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SINOTRUK (HONG KONG) LIMITED

中國重汽(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 03808)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

RESULTS

The Board is pleased to announce the consolidated results of Sinotruk (Hong Kong) Limited for the year ended 31 December 2021 together with the comparative figures for the previous year as follows:

Consolidated statement of profit or loss

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	2021 Audited	2020 Audited
REVENUE	4	93,357,031	98,197,985
Cost of sales		<u>(77,692,927)</u>	<u>(78,612,778)</u>
Gross profit		15,664,104	19,585,207
Other income and gains		1,258,030	962,401
Selling and distribution expenses		(4,539,909)	(4,983,205)
Administrative expenses		(6,284,627)	(5,670,709)
Impairment losses on financial assets, net		(155,980)	(127,419)
Other expenses		(181,722)	(295,627)
Operating profit		5,759,896	9,470,648
Finance income		119,950	57,897
Finance costs		(11,391)	(32,385)
Finance income, net		108,559	25,512
Share of profits and losses of associates		(5,641)	54,570
PROFIT BEFORE TAX	5	5,862,814	9,550,730
Income tax expense	6	(1,153,352)	(2,127,080)
PROFIT FOR THE YEAR		<u>4,709,462</u>	<u>7,423,650</u>

Consolidated statement of profit or loss (continued)

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	2021 Audited	2020 Audited
Attributable to:			
Owners of the Company		4,322,071	6,850,524
Non-controlling interests		<u>387,391</u>	<u>573,126</u>
		<u>4,709,462</u>	<u>7,423,650</u>
 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	7		
(expressed in RMB per share)			
Basic and diluted		<u>1.57</u>	<u>2.48</u>

Consolidated statement of comprehensive income

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	2021	2020
	Audited	Audited
PROFIT FOR THE YEAR	4,709,462	7,423,650
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) 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	6,417	(23,500)
Exchange differences on translation of foreign operations	11,639	(30,960)
Share of other comprehensive loss of associates	(3,348)	(1,702)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	14,708	(56,162)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Remeasurements of termination and post-employment benefit obligations	(6,384)	(6,525)
Revaluation gains arising from transfer of property, plant and equipment and right-of-use assets to investment properties	9,643	2,750
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	3,259	(3,775)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	17,967	(59,937)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,727,429	7,363,713
Attributable to:		
– Owners of the Company	4,333,317	6,800,608
– Non-controlling interests	394,112	563,105
	4,727,429	7,363,713

Consolidated statement of financial position

As at 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	2021 Audited	2020 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		14,215,393	12,438,433
Investment properties		753,520	724,075
Right-of-use assets		2,553,656	2,453,470
Goodwill		121,428	68,933
Other intangible assets		269,512	314,921
Interests in associates		1,338,382	1,028,215
Equity investments designated at fair value through other comprehensive income		31,925	33,125
Trade and financing receivables	9	5,007,345	7,195,586
Prepayments, other receivables and other assets		522,477	349,834
Deferred tax assets		2,222,779	2,327,101
Total non-current assets		27,036,417	26,933,693
CURRENT ASSETS			
Inventories		16,667,158	20,810,994
Trade, financing and bills receivables	9	24,063,467	20,222,201
Prepayments, other receivables and other assets		3,911,611	2,610,090
Financial assets at fair value through other comprehensive income	10	4,057,928	4,384,164
Financial assets at fair value through profit or loss		2,976,855	5,440,261
Cash and cash equivalents and restricted cash		28,306,498	30,606,858
Total current assets		79,983,517	84,074,568
CURRENT LIABILITIES			
Trade and bills payables	11	37,478,557	54,694,963
Other payables and accruals		19,378,305	14,224,620
Borrowings		3,510,514	1,473,910
Lease liabilities		3,298	21,646
Tax payable		311,397	1,312,086
Provisions		2,206,567	2,140,405
Total current liabilities		62,888,638	73,867,630

Consolidated statement of financial position (continued)

As at 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	2021	2020
	Audited	Audited
NET CURRENT ASSETS	<u>17,094,879</u>	<u>10,206,938</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>44,131,296</u>	<u>37,140,631</u>
NON-CURRENT LIABILITIES		
Borrowings	—	237,930
Lease liabilities	1,078	1,595
Deferred tax liabilities	127,238	96,772
Termination and post-employment benefit obligations	577,844	598,461
Deferred income	657,049	504,895
Tax payable	—	21,571
Total non-current liabilities	<u>1,363,209</u>	<u>1,461,224</u>
Net assets	<u>42,768,087</u>	<u>35,679,407</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	16,717,024	16,717,024
Other reserves	2,763,305	480,257
Retained earnings	16,190,815	14,917,727
	35,671,144	32,115,008
Non-controlling interests	<u>7,096,943</u>	<u>3,564,399</u>
Total equity	<u>42,768,087</u>	<u>35,679,407</u>

Notes to the consolidated financial information

(All amounts in RMB thousands unless otherwise stated)

1 General information

The Company was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation of CNHTC. The address of the Company's registered office is Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange.

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

Section 436 of the Companies Ordinance

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of 2021 annual results do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2021 in due course.

The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2021 and 2020. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Companies Ordinance.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value.

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

3. Accounting policies

3.1 New and amended standards adopted by the Group

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

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

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

3.2 Issued but not yet effective Hong Kong financial reporting standards

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2,5}</i>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information²</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2,4}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

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 (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 perspectives. From the geographical perspective, the Executive Committee assesses the revenue from Mainland China and overseas. From the business perspective, the Executive Committee assesses the performance of heavy duty trucks, light duty trucks and others, engines and finance.

- (i) Heavy duty trucks – Manufacture and sale of heavy duty trucks, medium-heavy duty trucks and related components;
- (ii) Light duty trucks and others – Manufacture and sale of light duty trucks, buses, etc. and related components;
- (iii) Engines – Manufacture and sale of engines and related parts; and
- (iv) Finance – Provision of deposit taking, borrowings, bills discounting, issue of bills and entrustment loans to the members of the Group and members of CNHTC and its subsidiaries excluding the Group (“CNHTC Group”) as well as the provision of auto and supply chain financing services to the public.

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

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

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (Continued)

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowances 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 purposes unless the segment is engaged in financing activities. Segment liabilities exclude deferred tax liabilities and income 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, income tax payable and the Company's liabilities.

