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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2021 together with the comparative figures for the corresponding period last year as follows:

Interim Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2021

	Notes	2021 Unaudited RMB'000	2020 Unaudited RMB'000
REVENUE	4	**65,169,107**	42,798,400
Cost of sales		**(54,353,863)**	(34,223,075)
Gross profit		**10,815,244**	8,575,325
Other income and gains		**560,338**	442,756
Selling and distribution expenses		**(3,222,191)**	(1,865,332)
Administrative expenses		**(2,539,900)**	(2,762,343)
Impairment losses on financial assets, net		**(275,448)**	(334,448)
Other expenses		**(99,782)**	(47,395)
Operating profit		**5,238,261**	4,008,563
Finance income		**71,150**	62,766
Finance costs		**(6,402)**	(21,773)
Finance income, net		**64,748**	40,993
Share of profits and losses of associates		**5,359**	29,061
PROFIT BEFORE TAX	5	**5,308,368**	4,078,617
Income tax expense	6	**(1,271,486)**	(960,109)
PROFIT FOR THE PERIOD		**4,036,882**	3,118,508

Interim Condensed Consolidated Statement of Profit or Loss (continued)
For the six months ended 30 June 2021

	Notes	**2021 Unaudited RMB'000**	2020 Unaudited RMB'000
Attributable to:			
Owners of the Company		**3,623,069**	2,941,154
Non-controlling interests		**413,813**	177,354
		4,036,882	3,118,508
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
(expressed in RMB per share)			
basic and diluted	8	**1.31**	1.07

Interim Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2021

	2021 Unaudited RMB'000	2020 Unaudited RMB'000
PROFIT FOR THE PERIOD	**4,036,882**	3,118,508
OTHER COMPREHENSIVE INCOME		
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	**(13,954)**	—
Share of other comprehensive income of associates	**(1,067)**	148
Exchange differences on translation of foreign operations	**(2,033)**	(2,152)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(17,054)**	(2,004)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Remeasurements of termination and post-employment benefit obligations	**(382)**	(157)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(17,436)**	(2,161)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**4,019,446**	3,116,347
Attributable to:		
Owners of the Company	**3,615,533**	2,938,993
Non-controlling interests	**403,913**	177,354
	4,019,446	3,116,347

Interim Condensed Consolidated Statement of Financial Position
As at 30 June 2021

	Notes	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**13,000,732**	12,438,433
Investment properties		**709,690**	724,075
Right-of-use assets		**2,489,510**	2,453,470
Goodwill		**68,933**	68,933
Other intangible assets		**415,517**	314,921
Interests in associates		**1,026,422**	1,028,215
Equity investments designated at fair value through other comprehensive income		**33,125**	33,125
Trade and financing receivables	9	**9,040,366**	7,195,586
Prepayments and other assets		**436,048**	349,834
Deferred tax assets		**2,359,536**	2,327,101
Total non-current assets		**29,579,879**	26,933,693
CURRENT ASSETS			
Inventories		**15,868,862**	20,810,994
Trade, financing and bills receivables	9	**27,615,237**	20,222,201
Prepayments, other receivables and other assets		**2,821,174**	2,610,090
Financial assets at fair value through other comprehensive income	10	**7,306,591**	4,384,164
Financial assets at fair value through profit or loss		**6,459,431**	5,440,261
Cash and cash equivalents and restricted cash		**34,725,319**	30,606,858
Total current assets		**94,796,614**	84,074,568
CURRENT LIABILITIES			
Trade and bills payables	11	**53,483,330**	54,694,963
Other payables and accruals		**20,750,381**	14,224,620
Borrowings		**2,900,000**	1,473,910
Lease liabilities		**13,180**	21,646
Tax payable		**875,469**	1,312,086
Provisions		**2,589,624**	2,140,405
Total current liabilities		**80,611,984**	73,867,630
NET CURRENT ASSETS		**14,184,630**	10,206,938
TOTAL ASSETS LESS CURRENT LIABILITIES		**43,764,509**	37,140,631

Interim Condensed Consolidated Statement of Financial Position (continued)
As at 30 June 2021

	Notes	**30 June 2021 Unaudited RMB'000**	31 December 2020 Audited RMB'000
NON-CURRENT LIABILITIES			
Borrowings		**—**	237,930
Lease liabilities		**4,658**	1,595
Deferred tax liabilities		**118,081**	96,772
Termination and post-employment benefit obligations		**543,788**	598,461
Deferred income		**554,320**	504,895
Tax payable		**16,178**	21,571
Total non-current liabilities		**1,237,025**	1,461,224
Net assets		**42,527,484**	35,679,407
EQUITY			
Equity attributable to owners of the Company			
Share capital		**16,717,024**	16,717,024
Other reserves		**2,243,262**	480,257
Retained earnings		**16,056,779**	14,917,727
		35,017,065	32,115,008
Non-controlling interests		**7,510,419**	3,564,399
Total equity		**42,527,484**	35,679,407

Notes

1 General information

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

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

2 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting.

The interim financial report is unaudited, but has been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants.

The financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The financial information relating to the year ended 31 December 2020 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2020. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

Notes (continued)

3 Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and impact of the revised HKFRSs that are relevant to the preparation of the Company's interim condensed consolidated financial information are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

Notes (continued)

3 Accounting policies (continued)

The Group had certain interest-bearing bank and other borrowings denominated in RMB based on the Loan Prime Rate ("LPR") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

Since the Group did not receive any rent concessions during the period ended 30 June 2021, the amendment did not have any impact on the financial position and performance of the Group.

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;

Notes (continued)

4 Operating segment information (continued)

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

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

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

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, prepayments, 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 (continued)

4 Operating segment information (continued)

The segment results for the six months ended 30 June 2021 are as follows:

	Unaudited					
	Heavy duty trucks RMB'000	Light duty trucks and others RMB'000	Engines RMB'000	Finance RMB'000	Elimination RMB'000	Total RMB'000
External revenue						
Sales of goods	56,718,789	5,934,833	750,166	—	—	63,403,788
Rendering of services	882,235	—	—	—	—	882,235
Provision of financial services	—	—	—	883,084	—	883,084
Total external revenue	57,601,024	5,934,833	750,166	883,084	—	65,169,107
Inter-segment revenue	854,557	562,882	11,937,773	280,714	(13,635,926)	—
Total segment revenue	58,455,581	6,497,715	12,687,939	1,163,798	(13,635,926)	65,169,107
Operating profit/(loss) before unallocated expenses	4,228,149	(141,849)	1,709,702	368,739	(918,684)	5,246,057
Unallocated expenses						(7,796)
Operating profit						5,238,261
Finance income, net						64,748
Share of profits less losses of associates						5,359
Profit before tax						5,308,368
Income tax expense						(1,271,486)
Profit for the period						4,036,882

Notes (continued)

4 Operating segment information (continued)

The segment results for the six months ended 30 June 2020 are as follows:

	Unaudited					
	Heavy duty trucks RMB'000	Light duty trucks and others RMB'000	Engines RMB'000	Finance RMB'000	Elimination RMB'000	Total RMB'000
External revenue						
Sales of goods	34,559,695	6,715,556	555,975	—	—	41,831,226
Rendering of services	394,553	—	9,599	—	—	404,152
Provision of financial services	—	—	—	563,022	—	563,022
Total external revenue	34,954,248	6,715,556	565,574	563,022	—	42,798,400
Inter-segment revenue	660,179	168,955	10,733,436	257,032	(11,819,602)	—
Total segment revenue	35,614,427	6,884,511	11,299,010	820,054	(11,819,602)	42,798,400
Operating profit before unallocated expenses	2,276,854	348,448	1,748,853	425,902	(786,400)	4,013,657
Unallocated expenses						(5,094)
Operating profit						4,008,563
Finance income, net						40,993
Share of profits less losses of associates						29,061
Profit before tax						4,078,617
Income tax expense						(960,109)
Profit for the period						3,118,508

4 Operating segment information (continued)

The segment assets and liabilities as at 30 June 2021 are as follows:

	Unaudited					
	Heavy duty trucks RMB'000	Light duty trucks and others RMB'000	Engines RMB'000	Finance RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	**85,552,932**	**8,688,141**	**29,355,281**	**76,143,204**	**2,687,937**	**202,427,495**
Elimination						**(78,051,002)**
Total assets						**124,376,493**
Segment liabilities	**58,206,075**	**7,993,899**	**15,134,529**	**66,932,046**	**3,434,076**	**151,700,625**
Elimination						**(69,851,616)**
Total liabilities						**81,849,009**

Reconciled to entity assets and liabilities as at 30 June 2021 as follows:

	Unaudited	
	Assets RMB'000	Liabilities RMB'000
Segment assets/liabilities after elimination	**121,688,556**	**78,414,933**
Unallocated:		
Deferred tax assets/liabilities	**2,359,536**	**118,081**
Non-current tax payable	**—**	**16,178**
Prepaid income tax/tax payable	**165,229**	**875,469**
Other assets/liabilities	**163,172**	**2,424,348**
Unallocated assets/liabilities	**2,687,937**	**3,434,076**
Total	**124,376,493**	**81,849,009**

Notes (continued)

4 Operating segment information (continued)

The segment assets and liabilities as at 31 December 2020 are as follows:

	Audited					
	Heavy duty trucks RMB'000	Light duty trucks and others RMB'000	Engines RMB'000	Finance RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	77,966,206	8,994,871	25,154,053	61,245,720	2,492,132	175,852,982
Elimination						(64,844,721)
Total assets						111,008,261
Segment liabilities	56,359,984	8,084,006	12,132,867	53,360,230	1,850,062	131,787,149
Elimination						(56,458,295)
Total liabilities						75,328,854

