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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: 03808)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### RESULTS

The Board is pleased to announce the audited consolidated results of Sinotruk (Hong Kong) Limited for the year ended 31 December 2020 together with the comparative figures for the previous year as follows:

#### Consolidated statement of profit or loss

For the year ended 31 December 2020

(All amounts in RMB thousands unless otherwise stated)

	Notes	2020 Audited	2019 Restated
<b>REVENUE</b>	4	<b>98,197,985</b>	62,613,499
Cost of sales		<u>(78,612,778)</u>	<u>(50,394,161)</u>
<b>Gross profit</b>		<b>19,585,207</b>	12,219,338
Other income and gains	5	<b>962,401</b>	683,956
Selling and distribution expenses		<b>(4,983,205)</b>	(3,488,254)
Administrative expenses		<b>(5,670,709)</b>	(3,582,198)
Impairment losses on financial assets, net		<b>(127,419)</b>	(827,191)
Other expenses		<b>(295,627)</b>	(12,244)
<b>Operating profit</b>		<b>9,470,648</b>	4,993,407
Finance income		<b>57,897</b>	47,023
Finance costs		<b>(32,385)</b>	(141,294)
Finance income/(costs), net		<b>25,512</b>	(94,271)
Share of profits and losses of a joint venture and associates		<b>54,570</b>	61,465
<b>PROFIT BEFORE TAX</b>	6	<b>9,550,730</b>	4,960,601
Income tax expense	7	<b>(2,127,080)</b>	(1,044,542)
<b>PROFIT FOR THE YEAR</b>		<b><u>7,423,650</u></b>	<u>3,916,059</u>

**Consolidated statement of profit or loss (continued)**

For the year ended 31 December 2020

(All amounts in RMB thousands unless otherwise stated)

	Notes	<b>2020</b>	2019
		<b>Audited</b>	Restated
<b>Attributable to:</b>			
– Owners of the Company		<b>6,850,524</b>	3,474,186
– Non-controlling interests		<b>573,126</b>	441,873
		<b><u>7,423,650</u></b>	<b><u>3,916,059</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
(expressed in RMB per share)	8		
Basic and diluted		<b><u>2.48</u></b>	<b><u>1.26</u></b>

## Consolidated statement of comprehensive income

For the year ended 31 December 2020

(All amounts in RMB thousands unless otherwise stated)

	Notes	2020 Audited	2019 Restated
<b>PROFIT FOR THE YEAR</b>		<b>7,423,650</b>	3,916,059
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at fair value through other comprehensive income		(23,500)	—
Exchange differences on translation of foreign operations		(30,960)	(3,370)
Share of other comprehensive income realized due to step acquisition as a subsidiary		—	(7,281)
Share of other comprehensive income of a joint venture and associates		(1,702)	2,903
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		(56,162)	(7,748)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements of termination and post-employment benefit obligations		(6,525)	420
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties		2,750	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		(3,775)	420
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>(59,937)</b>	(7,328)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>7,363,713</b>	3,908,731
<b>Attributable to:</b>			
– Owners of the Company		6,800,608	3,466,860
– Non-controlling interests		563,105	441,871
		<b>7,363,713</b>	3,908,731

## Consolidated statement of financial position

As at 31 December 2020

(All amounts in RMB thousands unless otherwise stated)

	Notes	2020 Audited	2019 Restated
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		12,438,433	10,527,256
Investment properties		724,075	797,513
Right-of-use assets		2,453,470	1,680,069
Goodwill		68,933	17,478
Other intangible assets		314,921	318,407
Interests in associates		1,028,215	496,521
Equity investments designated at fair value through other comprehensive income		33,125	33,125
Trade and financing receivables	10	7,195,586	2,853,310
Prepayments, other receivables and other assets		349,834	57,706
Deferred tax assets		2,327,101	1,688,157
Total non-current assets		26,933,693	18,469,542
<b>CURRENT ASSETS</b>			
Inventories		20,810,994	9,811,219
Trade, financing and bills receivables	10	20,222,201	15,190,327
Prepayment, other receivables and other assets		2,610,090	1,273,392
Financial assets at fair value through other comprehensive income	11	4,384,164	2,262,313
Financial assets at fair value through profit or loss		5,440,261	1,715,101
Cash and cash equivalent and restricted cash		30,606,858	18,380,978
Total current assets		84,074,568	48,633,330
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	54,694,963	25,185,389
Other payables and accruals		14,224,620	9,090,490
Borrowings		1,473,910	1,000,000
Lease liabilities		21,646	31,215
Tax payable		1,312,086	385,240
Provisions		2,140,405	1,244,261
Total current liabilities		73,867,630	36,936,595
<b>NET CURRENT ASSETS</b>		<b>10,206,938</b>	<b>11,696,735</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>37,140,631</b>	<b>30,166,277</b>

## Consolidated statement of financial position (continued)

As at 31 December 2020

(All amounts in RMB thousands unless otherwise stated)

	Notes	2020 Audited	2019 Restated
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		237,930	—
Lease liabilities		1,595	26,164
Deferred tax liabilities		96,772	33,891
Termination and post-employment benefit obligations		598,461	34,548
Deferred income		504,895	535,231
Tax payable		21,571	—
Other non-current liabilities		—	10,000
		<u>          </u>	<u>          </u>
Total non-current liabilities		1,461,224	639,834
		<u>          </u>	<u>          </u>
Net assets		<u>35,679,407</u>	<u>29,526,443</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		16,717,024	16,717,024
Other reserves		480,257	(499,601)
Retained earnings		14,917,727	10,142,219
		<u>          </u>	<u>          </u>
		32,115,008	26,359,642
Non-controlling interests		3,564,399	3,166,801
		<u>          </u>	<u>          </u>
Total equity		<u>35,679,407</u>	<u>29,526,443</u>

## Notes to the consolidated financial information

(All amounts in RMB thousands unless otherwise stated)

### 1. General information

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

The Group is principally engaged in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks, buses, etc. and related key assemblies, 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 2020 and 2019 included in this preliminary announcement of 2020 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 2019 are combined with the financial statements of Sinotruk Datong Gear Co., Ltd. ("Datong Gear") for the year ended 31 December 2019 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 2019 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 2020 in due course.

The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2020 and 2019. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Companies Ordinance.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 2. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) 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.

### 3. Accounting policies

#### 3.1 New and amended standards adopted by the Group

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements and none of which has significant financial impact to the Group.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS 1 and HKAS 8	Definition of Material

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 3. Accounting policies (continued)

#### 3.2 Issued but not yet effective Hong Kong financial reporting standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>2</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform - Phase 2</i> <sup>1</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>3,6</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>3,5</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>2</sup>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i> <sup>2</sup>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>6</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023



## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 3. Accounting policies (continued)

#### 3.3 Business combinations under common control

In April 2020, Sinotruk Ji'nan Power (“Ji'nan Power”), a wholly-owned subsidiary of the Company, acquired from CNHTC the entire equity interest of Datong Gear. The consideration was satisfied by cash, amounting to approximately RMB1,392,708,000.

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

For this business combination under common control, the financial statements of the Group and that of Datong Gear has been combined, by using the merger accounting, as if the Group had acquired Datong Gear from the beginning of the earliest financial period presented. The net assets of the Group and Datong Gear are combined using the existing book values from the perspective of CNHTC, the controlling party. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of Datong Gear's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. Accordingly, the comparative figures of this consolidated financial statements have been restated.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information

The chief operating decision-maker has been identified as the board of directors (the “Board”) of the Company while it delegates the executive committee of the Company (the “Executive Committee”) to execute. The Executive Committee reviews the Group’s internal reports 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 the geographical and business perspective. From the geographical perspective, the Executive Committee assesses the revenue from Mainland China and overseas. From the business perspective, the Executive Committee assesses the performance of heavy duty trucks, light duty trucks and others, 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 others – Manufacture and sale of light duty trucks, buses, etc. and related components;
- (iii) Engines – Manufacture and sale of engines and related parts; and
- (iv) Finance – Provision for deposits taking, borrowings, bills discounting, issue of bills and entrustment loans to the members of the Group and members of CNHTC and its subsidiaries excluding the Group (“CNHTC Group”) as well as 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.

## **Notes to the consolidated financial information (continued)**

(All amounts in RMB thousands unless otherwise stated)

### **4. Operating 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 primarily of right-of-use assets, investment properties, property, plant and equipment, other intangible assets, inventories, interests in associates, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, trade, financing and bills receivables, prepayment, other receivables and other assets, and operating cash. They exclude deferred tax assets and prepaid income tax.

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 exclude deferred tax liabilities and tax payable.

Unallocated assets mainly represent deferred tax assets, prepaid income tax and the Company's assets. Unallocated liabilities mainly represent borrowings, deferred tax liabilities, tax payable and the Company's liabilities.

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. Operating segment information (continued)

The segment results for the year ended 31 December 2020 are as follows:

	Year ended 31 December 2020					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Elimination	
<b>External revenue</b>						
Sales of goods	80,421,484	13,981,569	850,869	—	—	95,253,922
Rendering of services	895,908	72,090	639,149	—	—	1,607,147
Provision of financing services	—	—	—	1,336,916	—	1,336,916
<b>Total external revenue</b>	<b>81,317,392</b>	<b>14,053,659</b>	<b>1,490,018</b>	<b>1,336,916</b>	<b>—</b>	<b>98,197,985</b>
Inter-segment revenue	1,822,843	762,928	25,475,765	449,217	(28,510,753)	—
<b>Total segment revenue</b>	<b>83,140,235</b>	<b>14,816,587</b>	<b>26,965,783</b>	<b>1,786,133</b>	<b>(28,510,753)</b>	<b>98,197,985</b>
Operating profit before unallocated expenses	5,211,701	464,089	4,036,725	763,080	(998,480)	9,477,115
Unallocated expenses						(6,467)
<b>Operating profit</b>						<b>9,470,648</b>
Finance income, net						25,512
Share of profits and losses of associates						54,570
<b>Profit before tax</b>						<b>9,550,730</b>
Income tax expense						(2,127,080)
<b>Profit for the year</b>						<b>7,423,650</b>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