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

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (Continued)

The segment results for the year ended 31 December 2021 are as follows:

	Year ended 31 December 2021					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Elimination	
External revenue						
Sales of goods	77,281,723	12,089,587	1,224,713	—	—	90,596,023
Rendering of services	976,376	—	4,725	—	—	981,101
Provision of financing services	—	—	—	1,779,907	—	1,779,907
Total external revenue	78,258,099	12,089,587	1,229,438	1,779,907	—	93,357,031
Inter-segment revenue	1,355,427	999,893	18,256,523	584,730	(21,196,573)	—
Total segment revenue	79,613,526	13,089,480	19,485,961	2,364,637	(21,196,573)	93,357,031
Operating profit/(loss) before unallocated expenses	4,269,265	(567,526)	1,725,269	865,767	(526,312)	5,766,463
Unallocated expenses						(6,567)
Operating profit						5,759,896
Finance income, net						108,559
Share of profits and losses of associates						(5,641)
Profit before tax						5,862,814
Income tax expense						(1,153,352)
Profit for the year						4,709,462

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (Continued)

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

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

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (Continued)

Other segment items included in profit or loss for the year ended 31 December 2021 are as follows:

	Year ended 31 December 2021					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	
Depreciation of property, plant and equipment	519,664	170,217	679,705	1,326	8	1,370,920
Depreciation of right-of-use assets	61,565	9,893	4,581	124	—	76,163
Amortisation of other intangible assets	<u>31,486</u>	<u>2,503</u>	<u>37,892</u>	<u>535</u>	<u>—</u>	<u>72,416</u>

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

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

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (Continued)

The segment assets and liabilities as at 31 December 2021 and addition to non-current assets of the segments for the year then ended are as follows:

	At 31 December 2021					
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	Total
Segment assets	71,133,279	9,447,042	26,255,789	61,019,461	2,865,044	170,720,615
Elimination						<u>(63,700,681)</u>
Total assets						<u>107,019,934</u>
Segment liabilities	47,359,631	9,029,109	12,819,800	51,378,114	448,528	121,035,182
Elimination						<u>(56,783,335)</u>
Total liabilities						<u>64,251,847</u>
Addition to non-current assets	1,909,394	114,498	1,299,859	2,297	—	<u>3,326,048</u>

A reconciliation for entity assets and liabilities is as follows:

	At 31 December 2021	
	Assets	Liabilities
Segment assets/liabilities after elimination	104,154,890	63,803,319
Unallocated:		
Deferred tax assets/liabilities	2,222,779	127,238
Prepaid income tax/tax payable	496,045	311,397
Other assets/liabilities	<u>146,220</u>	<u>9,893</u>
	<u>2,865,044</u>	<u>448,528</u>
Total	<u>107,019,934</u>	<u>64,251,847</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (Continued)

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

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

A reconciliation for entity assets and liabilities is as follows:

	At 31 December 2020	
	Assets	Liabilities
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
	<u>2,492,132</u>	<u>1,850,062</u>
Total	<u>111,008,261</u>	<u>75,328,854</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (Continued)

Geographical information

(a) Revenue from external customers

	2021	2020
Mainland China	81,556,486	91,836,126
Overseas	11,800,545	6,361,859
	<u>93,357,031</u>	<u>98,197,985</u>

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

(b) Non-current assets

	2021	2020
Mainland China	23,862,039	23,780,251
Overseas	951,599	826,341
	<u>24,813,638</u>	<u>24,606,592</u>

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

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (Continued)

Geographical information (Continued)

(b) Non-current assets (Continued)

	2021	2020
Addition to non-current assets		
Mainland China	3,326,048	3,359,194
Overseas	—	64
	<u>3,326,048</u>	<u>3,359,258</u>

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

(c) Contract liabilities

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

	2021	2020
Heavy duty trucks	4,266,985	3,629,451
Light duty trucks and others	616,171	623,943
Engines	24,771	44,665
	<u>4,907,927</u>	<u>4,298,059</u>

All contract liabilities as at 31 December 2020 have been recognised as revenue during the year ended 31 December 2021.

Information about major customers

During the years ended 31 December 2021 and 2020, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

5. Profit before tax

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

	2021	2020
Cost of inventories sold	68,684,880	68,913,396
Warranty expenses	1,387,131	1,792,204
Depreciation of property, plant and equipment	1,370,920	1,551,282
Depreciation of right-of-use assets	76,163	73,823
Amortisation of other intangible assets	72,416	61,548
Research and development costs*	3,280,256	2,622,693
Transportation charges	1,216,351	1,491,251
Auditor's remuneration:		
Financial audit services	6,289	6,289
Internal control audit services	468	468
Taxation professional services	83	83
Environmental, social and government report services	159	159
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries, allowances, social security and benefits	4,830,194	4,994,233
Defined contribution pension schemes**	562,366	371,753
Termination benefits	355,452	572,995
Post-employment benefits	28,489	331,800
Housing benefits	452,841	422,982
Other staff benefits	708,684	946,047
Impairment of goodwill***	—	13,610
Lease payments not included in the measurement of lease liabilities	44,984	21,240
(Gains)/losses on disposal of items of property, plant and equipment	(17,105)	3,501
Gain upon derecognition of leases	(248)	(574)
Write-down of inventories to net realisable value	348,403	256,751
Reversal of impairment of trade receivables	(119,684)	(98,815)
Impairment of financing receivables	265,196	262,718
Impairment of bills receivable	20,138	—
Reversal of impairment of financial assets included in prepayments, other receivables and other assets	(9,670)	(36,484)
Impairment of property, plant and equipment	9,493	2,368
Foreign exchange differences, net****	167,912	252,867

* The research and development costs of RMB3,280,256,000 (2020: RMB2,622,693,000) are included in "Administrative expenses" in the consolidated statement of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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

**** Foreign exchange differences, net are included in "Other expenses" in the consolidated statement of profit or loss.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

6. Income tax expense

	2021	2020
Current tax:		
– Hong Kong		
Charge for the year	2,170	31
Overprovision in prior years	(498)	(4,724)
	<u>1,672</u>	<u>(4,693)</u>
– Mainland China		
Charge for the year	1,006,104	2,723,227
Underprovision in prior years	31,117	17,816
	<u>1,037,221</u>	<u>2,741,043</u>
– Elsewhere	174	29
	<u>1,039,067</u>	<u>2,736,379</u>
Total current tax	1,039,067	2,736,379
Deferred	114,285	(609,299)
	<u>1,153,352</u>	<u>2,127,080</u>
Total tax charge	<u>1,153,352</u>	<u>2,127,080</u>

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 during the year. The Company is also determined as a Chinese-resident enterprise and, is subject to corporate income tax at a rate of 25% (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 remaining 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 a High New Tech Enterprise in 2019. Sinotruk Ji'nan Power Co., Ltd., Sinotruk Hangzhou Engines Co., Ltd., Sinotruk (Weihai) Commercial Vehicle Co., Ltd. and Sinotruk Datong Gear Co., Ltd. have been recognised as 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 High New Tech Enterprises.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

6. Income tax expense (continued)

Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., Sinotruk (Chongqing) Light Vehicle Co., Ltd., Sinotruk Liuzhou Yunli Kodiak Machinery 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 a corporate income tax at a rate of 20% (2020: 20%) according to the Tax Code of the Russian Federation.