Reconciled to entity assets and liabilities as at 31 December 2020 as follows:

	Audited	
	Assets RMB'000	Liabilities RMB'000
Segment assets/liabilities after elimination	108,516,129	73,478,792
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
Unallocated assets/liabilities	2,492,132	1,850,062
Total	111,008,261	75,328,854

Notes (continued)

5 Profit before tax

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
Cost of inventories sold	**49,707,065**	30,426,556
Employee benefit expenses	**2,638,360**	3,345,876
Warranty expenses, net	**1,441,446**	660,416
Write-down of inventories to net realisable value	**138,324**	163,907
Impairment of trade receivables, net	**83,981**	215,102
Impairment of financing receivables, net	**200,582**	91,598
(Reversal of impairment)/impairment of financial assets included in prepayments, other receivables and other assets, net	**(9,115)**	27,748
Depreciation of right-of-use assets	**38,066**	36,672
Depreciation of property, plant and equipment	**674,840**	819,463
Amortisation of other intangible assets	**36,679**	30,044
Gains on disposal of items of property, plant and equipment	**(4,617)**	(282)
Foreign exchange differences, net	**57,364**	(46,914)
Government grants	**(126,571)**	(96,409)
Income on disposal of scraps	**(111,444)**	(71,497)

Notes (continued)

6 Income tax expense

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
Current income tax		
Hong Kong profits tax	**336**	4,374
PRC corporate income tax	**1,254,706**	1,529,931
	1,255,042	1,534,305
Deferred income tax	**16,444**	(574,196)
	1,271,486	960,109

Taxation on profits has been calculated on the estimated assessable profits during the six months ended 30 June 2021 at the rates of taxation prevailing in the countries/districts in which the Group operates.

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% (2020: 16.5%) on their estimated assessable profits for the period. The Company is determined as a Chinese-resident enterprise and, is subject to corporate income tax at a rate of 25% (2020: 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% (2020: first HKD2 million assessable profits taxed at a rate of 8.25% and the rest at 16.5%).

Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprise in 2019. Sinotruk Ji'nan Power Co., Ltd., Sinotruk Hangzhou Engines Co., Ltd. and Sinotruk Datong Gear Co., Ltd. have been recognised as the High New Tech Enterprises in 2020. These companies are entitled to a reduced corporate income tax rate of 15% (2020:15%) according to the tax incentives of the CIT Law for the High New Tech Enterprises.

Notes (continued)

6 Income tax expense (continued)

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., Sinotruk (Chongqing) Light Vehicle Co., Ltd. and Sinotruk Mianyang Special Vehicles Co., Ltd. are subject to corporate income tax at a rate of 15% (2020:15%) according to the Western Development tax incentives of the CIT Law.

SINOTRUK RUS Limited Liability Company is subject to corporate income tax at a rate of 20% (2020: 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% (2020: 28%) according to South Africa Tax Law.

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax at a rate of 20% (2020: 20%) according to Kazakhstan Tax Law.

Sinotruk (Kenya) Limited is subject to a corporate income tax rate of 30% (2020: 30%) according to Kenya Tax Law.

The remaining subsidiaries in the PRC are subject to corporate income tax at a rate of 25% (2020: 25%) according to the CIT Law.

7 Dividend

The Board does not recommend an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil). The final dividend of the Company for the year ended 31 December 2020 was either HKD1.04 or RMB0.88 (year 2019 final dividend: either HKD0.39 or RMB0.36) per share of the Company with total amount of approximately RMB2,413,171,000 (year 2019 final dividend: approximately RMB991,530,000). The 2020 final dividend and the corresponding withholding dividend tax will be paid in September 2021.

During the six months ended 30 June 2021, certain non-wholly owned subsidiaries of the Company have approved the dividends to non-controlling interests amounting to approximately RMB279,619,000 (six months ended 30 June 2020: approximately RMB133,686,000).

Notes (continued)

8 Earnings per share

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Profit attributable to owners of the Company	**3,623,069**	2,941,154
Weighted average number of ordinary shares in issue (in thousand shares)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**1.31**	1.07

Diluted earnings per share equals basic earnings per share as the Company had no dilutive potential ordinary shares for the six months ended 30 June 2021 and 30 June 2020.

Notes (continued)

9 Trade, financing and bills receivables

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Trade receivables	**10,369,632**	8,073,123
Provision for impairment	**(1,292,566)**	(1,236,456)
Trade receivables, net (a)	**9,077,066**	6,836,667
Financing receivables	**27,786,357**	20,908,319
Provision for impairment	**(713,828)**	(513,246)
Financing receivables, net (b)	**27,072,529**	20,395,073
Bills receivable (c)	**506,008**	186,047
	36,655,603	27,417,787
Current portion		
Trade receivables	**8,878,646**	6,580,431
Financing receivables	**18,230,583**	13,455,723
Bills receivable	**506,008**	186,047
	27,615,237	20,222,201
Non-current portion		
Trade receivables	**198,420**	256,236
Financing receivables	**8,841,946**	6,939,350
	9,040,366	7,195,586

Notes (continued)

9 Trade, financing and bills receivables (continued)

(a) 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 30 June 2021, approximately RMB1,463,180,000 (31 December 2020: approximately RMB755,732,000) of the Group's trade receivables are secured by letters of credit issued by certain overseas third parties. As at 30 June 2021, approximately RMB2,279,618,000 (31 December 2020: RMB1,829,077,000) were guaranteed by China Export and Credit Insurance Corporation.

An ageing analysis of the trade receivables, based on the invoice date at the respective dates of the statement of financial position, net of the provision for impairment, is as follows:

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Less than 3 months	**4,115,445**	3,839,205
3 months to 6 months	**2,404,578**	714,816
6 months to 12 months	**714,519**	538,684
1 year to 2 years	**810,622**	844,299
2 years to 3 years	**455,886**	410,917
Over 3 years	**576,016**	488,746
	9,077,066	6,836,667

Notes (continued)

9 Trade, financing and bills receivables (continued)

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

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Less than 3 months	**5,249,682**	3,795,722
3 months to 6 months	**4,338,434**	4,099,756
6 months to 12 months	**8,641,480**	5,559,896
1 year to 2 years	**8,214,840**	6,254,312
2 years to 3 years	**627,510**	678,831
Over 3 years	**583**	6,556
	27,072,529	20,395,073

Financing receivable represents loans to suppliers of the Group and loans and lease financing to individuals and entities when they purchase vehicles of the Group from dealers as well as loans to the CNHTC Group. Receivables from 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 (continued)

9 Trade, financing and bills receivables (continued)

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

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Discounted bills	**7,208**	17,083
Commercial acceptance bills	**498,800**	168,964
	506,008	186,047

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

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Less than 3 months	**391,968**	167,188
3 months to 6 months	**114,040**	16,989
6 months to 12 months	**—**	1,870
	506,008	186,047

Notes (continued)

10 Financial assets at fair value through other comprehensive income

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Bank acceptance bills	**7,306,591**	4,384,164

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.

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

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Less than 3 months	**4,992,094**	3,425,854
3 months to 6 months	**2,193,049**	898,473
6 months to 12 months	**121,448**	59,837
	7,306,591	4,384,164

11 Trade and bills payables

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Trade payables	**40,531,356**	41,808,190
Bills payable	**12,951,974**	12,886,773
	53,483,330	54,694,963

11 Trade and bills payables (continued)

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

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Less than 3 months	**45,292,046**	42,560,649
3 months to 6 months	**4,750,130**	11,088,282
6 months to 12 months	**3,321,657**	880,321
1 year to 2 years	**49,723**	118,741
2 years to 3 years	**24,057**	32,223
Over 3 years	**45,717**	14,747
	53,483,330	54,694,963

12 Events after the reporting period

The Group completed the acquisition of 重汽 (威海) 商用車有限公司 (Sinotruk (Weihai) Commercial Vehicle Co., Ltd.) at the consideration of approximately RMB250 million in July 2021. For details of the acquisition, please refer to the Company's announcement dated 31 March 2021.

The Group agreed to dispose of 60% equity of a wholly-owned subsidiary, Sinotruk Chongqing Fuel System Co., Ltd. to Weichai Power at the consideration of approximately RMB477 million in July 2021. The Group received the consideration in August 2021. After the completion of the disposal, Sinotruk Chongqing Fuel System Co., Ltd. will become from a subsidiary of the Company to an associate of the Company.

The Group agreed to dispose of all equity interest it held in a non-wholly owned subsidiary, Sinotruk Hubei Huawei Special Vehicles Co., Ltd., to CNHTC at the total consideration of approximately RMB104 million in August 2021. Details of the disposal were disclosed in the Company's announcement dated 27 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS — REVIEW OF OPERATIONS

MARKET OVERVIEW

TRUCKS MARKET

In the first half of the year, faced with the complex and fast-changing domestic and international environment, the Chinese government consolidated the results of pandemic prevention and control and economic and social development, implemented precise macroeconomic policies, maintained a stable recovery of the domestic economy, with main macro indicators within a reasonable range, and economic development showed a steady progress. In the first half of 2021, GDP grew by 12.7% HoH.