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

	Year ended 31 December 2019 (Restated)					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Elimination	
<b>External revenue</b>						
Sales of goods	50,023,235	9,693,140	1,159,358	—	—	60,875,733
Rendering of services	714,780	6,404	36,921	—	—	758,105
Provision of financing services	—	—	—	979,661	—	979,661
<b>Total external revenue</b>	<u>50,738,015</u>	<u>9,699,544</u>	<u>1,196,279</u>	<u>979,661</u>	<u>—</u>	<u>62,613,499</u>
Inter-segment revenue	<u>1,046,948</u>	<u>511,779</u>	<u>13,466,111</u>	<u>607,074</u>	<u>(15,631,912)</u>	<u>—</u>
<b>Total segment revenue</b>	<u><u>51,784,963</u></u>	<u><u>10,211,323</u></u>	<u><u>14,662,390</u></u>	<u><u>1,586,735</u></u>	<u><u>(15,631,912)</u></u>	<u><u>62,613,499</u></u>
Operating profit/(loss) before unallocated expenses	3,548,530	(1,112,145)	1,921,583	934,565	(288,750)	5,003,783
Unallocated expenses						<u>(10,376)</u>
<b>Operating profit</b>						4,993,407
Finance costs, net						(94,271)
Share of profits and losses of a joint venture and associates						<u>61,465</u>
<b>Profit before income tax</b>						4,960,601
Income tax expense						<u>(1,044,542)</u>
<b>Profit for the year</b>						<u><u>3,916,059</u></u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

Other segment items included in profit or loss for the year ended 31 December 2020 are as follows:

	Year ended 31 December 2020					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	
Depreciation of property, plant and equipment	477,186	114,959	957,458	1,679	—	1,551,282
Depreciation of right-of-use assets	49,422	13,133	10,842	426	—	73,823
Amortisation of other intangible assets	<u>25,245</u>	<u>1,526</u>	<u>34,164</u>	<u>613</u>	<u>—</u>	<u>61,548</u>

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

	Year ended 31 December 2019 (Restated)					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	
Depreciation of property, plant and equipment	542,613	166,789	886,624	1,780	43	1,597,849
Depreciation of right-of-use assets	39,817	20,692	8,187	301	19	69,016
Amortisation of other intangible assets	<u>29,664</u>	<u>2,365</u>	<u>39,698</u>	<u>522</u>	<u>—</u>	<u>72,249</u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

The segment assets and liabilities as at 31 December 2020 and addition to non-current assets of the segments for the year then ended are as follows:

	At 31 December 2020					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	
Segment assets	77,966,206	8,994,871	25,154,053	61,245,720	2,492,132	175,852,982
Elimination						<u>(64,844,721)</u>
<b>Total assets</b>						<b><u>111,008,261</u></b>
Segment liabilities	56,359,984	8,084,006	12,132,867	53,360,230	1,850,062	131,787,149
Elimination						<u>(56,458,295)</u>
<b>Total liabilities</b>						<b><u>75,328,854</u></b>
Addition to non-current assets	2,738,390	153,087	466,713	1,034	34	<b><u>3,359,258</u></b>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

A reconciliation for entity assets and liabilities is as follows:

	At 31 December 2020	
	Assets	Liabilities
<b>Segment assets/liabilities after elimination</b>	<b>108,516,129</b>	<b>73,478,792</b>
Unallocated:		
Deferred tax assets/liabilities	2,327,101	96,772
Non-current tax payable	—	21,571
Prepaid income tax/tax payable	53,857	1,312,086
Non-current borrowings	—	237,930
Current borrowings	—	173,910
Other assets/liabilities	111,174	7,793
	<u>2,492,132</u>	<u>1,850,062</u>
<b>Total</b>	<b><u>111,008,261</u></b>	<b><u>75,328,854</u></b>



## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating 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:

	At 31 December 2019 (Restated)					
	Heavy	Light				
	duty trucks	duty trucks	Engines	Finance	Unallocated	Total
		and others				
Segment assets	49,769,709	7,579,797	19,628,442	43,331,497	1,786,061	122,095,506
Elimination						<u>(54,992,634)</u>
Total assets						<u><u>67,102,872</u></u>
Segment liabilities	31,049,994	7,966,168	8,165,991	36,023,474	2,520,265	85,725,892
Elimination						<u>(48,149,463)</u>
Total liabilities						<u><u>37,576,429</u></u>
Addition to non-current assets	597,007	186,072	578,382	1,644	—	<u><u>1,363,105</u></u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

A reconciliation for entity assets and liabilities is as follows:

	At 31 December 2019 (Restated)	
	Assets	Liabilities
Segment assets/liabilities after elimination	65,316,811	35,056,164
Unallocated:		
Deferred tax assets/liabilities	1,688,157	33,891
Current tax assets/liabilities	69,400	385,240
Current borrowings	—	700,000
Other assets/liabilities	28,504	1,401,134
	<u>1,786,061</u>	<u>2,520,265</u>
<b>Total</b>	<u><u>67,102,872</u></u>	<u><u>37,576,429</u></u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

#### Geographical information

##### (a) Revenue from external customers

	2020	2019 (Restated)
Mainland China	91,836,126	52,627,281
Overseas	6,361,859	9,986,218
	<u>98,197,985</u>	<u>62,613,499</u>

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

##### (b) Non-current asset

	2020	2019 (Restated)
Mainland China	23,780,251	15,999,399
Overseas	826,341	781,986
	<u>24,606,592</u>	<u>16,781,385</u>

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

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

#### Geographical information (continued)

##### (b) Non-current asset (continued)

	2020	2019 (Restated)
<b>Addition to non-current assets</b>		
Mainland China	3,360,001	1,287,573
Overseas	64	411
	<u>3,360,065</u>	<u>1,287,984</u>

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

##### (c) Contract liabilities

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

	2020	2019 (Restated)
Heavy duty trucks	3,629,451	1,173,796
Light duty trucks and others	623,943	568,761
Engines	44,665	21,693
	<u>4,298,059</u>	<u>1,764,250</u>

All contract liabilities as at 31 December 2019 have been recognised as revenue during the year ended 31 December 2020.

#### Information about major customers

During the years ended 31 December 2020 and 2019, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 5. Other income and gains

	2020	2019 (Restated)
<u>Other income</u>		
Income on disposal of scraps	211,610	61,013
Government grants	209,313	209,334
Penalties income	87,688	19,966
Rental income from leases	23,878	37,537
Income from utilities	2,834	1,969
Dividends income received from financial assets at fair value through profit or loss	1,684	521
Others	27,699	—
	<u>564,706</u>	<u>330,340</u>
<u>Gains</u>		
Gain on disposal of financial assets at fair value through profit or loss	259,461	186,208
Fair value gains on financial assets at fair value through profit or loss	47,531	11,811
Gain on disposal of investment properties	42,123	—
Gain on disposal of a subsidiary	3,479	—
Gain upon derecognition of leases	574	—
Gain on disposal of items of property, plant and equipment	—	6,888
Fair value gains on investment properties	—	16,970
Foreign exchange differences, net	—	85,160
Others	44,527	46,579
	<u>397,695</u>	<u>353,616</u>
	<u>962,401</u>	<u>683,956</u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 6. Profit before tax

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

	2020	2019 (Restated)
Cost of inventories sold	68,913,396	45,621,198
Warranty expenses	1,792,204	989,651
Depreciation of property, plant and equipment	1,551,282	1,597,849
Depreciation of right-of-use assets	73,823	69,016
Amortisation of other intangible assets	61,548	72,249
Research and development costs*	2,622,693	1,780,989
Transportation charges	1,491,251	1,140,472
Auditor's remuneration:		
Financial audit services	6,289	7,612
Internal control audit services	468	500
Taxation professional services	83	300
Environmental, social and government report services	159	214
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries, allowances, social security and benefits	4,994,233	3,713,666
Defined contribution pension schemes	371,753	392,066
Termination benefits	572,995	(337)
Post-employment benefits	331,800	27,892
Housing benefits	422,982	275,164
Other staff benefits	946,047	534,928
Impairment of goodwill**	13,610	—
Lease payments not included in the measurement of lease liabilities	21,240	34,746
Losses/ (gains) on disposal of items of property, plant and equipment	3,501	(6,888)
Gains upon derecognition of leases	(574)	—
Write-down of inventories to net realisable value	256,751	255,471
(Reverse of impairment)/impairment of trade receivables	(98,815)	751,694
Impairment of financing receivables	262,718	70,156
(Reverse of impairment)/impairment of financial assets included in prepayments, other receivables and other assets	(36,484)	5,341
Impairment of property, plant and equipment	2,368	59,912
Foreign exchange differences, net***	252,867	(85,160)

\* The research and development costs charges of RMB2,622,693,000 (2019: RMB1,780,989,000), which are included in "Administrative expenses" in the consolidated statement of profit or loss.

\*\* The impairment of goodwill is included in "Other expenses" in the consolidated statement of profit or loss.

\*\*\* Foreign exchange differences, net is included in "Other expenses" and "Other income and gains" as in the consolidated statement of profit or loss, respectively, during the year ended 31 December 2020 and 2019.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 7. Income tax expense

	2020	2019 (Restated)
Current tax:		
– Hong Kong		
charge for the year	31	7,925
over provision in prior years	<u>(4,724)</u>	<u>—</u>
	<b>(4,693)</b>	7,925
– Mainland China	<b>2,741,043</b>	1,236,524
– Elsewhere	<u>29</u>	<u>1,323</u>
Total current tax	<b>2,736,379</b>	1,245,772
Deferred	<u>(609,299)</u>	<u>(201,230)</u>
Total tax charge	<b><u>2,127,080</u></b>	<b><u>1,044,542</u></b>

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% (2019: 16.5%) on their estimated assessable profits during the year. The Company is also determined as a Chinese-resident enterprise and, is subject to corporate income tax at a rate of 25% (2019: 25%) according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"). Sinotruk (Hong Kong) International Investment Limited is a qualifying entity under the two-tiered profits tax rates regime in Hong Kong. Its first HKD2 million assessable profits is taxed at a rate of 8.25% and the rest at 16.5% (2019: first HKD2 million assessable profits taxed at a rate of 8.25% and the rest at 16.5%).

Ji'nan Power, Sinotruk Hangzhou Engines Co., Ltd. and Datong Gear have been recognised as the High New Tech Enterprises in 2017. Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprises in 2019. These companies are entitled to a reduced corporate income tax rate of 15% (2019:15%) according to the tax incentives of the CIT Law for High New Tech Enterprises.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 7. Income tax expense (continued)

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., Weichai (Chongqing) Automotive Co., Ltd. (now known as “Sinotruk (Chongqing) Light Vehicle Co., Ltd.”) and Sinotruk Mianyang Special Vehicles Co., Ltd. are subject to corporate income tax at a rate of 15% (2019:15%) according to the Western Development tax incentives of the CIT Law.

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax at a rate of 20% (2019: 20%) according to Tax Code of the Russian Federation.