Sinotruk South Africa (Pty) Ltd. is subject to corporate income tax at a rate of 28% (2020: 28%) according to the South Africa tax law.

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

Sinotruk (Kenya) Limited is subject to a corporate income at a tax rate of 30% (2020: 30%) according to the 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. Earning per share

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,760,993,339 (2020: 2,760,993,339) in issue during the year.

There are no dilutive potential ordinary shares during the year ended 31 December 2021 (2020: nil).

8. Dividend

	2021	2020
Final dividend for financial year 2020: HK\$1.04 or RMB0.88 (financial year 2019: HK\$0.39 or RMB0.36) per Share	<u>2,413,171</u>	<u>991,530</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

9. Trade, financing and bills receivables

	2021	2020
Trade receivables	7,911,108	8,073,123
Provision for impairment	<u>(1,134,084)</u>	<u>(1,236,456)</u>
Trade receivables, net (a)	6,777,024	6,836,667
Financing receivables	22,319,921	20,908,319
Provision for impairment	<u>(778,442)</u>	<u>(513,246)</u>
Financing receivables, net (b)	21,541,479	20,395,073
Bills receivable	772,447	186,047
Provision for impairment	<u>(20,138)</u>	<u>—</u>
Bills receivable, net (c)	<u>752,309</u>	<u>186,047</u>
	<u>29,070,812</u>	<u>27,417,787</u>
<i>Current portion</i>		
Trade receivables	6,524,402	6,580,431
Financing receivables	16,786,756	13,455,723
Bills receivable	<u>752,309</u>	<u>186,047</u>
	<u>24,063,467</u>	<u>20,222,201</u>
<i>Non-current portion</i>		
Trade receivables	252,622	256,236
Financing receivables	<u>4,754,723</u>	<u>6,939,350</u>
	<u>5,007,345</u>	<u>7,195,586</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

9. Trade, financing and bills receivables (continued)

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

	2021	2020
Less than 3 months	1,632,241	3,839,205
3 months to 6 months	2,715,164	714,816
6 months to 12 months	1,127,599	538,684
1 year to 2 years	323,354	844,299
2 years to 3 years	503,988	410,917
Over 3 years	474,678	488,746
	<u>6,777,024</u>	<u>6,836,667</u>

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

As at 31 December 2021, approximately RMB921,325,000 (2020: RMB755,732,000) of the Group's trade receivables are secured by letters of credit issued by certain overseas third parties. As at 31 December 2021, approximately RMB1,666,131,000 of trade receivables (2020: RMB1,829,077,000) were guaranteed by China Export and Credit Insurance Corporation.

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

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 provisions, is as follows:

	2021	2020
Less than 3 months	5,451,878	3,795,722
3 months to 6 months	4,499,349	4,099,756
6 months to 12 months	6,835,529	5,559,896
1 year to 2 years	4,468,320	6,254,312
2 years to 3 years	286,403	678,831
Over 3 years	—	6,556
	<u>21,541,479</u>	<u>20,395,073</u>

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

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

	2021	2020
Discounted bills	3,712	17,083
Commercial acceptance bills	768,735	168,964
Provision for impairment of commercial acceptance bills	(20,138)	—
	<u>752,309</u>	<u>186,047</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

9. Trade, financing and bills receivables (continued)

(c) (continued)

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

	2021	2020
Less than 3 months	672,188	167,188
3 months to 6 months	79,921	16,989
6 months to 12 months	200	1,870
	<u>752,309</u>	<u>186,047</u>

10. Financial assets at fair value through other comprehensive income

	2021	2020
Debt investments		
– bank acceptance bills	<u>4,057,928</u>	<u>4,384,164</u>

The Group receives acceptance bills from its customers to settle their debts and intends to use these acceptance bills either to pay off its trade and other payables or to hold until maturity. As at 31 December 2021, there were bank acceptance bills at RMB2,443,000 pledged for the issue of bills.

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

	2021	2020
Less than 3 months	1,635,071	3,425,854
3 months to 6 months	1,748,665	898,473
6 months to 12 months	674,192	59,837
	<u>4,057,928</u>	<u>4,384,164</u>

Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

11. Trade and bills payables

	2021	2020
Trade payables	29,015,522	41,808,190
Bills payable	8,463,035	12,886,773
	<u>37,478,557</u>	<u>54,694,963</u>

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

	2021	2020
Less than 3 months	29,662,715	42,560,649
3 months to 6 months	6,789,670	11,088,282
6 months to 12 months	945,449	880,321
1 year to 2 years	29,446	118,741
2 years to 3 years	21,785	32,223
Over 3 years	29,492	14,747
	<u>37,478,557</u>	<u>54,694,963</u>

12. Events after the reporting period

On 28 February 2022, the Company announced that SHIG had completed the registration of its holding of 65% of equity interest in CNHTC and, thereafter, become the ultimate holding company of the Company.

On 31 March 2022, the Group disposed of 66% equity in Sinotruk Mianyang Special Vehicles Co., Ltd. which was originally a wholly-owned subsidiary of the Company at cash consideration of RMB12 million. Thereafter, Sinotruk Mianyang Special Vehicles Co., Ltd. became an associated company of the Group.

PROPOSED DIVIDENDS

The Board recommends to distribute to Shareholders whose names appear on the register of members of the Company on Friday, 8 July 2022 a final dividend of either HKD0.68 or RMB0.55 per Share (converted at the exchange rate of RMB0.81101 to HKD1 as published by the PBOC on Thursday, 31 March 2022) for the year ended 31 December 2021 (the “**2021 Final Dividend**”) with a sum of approximately HKD1,877,475,000 or RMB1,518,546,000 which is subject to the Shareholders’ approval at the forthcoming 2022 AGM.

The Company has been determined as a Chinese-resident enterprise. Pursuant to the “Enterprise Income Tax Law of the PRC” 《中華人民共和國企業所得稅法》 and the “Detailed Rules for the Implementation of the Enterprise Income Tax Law of the PRC” 《中華人民共和國企業所得稅法實施條例》, a Chinese-controlled offshore incorporated enterprise shall withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders. As the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders to whom the Company pays the 2021 Final Dividend.