During the Period, as the domestic COVID-19 pandemic became more stable and controllable, the steel, cement and express delivery industries recovered rapidly, the total highway freight volume and import and export trade achieved growth, and the economy continued to rebound and improve, laying a solid foundation for the development of the commercial vehicle industry. For the heavy duty truck industry, a series of policies and regulations, such as those in respect of accelerated urbanization construction, comprehensive promotion of rural revitalization, phasing out of the China III Emission Standard vehicles and control of overload and overrun, continued to be promoted, bringing a large demand in the heavy duty truck market. In addition, the large-scale launch of a new round of infrastructure investment projects and the upgrade and switch to the China VI Emission Standards stimulated the release of massive demand in the heavy duty truck market in the first half of the year in advance. According to CAAM, the total sales volume for the domestic heavy duty truck industry in the first half of the year was 1,045,000 units, representing an increase of 28% HoH, and the performance of the heavy duty truck industry exceeded expectations. For the light duty truck industry, the growing demand for courier business and inter-city short-distance transportation, the switch to the China VI Emission Standards, the control of "understating weight for favorable licence application", the control over overloading and other policies and regulations brought new demand to the light duty truck market and continuously drove the upgrade in the remaining market of light duty trucks. In the first half of 2021, according to CAAM, the domestic light duty truck industry achieved a total sales volume of 1,195,000 units, representing an increase of 19.3% HoH.

LOANS MARKET

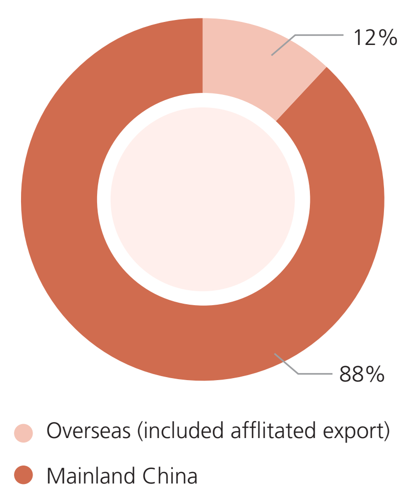
During the Period, one-year loan prime rate (LPR) and five-year LPR were not adjusted. As at 30 June 2021, the one-year LPR was 3.85% and the five-year LPR was 4.65%.

REVIEW OF OPERATIONS

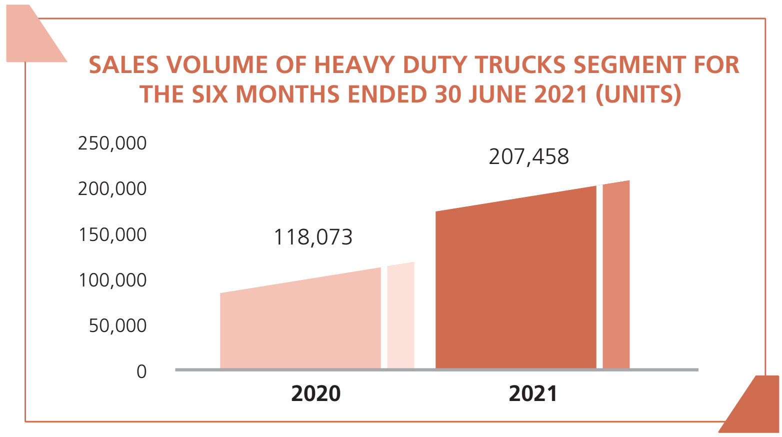
HEAVY DUTY TRUCKS SEGMENT

During the Period, total revenue from the HDTs segment (heavy duty truck sales and provision of services to these customers) was RMB58,456 million, representing an increase of 64.1% HoH. The segmental operating profit margin was 7.2%, representing an increase of 0.8 percentage points HoH, mainly due to the significant increase of heavy duty truck sales. The domestic market is still the key market of the sales of HDTs. During the Period, the percentage of geographic market revenue of the segment is as follows:

REVENUE OF HEAVY DUTY TRUCKS SEGMENT BY GEOGRAPHIC MARKETS FOR THE SIX MONTHS ENDED 30 JUNE 2021



During the Period, the sales volume of the Group's HDTs was 207,458 units, representing an increase of 75.7% HoH:



DOMESTIC BUSINESS

During the Period, the Group sold 179,442 HDTs in the PRC, representing an increase of 72.2% HoH.

The Group continued to enhance the core competitiveness of its products, continued to focus on the development of its sub-markets, implemented precise marketing strategies, reserved products in advance, overcame the adverse effects of events such as the "chip shortage" and made significant breakthroughs in various sub-markets such as tractor trucks, tipper trucks, cargo trucks, specialty vehicles, mixer trucks etc.

In the tractor truck sub-market, the Group insisted on a market orientated strategy and continued to reduce fuel consumption and dead weight of tractor truck products in response to customer demand. Through its SITRAK series tractor truck that aim to build the top high-end brand in the logistics industry in China, the Group led the upgrade of equipment in the logistics market and maintained its leading position in the long-haul truck market. The total sales volume of SITRAK series tractor trucks in the first half of year increased by approximately 119% HoH. In the tipper truck sub-market, the Group launched the new competitive TH series tipper truck models and also optimized the product configuration of muck trucks to capture market share, leading to an increase in the market share of tipper trucks of approximately 2.2 percentage points (source: domestic HDT insurance data) in the first half of the year HoH. In the cargo truck market, the Group has been cultivating the sub-markets of the transport of agricultural goods, the transport of perishable goods and express transportation, and has been leading the upgrade of truck customers' choice of purchase with its competitive advantages in differentiated products, which achieved a massive growth in terms of sales volume of cargo truck market, with an increase of 5.9 percentage points (source: domestic HDT insurance data) in market share. In the mixer truck market, we continuously optimized the performance of our products, won market opportunities and increased our market share by 2.5 percentage points (source: domestic HDT insurance data) with the consistent high reliability of our products.

As at 30 June 2021, the Group had a total of 1,033 HDT dealerships (including 134 4S centers and 179 Sinotruk-brand dealerships), 2,066 service centers providing high-quality after-sales service and 118 refitting companies providing truck-refitting services to HDTs in the PRC.

INTERNATIONAL BUSINESS

In the first half of 2021, with the launch of vaccines and the constant acceleration of vaccination, the pandemic gradually became under control globally, and the large-scale lock-downs gradually shifted to lock-downs in individual countries or localized areas with severe pandemic outbreak. At the same time, the recovery of the global economy accelerated under the combined effect of fiscal stimulus policies in developed countries and a strong economic recovery in China and the United States.

During the Period, the Group's export volume (including affiliated exports) of HDTs was 28,016 units, representing an increase of 101.7% HoH, and the export revenue (including affiliated exports) was RMB7,176 million, representing an increase of 87.5% HoH.

Reconciliation of overseas revenue to HDTs affiliated export revenue:

	For the six months ended 30 June	
	2021	2020
	RMB million	RMB million
Overseas revenue	**6,110**	3,340
Affiliated exports	**1,689**	978
Total affiliated export revenue	**7,799**	4,318
Total non-HDTs export revenue (including the affiliated exports)	**(623)**	(491)
Total HDTs export revenue (including the affiliated exports)	**7,176**	3,827

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

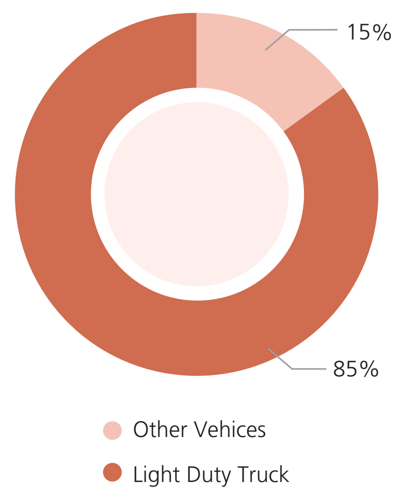
During the Period, the Group seized the market opportunities arising from the global economic recovery and achieved significant HoH growth in order volume in key overseas markets such as Southeast Asia and Africa. The Group further optimized its product structure, explored deeper into the sub-markets and precisely positioned its products to achieve a steady increase in the export volume of mid-to-high-end products. Through direct contracts with large maritime transport companies and tenders for maritime transport agency platforms, we overcame the impact of the shortage in international shipping and freight resources and rapidly rising freight prices, and ensured the normal delivery of vehicles.

During the Period, the Group continued to strengthen the sales of trucks, technical services, parts supply, refitting and overseas KD assembly capabilities and actively expanded its overseas sales and marketing network. As at 30 June 2021, the Group had approximately 268 overseas distributor sales centers, 263 service outlets, 250 spare parts outlets, 12 spare parts central warehouses, 15 overseas affiliated KD production plants and 4 overseas subsidiaries, forming a network that basically covers developing countries and major emerging economies such as Africa, the Middle East, Central and South America, Central and Southeast Asia, as well as some mature markets such as Australia, Ireland, New Zealand and Hong Kong and Taiwan.

LIGHT DUTY TRUCKS AND OTHER SEGMENTS

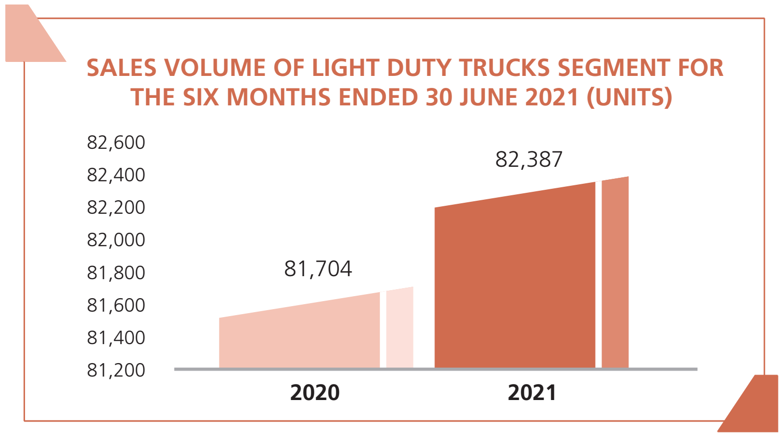
Light duty truck is the major product in the LDTs and others segment and generated approximately 85% revenue of the segment. Other products in the segment include buses, pickup trucks and other vehicles. During the Period, the percentage of product type revenue of the segment is as follows:

REVENUE OF LIGHT DUTY TRUCKS SEGMENT BY PRODUCT TYPES FOR THE SIX MONTHS ENDED 30 JUNE 2021



During the Period, the LTDs and others segment (light duty truck and other vehicle sales and provision of services to these customers) achieved total revenue of RMB 6,498 million, representing a decrease of 5.6% HoH. The ratio of operating loss to total revenue for the segment was -2.2%, compared to a profit of 5.1% in the same period last year, mainly due to the decrease in the sales of certain high-margin products as a results of regulatory changes, the insufficient initial sales scale of new products, the increase in raw material prices and the fact that the operations of newly acquired business are still being adjusted.

