets/liabilities after elimination	62,946,082	31,409,001
Unallocated:		
Deferred tax assets/liabilities	1,490,079	41,056
Current tax assets/liabilities	3,006	284,642
Current borrowings	—	4,386,000
Other assets/liabilities of the Company	29,602	7,218
Total	64,468,769	36,127,917

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

	2019	2018
	Audited	Restated
Revenue		
Mainland China	**52,289,622**	55,337,765
Overseas	**9,937,086**	7,389,739
	62,226,708	62,727,504

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

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

	2019	2018
	Audited	Restated
Total assets		
Mainland China	**64,092,193**	62,547,001
Overseas	**1,858,319**	1,921,768
	65,950,512	64,468,769

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

	2019	2018
	Audited	Restated
Non-current assets other than deferred income tax assets		
Mainland China	**15,282,741**	15,258,948
Overseas	**781,986**	892,307
	16,064,727	16,151,255

Addition to non-current assets is allocated based on where the assets are located.

	2019	2018
	Audited	Restated
Addition to non-current assets		
Mainland China	**1,127,400**	1,606,677
Overseas	**411**	14,525
	1,127,811	1,621,202

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

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

	As at 31 December 2019 Audited	As at 31 December 2018 Restated
Heavy duty trucks	**1,172,674**	1,797,403
Light duty trucks and buses	**568,761**	519,470
Engines	**21,693**	32,787
Total contract liabilities	**1,763,128**	2,349,660

All contract liabilities as at 31 December 2018 have been recognised as revenue during the year ended 31 December 2019.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

5 Expenses by nature

	2019	2018
	Audited	Restated
Materials cost	**44,887,405**	46,235,057
Employee benefit expenses	**4,684,264**	3,890,794
Depreciation of property, plant and equipment	**1,494,998**	1,083,261
Transportation expenses	**1,124,803**	1,326,177
Warranty expenses	**940,944**	861,097
Subcontracting costs	**923,343**	920,980
Utilities expenses	**697,410**	825,934
Maintenance costs	**390,364**	528,279
Travel and office expenses	**323,652**	352,627
Write-down of inventories to net realisable value	**255,043**	179,450
Transaction taxes	**169,164**	201,584
Promotion expenses	**108,443**	4,013
Depreciation of right-of-use assets	**67,737**	—
Amortisation of intangible assets	**66,523**	63,812
Advertising costs	**44,609**	100,693
Exhibition expenses	**43,971**	37,376
Rental expenses	**34,713**	52,642
Amortisation of land use right	**—**	38,492
Auditors' remuneration		
– Financial audit services	**7,200**	10,000
– Internal control audit services	**500**	500
– Taxation professional services	**300**	300
– Environmental, social and governance report services	**214**	200
Other charges	**920,684**	680,006
Total	**57,186,284**	57,393,274
Representing:		
Cost of sales	**50,380,101**	51,403,463
Distribution costs	**3,399,708**	3,060,792
Administrative expenses	**3,406,475**	2,929,019
Total	**57,186,284**	57,393,274

(All amounts in RMB thousands unless otherwise stated)

6 Other gains – net

	2019 Audited	2018 Restated
Gains on disposal of property, plant and equipment	**6,960**	3,894
Fair value gains on investment properties	**16,970**	3,221
Losses on disposal of intangible assets	**—**	(29)
Gains on disposal of financial assets at fair value through other comprehensive income	**251**	—
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	**521**	1,354
Fair value gains/(losses) on financial assets at fair value through profit or loss	**798**	(25,882)
Gains on disposal of financial assets at fair value through profit or loss	**186,208**	119,335
Gains on disposal of wealth management products with principal and interests guaranteed	**—**	27,912
Gains on disposal of assets classified as held for sale	**—**	63,087
Government grants	**163,675**	194,980
Penalties income	**17,114**	102,605
Disposal of scraps	**61,013**	41,580
Rental income	**41,568**	36,409
Foreign exchange gains – net	**85,160**	46,286
Others	**50,272**	82,097
Total	**630,510**	699,099

Government grants were contributed from various government organisations to the Group in respect of relocation compensations, subsidies for research and development, overseas promotion activities and other incentives.

(All amounts in RMB thousands unless otherwise stated)

7 Income tax expense

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

	2019 Audited	2018 Restated
Current tax:		
– Hong Kong profits tax	**7,925**	1,686
– PRC corporate income tax	**1,218,056**	929,224
– Income tax in other jurisdictions	**1,323**	1,754
Total current tax	**1,227,304**	932,664
Deferred tax	**(198,458)**	73,055
Income tax expense	**1,028,846**	1,005,719

The estimated weighted average annual income tax rate expected for the full financial year is 21% (the estimated tax rate for the year ended 31 December 2018 was 18%).

The Company, Sinotruk (Hong Kong) Capital Holding Limited and Sinotruk (Hong Kong) Hongye Limited are subject to Hong Kong profits tax at the rate of 16.5% (2018: 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 ("PRC"), which has been calculated based on the corporate income tax rate of 25% (2018: 25%). Sinotruk (Hong Kong) International Investment Limited will entitle to Two-tiered Profits Tax Rates Regime in Hong Kong under which its first HKD2 million assessable profits will be calculated at tax rate at 8.25% and the rest at 16.5% from the financial year 2019 (2018: full amounts at 16.5%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the year ended 31 December 2019 at the rates of taxation prevailing in the countries in which the Group operates.

7 Income tax expense (continued)

Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprises in 2016, and has already applied the renewal of its High New Tech certificate before it expires in 2019. 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% (2018: 15%).

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 (2018: 15%).

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax rate of 20% according to Tax Code of the Russian Federation (2018: 20%).

Sinotruk South Africa (Pty) Ltd. is subject to a corporate income tax rate of 28% according to South Africa Tax Law (2018: 28%).

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax rate of 20% according to Kazakhstan Tax Law (2018: 20%).

Sinotruk (Kenya) Limited is subject to a corporate income tax rate of 30% according to Kenya Tax Law.

The remaining subsidiaries are subject to the PRC corporate income tax, which have been calculated based on the corporate income tax rate of 25% (2018: 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.

	2019	2018
	Audited	Restated
Profit attributable to owners of the Company	**3,333,794**	4,345,891
Weighted average number of ordinary shares in issue (thousands)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**1.21**	1.57

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2019 and 2018 as there are no dilutive potential shares existed during the years.

9 Dividend

	2019	2018
	Audited	Audited
Final dividend for financial year 2018: HK$0.64 (financial year 2017: HK$ 0.70) per Share	**1,554,691**	1,614,554

(All amounts in RMB thousands unless otherwise stated)

10 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 2019 is RMB2,251,792,000 (31 December 2018: RMB2,530,235,000). The Group receives acceptance notes from its customers to settle purchase consideration and intends to use these acceptance notes either to pay off its trade and other payables or to hold until maturity.

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

	2019	2018
	Audited	Restated
Less than 3 months	**1,356,762**	1,467,545
3 months to 6 months	**804,201**	855,267
6 months to 12 months	**90,829**	207,423
	2,251,792	2,530,235

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

11 Receivables and other assets

	2019 Audited	2018 Restated
Non-current		
Accounts receivable	**265,115**	105,936
Less: Provision for impairment of account receivables	**(30,996)**	—
Accounts receivable – net (a)	**234,119**	105,936
Financing receivables	**2,691,424**	2,210,192
Less: Provision for impairment of financing receivables	**(72,233)**	(44,876)
Financing receivables – net (b)	**2,619,191**	2,165,316
Prepayments for long term assets	**53,763**	29,368
Receivables and other assets – net	**2,907,073**	2,300,620
Current		
Accounts receivable	**10,146,230**	8,600,237
Less: Provision for impairment of accounts receivable	**(1,966,474)**	(1,245,517)
Accounts receivable – net (a)	**8,179,756**	7,354,720
Financing receivables	**6,825,341**	6,510,697
Less: Provision for impairment of financing receivables	**(178,295)**	(132,741)
Financing receivables – net (b)	**6,647,046**	6,377,956
Other receivables and other assets	**220,757**	346,629
Less: Provision for impairment of other receivables and other assets	**(60,682)**	(55,078)
Other receivables and other assets – net	**160,075**	291,551
Interest receivables	**71,280**	55,882
Receivables and other assets before prepaid items	**15,058,157**	14,080,109
Prepayments	**265,547**	226,522
Prepaid taxes other than income tax	**650,345**	713,496
Prepaid income taxes	**76,526**	3,006
Receivables and other assets – net	**16,050,575**	15,023,133

(All amounts in RMB thousands unless otherwise stated)

11 Receivables and other assets (continued)

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

	2019	2018
	Audited	Restated
Less than 3 months	**4,147,412**	3,892,099
3 months to 6 months	**1,244,273**	864,601
6 months to 12 months	**719,047**	858,755
1 year to 2 years	**1,379,329**	699,267
2 years to 3 years	**484,073**	1,050,044
Over 3 years	**439,741**	95,890
	8,413,875	7,460,656

The sales policy of the Group generally requires its customers to pay a certain amount of deposits when orders of commercial vehicles are made and settle purchase price 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 2019, accounts receivable of the Group of approximately RMB1,262,400,000 (2018: RMB668,673,000) were secured by certain letters of credit issued by overseas third parties. As at 31 December 2019, RMB2,959,646,000 (2018: RMB2,427,334,000) were guaranteed by China Export and Credit Insurance Corporation.