Sinotruk South Africa (Pty) Ltd. is subject to corporate income tax at a rate of 28% (2019: 28%) according to South Africa Tax Law.

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax at a rate of 20% (2019: 20%) according to Kazakhstan Tax Law.

Sinotruk (Kenya) Limited is subject to a corporate income tax rate of 30% (2019: 30%) according to Kenya Tax Law.

The remaining subsidiaries in the PRC are subject to corporate income tax at a rate of 25% (2019: 25%) according to the CIT Law.

### 8. Earning per share

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,760,993,339 (2019: 2,760,993,339) in issue during the year.

There are no dilutive potential ordinary shares during the years ended 31 December 2020 and 2019.

### 9 Dividend

	2020	2019
Final dividend for financial year 2019: HK\$0.39 or RMB0.36 (financial year 2018: HK\$0.64) per Share	<u>991,530</u>	<u>1,554,691</u>



## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 10. Trade, financing and bills receivables

	2020	2019 Restated
Trade receivables	8,073,123	10,484,672
Provision for impairment	<u>(1,236,456)</u>	<u>(1,966,983)</u>
Trade receivables, net (a)	6,836,667	8,517,689
Financing receivables	20,908,319	9,766,765
Provision for impairment	<u>(513,246)</u>	<u>(250,528)</u>
Financing receivables, net (b)	20,395,073	9,516,237
Bills receivable (c)	<u>186,047</u>	<u>9,711</u>
	<u><u>27,417,787</u></u>	<u><u>18,043,637</u></u>
<i>Current portion</i>		
Trade receivables	6,580,431	8,283,570
Financing receivables	13,455,723	6,897,046
Bills receivable	<u>186,047</u>	<u>9,711</u>
	<u><u>20,222,201</u></u>	<u><u>15,190,327</u></u>
<i>Non-current portion</i>		
Trade receivables	256,236	234,119
Financing receivables	<u>6,939,350</u>	<u>2,619,191</u>
	<u><u>7,195,586</u></u>	<u><u>2,853,310</u></u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 10. Trade, financing and bills receivables (continued)

- (a) An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of the provision for impairment, is as follows:

	2020	2019
		Restated
Less than 3 months	3,839,205	4,220,046
3 months to 6 months	714,816	1,266,298
6 months to 12 months	538,684	728,058
1 year to 2 years	844,299	1,379,473
2 years to 3 years	410,917	484,073
Over 3 years	488,746	439,741
	<u>6,836,667</u>	<u>8,517,689</u>

The sales policy of the Group generally requires its customers to pay a certain amount of deposits when orders of vehicles are made and to settle purchase price in cash, on credit or by acceptance bills. A credit period from 3 to 12 months is granted to selected customers based on credit assessment. Trade receivables are non-interest-bearing.

As at 31 December 2020, approximately RMB755,732,000 (31 December 2019: RMB1,262,400,000) of the Group's trade receivables are secured by letters of credit issued by certain overseas third parties. As at 31 December 2020, approximately RMB1,829,077,000 (31 December 2019: RMB2,959,646,000) were guaranteed by China Export and Credit Insurance Corporation.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 10. Trade, financing and bills receivables (continued)

- (b) An ageing analysis of the financing receivables based on maturity date at respective dates of statement of financial position, net of provisions, is as follows:

	2020	2019
		Restated
Less than 3 months	3,795,722	2,249,901
3 months to 6 months	4,099,756	1,617,283
6 months to 12 months	5,559,896	3,023,068
1 year to 2 years	6,254,312	2,281,593
2 years to 3 years	678,831	296,536
Over 3 years	6,556	47,856
	<u>20,395,073</u>	<u>9,516,237</u>

Financing receivables represents loans and lease financing to suppliers of the Group and to individuals and entities when they purchase commercial vehicles of the Group from dealers as well as loans to the CNHTC Group. 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.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 10. Trade, financing and bills receivables (continued)

- (c) Bills receivable is financial asset at amortised cost and held for the purpose of collection of contractual cash flows.

	2020	2019
Discounted bills	17,083	9,711
Commercial acceptance bills	<u>168,964</u>	<u>—</u>
Bills receivable	<u><u>186,047</u></u>	<u><u>9,711</u></u>

The ageing analysis of bills receivable based on transaction dates at the respective dates of the statement of financial position is as follows:

	2020	2019
Less than 3 months	167,188	2,961
3 months to 6 months	16,989	5,750
6 months to 12 months	<u>1,870</u>	<u>1,000</u>
	<u><u>186,047</u></u>	<u><u>9,711</u></u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

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

	2020	2019 Restated
Debt investments		
– bank acceptance bills	4,384,164	2,214,070
– commercial acceptance bills	—	48,243
	<u>4,384,164</u>	<u>2,262,313</u>

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

	2020	2019 Restated
Less than 3 months	3,425,854	1,367,283
3 months to 6 months	898,473	804,201
6 months to 12 months	59,837	90,829
	<u>4,384,164</u>	<u>2,262,313</u>

The Group receives acceptance bills from its customers to settle their debts and intends to use these acceptance bills either to pay off its trade and other payables or to hold until maturity.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 12. Trade and bills payables

	2020	2019 Restated
Trade payables	41,808,190	19,120,971
Bills payable	12,886,773	6,064,418
	<u>54,694,963</u>	<u>25,185,389</u>

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020	2019 Restated
Less than 3 months	42,560,649	21,796,144
3 months to 6 months	11,088,282	3,208,633
6 months to 12 months	880,321	76,850
1 year to 2 years	118,741	75,846
2 years to 3 years	32,223	14,761
Over 3 years	14,747	13,155
	<u>54,694,963</u>	<u>25,185,389</u>

### 13. Events after the reporting period

In January 2021, Weichai Power Co., Ltd. contributed RMB526,705,667 in cash into Sinotruk (Chongqing) Light Vehicle Co., Ltd. for its 40% enlarged equity and, thereafter, the Group's interests in Sinotruk (Chongqing) Light Vehicle Co., Ltd. has been diluted from 100% to 60% and Sinotruk (Chongqing) Light Vehicle Co., Ltd. continues to be accounted for as a subsidiary of the Company.

Sinotruk Ji'nan Truck Co., Ltd. completed its private placement by issue of 168,111,600 new shares with gross proceeds of RMB5,013,087,912 in March 2021. Such new shares were listed on the Shenzhen Stock Exchange on 15 March 2021. Thereafter, the Company's interest in Sinotruk Ji'nan Truck Co., Ltd. has been diluted from approximately 63.78% to 51.00% and Sinotruk Ji'nan Truck Co., Ltd. continues to be accounted for as a subsidiary of the Company.

## PROPOSED DIVIDENDS

The Board recommends to distribute to Shareholders whose names appear on the register of members of the Company on Thursday, 8 July 2021 a final dividend of either HKD1.04 or RMB0.88 per Share (converted at the exchange rate of RMB0.84518 to HKD1 as published by the PBOC on Wednesday, 31 March 2021) for the year ended 31 December 2020 (the “**2020 Final Dividend**”) with a sum of approximately HKD2,871,433,000 or approximately RMB2,429,674,000, which is subject to Shareholders’ approval at the forthcoming 2021 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 2020 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 2020 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 2020 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 Tuesday, 29 June 2021 and the record date for determining the entitlement of the Shareholders to attend and vote at the AGM is Tuesday, 29 June 2021. The register of members of the Company will be closed from Thursday, 24 June 2021 to Tuesday, 29 June 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to attend and vote in 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 Wednesday, 23 June 2021.

The record date for determining the entitlement of the Shareholders to the proposed 2020 Final Dividend is Thursday, 8 July 2021 and the register of members of the Company will be closed from Wednesday, 7 July 2021 to Thursday, 8 July 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to receive the proposed 2020 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 Tuesday, 6 July 2021.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET OVERVIEW**

#### **TRUCK MARKET**

In 2020, faced with the severe and complex domestic and international environment, especially the serious impact of the COVID-19 pandemic, the Chinese government adhered to the keynote of pursuing progress while ensuring stability, and coordinated the efforts on the pandemic prevention and control as well as economic and social development with the help of more countercyclical macroeconomic policies, thereby achieving significant strategic results in both pandemic prevention and control and economic and social development. Both economic and social activities resumed gradually and steadily. Despite a sharp drop at the beginning of the year, the fixed asset investment grew steadily with optimized structure and strengthened recovery momentum. In 2020, the GDP increased by 2.3% YoY.

During the Period, the truck production and sales volumes fell sharply in the first quarter due to the severe impact of the COVID-19. However, the domestic economy recovered rapidly since the second quarter driven by a new development pattern which is “based on domestic macro-circulation, along with international and domestic dual-circulation and mutual promotion”. Under the easing financial and monetary policies implemented by the Chinese government, construction projects increased steadily and the domestic market economy remained vibrant, providing strong support for a stable development of the heavy duty truck industry. In addition, policies and regulations had an increasingly significant stimulatory impact on the industry: in light of the three-year “Battle for a Blue Sky” campaign entering its final stage, together with policies such as the accelerated elimination of China III Emission Standard diesel vehicles, the restriction of certain areas on China IV Emission Standard vehicles, as well as the tightening control of overloading and oversize/overweight loads and other environmental protection policies, the HDT market is continuously shifting towards the direction of development based on compliant operation, high efficiency, reliability and environmental friendliness. According to statistics from CAAM, the sales volume for the HDT industry amounted to approximately 1.619 million units in the year, representing an increase of 37.9% YoY, out-performing expectations. In the LDT market, as the pandemic in China was effectively controlled, “new infrastructure” projects were launched one after

another and environmental protection upgrades have accelerated the scrapping and upgrade of old diesel trucks. This, coupled with the combined effects of factors such as the increasing demand for transportation of pandemic-prevention materials and in the e-commerce industry and the reduction of expressway tolls, led to the gradual recovery of the LDT industry after experiencing the market downturn caused by the COVID-19 at the beginning of the year. According to CAAM, the sales volume for the LDT industry for the year was 2.199 million units, representing an increase of 16.8% YoY. In the buses market, due to the impact of the pandemic, inter-city passenger transport lines were suspended and the traffic flow in the city was drastically reduced, which suppressed the market demand and led to a slump in purchasing volume. The overall performance of public transport and highway bus companies was unsatisfactory with the sales volume showing a downward trend compared with last year. According to CAAM, the total buses sales volume for the year was 448,000 units, representing a decrease of 5.6% YoY.