During the Period, the Group sold 82,387 units of LDTs, representing an increase of 0.8% HoH:



During the Period, according to requirements of the switch to the China VI Emission Standards, the Group formulated a precise incentive policy for the China VI switchover, supported the promotion of key vehicle models, accelerated the market introduction of China VI standard light duty truck models and achieved a steady increase in sales volume of China VI light duty truck products. In addition, the Group adopted a tiered sales volume incentive policy to encourage key distribution units to achieve sales volume breakthroughs, promote product structure optimization and accelerate the market transformation of the distribution network.

In the first half of the year, in response to the changes in product regulations, the Group continued to improve the lightweighting of products and their adaptability to regulations, highlighting the differentiation of its products in terms of low vehicle weight and strong load-bearing capacity, and continued to develop its 2.0L platform and 2.5L platform products in the light-duty load-bearing vehicle market, completing the smooth transformation of its product structure. Among them, the sales volume of 2.0L platform products increased by about 97.6% HoH and the market share increased by about 3.4 percentage points by virtue of the advantage of high cost-performance ratio; the sales volume of 2.5L platform products increased by about 169.5% HoH and the market share increased by about 2.7 percentage points through a product mix combining high reliability and high load capacity.

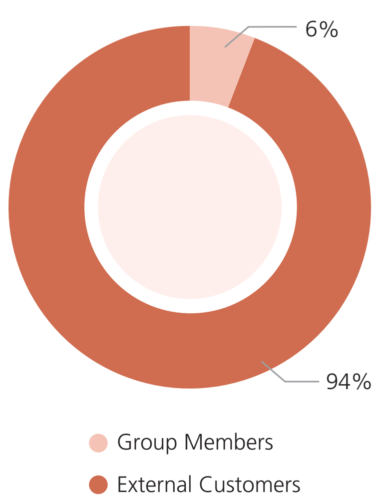
Created through a forward-looking research and development process, the Group's comfortable and all-rounded high-end small light duty truck, HOWO, was officially launched in April 2021. The sales volume of this model, which targeted the high-end cold chain and urban distribution sub-markets, exceeded 1,000 units within two months of its launch and was highly recognized by customers in the market.

As at 30 June 2021, the Group had, in the PRC, a total of 1,054 dealerships (including 138 4S centers and 248 Sinotruk-branded dealerships), 2,851 service centers that provide LDT after-sale services and 41 refitting companies to provide truck refitting services to LDTs.

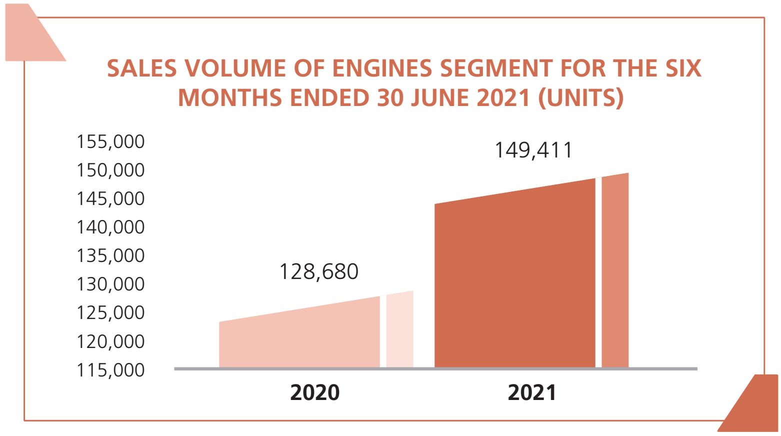
ENGINES SEGMENT

During the Period, total revenue of sales (sales volume of engine) of RMB12,688 million was achieved, representing an increase of 12.3% HoH. External sales of engines accounted for 5.9% of the total revenue of the engines segment, representing an increase of 0.9 percentage points HoH. The segmental operating profit margin was 13.5%, representing a decrease of 2.0 percentage points HoH, which was due to rising raw material prices and product structure adjustments. Most of the engines are used in the Group's own truck production. During the Period, the percentage of customer type revenue of the segment is as follows:

**REVENUE OF ENGINES SEGMENT BY CUSTOMER TYPES
FOR THE SIX MONTHS ENDED 30 JUNE 2021**



During the Period, the sales volume of the engine segment was 149,411 units of engines, representing an increase of 16.1% HoH:



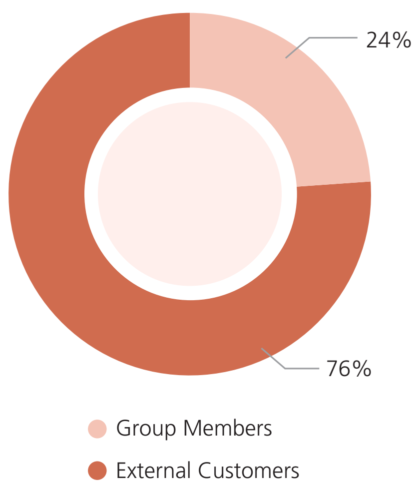
The Group is committed to the research and development of engine technologies, the benchmarking of its engine design in compliance with international standards, strengthening quality controls, expanding the application of MAN engine technology and to provide customers with advanced engine products that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

During the Period, the Group continued to optimize the power performance and fuel economy of China V engines to maintain its competitiveness in the market. At the same time, the Group focused on optimizing the reliability, economy and market adaptability of the China VI engines, laying a solid foundation for the full implementation of regulations relevant to the China VI Emission Standards. During the Period, the MC series China VI engines, which adopt the high-efficiency SCR technology and have the advantages including high stability and low cost, were introduced to the market and have been widely recognized by users. In addition, the Group has strengthened the research and development, optimization and market introduction of gas engines to enhance the market competitiveness of its whole vehicle products.

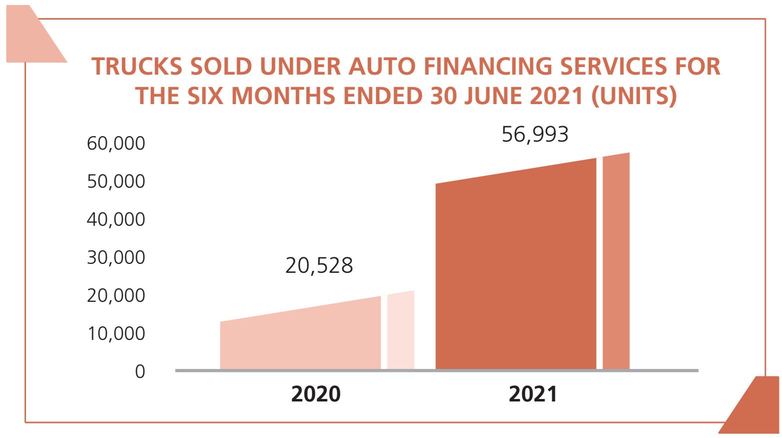
FINANCE SEGMENT

During the Period, the revenue of the Group's finance segment was RMB1,164 million, representing an increase of 42.0% HoH, and revenue from external sources was RMB883 million, representing an increase of 56.8% HoH. The segmental operating profit margin was 31.7%, representing a decrease of 20.3 percentage points HoH, primarily due to the launch of financial products with favorable terms to promote the sales of trucks. In addition to providing internal financing services to the members of the Group, the financial segment is mainly engaged in providing a series of financing services to external customers, suppliers and CNHTC Group. During the Period, the percentage of customer type revenue of the segment is as follows:

REVENUE OF FINANCE SEGMENT BY CUSTOMER TYPES
FOR THE SIX MONTHS ENDED 30 JUNE 2021



During the Period, adhering to the principle of "supporting the excellent, the strong and the big", the Group formulated the standards for the provision of first-time credit for distributors, the standards for the processing of increased credit and the standards for the collection of order placing deposits, resulting in significantly increase in the credit coverage of distributors and further enhance the financial support for sales. In order to meet the individualized financial needs of the dealers and customers in each region and to broaden financing channels, the Group launched a number of specialized financial solutions, and preliminarily established a diversified structure of financial products and steadily improved its financial support capacity for sales. During the Period, the Group sold 56,993 vehicles through auto financing services, representing an increase of approximately 177.6% HoH:



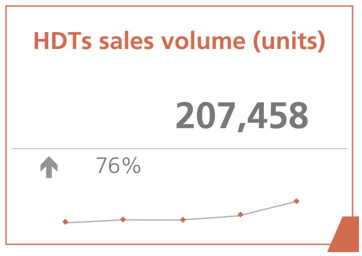
As at 30 June 2021, the finance segment of the Group had 22 regional offices, extended the geographical coverage of its financing services across China, and further improved its auto financing services.