In respect of all the Shareholders whose names are not registered as natural persons (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organizations, which are all considered as non-PRC resident enterprise shareholders), the Company will distribute the 2021 Final Dividend after deducting an enterprise income tax of 10% or other appropriate rates.

The Company will not withhold and pay the income tax in respect of the 2021 Final Dividend payable to PRC resident enterprise shareholders, exempted entities or any natural person shareholders.

CLOSURE OF REGISTER OF MEMBERS

The upcoming AGM of the Company will be held on Tuesday, 28 June 2022 and the record date for determining the entitlement of the Shareholders to attend and vote at the AGM is Tuesday, 28 June 2022. The register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to attend and vote in the AGM, holders of the Shares must lodge their Share certificates together with the relevant Share transfer documents with Computershare Hong Kong Investor Services Limited, the share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 22 June 2022.

In order to determine the entitlement of the Shareholders to the proposed 2021 Final Dividend, the register of members of the Company will be closed from Thursday, 7 July 2022 to Friday, 8 July 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to receive the proposed 2021 Final Dividend to be approved at the AGM, holders of the Shares must lodge their Share certificates together with the relevant Share transfer documents with Computershare Hong Kong Investor Services Limited, the share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 6 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

TRUCK MARKET

In 2021, facing the severe and complex domestic and international situation, especially the recurrent impact of the COVID-19 pandemic, China's economy operated at a generally stable pace, with a rapid rebound in the first half of the year while slowing down in the second half. Under the triple pressure of contracting demand, supply shock and weakening expectation, the Central Economic Working Conference called for "stability as first priority and progress in a stable manner", and thus "stable and sustainable growth" became China's medium and long-term development trend. In the year, China's GDP grew by 8.1% YoY, while investment in fixed asset (excluding rural households), infrastructure and property development increased by 4.9%, 0.4% and 4.4% YoY respectively, and turnover of road freight increased by 14.8% YoY.

During the Period, the domestic economy grew steadily and the overall external economic environment for commercial vehicles tended to be positive. The commercial vehicle market in the first half of the year was driven by factors such as the upgrade in China VI Vehicle Emission Standards (國六排放), the control over overloading and loading limit (治超治限), and the commencement of infrastructure projects, resulting in growing demand, while in the second half of the year it was weaker due to factors such as the depressed real estate development industry and the gradual reduction of benefits from "restrictions of power and production & control over energy consumption and carbon emission" (雙限雙控). According to CAAM, the annual sales of heavy duty trucks reached approximately 1,395,000 units, representing a decrease of 13.81% YoY, and the HTDs market continued its high prosperity in demand. As for the light duty trucks market, compliance and lightweight of trucks have gradually become the mainstream under the comprehensive effect of new regulations on LDTs with blue plates, the tightening control over overloading and the expansion of urban distribution in logistics market. According to CAAM, the annual sales of LDTs amounted to approximately 2,110,000 units, representing a decrease of 4% YoY and a slight decrease in the overall demand for LDTs.

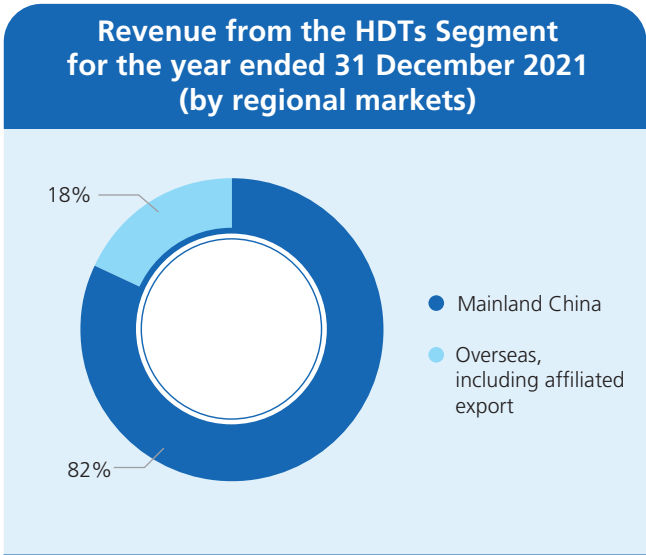
FINANCING MARKET

In 2021, the Chinese government continued to implement the loan prime rate (LPR) mechanism. During the Period, one-year LPR was lowered once but LPR of over five years was not adjusted. As at 31 December 2021, one-year LPR was 3.8% while LPR of over five years was 4.65%.

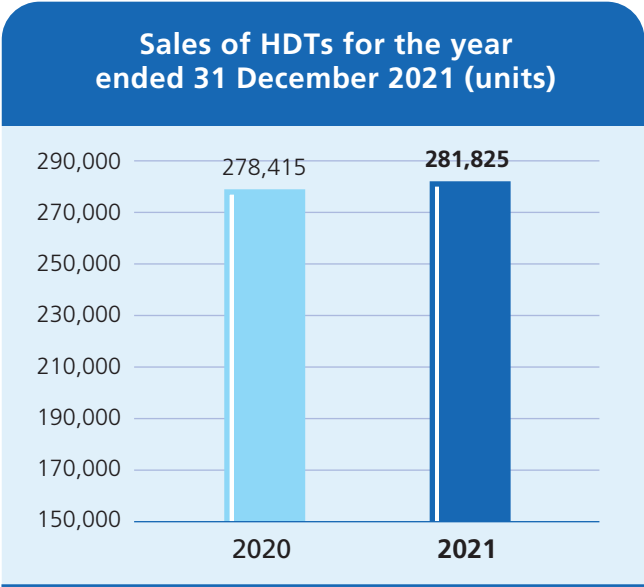
OPERATION REVIEW

HDTs SEGMENT

The total revenue from the HDTs Segment, including sales of HDTs and services provided to customers thereof, was RMB79,614 million, representing a decrease of 4.2% YoY. The segment’s operating profit margin was 5.4%, representing a decrease of 0.9 percentage points YoY, mainly due to the significant increase in raw material prices and product structure adjustments. During the Period, the proportion of segment revenue by regional markets is as follows:



During the Period, the Group sold a total of 281,825 HDTs, representing an increase of 1.2% YoY.



DOMESTIC BUSINESS

During the Period, the Group sold 227,775 HDTs in the PRC, representing a decrease of 8.0% YoY.

The Group continued to enhance the core competitiveness of products, deepen the penetration of our business in segment markets and implement precise marketing strategies, achieving significant breakthroughs in various segment markets such as tractor truck, tipper truck, cargo truck, special vehicle and mixer truck, etc.