(All amounts in RMB thousands unless otherwise stated)

11 Receivables and other assets (continued)

(b) The ageing analysis of financing receivables – net at respective dates of statement of financial position is as follows:

	2019	2018
	Audited	Restated
Less than 3 months	**1,999,901**	1,914,717
3 months to 6 months	**1,617,283**	1,330,683
6 months to 12 months	**3,023,068**	3,407,030
1 year to 2 years	**2,281,593**	1,837,589
2 years to 3 years	**296,536**	53,253
Over 3 years	**47,856**	—
	9,266,237	8,543,272

Financing receivables represents loans granted by Sinotruk Finance Co., Ltd. and ShanDong HOWO Auto Finance Co., Ltd. which are involved in the provision of financing services, to suppliers of the Group at interest rates ranging from 3.48% to 7.80% per annum and to individuals and entities when they purchased commercial vehicles of the Group from dealers at interest rates ranging from 5.00% to 18.00% per annum. Receivables to those who purchased commercial vehicles of the Group from dealers were secured by the vehicles and most of these receivables were guarantees provided by these dealers and their relevant parties.

(All amounts in RMB thousands unless otherwise stated)

12 Financial assets at amortised cost

Financial assets at amortised cost include the following debt investments:

	2019	2018
	Audited	Restated
Bills discounted	**9,711**	33,990

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:

	2019	2018
	Audited	Restated
Less than 3 months	**2,961**	4,480
3 months to 6 months	**5,750**	24,351
6 months to 12 months	**1,000**	5,159
	9,711	33,990

(All amounts in RMB thousands unless otherwise stated)

13 Amounts due from related parties

Trade receivables included in the amounts due from related parties as at 31 December 2019 is RMB2,620,000 (31 December 2018: RMB370,887,000).

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

	2019	2018
	Audited	Restated
Less than 3 months	**320**	335,739
3 months to 6 months	**24**	34,728
6 months to 12 months	**2,276**	—
1 year to 2 years	**—**	—
2 years to 3 years	**—**	100
Above 3 years	**—**	320
	2,620	370,887

Financing receivables included in the amounts due from related parties as at 31 December 2019 is RMB250,000,000 (31 December 2018: Nil).

(All amounts in RMB thousands unless otherwise stated)

13 Amounts due from related parties (continued)

The ageing analysis of loans to related parties as at the respective dates of statement of financial position is as follows:

	2019	2018
	Audited	Restated
Within 6 months	**50,000**	—
6 months to 12 months	**200,000**	—
	250,000	—

The interest rate of loans to related parties is 4.13% per annum.

14 Trade payables and other liabilities

	2019	2018
	Audited	Restated
Trade and bills payables	**24,688,730**	22,234,261
Contract liabilities	**1,754,266**	2,342,297
Accrued expenses	**1,137,433**	1,128,632
Staff welfare and salaries payable	**1,008,043**	605,133
Taxes liabilities other than income tax	**189,798**	293,190
Other payables	**2,676,310**	2,590,900
	31,454,580	29,194,413

(All amounts in RMB thousands unless otherwise stated)

14 Trade payables and other liabilities (Continued)

The ageing analysis of trade and bills payables based on invoice dates at the respective dates of statement of financial position is as follows:

	2019	2018
	Audited	Restated
Less than 3 months	**21,374,981**	20,486,701
3 months to 6 months	**3,156,624**	1,583,580
6 months to 12 months	**63,036**	68,962
1 year to 2 years	**70,834**	79,247
2 years to 3 years	**13,690**	6,322
Over 3 years	**9,565**	9,449
	24,688,730	22,234,261

(All amounts in RMB thousands unless otherwise stated)

15 Amounts due to related parties

Trade payables included in the amounts due to related parties as at 31 December 2019 is RMB154,660,000 (31 December 2018: RMB70,271,000).

The ageing analysis of trade payables of related parties at respective dates of statement of financial position is as follows:

	2019	2018
	Audited	Restated
Less than 3 months	**154,586**	69,705
3 months to 6 months	**70**	566
6 months to 12 months	**4**	—
	154,660	70,271

16 Events after the consolidated statement of financial position date

Since the outbreak of COVID-19 (Epidemic) began in January 2020 across PRC and other countries, the Group has actively responded to and strictly implemented the various regulations and requirements of the national governments at all levels for virus epidemic prevention and controls. To ensure both epidemic prevention and production, the Group have resumed since the beginning of February 2020 and implemented strict internal management to implement epidemic prevention work.

The Group expects that Epidemic and its prevention and control measures will have a certain temporary impact on the Group's production and operation, and the extent of such impact depends on the progress and duration of epidemic prevention and control measures and the progress of the execution of domestic prevention and control policies.

The Group continues to pay close attention to the development of the Epidemic, and evaluates and actively responds to its impact on the financial position and operating results of the Group.

PROPOSED FINAL DIVIDENDS AND RELEVANT WITHHOLDING TAX

The Board recommends to distribute to Shareholders whose names appear on the register of members of the Company on Wednesday, 8 July 2020 a final dividend of either HKD0.39 or RMB0.36 per Share (converted at the exchange rate of RMB0.91370 to HKD1 as published by PBOC on Tuesday, 31 March 2020) for the year ended 31 December 2019 (the "**2019 Final Dividend**") with a sum of approximately HKD1,076,787,000 or RMB993,958,000, which is subject to Shareholders' approval at the forthcoming 2020 AGM.

The Company has been determined as a Chinese-resident enterprise. Pursuant to the "Enterprise Income Tax Law of the PRC"《中華人民共和國企業所得稅法》and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the PRC"《中華人民共和國企業所得稅法實施條例》, a Chinese-controlled offshore incorporated enterprise shall withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders. As the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders to whom the Company pays the 2019 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 2019 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 2019 Final Dividend payable to PRC resident enterprise shareholders, exempted entities or any natural person shareholders.

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on Monday, 29 June 2020 and the record date for determining the entitlement of the Shareholders to attend and vote at the AGM is Monday, 29 June 2020. The register of members of the Company will be closed from Monday, 22 June 2020 to Monday, 29 June 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the AGM, 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 Friday, 19 June 2020.

The record date for determining the entitlement of the Shareholders to the proposed 2019 Final Dividend is Wednesday, 8 July 2020 and the register of members of the Company will be closed from Tuesday, 7 July 2020 to Wednesday, 8 July 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to receive the proposed 2019 Final Dividend to be approved at the AGM, 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 Monday, 6 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

TRUCK MARKET

The Chinese economy maintained stability and achieved progressive development in 2019. Fixed asset investment has grown steadily. Economic structures has continued to optimize and domestic consumption being the driving force of economic growth has further consolidated. 2019 GDP growth was 6.1% YoY.