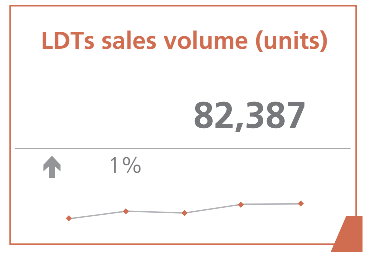
MAJOR KEY PERFORMANCE INDICATORS ("KPI")

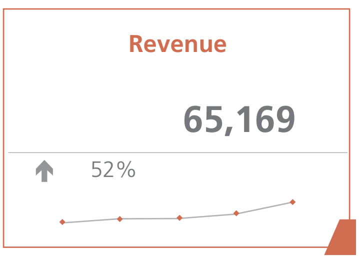
The Directors focus on the sustainable development of the Group as a whole and on the interests of Shareholders. The Directors use financial and non-financial indicators as benchmarks to assist in evaluation and decision-making. Sales volumes and revenues of HDTs and LDTs reflect actual operating results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

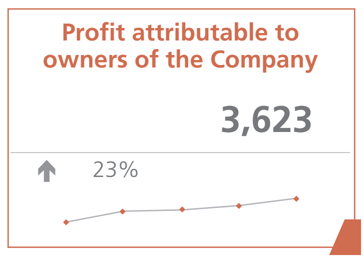
The following charts present the key KPIs for the six month period ended 30 June or as at 30 June for the following years.

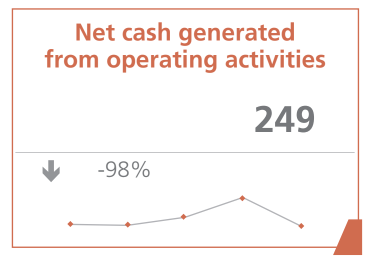
(All key KPIs are expressed in RMB million unless otherwise stated)

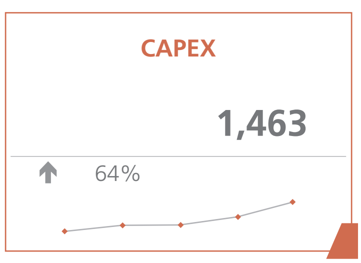


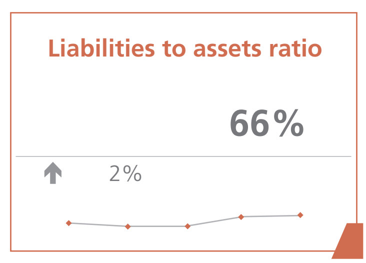












Key performance indicators	2021	2020	2019	2018	2017
HDTs sales volume (units)	207,458	118,073	92,668	93,527	74,792
LDTs sales volume (units)	82,387	81,704	65,401	68,848	54,739
Revenue	65,169	42,798	34,623	34,266	26,626
Profit attributable to owners of the Company	3,623	2,941	2,536	2,419	1,400
Net cash generated from operating activities	249	13,474	4,272	516	964
CAPEX	1,463	892	591	578	350
Liabilities to assets ratio	66%	65%	56%	56%	59%

Note: The Group made business combinations with Datong Gear in 2020 and with HOWO Bus under common control in 2019, respectively. The 2019 data has restated Datong Gear data, the 2018 data has only restated HOWO Bus data and the 2017 data has not restated any business combinations.

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 Collection of Documents of After-sales Service Management 《售後服務管理文件彙編》. The Group established a four-level service system consisting customer service centers at the Group level, customer service centers of the operating units, regional dealers and special service stations. Leveraging on 24-hour “400” service hotline and the Smart Sinotruk app “智慧重汽” etc., the Group conducted a specialized analysis on feedback from both internal and external customers on a regular basis. The Group has launched the integrated hotline for both domestic and international after-sales services satisfy the demand for international after-sales services. The Group modified the “Procedures for Investigation and Management of Service Satisfaction of Customers” 《客戶服務滿意度調查管理流程》 to ensure the rating of customer satisfaction could be more scientific and objective. A clear whistleblowing framework and inspection standards have been established so that both 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.

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 procedure, including identifying, collecting, analyzing, delivering and storing information on quality-related issues. We will proactively recall (or instruct to recall) the defective products and take the corresponding remedial and prevention measures so as to protect customers’ interests.

The Group maintains long-lasting relationship with suppliers on the basis of mutual trust, and procure materials and services by adhering to the principle of fairness and openness. By formulating clear rules and regulations regarding the whole-process management of the entry, 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 to foster the high-quality development of the construction of the supply chain system. For expansion of new categories of accessories by new suppliers or existing suppliers, the unit that initiates the project should submit the application for initiation approval to the procurement committee. After study and approval by the procurement committee, the relevant project then enters the formal entry and development stage. Through the "Approval Procedures for Supplier Entry 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.

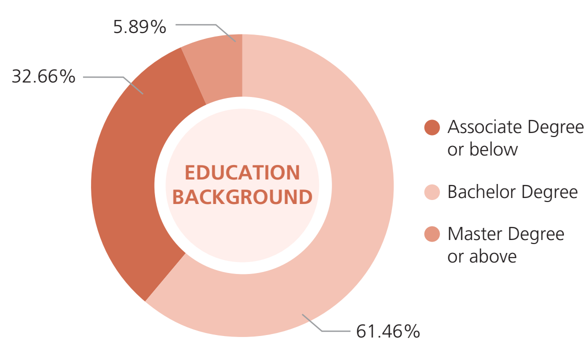
The Group values the growth and development of every employee by providing comprehensive performance appraisal and promotion system. Insisting on the guidance by strategies and performance, and based on the newly-built post hierarchy, the Group has established a new performance appraisal mechanism, using the "Promoted by Earning Credits" method to achieve the dynamic promotion of employees, and simultaneously established a dynamic and exceptional promotion mechanism for technological R&D personnel to expand their promotion channels, and further to motivate them to do more contribution in the field. At the same time, the Group has established comprehensive promotion channels for its employees: professionals such as managerial and technical personnel can be promoted to the experts of management and technology, while operational staff 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 establish channels 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 established the 3-tier employee training and management method in accordance with the "Procedures for Training and Management"《培訓管理程序》. The Group organizes 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 optimizes 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.

During the Period, the remuneration of the Group (including salaries, retirement benefits, other welfares and post-employment benefits) to all employees including Directors was amounted at RMB2,638 million, representing a decrease of 21.2% HoH. The Group did not have any share option scheme in place as at 30 June 2021.

As at 30 June 2021, the Group employed a total of 26,629 employees, broken down by function and education as follows:

	Number of employees	%
Management team	313	1.17
Technical and engineering staff	2,641	9.92
Research and development staff	2,327	8.74
Production staff	15,438	57.97
Operation and sales staff	2,643	9.93
Administrative staff	3,267	12.27
Total	26,629	100.00



PRINCIPAL RISKS AND SOLUTIONS

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

1. QUALITY RISKS

During the products and services life cycle, the quality of the products and services designed, produced, sold and provided by the Group 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 optimized the quality management system based on the IATF16949 standard with an aim to make it applicable for the whole process of product design and development, manufacturing, sales and after-sales services. By evaluating the maturity of quality system, the areas of possible improvements for the system can be identified and the completeness, adaptability and effectiveness of system operation can be further enhanced.

In respect of quality control for the accessories, the Group formulates the product sampling inspection scheme based on the PPM analysis on after-sales products, conducts inspection on sample products through various laboratories of inspection unit, organizes procurement centers, innovation department and various manufacturing units to convene evaluation meetings on regular basis, and undergoes suspension or evaluation and rectification on ineligible suppliers. The Group introduces third-party organizations to conduct second party review in order to help suppliers improve their ability in quality control.

In respect of management on environmental consistency of products, as the national authorities have imposed a strict supervision on the environmental and regulatory consistency of automobile manufacturers, the Group has established an inspection and management system on environmental consistency of vehicles and engines and conducted investigations on environmental and regulatory consistency of trucks and engines.

2. HEALTH, SAFETY AND ENVIRONMENTAL RISKS

The consistently high production yield in the first half of 2021 led to certain uncertainties in the physical fitness and mentality of our staff and hence brought serious challenges to our production safety. The Group always adheres to the principle of "safety first, prevention oriented and comprehensive management", improves the safety management system continuously, enhances the investigation and treatment of hidden dangers, implements supervision and monitoring, and continuously enhanced the safety management level, in order to ensure the overall production safety.

MITIGATION MEASURES:

A compliance list of safety responsibilities for all levels and all duties was formulated and assessment were conducted on regular basis. During the first half of year, the review of "Management Measures of Safety Production Responsibilities"《安全生產責任制管理辦法》for the manufacturing units was completed, which clearly defined the safety responsibilities for all levels, departments and duties, especially the responsibility of investigation and management of hidden dangers, responsibility of safety management and responsibility of emergency response, with an aim to formulate a compliance list of responsibilities which includes the details of responsibilities, compliance measures, compliance frequency, time of compliance and the specific person-in-charge. By review of the "Law on the Safety Production of the PRC" 《中華人民共和國安全生產法》, the performance assessment system for fulfillment of responsibility was optimized and regular assessment for the implementation of safety responsibility were conducted.

The Group has launched an in-depth and large-scale hidden danger identification and rectification to resolutely curb the occurrence of significant incidents of production safety. The Group formulates safety inspection programs on a monthly basis and conducts inspections as scheduled, with detailed and exhaustive self-inspections and self-rectifications on corruption-prone and casualty-prone key points. During the Period, the Group has conducted a total of 184 inspections and treatments of hidden dangers and 837 dangers have been found, all of them have been rectified.