## **LOANS MARKET**

In 2020, the Chinese government continued to use the loan prime rate (LPR) mechanism. During the Period, the one-year LPR was lowered twice and the five-year LPR was lowered twice too. As at 31 December 2020, the one-year LPR was 3.85% and the five-year LPR was 4.65%.

## **REVIEW OF OPERATIONS**

### **HEAVY DUTY TRUCKS SEGMENT**

During the Period, the sales volume of the Group's HDTs was 278,415 units, representing an increase of 64.3% YoY. Revenue (sales of HDTs and services provided to its customers) from the HDTs segment was RMB83,140 million, representing an increase of 60.5% YoY. The segment operating profit margin was 6.3%, representing a decrease of 0.6 percentage points YoY, mainly due to increase in research and development expenses, warranty expenses, provision for early retirement and termination plan, etc.

## DOMESTIC BUSINESS

During the Period, the Group sold 247,454 HDTs in the PRC, representing an increase of 91.2% YoY.

The Group is committed to promoting the whole value chain marketing in order to maximize customer operating value and improve the Group's operating quality. For the highway vehicle segment, while retaining existing high-end logistics customers such as express companies, logistics companies, hazardous chemical companies and cold chain companies, the Group achieved breakthroughs in the general cargo transportation and bulk raw material transportation markets. In the long-distance highway truck, express delivery and cold chain transportation markets on which we focused, we enhanced our brand image steadily. In the medium and long-distance dedicated lines and the less-than-truckload and bulk cargo market on which we focused, we seized the market share in the mid-to-high-end segment. In the gas vehicle market on which we focused, leveraging on our advantage in the engines segment, the sales volume of gas vehicles increased significantly YoY. In the general cargo, sand and gravel and other short and medium-distance markets, as well as the coal transportation market on which we focused, we achieved a new breakthrough in truck sales. In the hazardous transportation market on which we focused, with the excellent quality of the SITRAK series of trucks, we continued to maintain our leading position in the domestic high-end heavy duty truck market. During the Period, the sales volume of our tractors increased by approximately 157% YoY and that of our cargo truck increased by approximately 145% YoY (source: domestic heavy duty truck insurance data). For the engineering vehicle segment, we accelerated product transformation with a focus on standard urban construction slag, concrete transportation and road transportation dumping. Meanwhile, we also promoted vehicles which meet regulations and lightweight models in order to maintain our leading position in the industry. During the Period, the sales volume of our tipper truck increased by approximately 24% YoY (source: domestic heavy duty truck insurance data). We also focused on the special vehicles niche market, enhanced our effort in the development and promotion of China VI Emission Standard specialty vehicles, and continued to expand the sales of special vehicles such as sanitation vehicles, pump trucks and fire trucks. During the Period, the sales volume of our special vehicles increased by approximately 21% YoY (source: domestic heavy duty truck insurance data).

During the Period, the Group formally launched a new generation of Huanghe heavy duty truck. The vehicle has a drag coefficient below 0.4, which alone can help users to save fuel by 8%, while the interior is designed to be driver-oriented, creating a more comfortable, convenient and ergonomic environment. The Group also grandly launched HOWO-TH7, which features the most competitive fuel efficiency, gorgeous internal and external design, unique and smooth gear shifting and pleasing front passenger seat, providing customers with an unprecedented driving experience.

As at 31 December 2020, the Group had a total of 1,115 HDT dealerships (including 123 4S centers and 168 Sinotruk-brand dealerships), 1,888 service centers providing high-quality after-sales service and 135 refitting companies to provide truck-refitting services to HDTs in the PRC.

## **INTERNATIONAL BUSINESS**

In 2020, the COVID-19 pandemic swept across the world and countries have adopted measures such as isolation, lockdown and social distancing. Economic development was severely affected, and the international market encountered unprecedented tough challenges. Except China, the world's major economies have experienced different degrees of economic decline. Faced with such difficult economic environment, the Group endeavoured to expand the markets and fight against the COVID-19 simultaneously, and eventually maintained the Group's position in the fierce market competition.

During the Period, the Group's affiliated export volume of HDTs was 30,961 units, representing a decrease of 22.6% YoY, and the total export revenue of HDTs (including the affiliated export, non-GAAP financial measures) was RMB8,260 million (2019: RMB12,167 million), representing a decrease of 32.1% YoY. According to internal exports information, the Group held a market-leading position in the export of HDTs in China for the sixteenth consecutive year.

Reconciliation of overseas revenue to HDTs affiliated export revenue:

	<b>2020</b>	2019
	<b>RMB million</b>	RMB million
Overseas revenue	<b>6,362</b>	9,986
Affiliated exports	<b>2,390</b>	2,235
Total affiliated export revenue	<b>8,752</b>	12,221
Total non-HDTs export revenue (including the affiliated exports)	<b>(492)</b>	(54)
Total HDTs export revenue (including the affiliated exports)	<b>8,260</b>	12,167

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

During the Period, the Group explored overseas niche markets in depth with precise introduction of products, resulting in a significant increase in export sales of SITRAK and Haohan series products. By establishing positive commercial support policies tailored for dealers, sales volume in some export markets such as Africa and Southeast Asia achieved substantial growth. We also seized opportunities in the Central America market, to realize mass sales of natural gas vehicles by making full use of local policies, which became our new export growth point. In the Central Asia market, we accurately analyzed users' needs and organized precise sales promotion. Through cross-border collaboration and specific adjustments, the Group successfully increased its market share in this region and further enhanced the Group's brand image and product awareness.

As at 31 December 2020, the Group had set up approximately 256 distributor sales centers, approximately 277 service outlets and approximately 239 spare parts and accessory stores in over 110 countries, and the Group had 12 overseas KD production plants established through cooperation in 9 countries and regions, forming an international marketing network system that generally covers both developing countries and major emerging economies such as Africa, the Middle East, Central and South America, Central Asia, Russia and Southeast Asia, as well as certain mature markets including Australia, Ireland and New Zealand, Hong Kong and Taiwan.

## **LIGHT DUTY TRUCKS AND OTHERS SEGMENT**

During the Period, the sales volume of the Group's LDTs increased by 65.6% YoY to 181,013 units. The Group sold 228 buses, representing a decrease of 80.8% YoY. The LDTs and others segment recorded total revenue (sales of LDT and others and services provided to its customers) of RMB14,817 million, representing an increase of 45.1% YoY. The segment's operating profit margin was 3.1%, representing an improvement of 14.0 percentage points YoY when compared with the loss margin of 10.9% last year, mainly due to increase in sales volume and the significant decrease YoY in the provision for impairment of trade receivables.

During the Period, Sinotruk (Ji'nan) Light Truck Co., Ltd. expanded its online live channel when the COVID-19 pandemic was sweeping. After the pandemic had become under control, it continued to promote offline sales and online live activities to effectively enhance the brand awareness of HOWO light duty trucks. We also enhanced the development of various niche markets such as rural, greenway transportation of fresh agricultural products, commerce and express delivery, catered for the needs of users and boosted the sales volume of various vehicles. Meanwhile, on the basis of consolidating our dominant position in traditional markets, we also put more effort on developing light loading market to continuously increase the sales volume in this market.

Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. focused on its boutique flagship models and promptly responded to the market demand. It proactively cultivated high-quality sales channels by formulating standardized channel operation manuals, and establishing strict channel access, exit and quarterly operation evaluation mechanisms to improve the operation standard of marketing channels.

Sinotruk Fujian Haixi Vehicles Co., Ltd. adjusted its product structure according to the regulations and policies and the operational circumstances of the market, and timely developed and introduced lightweight products which catered for the market demand and users' needs. Moreover, it comprehensively improved the capacity of dealers' entire value chain, thereby significantly enhancing network quality at all levels. Through online platforms, it implemented online marketing activities while simultaneously carrying out offline sales promotion to boost the sales. In addition, it focused on niche markets such as inter-city logistics, urban distribution, supermarkets and greenway transportation of fresh agricultural products, and achieved sales breakthroughs by introducing products to these segments.

Sinotruk Ji'nan HOWO Bus Co., Ltd. kept abreast of the main trend in configuration in the industry and differentiated its products with superior components to fully reflect its strengths, such as high reliability, low noise and low maintenance costs, in order to meet the needs of customers in different regions.

On 31 December 2020, the Group acquired Weichai (Chongqing) Automobile Co., Ltd. (now known as "Sinotruk (Chongqing) Light Vehicle Co., Ltd.") which is principally engaged in the manufacture and sales of pickup trucks and others.

As at 31 December 2020, the Group had a total of 1,398 dealerships (including 58 4S centers and 347 Sinotruk-branded dealerships), 2,813 service centers that provide LDT after-sales services and 49 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-sales services.

## **ENGINES SEGMENT**

During the Period, the sales volume of the Group's engines increased by 57.8% YoY to 283,947 units. The engine segment recorded total revenue (sales of engines) of RMB26,966 million, representing an increase of 83.9% YoY. The external engine sales amount accounted for 5.5% of the total engine sales amount, representing a decrease of 2.7 percentage points YoY. The segment's operating profit margin was 15.0%, representing an increase of 1.9 percentage points YoY, mainly due to the significant increase in sales volume, scale expansion for maximization in profit.

The Group is committed to the research and development of new engine technologies, the benchmarking of its engine design with international standards, strengthening quality controls in order 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 engines. In addition to supplying engines for the Group's own production, the Group sold engines to other HDTs manufacturers and engineering machinery manufacturers.

During the Period, the Group continued the optimization of China V Emission Standard MC series engines in a precise way in accordance with different demands on dynamic and economic features of engines in different niche markets and launched specific hardware and software, leading to better performance of products in niche markets. With stable reliability and extremely low gas consumption, the Group's MT Series gas engines have won favor from users and ranked the top in the industry in terms of market share. The Group also launched the MC full-series high-efficiency SCR technology China VI Emission Standard engines, which have been installed and test-marketed in all types of vehicles of the Group, thus the Group could be well-prepared for the emission standard upgrades of China VI Emission Standard products in 2021.



## **RESEARCH AND DEVELOPMENT (“R&D”)**

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 key assembly components are close to international standards. An independent and innovative R&D system based on independent research and development and supplemented by the “production-university-research” cooperation has been established.

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 examination and testing of whole trucks and body technology, key assembly and core component technology, and vehicle and assembly component, as well as 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’s Automotive Research Institute adhered to strategic guidance and innovative development, catered to market demand, accelerated the optimization and upgrade of products and portfolio adjustment, and achieved breakthrough in several critical technologies. In the manufacturing business of the whole vehicles, certain innovative results have been achieved which were well-adapted to the market, among which there were positive progress in reduction of fuel consumption, light-weighting, optimization in power-shift and development of new vehicle types. In the engine business, there was continuous optimization in the China V Emission Standard engines, leading to better performance in the niche market. The high-efficiency China VI Emission Standard full-series engines were launched in preparation of the emission standard upgrades for the China VI Emission Standard products.