During the Period, the total transportation volume of road freight and construction projects in China increased steadily, the domestic economy remained vibrant and the stability of the macroeconomic environment was conducive to the development of the heavy duty truck industry, and the policy and regulations had a significant directive impact on the industry. Policies such as emission standard upgrades, the crackdown on overloading and excessive weight, environmentally friendliness, and consistency review of announcements have guided the heavy duty truck market towards operational compliance, efficient transportation, safety, reliability and environmental protection. According to CAAM, the sales volume for the HDT industry amounted to 1.174 million units, representing an increase of 2.3% YoY, out-performing expectations. In the LDT market, although strict investigation regarding to "understated truck self-weight" had significantly affected the market since May, it gradually faded with the successive release of regulations compliance vehicle models in the market. At the same time, the implementation of the policy of reducing fees and taxes, as well as the continuous advancement of scrapping and phasing out China III Standard and older vehicles, have also driven sales of some light duty truck markets. The LDT market experienced a high beginning followed by a low ending in the first half of the year, thus returning to stability during the second half of the year. According to CAAM, the LDT sales volume for the year was 1.883 million units, similar to the preceding year. In 2019, the buses market has undergone major changes, with the importance of new energy buses gradually rising, and market competition entering an era of comprehensive strength competition. According to CAAM, the total buses sales volume in 2019 was 474,000 units, representing a decrease of 2.2% YoY.

LOANS MARKET

In 2019, PBOC announced the adoption of the LPR (loan prime rate) mechanism from 20 August 2019. During the Period, the one-year LPR was lowered twice and the five-year LPR was lowered once. As at 31 December 2019, the one-year LPR was 4.15% and the five-year LPR was 4.8%.

REVIEW OF OPERATIONS

HEAVY DUTY TRUCKS SEGMENT

During the Period, the sales volume of the Group's HDTs was 169,433 units, representing an increase of 0.8% YoY. Revenue (sales of HDT and services provided to such customers) from the HDTs segment was RMB51,086 million, representing an increase of 4.7% YoY. The segment operating profit margin was 6.6%, representing an increase of 2 percentage points YoY, mainly due to the adoption of effective purchase to reduce procurement costs.

DOMESTIC BUSINESS

During the Period, the Group sold 129,424 HDTs in the PRC, representing a decrease of 1.8% YoY.

The Group, with focus on the tractor truck market, accurately perceived market trends and seized the opportunities in the increased demand for short- and medium-distance tractor trucks, formulating the main cart types and marketing strategies for Hohan and SITRAK trucks, and developing the niche markets in-depth. As a result, the increase in sales volume of tractors was approximately 33.9% YoY. Focusing on the cargo truck niche markets, the Group carried out market research and determined its main markets. Through the strategic cooperation with domestic logistics companies and express companies, the Group consolidated its high-end product brand images in the cargo trucks markets. The Group continued to focus on the Group's leading position in mixer trucks market, seized opportunity of replacement of mixer trucks in certain regional markets of which overloading mix trucks are regulated, achieved a year-on-year increase in sales volume and continued to maintain its top position in the market. In the specialty vehicle segment, the Group pushed ahead with emissions upgrading and switching. SITRAK's specialty vehicles have been highly recognized in the field of fire emergency rescue, pump trucks, television communications and hazardous transport vehicles, thus establishing itself as the top brand of Chinese high-end specialty vehicles.

During the Period, the Group continued innovation in its HDT marketing methods. Through product benchmarking and demand research, the Group launched the classic model map and defined different accessories configuration for different niche markets so as to support precise marketing. By implementing project-based management and full participation, the Group promoted standardized, informative management improvements and improved the operation efficiency of its distribution network.

As at 31 December 2019, the Group had a total of 882 HDT dealerships (including 137 4S centers and 83 Sinotruk-brand dealerships), 1,282 service centers providing high-quality after-sales service and 137 refitting companies to provide truck-refitting services to HDTs in the PRC.

INTERNATIONAL BUSINESS

In 2019, global trade and production activities slowed down against the backdrop of the global economic downturn, regional political turbulence, and Sino-US trade frictions. Faced with the severe market situation, the Group further explored overseas segment markets, and its product exports continued to maintain a steady and healthy development momentum.

During the Period, the Group's export volume (including affiliated exports) of HDTs was 40,009 units (2018: 36,300 units), representing an increase of 10.2% YoY, and sales volume hit the highest level in the Group's history. The overseas revenue (GAAP measures) was RMB9,937 million (2018:RMB7,390 million), representing an increase of 34.5% YOY. At the same time, the Directors also consider that export revenue (including affiliated exports, non-GAAP measures) was RMB12,167 million (2018: RMB10,237 million) for the Period, representing an increase of 18.9% YoY. According to internal exports information, the Group held a market-leading position in the export of HDTs in China for a fifteenth consecutive year.

Reconciliation of overseas revenue to export revenue (including affiliated exports):

	RMB million	
	2019	2018
Overseas revenue	**9,937**	7,390
Affiliated exports	**2,230**	2,847
Export revenue (including affiliated exports)	**12,167**	10,237

Affiliated exports are the sales of the Group to Mainland China export dealers who had provided the shipping documents to support these products directly sold to their overseas customers. The Directors consider that affiliated exports is part of the export activities of the Group.

During the Period, the Group took advantage of the opportunities created by the Belt and Road Initiative, endeavored to satisfy the needs of the international market and actively participated in global competition and cooperation, thereby enhancing the influence of its corporate brands among the competition. With the carefully formulated overseas expansion plans for HDT business, the Group has formed effective network coverage in the major market regions of 17 countries devoted to sustainable development while also expanding its overseas HDT network. Concurrently, the Group improved its first-level network and developed the second-level network to reach smaller market segments. With in-depth development of potentials overseas market segments and careful analysis of user needs, the Group implemented precise marketing and hit a record in sales. In the high-end truck market, which is dominated by Europe and the United States, the Group adopted a promotion strategy on high-end brands, promoted the rapid growth of sales for MAN technology products represented by SITRAK, and enhanced the Group's brand image.

As at 31 December 2019, the Group had set up 253 distributor sales centers, 274 service outlets and 237 spare parts and accessory stores in over 110 countries. The Group has 12 overseas KD production plants established through cooperation with overseas partners in 9 countries and regions. The Group's international marketing service network system is well-established to provide strong support for exploring the international market.

LIGHT DUTY TRUCKS AND BUSES SEGMENT

During the Period, the sales volume of the Group's LDTs decreased by 18.5% YoY to 109,280 units. The Group sold 1,187 buses, representing a decrease of 23.6% YoY. The LDTs and buses segment recorded total revenue (sales of LDT and buses and services provided to such customers) of RMB10,211 million, representing a decrease of 19.1% YoY. The segment's operating profit margin was negative 10.9% as opposed to 3.7% in previous year, mainly due to drop in sales as a result of changes in market situation and the increase in provision for impairment loss in trade receivables.

During the Period, the Ji'nan LDTs Division strengthened the investigation of market demand, re-positioned its products, developed and introduced technology-oriented and all-round products which reversed the decline in sales caused by the "understated truck self-weight." As a result, it had achieved initial results in the transformation from heavy-loading market to light-loading market. Additionally, competitiveness was enhanced through the enrichment of product lines and layout, extending its products to cover medium and smaller light duty trucks. Concurrently, focus on the development of commercial and trade market, the green market and the rural market, the Group launched new products to meet customers' needs by promoting the adjustment of product mix and the network coverage.

Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. ("**Chengdu Wangpai Company**") strengthened product resource management, adjusted its products timely so as to adapt to customers' intentions. Through improving network development and channel capabilities, strengthening standardized operation management, Chengdu Wangpai Company comprehensively improved the efficiency of its marketing networks to reach the target performance. In addition, it strengthened and pushed its internet marketing models, lined up online sales with offline sales, which realised the systematization of brand promotion and established a high-end brand image. Chengdu Wangpai Company transformed its concepts in serving customers by strengthening the protection of customers' interests so as to achieve its goals of being close to the market, securing the market and meeting the market.

Sinotruk Fujian Haixi Vehicles Co., Ltd. met market segment needs by adjusting product strategies, achieving product transformation and optimizing vehicle models. It improved efficiency of sales network through the formulation of criteria of selection of dealers and hierarchical management standards. Additionally, by strengthening the development and management of LDTs channels in dominant overseas markets, it achieved a breakthrough in sales volume. It also provided effective support for export business by exerting efforts on provision of export services and systems for supply of spare parts as well as quick feedback responses.