The Group conducted the evaluation of the double prevention system and the amendment and review of contingency plan with an aim to improve the abilities of emergency response of all departments and sections. According to the newly amended "Work Safety Law", the Group has reassessed the double prevention system for 13 manufacturing units in Ji'nan, among which 58 significant risks, 45 major risks, 766 third-level risk points, 1,974 fourth-level risk points and 43 fifth-level risk points were found. The Group has organized and completed the amendment and assessment of the integrated contingency plan, special contingency plan and on-site execution plan, as well as trained and verified the effectiveness of coordinated joint operation mechanism of all departments and all sections in an emergency response through special drills.

The Group has formulated a selection plan for the top performing units in manufacturing system safety and environmental-friendliness for the year 2021. To further implement the spirit regarding "the combination of both reward and punishment mechanisms to initiate safety management" in order to prevent and stop any accidents related to production safety, environmental pollution and fire safety, the Group has formulated the "Selection Plan for the Top Performing Units in Manufacturing System Safety and Environmental-friendiness for the year 2021", which was launched among the manufacturing units and as a result, all employees actively participated in safety production management and hence enhanced the safe production management level.

The Group conducted various centralized emergency drills in order to improve its abilities of catastrophe prevention and relief. According to features of the summer climate, during the first half of year, the Group has organized all units to commence drills mainly on aspects of fire safety, heat stroke, occupational diseases, public health, contingency plan for natural disasters and on-site disposal plan in accordance with the annual emergency drill plan, and a total of more than 210 drills were organized at all levels. Through the commencement of various drills, the staffs' capability to handle emergency situation was enhanced while the suitability and effectiveness of the contingency plans and on-site execution plans were verified.

The development of the Group's first "Massive Risk Warning and Intelligent Prevention and Control System" for fire safety was completed and has been promoted for wider application. During the first half of year, the Group took Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd. as the pilot company to launch the specific plan for massive fire safety risk warning and intelligent prevention and control system. The system can be applied in early warning and auto-extinguishment of fire in major sites, and can also achieve inspection of early services facilities through QR code scanning, thereby solving the disadvantages of traditional fire rescue and ensuring the fire safety of major fire prevention locations. After the smooth implementation of the system in pilot units for a period of time without any abnormalities, the system will be progressively promoted to other units.

The Group has commenced an innovative safety production month program to enhance the promotion of safety production. June 2021 was the 20th "Safety Production Month" in China. To further implement President Xi Jinping's important expositions on production safety, the Group focused on the promotion of the 3-year plan of special rectification of production safety, and the identification and rectification of major issues of production safety. Adhered to the main theme of "Implementation of Safety Responsibilities and Promotion of Safety Development', the Group has launched the 2021 Safety Production Month Campaign, with main focus on "6 Series of activities", namely a series of learning, promotion and implementation, a series of system amendment, a series or risk identification and governance, a series of warning and education, a serious of emergency drills and a series of skill competitions. The campaign was divided into four stages and gradually launched on a weekly basis, and achieved the expected results.

The Group has organized activities for the "Promotion Week of the Prevention and Treatment of Occupational Disease". From 25 April to 1 May 2021 was China's 19th promotion week of the "Law on the Prevention and Treatment of Occupational Disease". To further promote and implement the "Law on the Prevention and Treatment of Occupational Disease", further confirm the major responsibilities entities, promote the construction of the occupational health treatment system and governance capability, and protect employees' rights, the Group organized and launched promotion campaigns. By actively cooperating with the National Health Commission, the Group has launched the scientific popularization of health knowledge, launched the occupational health trainings, organized the employees to listen and watch the themed occupational disease promotional activities, filtered factors of occupational hazards exhaustively, and minimized risks of occupational diseases so as to build up atmosphere of full participation and rich of contents during the promotion week. The promotion week of the Prevention and Treatment of Occupational Disease has achieved a good result.

3. FOREIGN EXCHANGE RISKS

The Group's international trades are currently transacted in international currencies such as USD and Euro. If there are any significant exchange rate fluctuations of RMB against these currencies, the Group may face uncertainty that it has not faced under the original fixed exchange rates. The Group could be exposed to potential risks such as foreign exchange losses and decrease in investment gains.

MITIGATION MEASURES:

Given that certain regional markets, such as Southeast Asia, 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 choose opportunities to 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 when negotiating 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 upcoming period 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 promote the improvement of international environmental management system ISO14001, encourage all units 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.

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 production and operation units to ensure their compliance with emission limits.

The Group actively launched a special treatment campaign for volatile organic compounds (VOC) generated during spraying. We attempted to map the existing production processes, raw and auxiliary materials usage, waste volume and destination and VOC content, and promoted substitution with low VOC raw and auxiliary materials from the source in every production unit by paint verification and equipment replacement. In addition, we actively arranged for the installation, inspection, networking and filing of continuous monitoring system of VOCs in each unit to reduce the risk of environmental non-compliance.

To raise the safety and environmental protection awareness of all our staff, the Group fully utilized its automated office platform and educate the staff by innovative means, with abundant training materials uploaded to the "Safety and Environmental Protection System" module of our platform, including videos and photos of casualties in past years, our monthly newsletter regarding safety and environmental protection and safety tips, etc, which would greatly enrich the dissemination form of relevant knowledge, create a strong atmosphere of publicity and education, and promote the continuous improvement of the safety awareness among all employees.

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

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

BUSINESS STRATEGIES AND PROSPECTS

Looking ahead to the second half of 2021, although the fundamentals of global economic recovery remain unchanged, uncertainties remain in the global economic recovery process due to the impact of the global spread of the "Delta" mutated virus and the recurrence of overseas outbreaks. In addition, the international political and economic situation is complex and volatile, bringing uncertainty to the global economic development. From the perspective of the domestic economic, China's economy will shift to a normal growth stage, and the government has adopted a series of fiscal and monetary policies to maintain the momentum for economic growth in the second half of the year.

From the perspective of the commercial vehicle industry, the early purchases made by customers in the first half of the year has overdrawn part of the future market demand due to the switch to the China VI Emission Standards. However, as economic development continues to improve, the fundamental demand for commercial vehicles remains stable. Meanwhile, the elimination of old vehicles, the continuation of the traffic restriction policy, and the continuous tightening of highway regulations in respect of control of overload and overrun will play a certain role in boosting the release of demand due to the phasing out and renewal of existing vehicle stock on the market. Overall, the sales volume of heavy duty truck industry and light duty truck industry in 2021 will show a "high at the beginning and low thereafter" trend, and the annual sales volume will remain high.

The Group upholds "Aiming for Clients' Satisfaction" as its core value, with a corporate vision of "Building a worldclass full range commercial vehicle group". In the second half of 2021, the Group will focus on the following areas:

1. to work on the introduction of China VI Emission Standard products to achieve market leading position. For the full of China VI Emission Standard products, the quality of products should be guaranteed and comfort should be improved to ensure the competitive advantages of the products. The Group will organize and plan from aspects including marketing and advertising, commercial strategies and after-services to ensure that China VI Emission Standard products can win the support from customers;

2. to further strengthen the optimization of its sales network, initiate the certification of standardized operation and training on sales network, manage the sales network by levels and clarify the sales target for each store in the sales network; and

3. to boost the speed of upgrade and iteration in technology in order to create a new point of growth. The development of new energy assembly and vehicle products will be accelerated, and such products will be first introduced into markets such as muck truck, urban logistics vehicles and specialty vehicles.

FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period was RMB65,169 million, representing an increase of RMB22,371 million or 52.3% HoH. The increase in the revenue was due to the significant increase in the sales volume of HDTs. The Group's gross profit for the Period was RMB10,815 million, representing an increase of RMB2,240 million or 26.1% HoH. The increase in gross profit was mainly due to the significant increase in sales, particularly, in sales of heavy duty trucks.

Gross profit margin for the Period was 16.6% (gross profit divided by revenue), representing a decrease of 3.4 percentage points HoH. The decrease in gross profit margin was mainly due to the increase in raw material prices and the drop in gross profit margin in sales of products of the LDTs and others segment.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Period was RMB3,222 million, representing an increase of RMB1,357 million or 72.8% HoH and such increase was due to the increase in the volume of trucks sold and the warranty expenses. During the Period, selling and distribution expenses to Products Revenue ratio was 5.0%, representing an increase of 0.6 percentage points HoH. Warranty expenses accounted for 2.2% of Products Revenue for the Period, representing an increase of 0.6 percentage points HoH. The increase was mainly due to an expected increase in warranty services.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB2,540 million, representing a decrease of RMB222 million or 8.0% HoH. During the Period, administrative expenses to revenue ratio was 3.9%, representing a decrease of 2.6 percentage points HoH. The decrease in the ratio was mainly due to the significant decrease in the provision for termination and retirement benefits. A significant one-off termination and retirement benefits in the corresponding period last year were made due to the streamling of the human resources structure.

NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

Net impairment losses of financial assets for the Period was RMB275 million, representing a decrease of RMB59 million or 17.7% HoH. The impairment losses of trade and financing receivables was RMB285 million, accounting for 0.4% of the total revenue for the Period. Further details of the trade and financing receivables are set out in the section headed "TRADE AND FINANCING RECEIVABLES".

OTHER INCOME AND GAINS AND OTHER EXPENSES

The net amount of other income and gains as well as other expenses for the Period was RMB461 million, representing an increase of RMB66 million or 16.7% HoH. During the Period, the increase in income of disposal of scraps was at RMB40 million, the increase in government grants was at RMB30 million and, the increase in penalty income was at RMB25 million, and certain long term payables were written off. However, most of such increases were offset by exchange losses. The Group faced significant foreign exchange fluctuation and suffered from foreign exchange losses at RMB57 million during the Period compared to the gains at RMB47 million in the corresponding period last year.