In the market of tractor truck, insisting on a market orientation, the Group continued to reduce the fuel consumption and dead weight of our products. In particular, we took an invincible lead in the medium and long distance composite transportation market, in which our HOWO (豪沃) TH tractor with high reliability, excellent comfort and attractive appearance became a hot-selling product. In the market of cargo truck, relying on the competitive strength in differentiated products, SITRAK (汕德卡) for express delivery, HOWO TX for cold-chain transportation and HOWO N Series for bulk cargo became our star products. In the

market of mixer truck, we successfully introduced the smart pump products, led the product innovation in the market and continued to be number 1 in the mixer truck industry. In the market of special vehicle, SITRAK has fully entered the fields requiring high reliability, safety and comfort, such as pump truck, fire truck, emergency support vehicle, television communications vehicle, mobile medical vehicle, cash truck, recreational vehicle (RV), carrier vehicle for dangerous chemicals, high-end sanitation vehicle and metrological truck, etc., and is highly recognized by the industry.

As at 31 December 2021, in the PRC there were more than 780 dealerships selling HDTs of the Group, more than 1,270 service centers offering high-quality after-sales services and more than 90 modification enterprises offering tuning services.

INTERNATIONAL BUSINESS

In 2021, the global economy under the recurrent impact of the COVID-19 pandemic recovered in fluctuations. Industrial production and merchandise trade in all economies recovered steadily and exceeded the standards before the pandemic, but the recovery slowed down with huge regional differences in the second half of the year due to the impact of new variants of the virus. Therefore, the overall growth rate of global manufacturing industries was high at the beginning and then slowed down, and the demand for commercial vehicles, which was closely related to the macro economy, also showed synchronization. Faced with the severe economic situation, the Group endeavored to expand the market while preventing and controlling the COVID-19 pandemic, resulting in steadily improved market position in the fierce competition.

During the Period, the Group exported 54,050 HDTs (including affiliated export), representing an increase of 74.6% YoY. The export revenue (including affiliated export) amounted to RMB14,064 million, representing an increase of 70.3% YoY. The Group held a market-leading position in the export of HDTs in the PRC for 17 consecutive years.

Reconciliation of overseas revenue to affiliated export revenue from HDTs:

	2021	2020
	RMB million	RMB million
Overseas revenue	11,801	6,362
Affiliated export revenue	3,334	2,390
Total affiliated export revenue	15,135	8,752
Total non-HDTs export revenue (including affiliated export)	(1,071)	(492)
Total HDTs export revenue (including affiliated export)	14,064	8,260

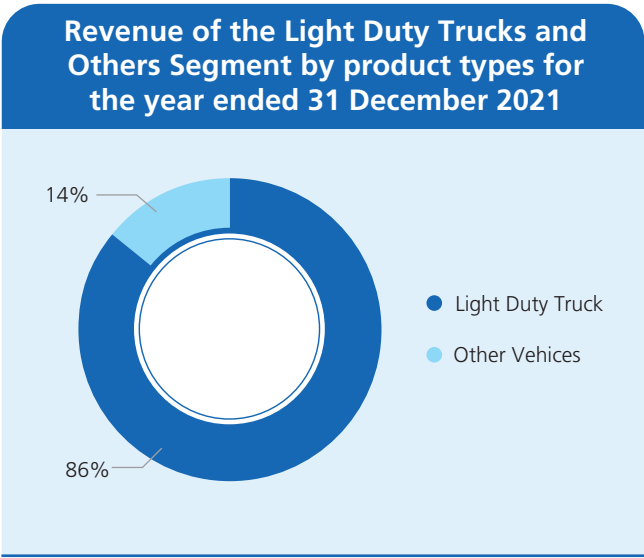
Affiliated export refers to the Group’s sales to domestic exporters providing shipping documents to prove their direct export to overseas customers. The Directors consider that affiliated export forms part of the Group’s export business.

During the Period, with the market opportunities arising from the economic recovery, the Group consolidated our traditional advantages in markets of Africa and Southeast Asia, and accelerated the development of advantages in markets of European and American brands. Focusing precisely on customers’ usage scenarios and needs, we also accelerated the breakthroughs in our relatively weak markets for cargo truck and high-end tripper truck. By advancing the upgrade of export products structure, we completed three transformations, namely, “from selling low-quality products to selling high-quality products, from selling products to selling brands, and from selling brands to selling services”. Strengthening marketing management and focusing on the head market, the Group further enhanced its brand image and product popularity.

As at 31 December 2021, the Company had approximately 300 dealerships, over 520 outlets for services and spare parts, and 26 cooperative “knock down” (KD) plants overseas in more than 110 countries and has formed an international marketing network largely covering developing countries and major emerging economies in Africa, the Middle East, Central and South America, Central Asia, Russia and Southeast Asia, as well as BRICS, developed countries and regions like Australia, Ireland and New Zealand, and mature markets including Hong Kong and Taiwan.

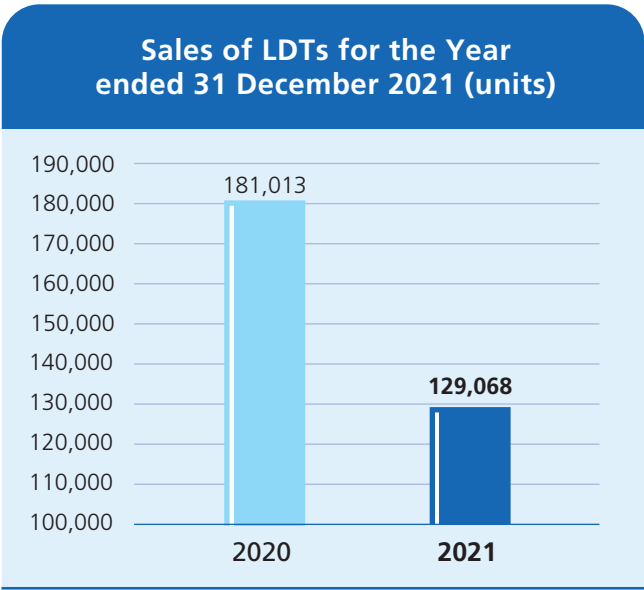
LDTs AND OTHERS SEGMENT

Revenue from LDTs, the major products of the LDTs and Others Segment, accounted for approximately 86.1% of total revenue of the segment, while other products of the segment included buses, pickup trucks and other vehicles. During the Period, the proportion of segment revenue by products was as follows:



The total revenue from the LDTs and Others Segment, including sales of LDTs and other vehicles and services provided to customers thereof, was RMB13,089 million, representing a decrease of 11.7% YoY. The segment’s operating loss margin was 4.3%, representing a decrease of 7.4 percentage points as compared to the operating profit margin of 3.1% in the corresponding period of last year, mainly due to the decrease in the sales of certain high-margin products as a result 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 were still being adjusted.