Sinotruk Ji'nan HOWO Bus Co., Ltd. enhanced its competitiveness through researching the trends of industry and competing product and increasing brand promotion and publicity. Additionally, it improved service quality by strengthening the setup of service networks and the increase in the coverage of service stations.

As at 31 December 2019, the Group had a total of 1,629 dealerships (including 50 4S centers and 445 SINOTRUK branded dealerships), 2,837 service centers that provide LDT after-sale service and 53 refitting companies to provide truck refitting services to LDTs in the PRC. For buses division, the Group had a total of 11 bus dealerships and 138 service centers for bus products after-sale service.

ENGINES SEGMENT

During the Period, the sales volume of the Group's engines increased by 2.3% YoY to 179,959 units. The engine segment recorded total revenue (sales of engines) of RMB14,662 million, representing an increase of 3.9% YoY. The external engine sales amount accounted for 8.2% of the total engine sales amount, representing a decrease of 1.1 percentage points YoY. The segment's operating profit margin was 13.1%, representing a decrease of 2.6 percentage points YoY, mainly due to the increase in research and development ("**R&D**") expenditure.

The Group is committed to the 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 manufacturers and engineering machinery manufacturers.

The Group has carried out work on optimizing the performance of the China V Standard MC series engines, developing China VI Standard fuel gas engines and natural gas engines and their compatibility with whole truck, and the development of new models of gas engines. The improved overall engine performance, fuel consumption and gas consumption have been widely recognized by the market, and obvious market competitive advantages have been achieved.

RESEARCH AND DEVELOPMENT

The Group has comprehensive R&D capabilities for the whole series of commercial vehicles. The ability of R&D in truck is in line with international standards, and technology of key assembly components is close to international standards. An independent innovation R&D system has been established, based on independent research and development, supplemented by production-university-research cooperation.

The Group's Automotive Research Institute is a comprehensive base for new product development and testing. It is among the first batch of nationally recognized enterprise technology centers and national heavy duty truck engineering technology research centers. Through whole trucks and body technology, key assembly and core component technology, examination of testing of vehicle and assembly component, the research and promotion of new HDTs materials and process development, the Group has formed five industry-leading core advantages in body system, power system, transmission system, electronic control system and high level of compatibility of various components in whole truck, and has established product development platform to provide a relatively complete software and hardware R&D system for technology management, design and development, pilot production and testing, which can simultaneously run multiple projects.

During the Period, the Group participated in and formulated 「車輛車速限制系統技術要求及試驗方法」(Technical requirements and test methods for vehicle speed limit systems), 「道路貨物運輸車輛類型劃分」(Classification of types of cargo trucks), 「汽車氣壓制動系統用快插接頭技術要求及試驗方法」(Technical requirements and test methods for quick plug connectors of automotive air pressure braking systems), 「汽車氣壓制動系統用快插接頭尺寸」(Dimensions of Quick Plug Connectors for Automotive Air Brake Systems) and 「汽車柴油機燃油加熱裝置」(Automotive Diesel Fuel Heating Devices) etc. totaling 24 heavy duty truck standards. During the Period, the Automotive Research Institute carried out 160 projects, including R&D vehicles, key assemblies and parts.

Guided by the strategy to become a world-class full range of commercial vehicle enterprise, the Group focuses on independent development, strengthens forward-looking thinking, customer care and problem-based learning, clarifies future product and technology development plans, and strives to accelerate the pace of technology innovation, with an aim to build a world-class enterprise with independent R&D capabilities and core technologies.

FINANCE SEGMENT

During the Period, the Group's finance segment revenue (interest and fee income) was RMB1,587 million, representing an increase of 12.2% YoY. External revenue of the segment was RMB980 million, representing a decrease of 0.8% YoY. The segmental operating profit margin was 58.9%, representing a decrease of 1.2 percentage points YoY, mainly due to narrow average interest spread as a result of the decreased market interest rates.

The Group continued to develop its innovative business model by taking full advantage of national policies and utilizing its auto financing services platform. Aiming different vehicle models sold in different regions and the different financial needs of customer groups, the segment launched differentiated financial solutions to meet the financial needs of vehicle buyers. Innovating the automotive financial product chain in entire life cycle, innovative financial products were launched in the finance segment which improved customers' loyalty. Continuously promoting process improvement, loan approval efficiency was improved in the segment which supported the selling units in exploring regional markets. During the Period, the Group sold 34,133 trucks through auto financing service, representing an increase of 23.0% YoY.

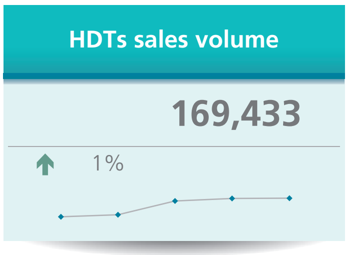
As at 31 December 2019, the Group had 22 heavy duty truck business offices and 4 light duty truck business regions for financing services and further improved its auto financing services by extending its financing services business coverage all over China.

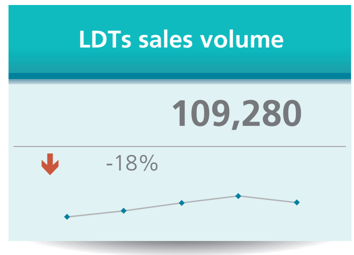
KEY PERFORMANCE INDICATORS ("KPI")

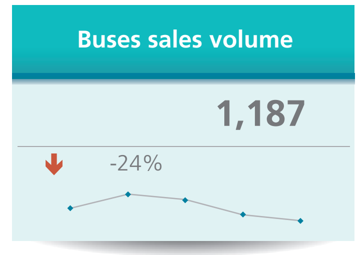
Directors focus on the continuing development of the Group and interests of the Shareholders. Directors use financial and non-financial measures as benchmarks in making assessments and decisions. Sales volume of HDTs, LDTs and buses as well as revenue show actual operating results and performance. Cash 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 (total liabilities divided by total assets) 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.

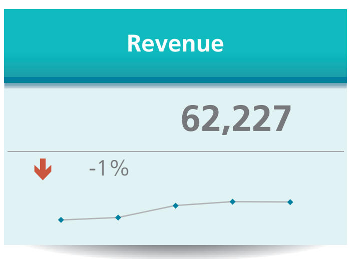
The following charts and table present the Group's KPIs for the year ended 31 December of the following years:

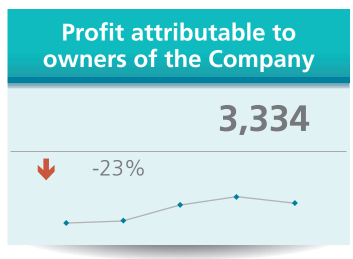
(All amounts of the KPI indicators in RMB million unless otherwise stated)

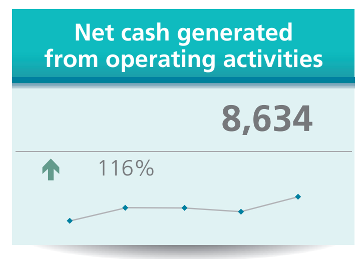


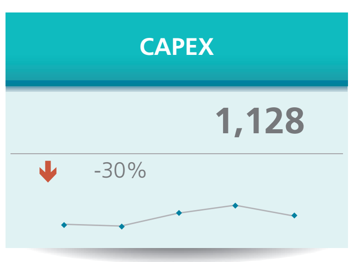


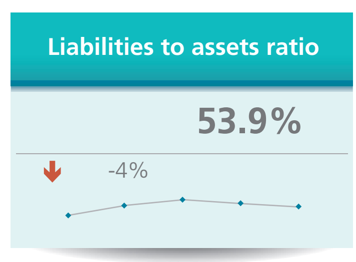












Key performance indicators	2019	2018	2017	2016	2015
HDTs sales volume (units)	169,433	168,048	156,243	91,511	81,959
LDTs sales volume (units)	109,280	134,046	107,660	77,961	54,906
Buses sales volume (units)	1,187	1,553	2,507	2,844	1,968
Revenue	62,227	62,728	55,458	32,959	28,305
Profit attributable to owners of the Company	3,334	4,346	3,023	532	206
Net cash generated from operating activities	8,634	3,993	5,155	5,238	1,040
CAPEX	1,128	1,621	1,245	641	724
Liabilities to assets ratio	53.9%	56.0%	58.4%	54.9%	48.7%

Note: Due to business combination under common control with HOWO Bus in 2019, 2018 figures have been restated while 2015 to 2017 figures have not been restated.