During the Period, the Group participated in the formulation and amendment of a total of 9 HDT industry standards including 車輛右轉彎提示音要求及試驗方法 (Requirements and Test Methods for Right-turn Warning Tone of Vehicles), 車輛行駛跑偏試驗方法 (Test Methods for Driving Deviation of Vehicles), 汽車爆胎應急安全裝置性能要求和試驗方法 (Requirement and Testing Methods for Function of Emergency Safety Device for Flat Tyre), 危險貨物道路運輸營運車輛安全技術條件 (Technical Requirements for Safety of Road-going Vehicles Transporting and Operating Dangerous Goods) etc. During the Period, the Automotive Research Institute carried out 274 projects, including R&D of vehicles, key assemblies and parts.

## **FINANCE SEGMENT**

During the Period, the revenue (interest and fee income) of the Group's finance segment was RMB1,786 million, representing an increase of 12.5% YoY. External revenue of the segment was RMB1,337 million, representing an increase of 36.4% YoY. The segmental operating profit margin was 42.7%, representing a decrease of 16.2 percentage points YoY, primarily due to the launch of preferential financial products for promoting the sales of trucks.

In 2020, faced with the sudden outbreak of pandemic, the Group specifically launched the deferred loan repayment scheme which was beneficial to the public. With the management system of deferred repayment and the function of non-recording on credit reference during the pandemic, customers could overcome the temporary difficulties in repayment, hence safeguarding customers' loyalty to the Group while implementing effective control over risks of existing business. Moreover, the Group actively led and promoted the sale of vehicles with the help of social financial services, fully utilized its financial leadership as a manufacturer and provided the most competitive interest rates in the industry for customers on the basis of sufficient prevention and control of the financial risks. During the Period, the Group sold 69,300 trucks through auto financing service, representing an increase of 103.0% YoY.

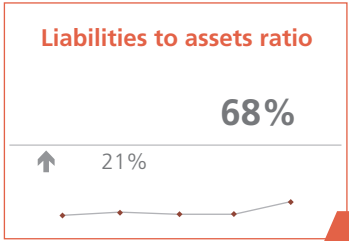
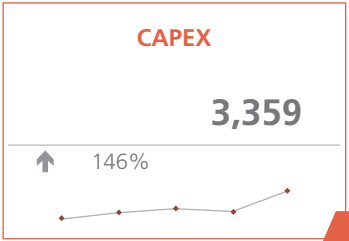
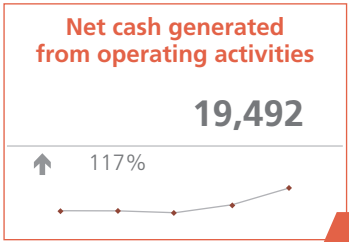
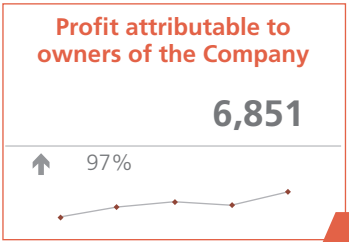
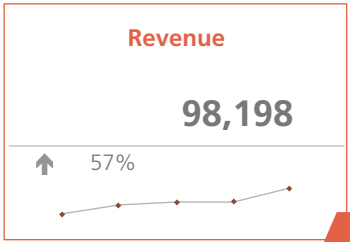
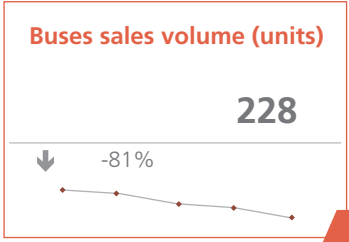
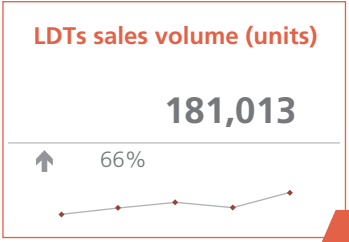
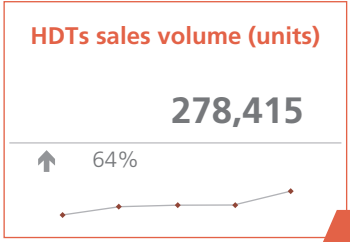
As at 31 December 2020, the Group had 22 business offices for financing services and further improved its auto financing services by extending its financing services business coverage all over China.

## **KEY PERFORMANCE INDICATORS (“KPI”)**

The Directors focus on the continuing development of the Group and interests of the Shareholders. The 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 of the Group and net cash generated from operating activities provides insight into the ability of generating cash 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 indicates 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 each of the following years:

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



<b>Key performance indicators</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
HDTs sales volume (units)	278,415	169,433	168,048	156,243	91,511
LDTs sales volume (units)	181,013	109,280	134,046	107,660	77,961
Buses sales volume (units)	228	1,187	1,553	2,507	2,844
Revenue	98,198	62,613	62,728	55,458	32,959
Profit attributable to owners of the Company	6,851	3,474	4,346	3,023	532
Net cash generated from operating activities	19,492	8,979	3,993	5,155	5,238
CAPEX	3,359	1,363	1,621	1,245	641
Liabilities to assets ratio	68%	56%	56%	58%	55%

Note: Due to business combination under common control with Datong Gear in 2020 and HOWO Bus in 2019 respectively, 2019 figures have been restated for figures of Datong Gear, 2018 figures have been restated for figures of HOWO Bus only, and 2016 to 2017 figures have not been restated for any business combination.

## **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 and established a service brand “親人” (“Family”) on the basis of our “Family” service manual 《“親人”服務手冊》. The Group established a three-level service system consisting customer service centers, regional dealers and special service stations. Leveraging on 24-hour 400 service hotline and the Smart Sinotruk app “智慧重汽”, the Group conducted a specialized analysis on feedback from both the internal and external customers on regular basis. The Group has launched the integrated hotline for both domestic and international after-services with an aim to satisfy the demand for domestic and international after-services. The Group modified the “Procedures for Testing Satisfaction of Domestic Customers” 《國內顧客滿意度測評程式》 to ensure the rating of customer satisfaction could be more scientific and objective. Clear whistleblowing framework and inspection standard have been established so that both the complaints and suggestions could be handled in a lawful, reasonable and timely manner. The Group has built up a comprehensive monitoring index system for all services for continuous improvement in both the effectiveness of service and efficiency of repair. In 2020, the Group received an aggregate of 2,492 replies to its customer satisfaction survey, among which the average customer satisfaction has reached 8.48 points (10 points for maximum).

Strictly complying with 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》 and the “Measures for Implementation of the Administrative Regulation on the Recall of Defective Motor Vehicles” 《缺陷汽車產品召回管理條例實施辦法》, the Group established a complete product recall program with the function of identifying, collecting, analyzing, delivering and storing quality issues-related information, and made its due efforts in routine filing and maintenance of both the corporate and product information as mentioned in the “Platform of Integrated Information Management for the Recall of Defective Motor Vehicles” 《缺陷汽車產品召回綜合資訊管理平台》. We will proactively recall (or instruct to recall) the defective products and take the corresponding remedial and prevention measures so as to preserve customers’ interests.

The Group maintains long-lasting relationship with suppliers on the basis of mutual trust, and procure material and services by adhering to the principle of fairness and openness. By formulating clear rules and regulations regarding the whole-process management on the access, management and assessment of suppliers as well as actively organizing exchange and training among suppliers on a regular basis, the Group leads the supply chain companies to jointly realize their social responsibility commitments in the fields of environmental protection, safety and health and fosters the high-quality development of supply chain system construction. The Group assesses the first supplier of each subsidiary via its procurement committee office, while the assessment on the remaining suppliers of same product category would be conducted by each subsidiary on its own. 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 services provided by suppliers will meet the requirements of the Group. The Group communicates the environmental and quality policies to suppliers through different channels and methods, requiring suppliers to meet the relevant industrial and environmental protection requirements. Through the terms of procurement contracts, suppliers are required to fulfill relevant social responsibilities.

The Group values the growth and development of every employee by providing comprehensive performance appraisal and promotion system. The Group insists on the concept of “Strategy and Result-Oriented”, and has established its new performance appraisal mechanism based on the newly-developed position map. By utilizing the point mechanism for promotion, employees can be promoted with foreseeable targets. Meanwhile, the dynamic and exceptional promotion mechanism for scientific research and development personnel has been established, which would broaden the promotion channel for those scientific research and development personnel and encourage them to contribute more in aspect of scientific research and development. At the same time, the Group has paved the way for the career development of its employees. For professionals such as managerial and technical personnel, they can be promoted to the experts of management and technology, while for operational staff, they can be either promoted to “Skilled Expert”(技能專家) or “Golden Blue-Collar”(金藍領). Through the “Provisional Regulations Concerning the Selection, Appointment and Management of Leaders and Cadres”《領導幹部選拔任用管理暫行規定》, the Group adapts the selection approach with a combination of open recruitment and organizing inspection so as to pave the way for the promotion of leaders and cadres. The Group values all-round training on employees’ occupational skills, and makes efforts to provide training and learning opportunities and platform for all employees with an aim to set up a high-quality workforce. The Group revised the “Procedures for Training and Management”《培訓管理程序》for the enrichment of the 3-tier employee training and management method. The Group organized training and management system such as “Workflow for Management of Internal Trainers”《內部培訓師管理工作流程》so as to build a team comprising of efficient and comprehensive internal trainers with various modules. The Group also optimized the teaching assessment and incentive mechanism, and established a teaching evaluation system, in order to satisfy training requirement of various classes and categories for corporate development and employee’s personal growth and improve the quality of employee training.



The Group pays the social insurance fees for its employees. According to the “Administrative Measures for Declaration and Payment of Social Insurance Fees” 《社會保險費申報繳納管理辦法》, the Group has centralized the payment of social insurance such as basic retirement insurance premiums, basic medical insurance premiums, unemployment insurance premiums, work-related injury insurance premiums, and maternity insurance premiums for its employees. The Group adheres to the direction of “precaution and treatment, with precaution as priority” regarding the occupational diseases and formulates management system such as the “Administrative Measures for Occupational Health” 《職業衛生管理辦法》 and the “Procedures for Occupational Protection and Prevention and Control of Occupational Diseases” 《職工勞動保護和職業病防治控制程序》 in compliance with the requirements of laws and regulations such as the Law on the Prevention and Treatment of Occupational Diseases of the PRC 《中華人民共和國職業病防治法》, with an aim to reinforce the management system for occupational health and safety and prevent occupational diseases.