During the Period, the Group sold 129,068 LDTs, representing a decrease of 28.7% YoY.



During the Period, the Group accelerated the introduction of LDTs complying with China VI Vehicle Emission Standards and achieved a steady increase in the sales thereof. Meanwhile, we continued to extend our product lines and optimize our product performance to meet market demands better. We also improved market coverage and precisely defined the positioning of each product line and platform to promote the overall improvement of “quality (品質)” of vehicle models on different platforms. In addition, the Group continued to optimize and eliminate inefficient outlets thus the operational quality of distribution network was significantly improved.

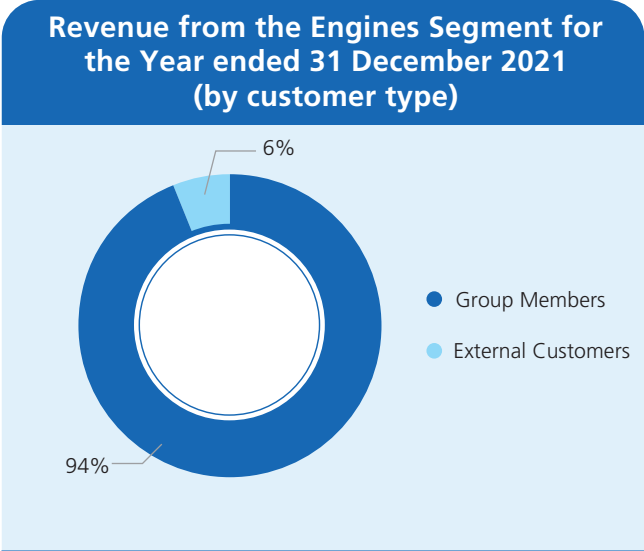
During the Period, the Group’s product structure continued to be balanced. From the perspective of emission, the proportion of light duty truck with 2.5L and below had increased significantly, and a sales structure supported by three platforms of 2.0L, 2.3L and 2.5L had been gradually formed. From the perspective of product type, the proportion of cargo truck and van has increased significantly, the product structure was more in line with market demand, and the ability to resist risks had been significantly improved.

During the Period, featured products of the Group continued to break through, with a steady increase in the sales of special vehicles and new energy products, and with strong performance of the products such as refrigerated truck, flatbed truck and sanitation truck, and mass introduction of new energy products to the market.

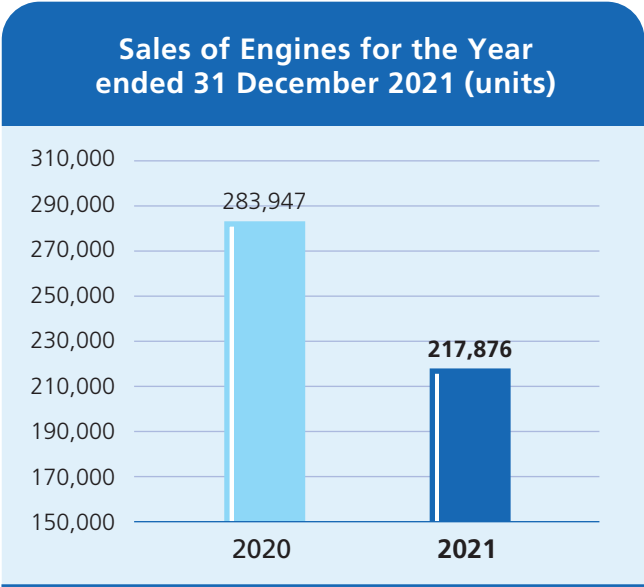
As at 31 December 2021, the Group had, in the PRC, a total of approximately 1,000 dealerships of LDTs, more than 1,670 service centers offering after-sales services and more than 160 modification enterprises offering tuning services.

ENGINES SEGMENT

During the Period, the segment recorded total revenue of RMB19,486 million, representing a decrease of 27.7% YoY, of which external sales accounted for 6.3%, representing an increase of 0.8 percentage points YoY. The segment’s operating profit margin was 8.9%, representing a decrease of 6.1 percentage points YoY, mainly due to the decrease in sales affected by the shortage of chips and increase in average cost as a result of the increase in raw material prices. During the Period, the proportion of segment revenue by customer type was as follows:



During the Period, Engines Segment sold 217,876 engines, representing a decrease of 23.3% YoY.



The Group is committed to research and development (R&D) of engine technologies, benchmarking with international standards and enhancing quality control to continuously create and improve the most competitive products in terms of quality, cost and technology. Our engine products with advanced technologies and high-quality have been gaining recognition among customers and are sold to other manufacturers of HDTs and construction machinery in the PRC, in addition to meeting the Group’s vehicle production needs.

During the Period, the Group focused on optimizing the reliability, economy and market adaptability of our engines complying with China VI Vehicle Emission Standards, in order to lay a solid foundation for the full implementation of relevant laws and regulations. During the Period, MC series engines complying with China VI Vehicle Emission Standards with high stability and low cost went on sale and were widely recognized by the users. In addition, the Group strengthened the R&D, optimization and market introduction of MT series gas engines to enhance the competitiveness of our finished vehicles.

R&D STRENGTH

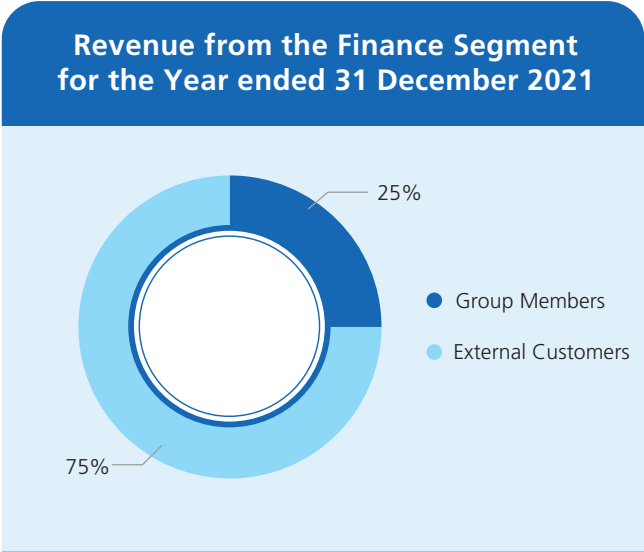
The Group has comprehensive R&D capabilities for the whole series of commercial vehicles, complying with international standards in R&D of finished vehicles, and getting close to international levels at components and parts of key vehicle assembly. An independent innovation and R&D system mainly based on independent R&D and supplemented by the cooperation among “production, education and research” has been established.