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 the basis for the Group's success and sustainable development.

The Group strives to provide its customers with comprehensive services by formulating 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 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. The Group continued to promote "Non-stop Service Socialization" ("不停車服務社會化") and "Full Life-cycle Service" ("全生命週期服務"), continuously improving user satisfaction. 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 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.

The Group adheres to its core corporate value of "Aiming for Clients' Satisfaction". 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. 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.

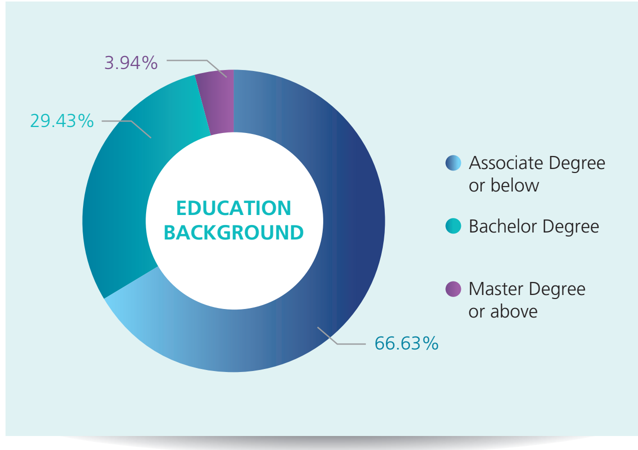
The Group always considers its employees as the most valuable asset of the enterprise. The Group provides a complete career path, ensures the safety and health of employees, and provides trainings to help intertwine employees' personal growth with enterprise development. The Group has formulated the "Positions, Performances and Wages System" 《崗位績效工資制度》, adheres to the principle of compensation according to work, pays for efficiency and fairness, and has established a perfect performance salary system, which stipulates that employee compensation shall consist of basic salary 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 has formulated the "Measures for the Administration of Declaration and Payment of Social Insurance Fees" (《社會保險費申報繳納管理辦法》), and has centralised to report and pay social insurance such as basic retirement insurance premiums, basic medical insurance premiums, unemployment insurance premiums, work-related injury insurance premiums, and maternity insurance premiums. The Group also provides a free inauguration medical examination for newly recruited employees, providing them with employee's benefits such as high-temperature subsidies and lunch allowances. The Group integrates the concept of "People-Oriented" into all aspects of management, attaches great importance to the occupational health of employees, and strives to prevent, control and eliminate occupational hazards from the three aspects of occupational health system establishment, workplace occupational hazard screening and occupational health examination. The Group strives to prevent occupational diseases and occupational poisoning and protect employees' health and safety.

During the Period, the remuneration of the Group (including salaries, retirement benefits and other welfare) to all employees including Directors was amounted at RMB4,684 million, representing an increase of 20.4% YoY. The Group did not have share option scheme as at 31 December 2019.

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, the Group provides training to its employees in all subsidiaries and departments, 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 to train its high level technicians. The Group has also accelerated the construction of internet training institutes with the intent to achieve innovation of remote training mode by taking full advantage of network technology. The Group has also formulated the "Administrative Measures for the Appointment of Full-time and Part-time Trainers" (《專兼職培訓師聘任管理辦法》), which makes full use of various excellent talents and social training resources within the Group to establish a professional trainer team, aiming to meet the needs of corporate development and employee growth.

As at 31 December 2019, the Group had a total of 25,462 employees, which were classified by function and education background as follows:

	Number of employees	%
Management team	235	0.92
Technical and engineering staff	2,805	11.02
Research and development staff	1,129	4.44
Production staff	15,161	59.54
Operation and sales staff	1,816	7.13
Marketing staff	412	1.62
Administrative staff	3,904	15.33
Total	25,462	100.00



PRINCIPAL RISKS AND SOLUTIONS

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

1. QUALITY RISKS

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 respect of quality system management, the Group operated the IATF16949 Quality Control System and conducted overall planning of the quality management system in accordance with these relevant standards, applying it in the whole process of product design and development, manufacturing, sales and after-sales service of the Group.

Regarding to quality indicator control, with the launch of such campaigns as "Quality Improvement Year", the relevant indicators were monitored in a dynamic manner and the trends of the changes in these indicators were applied in quality control management decisions.

To enhance quality, in 2019, the Group identified 11 items for improvement and set up cross-departmental project team which carried out projects based on user surveys, old parts dismantling and inspection, and failure mode analysis. The team also coordinated and promoted the projects, and evaluated improvement in terms of decrease in claims amount.

Regarding to after-sales service management, the Group formulated a plan to adjust online price of spare parts, revised three documents including the Administrative Measures on Price of Spare Parts (《配備件價格管理辦法》) and adjusted corresponding procedures in order to further standardize the after-sales management process.

With respect to quality planning, the Group managed the relationship between quality and market demand of China VI natural gas vehicles for emergency preparations and risk prevention.

2. HEALTH, SAFETY AND ENVIRONMENTAL RISKS

In accordance with the revision of laws and regulations and the actual situation of operation, the Group revised its annual safety and environmental responsibility letter by amending the management objectives, work requirements, and responsibility assessment, and used this as the basis for works in the field of health, safety and environmental protection. These measures have propelled the overall work progress of the Group and provided basic supervision standards for related risk prevention.

MITIGATION MEASURES:

According to the requirements of the environmental and occupational health and safety management system, the relevant national laws and standards were identified in a timely manner, and the Comprehensive Environmental Protection Management System (《環境保護綜合管理制度》) was formulated and implemented to prevent risks from occurring to the greatest extent.

Strengthen inspections to discover problems in the production process in a timely manner and urge production units to rectify the problems identified according to the requirements within a timeframe.

Further optimize various safety management system, and combine the occupational health and safety management system certification with the annual review of safety production standardization in 2019 to comprehensively regulate management.

Work on "Three Simultaneity" (i.e. new, renovation and expansion projects for occupational diseases prevention facilities simultaneously), improve technology, and replace high-toxic substances with low-toxic or non-toxic substances in order to control the risks from the source.

3. 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 uncertainty that does not exist with fixed exchange rates. The Group could be exposed to potential risks such as foreign exchange losses.

MITIGATION MEASURES:

Given that certain regional markets own abundant RMB deposits, cross-border RMB is more commonly used as contract settlement currency when doing businesses with these regions.

For long-term forward letter of credit, forfeiting is adopted to accelerate collection of loans to avoid adverse effects of forward exchange rate fluctuations.

Closely monitor exchange rate fluctuations and settle foreign exchange transactions based on capital needs and market exchange rates. Study measures such as fixing forward exchange rates and locking in profit from contracts to reduce exchange rate losses.

ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

The Group has strictly complied 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 Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), 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》), and maintain control over the entire process of operation and services that might cause environmental impact as well as occupational safety risks. Specific measures are as follows:

Strengthen the organization and management of environmental protection works and optimize the construction of system. In accordance with the Environmental Protection Law (《環境保護法》) and the relevant provincial and municipal laws and regulations and the latest standards, the Group revised the "Integrated Environmental Protection Management System" (《環境保護綜合管理制度》) to impose stricter institutional requirements on pollutant emission, hazardous waste management, environmental protection facilities and equipment management, and environmental management of new, renovated and expanded projects;

Strictly fulfill environmental responsibilities as the main body. At the beginning of the year, the Group set emission reduction targets for wastewater, gas, noise and slag pollutants, and implemented the upgrade of pollutant treatment facilities in a planned manner based on these targets. In 2019, reformation of low-nitrogen gas boiler, upgrading of welding fume treatment facilities, replacement of VOCs sources and intelligent renovation of coating lines were completed;

Vigorously enhance the operating level of the ISO14001 environmental management system. In 2019, the Group made 26 amendments to the environmental management system manual and procedural documents. Through internal audits, management reviews, and internal auditor training, the Group improved the operating level of the system and successfully obtained the ISO14001 environmental management system certification; and

Optimize the environmental protection propaganda. The Group launched its environmental protection propaganda in various forms and adhered to scientific measures for pollution prevention and environmental protection, where pollutant discharges and resource consumption from production and operating activities have been 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 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, 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

In 2020, the international economy is affected by new coronavirus disease (COVID-19) that leads to risks of decline. Chinese national economy, on one hand, is affected by the epidemic to a certain extent, causing more pressure of a downturn of macroeconomy, while Chinese government, on the other hand, would strengthen economic stimulus policies in response to the pressure, in order to pursue a reasonable economic growth.