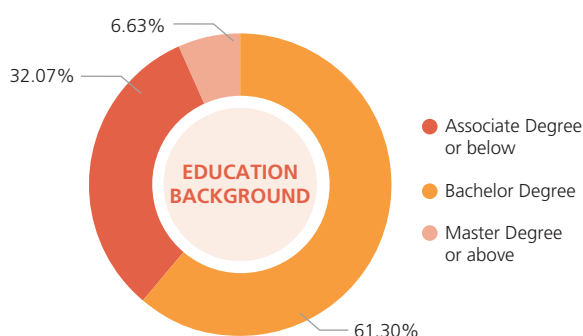
The remuneration packages of the Group’s employees include basic salary, allowances, medical scheme, provident fund scheme, commission and discretionary bonuses. The remuneration policies of the Group, including promotion, bonus, salary increment and other benefits, are based on the Group’s operating results, employees’ individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as those benefits comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. During the Period, the remuneration of the Group (including salaries, retirement benefits and other welfare) to all employees including Directors amounted to RMB7,640 million, representing an increase of 54.6% YoY. The Group did not have any share option scheme as at 31 December 2020.

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 Fulltime 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 2020, the Group had a total of 25,469 employees, which were classified by function and education background as follows:

	Number of employees	%
Management team	263	1
Technical and engineering staff	2,704	11
Research and development staff	2,158	8
Production staff	14,809	58
Operation and sales staff	2,039	8
Marketing staff	265	1
General and administrative staff	3,231	13
<b>Total</b>	<b>25,469</b>	<b>100</b>



## **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 face uncertainties 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 completed the quality system optimization and upgrade project to enhance the quality management system standard to IATF16949. The quality management system was planned in accordance with the relevant standards and applied to the whole process of product design and development, manufacturing, sales and after-sales services. As for quality improvement, the Group launched a total of 29 quality improvement projects in 2020, namely, MC13 exhaust manifold quality improvement (optimization of exhaust manifold structure), air-assisted after-treatment system quality improvement (DCU sealing and DCU procedure), suspension quality improvement (optimization of the rubber bearing structure and enhancement of the reliability of the rubber material), and the transmission shaft and support system quality improvement project (switching nylon coating). As at the end of December 2020, all the improvement projects have been completed, and the completion rate of the projects is 100%.

In terms of quality planning, the Group set up 97 indicators in 2020, ranging from R&D, manufacturing process, quality cost and after-sales service, etc., which were monitored and managed on a monthly basis. For under-performed aspects, the Group urged each responsible unit to formulate corrective measures and implemented verification, so as to ensure that each indicator was under control.

For the product consistency management, we organized the verification of the consistency of vehicle filing parameters to reduce the risk of non-compliance by the Company. We compiled and published the “Inspection Management Process of the Vehicle and Engine Environmental Consistency” 《車輛及發動機環保一致性檢驗管理流程》, and completed the PEMS inspection of the whole vehicle, engine environmental consistency bench test and in-use vehicle environmental compliance inspection according to the process, effectively ensuring consistency of environmental compliance standard of vehicles and meeting the requirements of relevant national emission regulations.

## **2. HEALTH, SAFETY AND ENVIRONMENTAL RISKS**

In the Period, the production and operation of the Group continued at a high level, which, coupled with the impact of the COVID-19 pandemic and substantial changes in workforce, brought serious challenges to our safe production. With tightening national standards in environmental protection, the corresponding management requirements were also raised. The Group is exposed to risks of production limitation, production suspension, penalties and credit investigation which may result from the non-compliance with occupational health, production safety control and environmental protection laws and regulations.

### **MITIGATION MEASURES:**

Adhered to the principle of “safety first, prevention-oriented and comprehensive management”, improved the safety management system continuously, enhanced the investigation and treatment of hidden dangers, implemented supervision and monitoring, and continuously enhanced the safety management level, in order to ensure the overall production safety.

Revised and improved 17 safety management systems and comprehensively standardized management in various aspects taking into consideration requirements of the safety task book, achieved the certification of occupational health and safety management system and passed the annual assessment of safety production standardization.

Conducted check-ups of safety responsibility system based on the production schedule and arrangement by making monthly inspection plans in advance, regularly examining the performance of management staff and front line workers regarding safety knowledge and measures. We aim at improving safety awareness of all staff and eliminating injuries by carrying out such a strict safety assessment.

Environmental policies and performance are very important to the sustainable development of enterprises. With the “Environmental Protection Management Regulations” 《環境保護管理辦法》 formulated and implemented internally, the generation and discharge of the “three wastes” in the daily production process are strictly managed, the treatment of which is required to be completed before the discharge of the wastes, so as to further reduce the negative impact of our production and operation, protect the ecology, and realize the ideas and strategies of safe production, environmental protection and energy-saving.

Aroused safety awareness among all workers by utilizing the online training platform in launching promotion campaigns of safety and environmental protection and the online course regarding “Safety Manual of Sinotruk” 《重汽安全手冊全員學習》. The training program of the “Manual of Safe Production Knowledge” 《安全生產知識手冊》 was formulated and conducted in phases for all workers.

Strictly implemented the “Occupational Health Management Regulations” 《職業衛生管理辦法》, established a comprehensive “Specific Emergency Plan for Occupational Disease Hazards” 《職業病危害事故專項應急預案》, carried out tests and assessments of occupational disease hazards, strengthened occupational health supervision, and organized regular health checkups. Controlled different kinds of occupational hazards from their sources through realizing the “Three Simultaneities” of facilities for the prevention and control of occupational diseases in new, renovation and expansion projects, improving production techniques, and replacing highly toxic substances with low-toxic or non-toxic substances.

### **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 for trades with fixed exchange rates. The Group could be exposed to potential risks such as foreign exchange losses and decreasing investment gains.

#### **MITIGATION MEASURES:**

Given that certain regional markets, i.e. the Southeastern Asia and Russia, 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 receivables to avoid adverse effects of forward exchange rate fluctuations.

Closely monitor exchange rate fluctuations and settle foreign exchange transactions based on funding needs and market exchange rates.

Consider measures such as fixing forward exchange rates and locking in profit from contracts in drawing up foreign trade contracts. Forward exchange rates are adopted in the settlement of contracts.

Predict the monthly amount of collection of receivables and lock the forward exchange rate of certain portion of receivables from export sales in a certain period upcoming based on the export sales and collection schedule.

## 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:

Insist on the concept of green development, adhere to a strong sense of social responsibility, and actively assume our environmental responsibility. Continue to establish a comprehensive environmental management system in accordance with the concept “our environment is a precious gift”. To strengthen our environmental and energy resources management, actively introduce the international environmental management system ISO14001, encourage members of the Group to build their own environmental management system accordingly and obtain relevant certification, which could effectively enhance environmental management and energy resources utilization, and realize continuous improvement of environmental performance indicators.

Strengthen the “one post, two responsibilities” system for safety and environmental protection, efficiently implement various safety and environmental protection work, in order to create a safe, stable, environmentally friendly and sustainable development model.

Formulate the “Management Measures for Major Environmental Protection Project” 《重大環保項目管理辦法》, conduct hidden danger investigation in accordance with the environmental protection laws and regulations, and identify environmental protection risk items. Set up projects, implement, follow up and monitor hidden dangers identified according to their urgencies based on regulatory requirements, execution standards, status quo, and corrective measures.

Identify and determine emissions of air pollutants generated during production and operation, adopt special treatment and regularly invite qualified third-party organizations to examine emissions of sulfur dioxide, nitric oxides, smoke and dust, and volatile organic compounds from the Group's affiliated units to ensure their compliance with emission limits.

In 2020, the Group's safety and environmental protection department launched a special treatment campaign for volatile organic compounds generated during spraying. We attempted to map the existing production processes, raw and auxiliary materials usage, waste volume, destination and VOC content, and promoted their replacement with low VOC raw and auxiliary materials at the beginning in every production unit by paint verification and equipment replacement. In addition, we arranged the installation, inspection, networking and filing of VOCs continuous monitoring system in each unit to reduce the risk of environmental non-compliance caused by testing equipment.

To arouse the safety and environmental protection awareness of all our staff, we educate them by innovative means via our e-platform, with abundant training materials uploaded to the "Safety and Environmental Protection System" corner of our platform, including videos and photos of casualties in past years, our monthly newsletter regarding safety and environmental protection and safety tips, etc.

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, with the requirements under the Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code regarding, among others, disclosure of information and corporate governance.



## **BUSINESS STRATEGIES AND PROSPECTS**

2021 is the first year of China's 14<sup>th</sup> Five-Year Plan. The PRC government will, from a strategic perspective, accelerate the establishment of new development pattern when domestic economic cycle playing a leading role while domestic and international dual circulation complementing each other, with an aim to stimulate economic growth. With various uncertainties regarding the global COVID-19 pandemic and external environment persisting, the pressure of economic downturn still exists.

From the view of the truck industry, the replacement and upgrade of China III Emission Standard trucks, construction of key city clusters, development plan for new energy vehicles, as well as the acceleration of new and old infrastructure projects have brought new market opportunities for the development of the truck industry. However, in recent years, there is a large quantity of new vehicles in the truck market, leading to over-draft of certain demand in advance and a massive increase in inventories in the society. Faced with the fierce competition, we insist customer satisfaction as our core value, aim to become the leader in terms of all series of commercial vehicles in China and achieve our strategic vision as a world-class enterprise.

In 2021, the Group will strive to perform well in the following areas:

Continue to increase R&D investment and promote implementation of a proactive R&D system. The Group will continue to focus on high-end, intelligent and lightweight products to consolidate our domestic leading position in technology in areas including energy saving and new technology, intelligent driving and vehicle connected network.

Achieve breakthroughs in terms of sales volume in niche markets. The Group will continue to increase the market share of our natural gas tractor trucks in areas with advantages to maintain the strong growth momentum in tractor trucks market. We will also continue to improve and promote lightweight products to strengthen our superior advantages in mixer trucks market. In tipper trucks market, the Group will consolidate our dominant position by making full use of the traditional advantages of our tipper truck in terms of sales service network, refitting resources and customer reputation. Moreover, measures will be implemented to continuously increase the market share of our cargo trucks in order to achieve breakthroughs in major niche markets of specialty vehicles such as refrigerator trucks and garbage trucks.