FINANCE INCOME - NET

Net finance income for the Period was RMB65 million, representing an increase of RMB24 million or 58.5% HoH. The increase in finance income was due to the increase in interest income by RMB8 million and the significant reduction in interest expenses by RMB16 million as a result of a smaller average scale of borrowing during the Period.

SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Share of profits less losses of associates for the Period was profit at RMB5 million, representing a decrease of RMB24 million or 82.8% HoH. The decrease was mainly due to the share of losses from associates acquired in 2020 which are still in business development stage.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB1,271 million, representing an increase of RMB311 million or 32.4% HoH. 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 associates) for the Period was 24.0%, representing an increase of 0.3 percentage points HoH.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the Period was RMB4,037 million, representing an increase of RMB918 million or 29.4% HoH. Net profit ratio (profit for the Period divided by revenue) was 6.2%, representing a decrease of 1.1 percentage points. Profit attributable to owners of the Company for the Period was RMB3,623 million, representing an increase of RMB682 million or 23.2% HoH. The basic earnings per share attributable to owners of the Company for the Period was RMB1.31, representing an increase of RMB0.24 or 22.4% HoH.

TRADE AND FINANCING RECEIVABLES

In addition to the normal credit period granted to certain privileged customers, the Group receives acceptance bills for settlement of trade receivables. As at 30 June 2021, 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 but excluding discounted bills of the finance segment (collectively referred to "Aggregate Trade Balance") amounted to RMB16,890 million, representing an increase of RMB5,483 million or 48.1% when compared to the balance as at 31 December 2020. 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 Group grants large dealers with good repayment history credit period from 3 to 12 months and/or accepts the settlement by commercial or bank acceptance bills and, hence, their ageing of the Aggregate Trade Balances is longer than that of other customers.

The trade receivables turnover (average Aggregate Trade Balances divided by Products Revenue multiplied by 181 days (2020: 182 days)) for the Period was 39.8 days (2020: 51.4 days), representing a decrease of 11.6 days.

As at 30 June 2021, the Aggregate Trade Balances aged not more than twelve months amounted to RMB15,047 million or 89.1% of Aggregate Trade Balances.

As at 30 June 2021, the financing receivables was RMB27,073 million, representing an increase of RMB6,678 million or 32.7% when compared to the balance as at 31 December 2020.

As at 30 June 2021, the financing receivables aged not more than twelve months amounted to RMB18,230 million or 67.3% 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 the applicants of financing services.

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 made impairment loss allowance for trade receivables at the amount of approximately RMB84 million and impairment loss allowance for financing receivables at the amount of approximately RMB201 million.

TRADE PAYABLES

As at 30 June 2021, the trade payables amounted to RMB53,483 million, representing a decrease of RMB1,212 million or 2.2% when compared to the balance as at 31 December 2020.

The trade payables turnover (average trade payables balances divided by costs of Products Revenue multiplied by 181 days (2020: 182 days)) for the Period was 180.3 days, representing an increase of 2.6 days HoH.

CASH FLOWS

Net cash inflow generated from operating activities for the Period was RMB249 million. Although the revenue for the Period increased 52.3% but the effect of the increase in cash inflow from operating activities from revenue was mostly offset by the increase in trade, financing and bills receivables, the increase in bank acceptance bills and the payment of large amount of income tax. The significant increase in trade and bills payables at RMB20,293 million in the corresponding period last year reduced the payment of operating expenses in such period while trade and bills payables during the Period were reduced by RMB1,212 million. As a result, the cash inflow from operating activities for the Period reduced by RMB13,225 million as compared to the corresponding period last year.

Net cash outflow used in investing activities for the Period was RMB2,420 million. During the Period, the Group significantly reduced the purchase of wealth management products by RMB4,267 million as compared with the corresponding period last year. However, the Group further invested in production facility to enlarge production capacity and develop new products by extra spending approximately RMB1,579 million more during the Period which offset the above savings. Cash outflow used in investing activities decreased by RMB2,719 million as compared to the cash outflow in the corresponding period last year.

Net cash outflow generated from financing activities for the Period was RMB4,805 million. During the Period, Ji'nan Truck Company made private placement in return of proceeds of RMB5,001 million and Sinotruk (Chongqing) Light Vehicle Co., Ltd. issued 40% enlarged equity at approximately RMB527 million. The repayment of borrowings was reduced by RMB288 million during the Period HoH. In addition, there was no payment of consideration for the business combination under common control during the Period while it was paid at the amount of RMB1,393 million in the corresponding period last year. As a result, cash inflow from financing activities increased by RMB7,127 million as compared to the cash outflow in the corresponding period last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group had cash and cash equivalents of RMB28,652 million, representing an increase of RMB2,603 million or 10.0% when compared to the balance as at 31 December 2020. The Group's total borrowings were about RMB2,900 million as at 30 June 2021. Its gearing ratio (total borrowings divided by total assets) and debt-to-equity ratio (total borrowings divided by equity) as at 30 June 2021 were 2.3% and 6.8% respectively (31 December 2020: 1.5% and 4.8% respectively). As at 30 June 2021, current ratio (total current assets divided by total current liabilities) was 1.2 (31 December 2020: 1.1 and 30 June 2020: 1.2).

As at 30 June 2021, all borrowings were denominated in RMB (31 December 2020: all in RMB) and all borrowings were charged with reference to bank's preferential fixed rates. The maturity profile of all borrowings was as follows:

	As at 30 June 2021 RMB million	As at 31 December 2020 RMB million
Within one year	**2,900**	1,474
In the second year	**—**	158
Three to five years	**—**	80
	2,900	1,712

As at 30 June 2021, total consolidated equity of the Company was RMB42,527 million, representing an increase of RMB6,848 million or 19.2% when compared with the balance as at 31 December 2020.

As at 30 June 2021, the Company's market capitalization was RMB38,228 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD16.64 per Share and at the exchange rate of 1: 0.83208 between HKD and RMB).

As at 30 June 2021, the unutilized credit facilities of the Group from the banks amounted to RMB23,076 million (31 December 2020: RMB18,049 million). An aggregate amount of RMB1,821 million (31 December 2020: RMB876 million) of security deposits and restricted bank deposits were pledged to secure various credit facilities. In addition, the finance segment made mandatory deposits of RMB4,213 million (31 December 2020: RMB3,652 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, sufficient banking facilities and issuance of bills such as short-term commercial acceptance bills and bank acceptance bills.

INVESTMENTS

INVESTMENTS IN A SUBSIDIARY

The Company injected capital into Sinotruk Auto Finance Co., Ltd. in cash at approximately RMB112 million in June 2021. After the capital injection, the Group increases its holdings in Sinotruk Auto Finance Co., Ltd. to approximately 89.13%.

DILULLTION IN OWNERSHIP IN SUBSIDIARIES

In January 2021, Weichai Power contributed approximately RMB527 million in cash to Sinotruk (Chongqing) Light Vehicle Co., Ltd. for its 40% enlarged equity. In addition, Ji'nan Truck Company made private placement in return of proceeds RMB5,001 million which resulted in the Group's ownership in equity of Ji'nan Truck Company being diluted to 51%.

EQUITY INVESTMENTS FORMING PART OF THE GROUP'S OPERATIONS

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

a) Interests in associates

The Group acquired 30.77% equity in Shandong Guochuang Fuel Cell Technological Innovation Co., Ltd. at the consideration of RMB20 million and disposed of all its 25% equity in Shandong Changjiu Intelligence Logistics Co., Ltd. at the consideration of RMB21 million.

As at 30 June 2021, the amount of interest in associates was RMB1,026 million, representing 0.8% of the total assets of the Group. Performance and details of investments accounted for using the equity method are disclosed in the section headed "SHARE OF PROFITS LESS LOSSES OF ASSOCIATES".

b) *Other long term equity investments*

As at 30 June 2021, the Group's unlisted equity investments for long term strategic investment purpose amounted to RMB33 million, representing less than 0.1% of the total assets of the Group. These investments were classified as financial assets at fair value through other comprehensive income.

OTHER SECURITIES INVESTMENTS

For the purposes of increasing profitability of short term funds 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 Mainland. As at 30 June 2021, the Group had short term equity investment at RMB85 million, representing less than 0.1% of its total assets. Such equity investments are accounted for as equity investments in financial assets at fair value through profit or loss. Their fair values keep changing from time to time depending on factors including but are not limited to their operation results, economic situations and stock markets sentiments.

CAPITAL COMMITMENT

As at 30 June 2021, the Group committed capital expenditure in respect of property, plant and equipment as well as other intangible assets amounting to RMB2,322 million which will be funded by internal resources and borrowing facilities.