The commercial vehicle industry combines with opportunities and challenges, and the industry situation becomes more complicated. COVID-19 outbreak has some impact on the Group's production and operation but the Group will actively respond, resume production as soon as possible, take advantage of the national tax reduction and fee reduction policies, adopt promotional strategies, and try to minimize such impact. Faced with a fierce competitive environment, we still uphold "Aiming for Clients' Satisfaction" as our core value, with a corporate vision of "Building a world-class full range commercial vehicle group".

In 2020, the Group will focus on the following areas:

1. Firmly strengthen R&D of technology and optimize product mix

    1. Continue to reduce the weight of tractors, develop engineering vehicles which meet regulations, and continuously reduce fuel consumption of MC series engines to produce products of the highest quality, core technology and cost competitiveness.

2. By making a breakthrough in our less competitive market of the cargo trucks, fully pushing forward the 4 × 2 and 6 × 2 cargo truck projects, the Group redefines the products in accordance with market needs and offers various types of spectrum planning and design.

3. By continuously increasing R&D investment, the Group strives to launch a new T7H product with internal and external improvements in June, build up small-outline package (SOP) for the next generation of trunk logistics tractors by the end of this year and quickly initiate the development of the full series of next generation heavy, medium and light duty trucks.

4. The Group will accelerate product transformation in various aspects of high-end, intelligent, lightweight and experiential and make full use of all resources in terms of intelligent driving, truck connected network and new energy to ensure that we are at the forefront of the industry.

2. Firmly focus on niche markets to achieve precise breakthroughs

   1. Continuously develop the standard transportation market and maintain the growth momentum of tractor trucks. The Company continues to expand its market share of natural gas tractor trucks in advantages areas and achieve significant improvement in its ability to expand the tractor market.

   2. Develop the mixer trucks market precisely. In addition to securing its current market share, the Group continues to improve and launch lightweight products in order to create greater market influence.

   3. Fully utilize traditional advantages of our tipper truck in terms of sales service network, refitting resources and customer reputation to increase our market share in 8 × 4 tipper truck market.

   4. Continuously develop cargo trucks and specialty vehicles market. Through a new round of product spectrum definition, technology improvement and sales service network optimization, the Group endeavors to achieve important breakthroughs in 2020.

3. Firmly optimize the sales service network to enhance customer satisfaction

    1. Focus on improving our competitiveness in the after-sales market. To ensure end customers can quickly obtain spare parts through implementing systematic measures such as adjusting the spare parts network, rebuilding the operating mechanism, restructuring the logistics system and promoting model innovation. The Group fully complements the after-sales market by streamlining its after-sales service process and continuously strengthening the supporting role of information system in order to enhance the market competitiveness of the Group's products.

    2. Continue to optimize the sales network. The Group strives to boost the sales volume by separating the operation of the HOWO and HOHAN brands. Moreover, an entry, rating and exit mechanism is implemented to identify and retain outstanding distributors and service providers.

    3. Improve and optimize the business policies and regional sales polices. Monthly and quarterly incentive policies are initiated to improve policy flexibility. Franchise stores are encouraged and greater policy support is provided for newly-joined distributors, major customers and refitting companies.

4. Firmly promote informationization upgrade and salary system reform to improve operation quality

    1. Comprehensively strengthen the application of data and information throughout the value chain and improve operational efficiency. By cooperating with internationally renowned enterprises, upgrading the enterprise digital operation management platform based on ERP, and promoting the integration of business and finance, the Group's information management level will reach a new height.

    2. Improve and implement staff promotion system and salary management system. Staff will be promoted based on their qualification and performance and receive KPI assessment and 360 degree review in order to widen their income gap and help the Group to retain talents so as to stimulate the vitality of the Group.

FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period recorded RMB62,227 million, representing a decrease of RMB501 million or 0.8% YoY. The decrease in the revenue is due to the decrease in the sales volume of LTDs and buses. However, the effect of such decrease is small to the overall revenue of the Group. The Group's gross profit for the Period was RMB11,847 million, representing an increase of RMB523 million or 4.6% YoY. The increase in gross profit due to the lower procurement costs and optimization of the sales mix.

Gross profit margin for the Period was 19.0% (gross profit divided by revenue), representing an increase of 0.9 percentage points.

DISTRIBUTION COSTS

Distribution costs for the Period was RMB3,400 million, representing an increase of RMB339 million or 11.1% YoY. During the Period, distribution costs to Products Revenue ratio was 5.6%, representing an increase of 0.6 percentage points YoY. The increase in the ratio was mainly due to the increase in warranty expenses, the promotion costs for exploration of markets and increase the welfare and remuneration of sales people.

Warranty expenses accounted for 1.5% of Products Revenue for the Period, representing an increase of RMB80 million or 0.1 percentage points YoY. The increase was mainly due to that the Group undertakes estimated provision for warranty expenses of a supplier whose is in progress of liquidation.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB3,406 million, representing an increase of RMB477 million or 16.3% YoY. During the Period, administrative expenses to revenue ratio was 5.5%, representing an increase of 0.8 percentage points YoY. The increase in the ratio was mainly due to the increase in research and development expenses which was part of the long-term strategic planning of the Group. By excluding research and development expenses, the administrative expenses recorded a small decrease YoY for the Period.

NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

Net impairment losses of financial assets for the Period was RMB832 million, respresenting an increase of RMB523 million or 169.3% YoY. The impairment losses of trade and financing receivables was RMB826 million, representing 1.3% of total revenue for the Period. Further details of the trade and financing receivables are set out in the section headed "TRADE AND FINANCING RECEIVABLES" in this announcement.

OTHER GAINS – NET

Net other gains for the Period was RMB631 million, representing a decrease of RMB68 million or 9.7% YoY. The decrease was mainly due to the significant reduction in government subsidies when compared to the same period last year and no gains from the disposal of assets held for sale during the Period.

FINANCE COSTS – NET

Net finance costs for the Period was RMB96 million, representing an increase of RMB28 million or 41.2% YoY. The increase was due to the decrease in interest income by RMB48 million. The decrease in interest income was mainly due to less interest income recognized for interest element of long term trade receivable following the reduction of these receivables.

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 RMB61 million, representing a decrease of RMB9 million or 12.9% YoY. The decrease was mainly due to the decrease in profit from the associated company, the group of Prinx (Cayman) Holdings Limited.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB1,029 million, representing an increase of RMB23 million or 2.3% YoY. The increase was due to absence of recognition of deferred tax assets on losses of certain subsidiaries for the Period.

PROFIT FOR THE PERIOD AND BASIC EARNINGS PER SHARE

Profit for the Period was RMB3,776 million, representing a decrease of RMB951 million or 20.1% YoY. Net profit ratio (profit divided by revenue) was 6.1% (2018: 7.5%). Profit attributable to owners of the Company for the Period was RMB3,334 million, representing a decrease of RMB1,012 million or 23.3% YoY. The basic earnings per share attributable to owners of the Company for the Period was RMB1.21, representing a decrease of RMB0.36 or 22.9% YoY.

TRADE AND FINANCING RECEIVABLES

As at 31 December 2019, the trade receivables including related parties trade receivables amounted to RMB8,416 million, representing an increase of RMB584 million or 7.5% when compared to the balance as at 31 December 2018. The main reason for the increase in such trade receivables was the fact that the Group strengthened marketing and seized the domestic market while, at the same time, focused on export business and deepened the international market.

The trade receivables turnover (average trade receivables including related parties trade receivables divided by Products Revenue multiplied by 365 days) for the Period was 48.4 days, representing an increase of 2.2 days YoY and remained within the Group's credit policies which is from three to twelve months.

As at 31 December 2019, the trade receivables including related parties trade receivables aged not more than twelve months amounted to RMB6,113 million or 72.6% of all trade receivables including related parties trade receivables.