Optimize the sales service network. With focus on major regions in the market, the Group will deploy superior resources to high-quality and high efficiency network. By enhancing the operation quality of channels and networks, we can provide greater policy support for major customers and refitting companies. Service network will be optimized by improving our spare parts supply channels, service efficiency and service policies in order to enhance the value of full life-cycle service as well as the market competitiveness of our products.

Promote informationization upgrades and data applications. The Group will comprehensively strengthen data applications in the whole value chain to improve operational efficiency. We will also provide support on market exploration, product upgrade, operation analysis, management and decision marking by expanding the uses of big data.

## **FINANCIAL REVIEW**

### **REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN**

The Group's revenue for the Period was RMB98,198 million, representing an increase of RMB35,585 million or 56.8% YoY. The increase in the revenue was due to the significant increase in the sales volume of HDTs and LDTs. The Group's gross profit for the Period was RMB19,585 million, representing an increase of RMB7,366 million or 60.3% YoY. The increase in gross profit was due to lower average fixed cost per unit resulted by the increase in sales volume, the lower procurement costs and optimization of the sales mix.

Gross profit margin for the Period was 19.9% (gross profit divided by revenue), representing an increase of 0.4 percentage points YoY.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses for the Period was RMB4,983 million, representing an increase of RMB1,495 million or 42.9% YoY due to the increase in volume of truck sold and higher warranty expenses. During the Period, selling and distribution expenses to Products Revenue ratio was 5.1%, representing a decrease of 0.6 percentage points YoY. Warranty expenses accounted for 1.9% of Products Revenue for the Period, representing an increase of 0.3 percentage points YoY. The increase was mainly due to an expected increase in warranty services.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses for the Period was RMB5,671 million, representing an increase of RMB2,089 million or 58.3% YoY. During the Period, administrative expenses to revenue ratio was 5.8%, representing an increase of 0.1 percentage points YoY. The increase in the ratio was mainly due to the continuous increase in research and development expenses which was part of the long-term strategic planning of the Group and the increase in the provision for termination and post employment benefits because of streamlining of the human resources structure.

## **NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS**

Net impairment losses of financial assets for the Period was RMB127 million, representing a decrease of RMB700 million or 84.6% YoY. The impairment losses of trade and financing receivables was RMB164 million, accounting for 0.2% 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 INCOME AND GAINS - NET AND OTHER EXPENSES**

The net amount of net other income and gains as well as other expenses for the Period was RMB667 million, representing a decrease of RMB5 million or 0.7% YoY. During the Period, the Group faced significant foreign exchange fluctuation and suffered from foreign exchange losses at RMB253 million in year 2020 compared to the gain at RMB85 million last year, with a total drop by RMB338 million and the decrease in rental income at RMB14 million. Such drop, however, was mostly offset by the increase in proceeds from disposal of scraps at RMB151 million, the increase in sales proceeds from disposal and in fair value of financial assets at RMB108 million, the increase in penalty income at RMB68 million and the gain on disposal of investment properties at RMB42 million.

## **FINANCE INCOME - NET**

Net finance income for the Period was RMB26 million, representing an increase of finance income of RMB120 million as compared to the net finance expenses of RMB94 million in the corresponding period last year. The increase in finance income was due to the increase in interest income by RMB11 million and significant reduction in interest expenses by RMB109 million as a result of a smaller average borrowing scale during the Period.

## **SHARE OF PROFITS LESS LOSSES OF A JOINT VENTURE AND ASSOCIATES**

Share of profits less losses of joint venture and associates for the Period was profit at RMB55 million, representing a decrease of RMB6 million or 9.8% YoY. The decrease was mainly due to the share of losses from newly acquired associates which are still in business development stage.

## **INCOME TAX EXPENSE**

Income tax expense for the Period was RMB2,127 million, representing an increase of RMB1,082 million or 103.5% YoY. The increase was due to the increase in profit before tax. The effective tax rate (profit before income tax but excluding share of profits less losses of joint venture and associates) for the Period was 22.4%, representing an increase of 1.1 percentage points YoY.

## **PROFIT FOR THE PERIOD AND EARNINGS PER SHARE**

Profit for the Period was RMB7,424 million, representing an increase of RMB3,508 million or 89.6% YoY. Net profit ratio (profit for the Period divided by revenue) was 7.6% (2019: 6.3%). Profit attributable to owners of the Company for the Period was RMB6,851 million, representing an increase of RMB3,377 million or 97.2% YoY. The basic earnings per share attributable to owners of the Company for the Period was RMB2.48, representing an increase of RMB1.22 or 96.8% YoY.

## **TRADE AND FINANCING RECEIVABLES**

In addition to normal credit period granted to certain privileged customers, the Group receives acceptance bills for settlement of trade receivables. As at 31 December 2020, the total balances of the trade receivables and acceptance bills which are classified as financial assets at fair value through other comprehensive income and as bills receivable (collectively referred to “Aggregate Trade Balance”) amounted to RMB11,390 million, representing an increase of RMB610 million or 5.7 % when compared to the balance as at 31 December 2019. The main reasons for the increase in Aggregate Trade Balances were the significant increase in sales during the Period and that the Group strengthened marketing and seized the domestic market.

The trade receivables turnover (average Aggregate Trade Balances divided by Products Revenue multiplied by 366 days) for the Period was 41.9 days, representing a decrease of 29.3 days YoY and remained within the Group’s credit policies which is from three to twelve months.

As at 31 December 2020, the Aggregate Trade Balances aged not more than twelve months amounted to RMB9,646 million or 84.7% of Aggregate Trade Balances.

As at 31 December 2020, the financing receivables was RMB20,395 million, representing an increase of RMB10,879 million or 114.3% when compared to the balance as at 31 December 2019.

As at 31 December 2020, the financing receivables aged not more than twelve months amounted to RMB13,455 million or 66.0% of the total financing receivables.

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 finance segment also carries out bills discounting services. As at 31 December 2020, bills receivable from bills discounting services amounted to RMB17 million and aged not more than twelve months.

The Group reviews the repayment progress of key customers or customers with higher risk of default in repayment on a monthly basis and assesses impairment loss by reference to their business, actual repayment information, etc. During the Period, the Group reversed impairment loss allowance for trade receivables at the amount of approximately RMB99 million while made impairment loss allowance for financing receivables at the amount of approximately RMB263 million.

## **TRADE PAYABLES**

As at 31 December 2020, the trade payables amounted to RMB54,695 million, representing an increase of RMB29,510 million or 117.2% when compared to the balance as at 31 December 2019.

The trade payables turnover (average trade payables balances divided by costs of Products Revenue multiplied by 366 days) for the Period was 186.1 days, representing an increase of 13.3 days YoY.

## **CASH FLOWS**

Net cash inflow generated from operating activities for the Period was RMB19,492 million. Due to substantial increase in sales, policies implemented to encourage faster cash collection, and longer suppliers' financing, operating activities for the Period generated additional cash of RMB10,513 million as compared to the corresponding period last year.

Net cash outflow used in investing activities for the Period was RMB5,903 million. Due to a huge amount of cash generated from operating activities, the Group spent more in purchasing wealth management products during the Period with the idle cash at the amount of RMB4,097 million as compared with the corresponding period last year. The Group further invested in production facility to enlarge production capacity and develop new products and acquired certain subsidiaries and associated companies during the Period. Cash outflow used in investing activities increased by RMB5,798 million as compared to the cash outflow in the corresponding period last year.

Net cash outflow used in financing activities for the Period was RMB3,308 million. The repayment of borrowings was RMB700 million during the Period while it was RMB3,686 million in same period last year. Such decrease in cash outflow was partially offset by the increase in the payment of consideration for the business combination under common control during the Period. As a result, cash outflow used in financing activities decreased by RMB2,645 million as compared to the cash outflow in the corresponding period last year.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2020, the Group had cash and cash equivalents of RMB26,049 million, representing an increase of RMB10,125 million or 63.6% when compared to the balance as at 31 December 2019. The Group's total borrowings were about RMB1,712 million as at 31 December 2020. Its gearing ratio (total borrowings divided by total assets) and debt-to-equity ratio (total borrowings divided by equity) as at 31 December 2020 were 1.5% and 4.8% respectively (31 December 2019: 1.5% and 3.4% respectively). As at 31 December 2020, current ratio (total current assets divided by total current liabilities) was 1.1 (31 December 2019: 1.3).

As at 31 December 2020, all borrowings were denominated in RMB (31 December 2019: all in RMB) and all borrowings are charged with reference to bank's preferential fixed rates. The maturity profile of all borrowings was as follows:

	<b>As at 31 December 2020 RMB million</b>	As at 31 December 2019 RMB million
Repayable within one year	<b>1,474</b>	1,000
In the second year	<b>158</b>	—
Three to five years	<b>80</b>	—
	<b><u>1,712</u></b>	<b><u>1,000</u></b>

As at 31 December 2020, total consolidated equity of the Company was RMB35,679 million, representing an increase of RMB6,153 million or 20.8% when compared with the balance as at 31 December 2019.

As at 31 December 2020, the Company's market capitalization was RMB46,010 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD19.80 per Share and at the exchange rate of 1: 0.84164 between HKD and RMB).



As at 31 December 2020, the unutilized credit facilities of the Group from the banks amounted to RMB18,049 million (31 December 2019: RMB21,227 million). An aggregate amount of RMB876 million (31 December 2019: RMB278 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 RMB3,652 million (31 December 2019: RMB2,133 million) to the 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 bills and bank acceptance bills.

## **INVESTMENTS**

### **INVESTMENTS IN SUBSIDIARIES**

In April 2020, the Group purchased the entire equity interest in Datong Gear from CNHTC at the actual consideration of approximately RMB1,393 million. For details of the acquisition, please refer to the Company's announcement dated 31 March 2020.

During the Period, the Group incorporated two new wholly owned subsidiaries, namely Sinotruk (Ji'nan) Auto Parts Co., Ltd. and Sinotruk (Ji'nan) Light Truck Co., Ltd. In addition, the Group acquired 100% equity interest in Weichai (Chongqing) Automotive Co., Ltd. (now known as "Sinotruk (Chongqing) Light Vehicle Co., Ltd.") at the consideration of RMB790 million.

### **DISPOSAL OF A SUBSIDIARY**

In February 2020, the Group disposed of Chengdu Sinotruk Wangpai Automobile Testing Co., Ltd. at consideration of RMB4.9 million.

## **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) Interests in associates***

In addition to Chongqing Yunyang Automotive Manufacturing Co., Ltd., being the associate of newly acquired subsidiary, Sinotruk (Chongqing) Light Vehicle Co., Ltd., the Group acquired 20% equity of Shengrui Transmission Co., Ltd. at the consideration of approximately RMB400 million and contributed approximately RMB83 million to Tianjin Tsintel Co., Ltd. for its 7.7% equity.