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

During the Period, the Group adhered to strategic guidance and innovative development, catered to market demand, and accelerated the optimization and upgrade of products and structure adjustment to achieve new breakthroughs in several critical technologies. In terms of finished vehicles, certain innovative results and positive progress in fuel consumption reduction, light-weighting, gearshift optimization and new vehicle development were achieved. In terms of engines, we continued to optimize our engines complying with China VI Vehicle Emission Standards, resulting in better performance in segment markets. Meanwhile, the Group launched “Yellow River”, an HDT with international and domestic leading position in power and economical efficiency, and the first worry-free gearshift system in the world. In addition, the Group participated in the formulation and revision of more than 10 industry standards for HDTs, and completed the R&D of more than 240 projects for finished vehicles, key vehicle assemblies and components and parts.

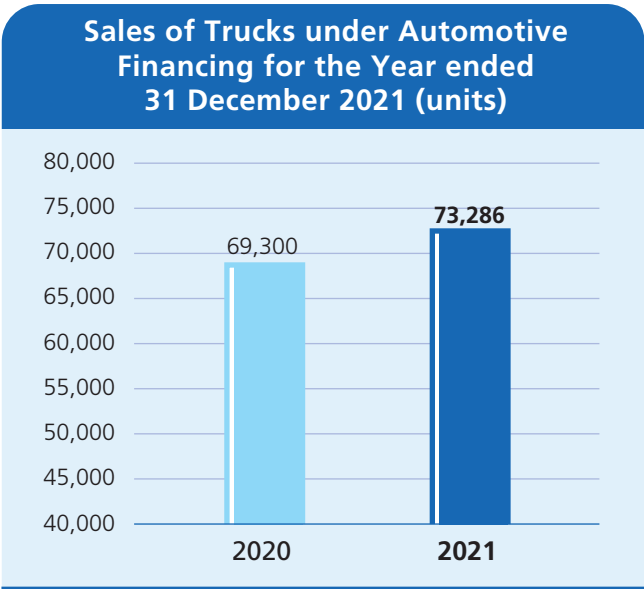
FINANCE SEGMENT

During the Period, the revenue from the Group’s Finance Segment, including interest income and leasing income, was RMB2,365 million, representing an increase of 32.4% YoY. Revenue from external customers amounted to RMB1,780 million, representing an increase of 33.1% YoY. The segment’s operating profit margin was 36.6%, decreased by 6.1 percentage points YoY, primarily due to the launch of favourable financial products for promoting the sales of trucks. During the Period, the proportion of segment revenue by customer type was as follows:



During the Period, the Group continued to improve its risk management and control capabilities, and established a digital and intelligent risk control system through the comprehensive introduction of automatic identification technology, i.e. Optical Character Recognition (OCR), paperless e-contracting system and full cycle management of dealerships, achieving remarkable technology-empowered and technology-led results. We broadened our financial channels and launched a number of specialized financial solutions to meet the personalized financial needs from our regional dealerships and customers, and thus initially established a diversified management system for financial products. The Group formulated standards on the first-time granting of credit to dealerships, the processing of additional credit and the collecting of security deposit, to enable the evidence-based granting of credit,

which resulted in significantly increased credit coverage for dealerships and further enhanced financial support for sales. During the Period, the Group sold 73,286 finished vehicles under automotive financing services, representing an increase of 5.8% YoY.



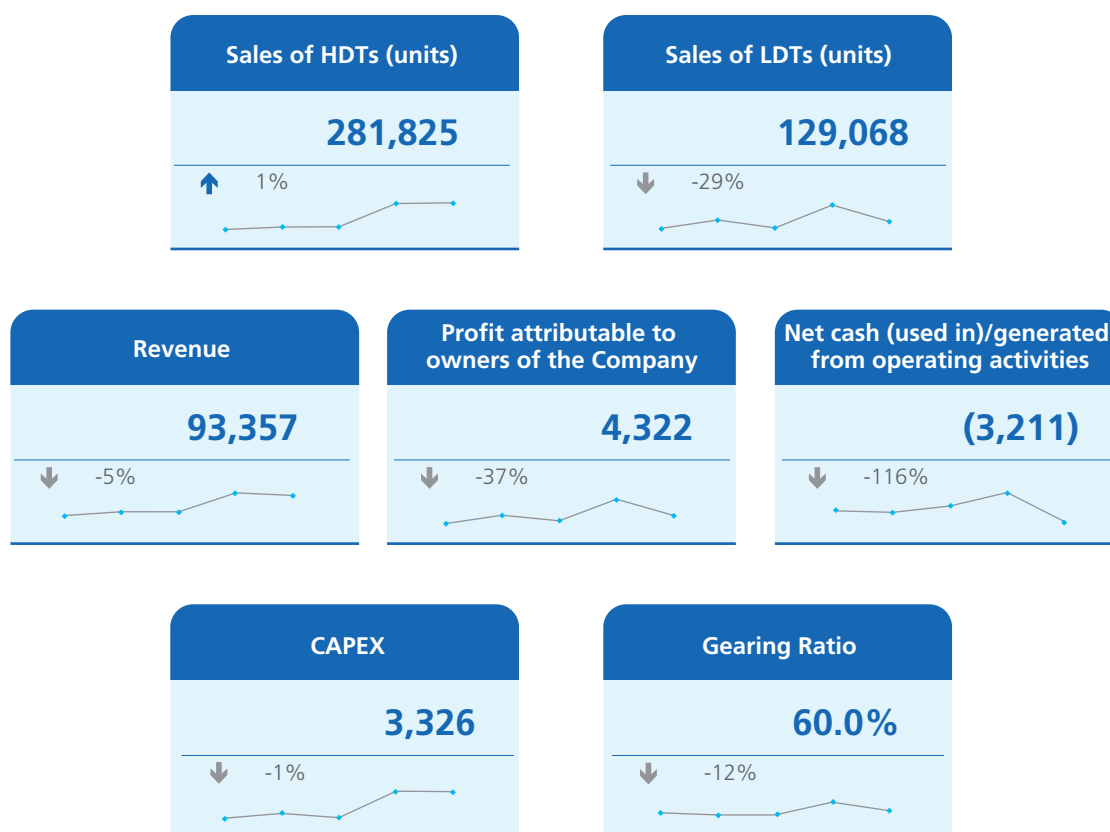
As at 31 December 2021, the Finance Segment of the Group had established 22 business units, with its financing business covering Mainland China, and further improved its automotive consumer credit services.