At 31 December 2019, all notes receivables received from trading and bills discounting services amounted to RMB2,262 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 2019, the financing receivables was RMB9,516 million, which included unsecured loans of RMB250 million to related parties, representing an increase of RMB973 million or 11.4% when compared to the balance as at 31 December 2018.

As at 31 December 2019, the financing receivables including loans to related parties aged not more than twelve months amounted to RMB6,890 million or 72.4% of the total financing receivables including loans to related parties.

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 RMB756 million and RMB70 million respectively.

TRADE PAYABLES

As at 31 December 2019, the trade payables including related parties trade payables amounted to RMB24,843 million, representing an increase of RMB2,538 million or 11.4% when compared to the balance as at 31 December 2018.

The trade payables turnover (average trade payables including related parties trade payables divided by costs of Products Revenue multiplied by 365 days) for the Period was 171.2 days, representing an increase of 12.1 days YoY.

CASH FLOWS

Net cash inflow generated from operating activities for the Period was RMB8,634 million, representing an increase of cash inflow by RMB4,641 million as compared to the corresponding period in 2018. The increase was mainly due to policies implemented by the Group to encourage faster cash collection, measures taken to reduce procurement costs and payments and longer suppliers’ financing.

Net cash outflow used in investing activities for the Period was RMB29 million, representing an increase of cash outflow of RMB1,000 million as compared to the cash inflow in the corresponding period in 2018. The decrease in cash outflow was mainly due to large amount of receipts of the proceeds from the maturity of and liquidation of large amount of wealth management products during the same period last year.

Net cash outflow used from financing activities for the Period was RMB5,708 million, compared with net cash outflow in the same period last year, representing an increase of cash outflow of RMB3,621 million. During the Period, the Group further cut its bank borrowings and related party borrowings by RMB1,800 million and RMB1,886 million respectively and paid the purchase consideration of HOWO Bus at the amount of RMB307 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group had cash and cash equivalents of RMB15,752 million, representing an increase of RMB2,925 million or 22.8% when compared to the balance as at 31 December 2018. The Group's total borrowings (including borrowings from the related parties) were about RMB1,000 million as at 31 December 2019. Its gearing ratio (total borrowings divided by total assets) was 1.5% (31 December 2018: 7.6%). As at 31 December 2019, current ratio (total current assets divided by total current liabilities) was 1.4 (31 December 2018: 1.3).

As at 31 December 2019, all borrowings were denominated in RMB (31 December 2018: 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 follows:

	As at 31 December 2019	As at 31 December 2018
Repayable within one year	**RMB1,000 million**	RMB4,886 million

As at 31 December 2019, total consolidated equity of the Company was RMB30,428 million, representing an increase of RMB2,087 million or 7.4% when compared with the balance as at 31 December 2018. As at 31 December 2019, the Company's market capitalisation was RMB41,105 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD16.62 per Share and at the exchange rate of 1: 0.89578 between HKD and RMB).

As at 31 December 2019, total available credit facilities of the Group from the banks amounted to RMB29,884 million, of which RMB6,357 million had been utilised (31 December 2018: RMB6,188 million); an aggregate amount of RMB260 million (31 December 2018: RMB486 million) of security deposits and restricted bank deposits were pledged to secure various credit facilities. In addition, the finance segment has made mandatory deposits of RMB2,133 million (31 December 2018: 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.

The Group has capital expenditure contracted for but not yet incurred as at 31 December 2019 amounted to RMB486 million which will be funded by internal resources and borrowing facilities.

INVESTMENTS

Investments in Subsidiaries

In April 2019, the Group purchased the entire equity interest in HOWO Bus from CNHTC at the actual consideration of approximately RMB307 million. For details of the acquisition, please refer to the Company's announcement dated 27 March 2019.

During the Period, the Group purchased the remaining 35% equity of Sinotruk (Hong Kong) Hongye Limited (a joint venture company of the Company) at the consideration of approximately USD12 million and thereafter, it became a wholly-owned subsidiary of the Company and established Sinotruk (Kenya) Limited, a wholly-owned subsidiary of the Company, in Kenya. In addition, Sichuan Wangpai Xingcheng Hydraulic Parts Co., Ltd. was merged into Sinotruk Nanchong Haile Machinery Co., Ltd. during the Period.

Equity Investments Forming Part of the Group's Operations

The Group has invested long-term equity investment for the purpose of forming part of its business operations:

a) Investments accounted for using equity method

During the Period, the Group injected Euro10,780,000 in cash for 32.89% equity of JV MAN AUTO-Uzbekistan, being an associated company of the Company. For details of the capital contribution, please refer to the Company's announcement dated 24 December 2019.

As at 31 December 2019, the amount of investments in associates and joint ventures was RMB497 million, representing 0.8% of the total assets of the Group. 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" in this announcement.

b) Other long term equity investments

As at 31 December 2019, the Group's unlisted equity investments for long term strategic investment purpose amounted to RMB33 million, representing less than 0.1% of the total assets of the Group. These investments were classified as financial assets at fair value through other comprehensive income.

Other Securities Investments

For the purposes of increasing profitability of short term fund and managing the liquidity of the Group, the Group invests in short-term equity investments which consists of listed securities in Hong Kong. As at 31 December 2019, the Group had equity investment at RMB25 million, representing less than 0.1% of its total assets. These equity investment are accounted for as equity investment included in financial assets at fair value through other comprehensive income. Their fair values keep changing from time to time depending on but not limit to their operation results, economic situations and stock markets sentiments.