As at 31 December 2020, the amount of interest in associates was RMB1,028 million, representing 0.9% 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 A JOINT VENTURE AND ASSOCIATES".

### ***b) Other long term equity investments***

As at 31 December 2020, the Group's unlisted equity investments for long term strategic investment purpose amounted to RMB33 million, representing approximately 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 and the PRC. As at 31 December 2020, the Group had short term equity investment at RMB59 million, representing less than 0.1% of its total assets. Such equity investment is accounted for as equity investment included in financial assets at fair value through profit or loss. Their fair values keep changing from time to time depending on but not limit to their operation results, economic situations and stock markets sentiments.

## CAPITAL COMMITMENT

As at 31 December 2020, the Group had committed the capital expenditure in respect of property, plant and equipment as well as other intangible assets amounted to RMB2,099 million which will be funded by internal resources and borrowing facilities.

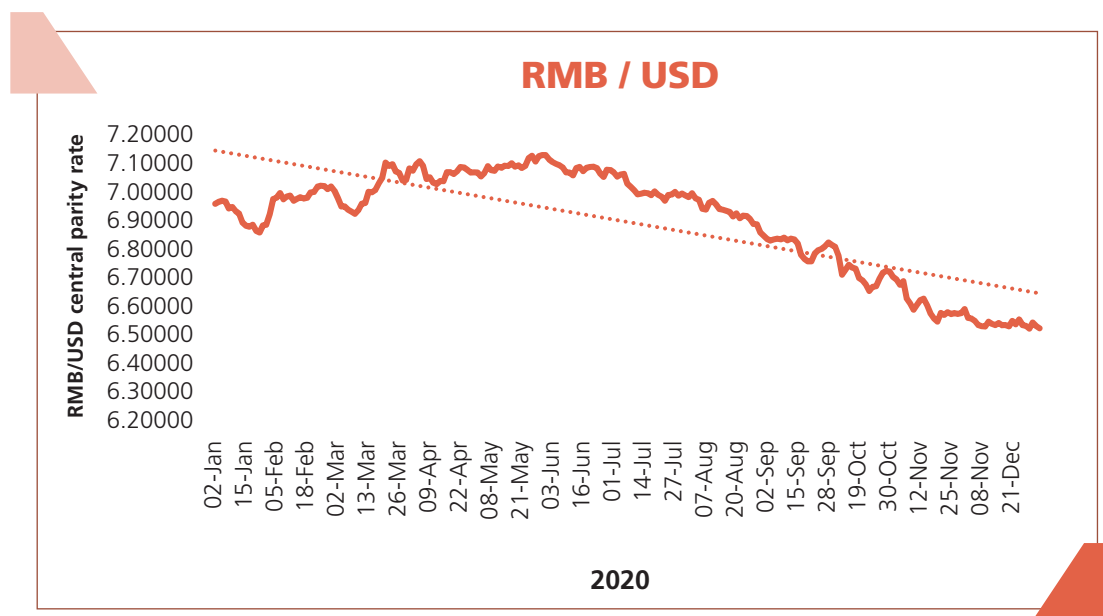
## CHARGES ON GROUP ASSETS

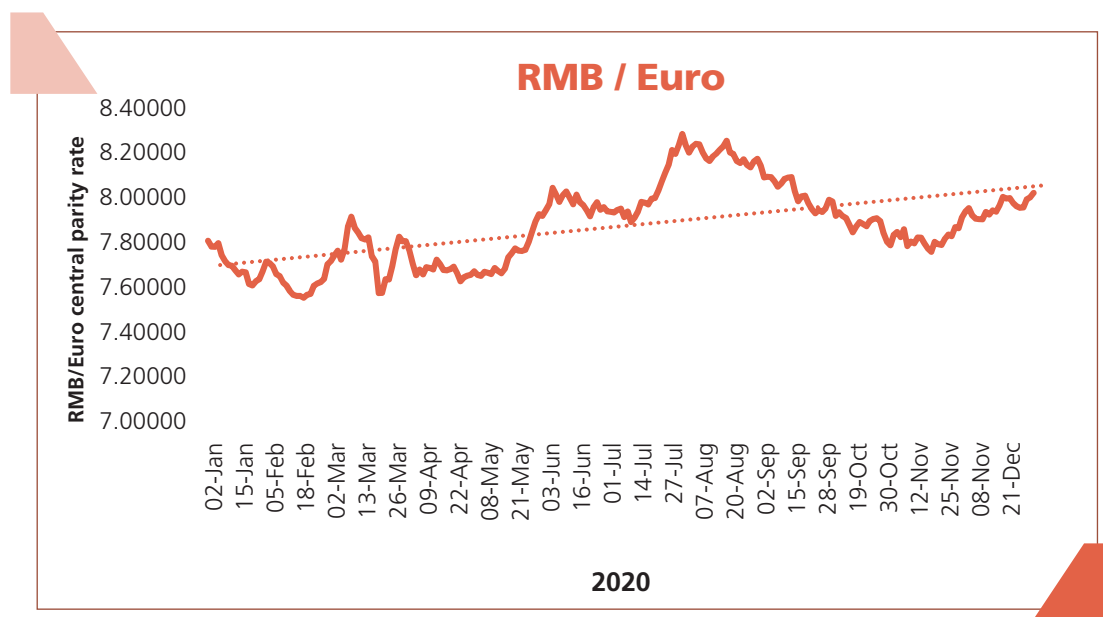
Save as disclosed in the section headed “LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE” and the mortgage of buildings and land use right at carrying value of RMB555 million for banking credit facilities, as at 31 December 2020, there were no assets of the Group being pledged.

## 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 2020 was 6.52490, representing an appreciation of RMB by 6.47% when compared to the rate of 6.97620 as at 31 December 2019. The RMB/Euro central parity rate in the PRC as at 31 December 2020 was 8.02500, representing a depreciation of RMB by 2.68% when compared the rate of 7.81550 as at 31 December 2019. RMB against USD central parity rates recorded high fluctuation during year 2020 and showed a trend of significant appreciation in second half of 2020. RMB against Euro central parity rates recorded some fluctuation during year 2020 and showed a trend of gradual depreciation at the end of 2020.

As at 31 December 2020, the Group’s monetary assets and liabilities were denominated in RMB, except for cash and bank balances which in total were equivalent to approximately RMB3,421 million, financial assets at fair value through profit or loss of approximately RMB9 million, accounts receivable and other receivable of approximately RMB1,335 million, accounts and other payables of approximately RMB209 million, all of which were denominated in currencies other than RMB. At as 31 December 2020, all borrowings were in RMB.

During the Period, the Group recorded foreign exchange losses of RMB253 million in operating profit. The potential foreign exchange impacts to the USD and Euro denominated net assets of the Group as at 31 December 2020 are:

	<b>USD denominated net assets</b>	<b>Euro denominated net assets</b>
5% appreciation/depreciation in RMB	Loss/Gain before tax of RMB216 million	Loss/Gain before tax of RMB8 million

## **GOING CONCERN**

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

## **CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION**

Certain subsidiaries of the Company refer designated customers to other finance leasing companies to finance their sales of trucks and guarantee the repayment obligation by these customers to the finance leasing companies. As at 31 December 2020, the Group has committed such guarantees at maximum aggregate amount of RMB30,000,000 a year.

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 total amount of claims of all lawsuits is approximately RMB214 million and provision for legal claims at approximately RMB4 million was made as at 31 December 2020.

## **DISCLAIMER**

### **NON GAAP FINANCIAL MEASURES**

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

### **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 and the president (“**President**”) of the Company were held by the same individual, namely, Mr. Cai Dong until his resignation as the President from 15 June 2020 and the appointment of Mr. Liu Zhengtao as the President on 15 June 2020.

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 A.6.7 of the CG Code which 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, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing were unable to join the 2020 AGM due to business commitments.

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.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted Appendix 10 - Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiries with all Directors and all Directors confirm that they have complied with the standards required by the Model Code during the Period.

## **DIVIDEND POLICY**

As at 31 December 2020, 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 2020 have been reviewed by the Audit Committee.

## **SCOPE OF WORK OF ERNST & YOUNG**

The financial figures in this announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's external auditor, Ernst & Young ("EY"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY 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 EY 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. To cultivate good relationship with Shareholders and potential investors, the Company has participated in a number of one-on-one meetings, investors' conferences, road shows and site visits during the Period. Analysts and fund managers may gain better knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company at [www.sinotruk.com](http://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 improving the Shareholders' returns. The Board considers that the AGM is an important opportunity for direct communication with the Shareholders. The 2020 AGM was successfully held on 29 June 2020 at Rooms 1-5, 27/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong. Certain members of the Board and external auditors of Company attended the 2020 AGM and communicated with the Shareholders via video conferencing system. Details of the voting particulars were disclosed in the Company's announcement dated 29 June 2020.

## **CONSTITUTIONAL DOCUMENTS**

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

## **PUBLICATION OF THE 2020 ANNUAL RESULTS AND THE ANNUAL REPORT**

The annual results announcement for the year ended 31 December 2020 is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.sinotruk.com](http://www.sinotruk.com)). The annual report of the Company for the year ended 31 December 2020 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
“Datong Gear”	中國重汽集團大同齒輪有限公司 (Sinotruk Datong Gear Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company (after the acquisition of its entire equity interest by the Group)
“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
“GAAP”	Generally accepted accounting principles
“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
“HOWO Bus”	中國重汽集團濟南豪沃客車有限公司 (Sinotruk Ji’nan HOWO Bus Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
“INED(s)”	the independent non-executive Director(s)
“Ji’nan Power Company”	中國重汽集團濟南動力有限公司 (Sinotruk Ji’nan Power Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
“Ji’nan Truck Company”	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji’nan Truck Co., Ltd.), a joint stock company organized under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
“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 2020
“Products Revenue”	the revenue of sales of goods and rendering of services by the segments of heavy duty trucks, light duty trucks and others as well as engines to external customers
“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
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange in the PRC
“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*

Ji'nan, the PRC, 31 March 2021

*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 Zhengtao, Mr. Liu Wei, Mr. Dai Lixin, Mr. Richard von Braunschweig, Ms. Qu Hongkun and Mr. Li Shaohua; four non-executive Directors of the Company including Mr. Jiang Kui, Ms. Annette Danielski, Mr. Matthias Gründler and Dr. h.c. Andreas Tostmann; 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.*