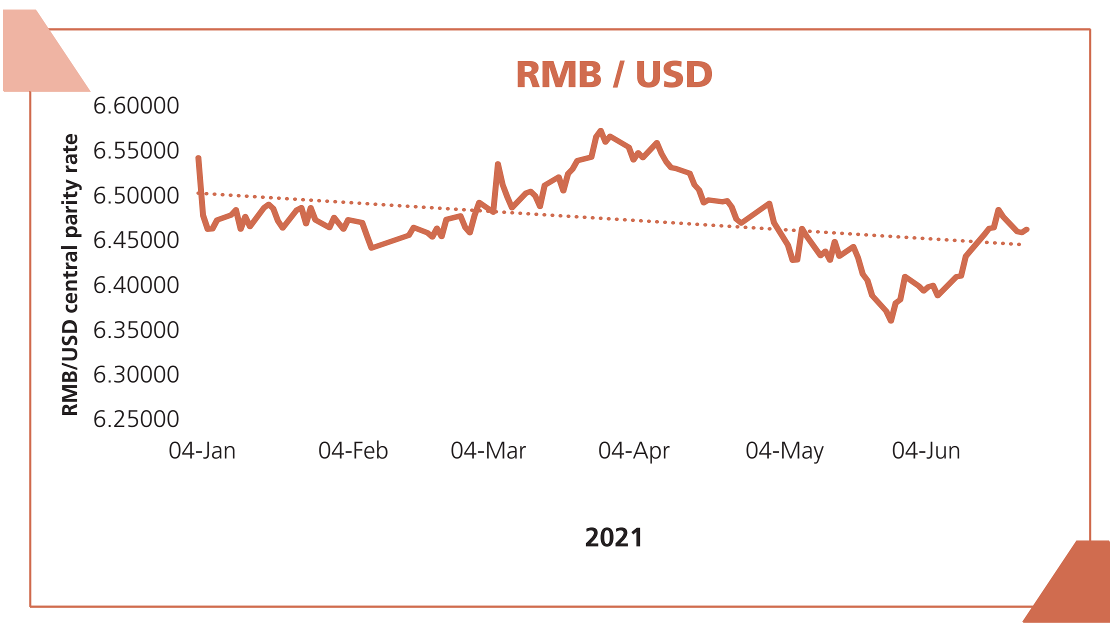
CHARGES ON GROUP ASSETS

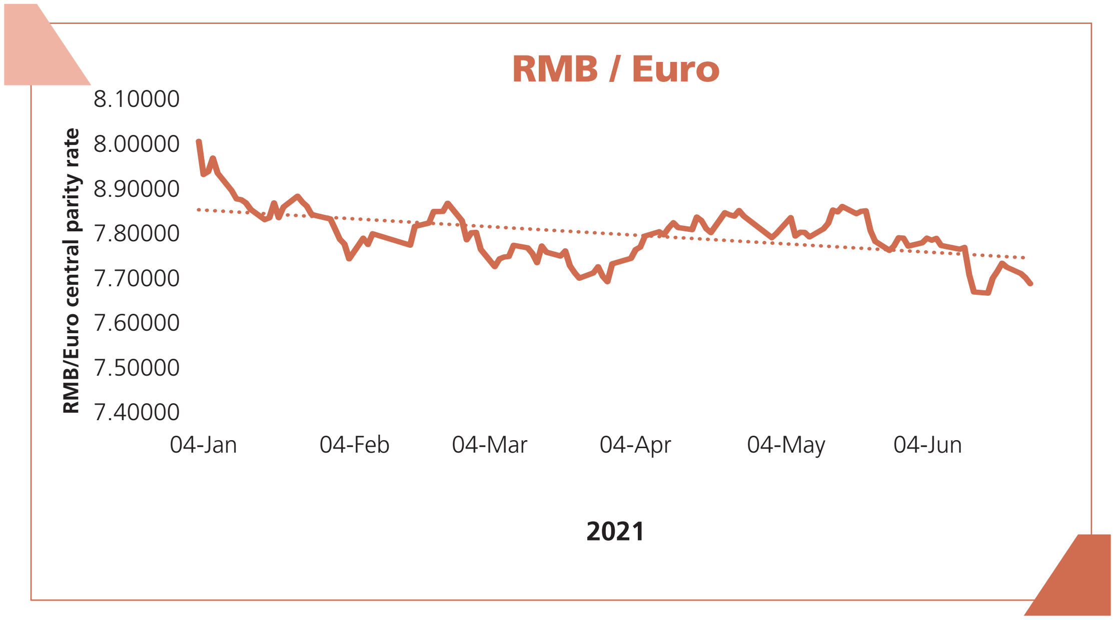
Save as disclosed in the section headed "LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE" and the mortgage of buildings and land use rights at carrying value of RMB11 million for banking credit facilities, as at 30 June 2021, there were no assets of the Group being pledged.

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 risks 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 30 June 2021 was 6.46010, representing an appreciation of RMB by 0.99% when compared to the rate of 6.52490 as at 31 December 2020. RMB against USD central parity rates recorded a high of 6.57130 and a low of 6.35720 with volatility at 4.57% as well as gradual appreciation trend during the Period.

The RMB/Euro central parity rate in the PRC as at 30 June 2021 was 7.68620, representing an appreciation of RMB by 4.22% when compared the rate of 8.02500 as at 31 December 2020. RMB against Euro central parity rates recorded a high of 8.00950 and a low of 7.66470 with volatility at 6.21% as well as gradual appreciation trend during the Period.

As at 30 June 2021, the Group's monetary assets and liabilities were denominated in RMB, except for cash and bank balances which in total were equivalent to approximately RMB3,650 million, financial assets at fair value through profit or loss of approximately RMB6 million, accounts receivable and other receivables of approximately RMB2,770 million, accounts and other payables of approximately RMB61 million, all of which were denominated in currencies other than RMB. At as 30 June 2021, all borrowings were in RMB. The Group's major net foreign currency assets is dominated in USD and Euro. At as 30 June 2021, RMB equivalents of USD and Euro in cash and cash equivalent and restricted cash were RMB3,309 million and RMB265 million, respectively.

During the Period, the Group recorded foreign exchange losses of RMB57 million in operating profit. The potential foreign exchange impacts to the USD and Euro denominated net assets of the Group as at 30 June 2021 are:

	USD denominated net assets	**Euro denominated net assets**
5% appreciation/depreciation in RMB	Loss/gain before tax of RMB287 million	Loss/gain before tax of RMB25 million

GOING CONCERN

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

CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

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 by way of buyback of the trucks. As at 30 June 2021, the Group has committed such guarantees at a maximum aggregate amount of RMB40 million 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 conditions and results of operations. The total amount of claims of all lawsuits was approximately RMB170 million and provision for legal claims of approximately RMB2 million was made as at 30 June 2021.

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.5.1, A.5.2, A.6.7 and E.1.5 of the CG Code.

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

Code provision A.6.7 of the CG Code requires that NEDs and INEDs should attend general meetings and develop a balanced understanding of the views of the Shareholders. Mr. Jiang Kui, Ms. Annette Danielski, Mr. Matthias Gründler, Dr. h.c. Andreas Tostmann, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing were unable to join the 2021 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**") of the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiries with all Directors and all Directors confirm that they have complied with the standards required by the Model Code during the Period.

DIVIDENDS

The Board resolved not to declare any interim dividends for the six months ended 30 June 2021.

DIVIDEND POLICY

As at 30 June 2021, the Company did not have a dividend policy in place.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2021 has been reviewed by the Audit Committee and by Ernst and Young, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

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 develop good relationship with Shareholders and potential investors, the Company has participated in a number of one-on-one meetings, investors' conferences and site visits during the Period. Analysts and fund managers may enrich their knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company at www.sinotruk.com for the latest information available in respect of the Group including information on the financial conditions and the latest business developments of the Group.

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all the Shareholders and improving the Shareholders' returns.

The Board considers that AGM is an important opportunity for direct communication with the Shareholders. The 2021 AGM was successfully held on 29 June 2021 at Theatre B, Hong Kong General Chamber of Commerce, 22/F, United Centre, 95 Queensway, Hong Kong. Certain members of the Board and external auditors of Company attended the 2021 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 2021.

CONSTITUTIONAL DOCUMENTS

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

SUBSEQUENT EVENTS

INVESTMENT IN A SUBSIDIARY

The Group completed the acquisition of 重汽 (威海) 商用車有限公司 (Sinotruk (Weihai) Commercial Vehicle Co., Ltd.) at the consideration of approximately RMB250 million in July 2021. For details of the acquisition, please refer to the Company's announcement dated 31 March 2021.

DISPOSAL OF SUBSIDIARIES

The Group agreed to dispose of 60% equity of a wholly-owned subsidiary, Sinotruk Chongqing Fuel System Co., Ltd. to Weichai Power at the consideration of approximately RMB477 million in July 2021. After the completion of the disposal, Sinotruk Chongqing Fuel System Co., Ltd. will become from a subsidiary of the Company to an associate of the Company.

The Group agreed to dispose of a non-wholly owned subsidiary, Sinotruk Hubei Huawei Special Vehicles Co., Ltd. to CNHTC at the total consideration of approximately RMB104 million in August 2021. Details of the disposal were disclosed in the Company's announcement dated 27 August 2021.

PUBLICATION OF THE 2021 INTERIM RESULTS AND THE INTERIM REPORT

The interim results announcement for the six months ended 30 June 2021 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinotruk.com). The interim report of the Company for the six months ended 30 June 2021 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 Macao Special Administrative Region of the PRC and Taiwan
"CNHTC Group"	CNHTC and its subsidiaries other than the Group

"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
"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
"Director(s)"	the director(s) of the Company
"Euro"	the lawful currency of the European Union
"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

"HoH"	as compared to the period of six months ended 30 June 2020
"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 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 six-month period ended 30 June 2021

"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

"Weichai Power"	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company organized under the laws of the PRC with limited liability which shares are listed on the Main Board of the Stock Exchange (stock code: 02338) and on the Shenzhen Stock Exchange (stock code: 000338)
"%"	per cent

By order of the Board
Sinotruk (Hong Kong) Limited
Cai Dong
Chairman of the Board

Ji'nan, PRC, 27 August 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, Mr. Li Shaohua and Ms. Li Xia; 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.