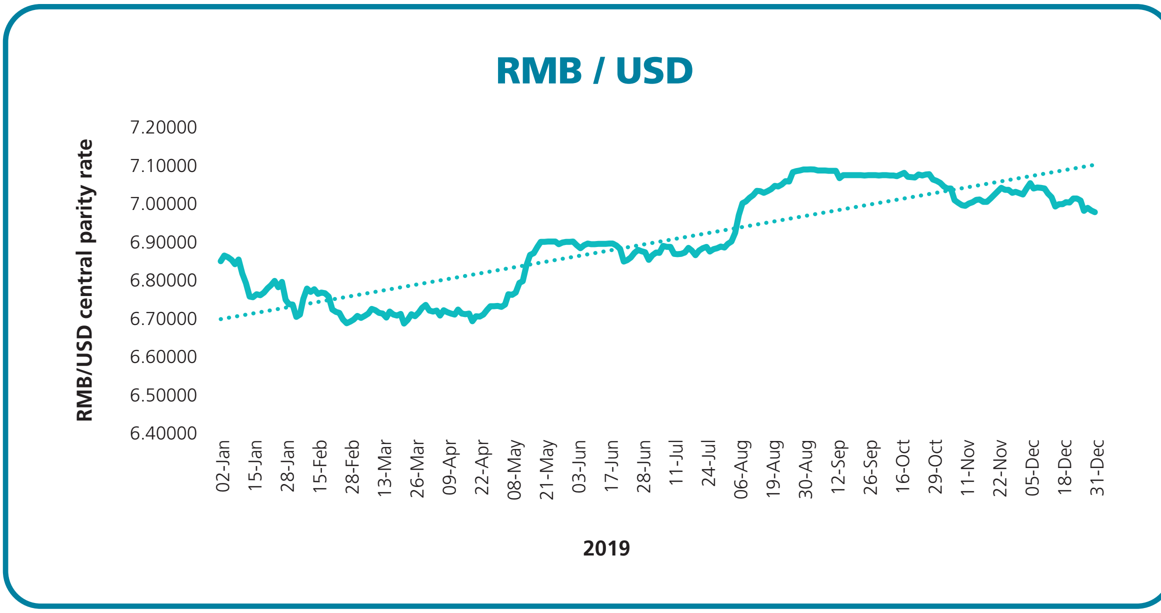
CHARGES ON GROUP ASSETS

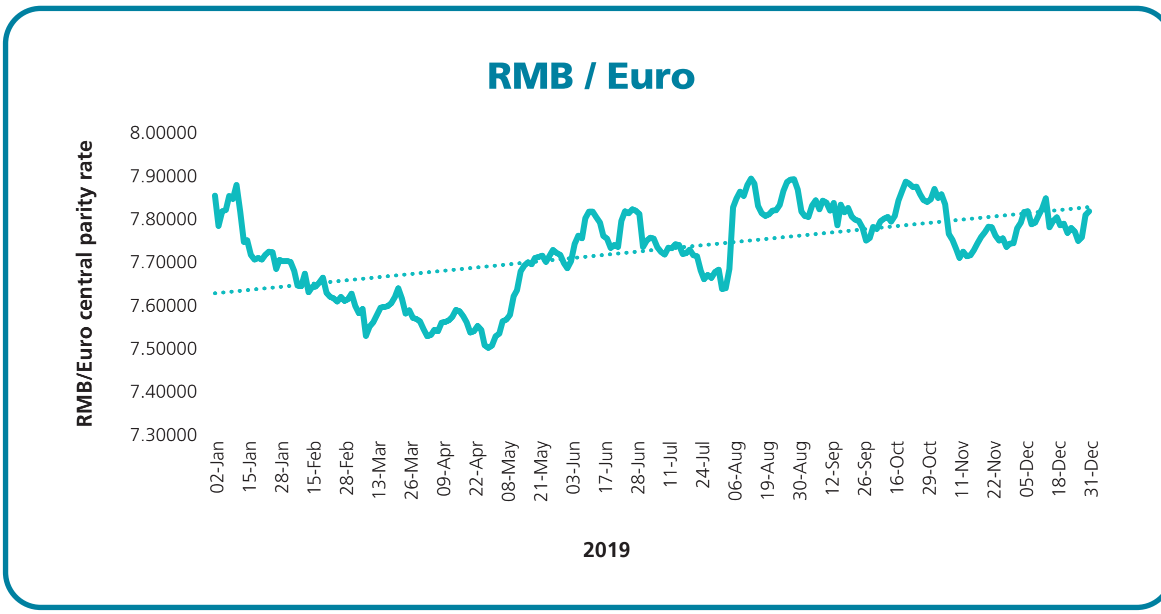
Save as disclosed in the above section headed "FINANCIAL REVIEW — LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE", as at 31 December 2019, there were no assets of the Group being pledged to secure credit facilities.

FINANCIAL MANAGEMENT AND POLICY

The finance department is responsible for the financial risk management of the Group. One of the primary objectives of financial policies of the Group is to manage exchange rate risk. 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 several wealth management products of which the 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 31 December 2019 was 6.9762, representing a depreciation of RMB by 1.65% when compared to the rate of 6.8632 as at 28 December 2018. The RMB/Euro central parity rate in the PRC as at 31 December 2019 was 7.8155, representing an appreciation of RMB by 0.41% when compared the rate of 7.8473 as at 28 December 2018. During the Period, both the overall trend of RMB/USD and RMB/Euro central parity rates showed a trend of appreciation followed by depreciation in RMB.

As at 31 December 2019, most of the Group's monetary assets and liabilities were denominated in RMB, except for cash and bank balances which in total were equivalent to approximately RMB1,722 million, financial assets at fair value through profit or loss of approximately RMB25 million, accounts receivable and other receivable of approximately RMB3,254 million, accounts and other payables of approximately RMB86 million, all of which were denominated in currencies other than RMB.

At as 31 December 2019, all borrowings were in RMB and non-RMB cash and bank balances were denominated in USD, HKD, EURO and other at RMB1,570 million, RMB44 million, RMB90 million and RMB18 million, respectively.

During the Period, the Group recorded foreign exchange gains of RMB85 million in operating profit. The potential foreign exchange impacts to the USD and Euro denominated net assets of the Group as at 31 December 2019 are:

	USD denominated net assets	Euro denominated net assets
5% strength/weakness against RMB	Loss/Gain before tax of RMB223 million	Loss/Gain before tax of RMB18 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 RMB201 million. There was provision for legal claims at RMB22 million as at 31 December 2019.

DISCLAIMER

Non generally accepted accounting principles ("Non-GAAP") measures

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

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Board and senior management of the Company commit to maintain a high standard of corporate governance, formulate good corporate governance practice for improvement of accountability and transparency in operations, and strengthen the internal control system from time to time so as ensure to meet with the expectations of the Shareholders. The Company has adopted the corporate governance codes as set out in Appendix 14 "Corporate Governance Code and Corporate Governance Report" (the "**CG Code**") to the Listing Rules as its own code of corporate governance.

During the Period, the Company had been in compliance with the code provisions under the CG Code, save and except for the code provisions A.2.1, A.5.1, A.5.2, A.6.7 and E.1.5 of the CG Code.

In respect of code provision A.2.1 of the CG Code, 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, since 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 will be adequately and fairly represented. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

In respect of code provisions A.5.1 and A.5.2 of the CG Code, the Company did not establish a nomination committee and does not have a nomination policy as the Board takes up all functions of a nomination committee as required under the Listing Rules.

In respect of code provision E.1.5 of the CG Code, the Company should have a policy on payment of dividends. The Company has not established a dividend policy as the Company will consider various factors such as the current operating results, distributable reserves, financial position, expected financial performance, expected working capital requirements, sustainable development to determine the dividend, which is to the best interest of the Company and its shareholders as a whole.

On 15 May 2019, Mr. Chen Zheng resigned as the INED, the chairman of the Remuneration Committee and the member of the Audit Committee. Thereafter, the Board comprised sixteen members with seven EDs, four NEDs and five INEDs. As a result, the number of INEDs fell below the minimum number as prescribed under Rule 3.10A of the Listing Rules, the chairman of the Remuneration Committee as required under Rule 3.25 of the Listing Rules fell vacant and the number of members of the Audit Committee was reduced to two which is below the minimum number as prescribed under Rule 3.21 of the Listing Rules. On 16 May 2019, Mr. Lyu Shousheng was appointed as the INED, the chairman of the Remuneration Committee and the member of the Audit Committee. Following the appointment of Mr. Lyu Shousheng, the Board comprises seven EDs, four NED and six INEDs. The number of INEDs of the Board represents more than one-third of the members of the Board and, therefore, is in compliance with the requirement of the number of INEDs under Rule 3.10A of the Listing Rules, the vacancy of the chairman of the Remuneration Committee is filled, and the Audit Committee comprises three INEDs, and is therefore in compliance with the requirements under Rule 3.21 and Rule 3.25 of the Listing Rules.

Furthermore, code provision A.6.7 of the CG Code requires 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. Jiang Kui, Ms. Annette Danielski, Dr. Lin Zhijun, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing were unable to join 2019 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.

DIVIDEND POLICY

As at 31 December 2019, the Company did not have a dividend policy in place.

REVIEW OF FINANCIAL STATEMENTS

The Company's consolidated financial statements for the year ended 31 December 2019 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 2019 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.

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

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 during the Period.

INVESTOR RELATIONS

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.

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all the Shareholders and raising the Shareholders' returns. The Board considers that AGM is an important opportunity for direct communication with the Shareholders. The 2019 AGM at which the external auditors attended was convened on 26 June 2019.

CONSTITUTIONAL DOCUMENTS

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

PUBLICATION OF THE 2019 ANNUAL RESULTS AND THE ANNUAL REPORT

The annual results announcement for the year ended 31 December 2019 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 2019 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
"CAAM"	China Association of Automobile Manufacturers
"China" or "PRC"	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CNHTC"	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
"CNHTC Group"	CNHTC and its subsidiaries other than the Group
"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 shares 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
"Executive Committee"	the executive committee of the Company
"GDP"	gross domestic product
"Group" or "We"	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
"INED(s)"	the independent non-executive Director(s)
"LDT(s)"	light duty truck(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"NED(s)"	the non-executive Director(s)

"PBOC"	The People's Bank of China
"Period"	the year ended 31 December 2019
"Product Revenue"	the revenue of sales of goods and rendering of services by the segments of heavy duty trucks, light duty trucks and buses as well as engines to external customers
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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
"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
Sinotruk (Hong Kong) Limited
Cai Dong
Chairman of the Board and President

Ji'nan, PRC, 31 March 2020

As at the date of this announcement, the board of the Company consists of seven executive directors of the Company including Mr. Cai Dong, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Mr. Richard von Braunschweig, Mr. Liu Zhengtao and Ms. Qu Hongkun; 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. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing and Mr. Lyu Shousheng.