MAJOR KEY PERFORMANCE INDICATORS (“KPIs”)

The Directors put emphasis on Shareholders’ interests and the sustainable development of the Group as a whole, using financial and non-financial indicators as benchmarks to assist in evaluation and decision-making. Sales and revenue of HDTs and LDTs illustrate actual operating results and performance, while cash is crucially important to our survival and net cash generated from operating activities provides insight on the Group’s ability to generate cash flow as a going concern. Gearing ratio (i.e. total liabilities to 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 and table set out the Group's KPIs for the year ended 31 December of each of the following years:

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



KPIs	2021	2020	2019	2018	2017
Sales of HDTs (units)	281,825	278,415	169,433	168,048	156,243
Sales of LDTs (units)	129,068	181,013	109,280	134,046	107,660
Revenue	93,357	98,198	62,613	62,728	55,458
Profit attributable to owners of the Company	4,322	6,851	3,474	4,346	3,023
Net cash generated from operating activities	(3,211)	19,492	8,979	3,993	5,155
CAPEX	3,326	3,359	1,363	1,621	1,245
Gearing ratio	60%	68%	56%	56%	58%

Note: The Group entered into business combinations under common control with Datong Gear in 2020 and HOWO Bus in 2019 respectively, thus data for 2019 has been restated according to data of Datong Gear, data for 2018 has been restated according to data of HOWO Bus only, but data for 2017 has not been restated according to any business combination under common control.

BUSINESS STRATEGIES AND PROSPECTS

Looking forward to 2022, internationally, global economic recovery is expected to continue in 2022 along with restoration of the endogenous economic momentum; domestically, China's economy will continue to seek improvement in stability and transform to high-quality development. China will continue to expand domestic demand, strengthen the endogenous driving force of development, deepen the supply-side structural reform, and adopt advanced infrastructure investment and proactive fiscal policy to provide guarantee for economic growth.

From the perspective of the commercial vehicle industry, advanced infrastructure investment and proactive fiscal policy are expected to drive market opportunities for engineering vehicles in the HDTs market. Elimination of China III Emission Standard vehicles, traffic restriction on China IV Emission Standard vehicles and strict regulation of environmental protection will bring a permutational increment and the demand for new energy heavy trucks will further increase. In addition, the release of the "3060 dual-carbon policy" (3060雙碳政策) brings new opportunities and challenges. New energy and intelligent network vehicles will become the iconic and leading products in the new round of science-tech revolution and industrial transformation.

The Group insists on “customer satisfaction” as our core value, and aims to achieve our strategic vision as a world-class enterprise in terms of all series of commercial vehicles. In 2022, the Group will strive to perform well in the following areas:

1. Accelerate the sales of China VI products to ensure a rapid increase in market share. Focus on the key segment markets of China VI to ensure that products have absolute competitive advantages through accurate benchmarking, product planning, and resource matching; seize the market opportunities in high-end cold chain “green pass” and express delivery, and accelerate the breakthrough in the market for cargo trucks and standard light duty trucks.
2. Accelerate the optimization of the marketing network and continuously improve the brand image. Transform from single marketing model into full value chain and smart marketing, promote standardized management of dealers and comprehensively improve the network operation capability.
3. Accelerate the commercialization of all series of new energy commercial vehicles and create new growth opportunities. Develop and expand pure electric, hybrid and fuel cell vehicles with all series of electric drive bridges as the main route, create differentiated competitive advantages, and promote the application of a new generation of intelligent driving, intelligent networking and other technologies.
4. Accelerate the winning of export orders and promote the internationalization of products and brands. Make systematic plans to cultivate international markets. Accelerate product transformation and upgrade in export markets, and introduce new products into the market to provide strong support for sales growth.

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 relationships of 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 upholds the concept of “customer satisfaction as our top priority” and established a service brand “親人” (“Family”) with an aim to make customers enjoy the whole process of service. The Group established a comprehensive after-sales management system to proactively communicate with clients, protect clients' privacy and improve customer service. The Group provides 24-hour “400” service hotline, complaints recording and online complaint service on the Smart Sinotruck (“智慧重汽”) app. We attach high importance to customers' feedback and proactively deal with complaints on our service or products by establishing and optimizing complaint process. For frequent problems in service and products, we conduct review in time and set up improvement plan to further improve reliability of products and service and maintain the brand's image.

The Group has established a complete program of customer service survey and considers customers' feedback as an important basis for daily business improvement. We set up customer satisfaction survey on several platforms to timely monitor and manage the survey and conduct quality satisfaction survey quarterly in vehicle manufacturing plants, distribution companies and service offices. We analyze clients' unsatisfactory points and pay return visits to identify their needs and request relevant departments to take actions for remedy, propose improvement plan and verify its feasibility. The similar cases would be avoided with the close cycle management. In 2021, the Group received an aggregate of 1,521 replies to its customer satisfaction survey from 31 provinces, coverings various brands including SITRAK, HOWO and Hohan, with a customer satisfaction of 96%.

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 product recall procedure to identify problems, collect, analyze, deliver and store information on quality-related issues. Meanwhile, the Group made routine filing and maintenance of both the corporate and product information according to “Platform of Integrated Information Management for the Recall of Defective Motor Vehicles” 《缺陷汽車產品召回綜合資訊管理平台》. We will proactively recall (or instruct to recall) the defective products and take the corresponding remedial and prevention measures to avoid potential personal injury and property loss. In 2021, the Group had no product recall related to security and health.

The Group upholds integrity, trust and win-win cooperation as concept of supply chain management, set up internal managing documents and established a comprehensive supply chain management system based on Group’s development needs to strengthen supplier management. Meanwhile, we place importance on mutual development with suppliers, cooperate with suppliers based on fair and open principles and provide various trainings to achieve win-win business. Through internal documents such as “Procurement Control Procedure” 《採購控制程序》 “Approval Procedures for Supplier Access and Product Release” 《配套產品供方准入和產品釋放批准程序》 “Supplier Management Procedure” 《供方管理程序》 “Procurement Management Procedure on Product Tender” 《產品類招標採購管理流程》 “Supervision and Management on Product Procurement” 《配套產品採購執行監督管理辦法》，the Group standardized the whole process on supplier introduction and screening, review and evaluation. We pay attention to communicate and pursue mutual development with suppliers to achieve sustainable development of supply chain.

The Group is well aware that our employees are constant driving force to achieve a sustainable development of the enterprise. We protect employees’ legal rights and benefits, established a comprehensive promotion system, provide professional learning platforms and implement measures on staff care in order to achieve mutual development of both employees and the enterprise. Adhering to principles of openness and fairness, we constantly improve the criteria on introduction of talents on the basis of competitive selection through campus and social recruitment and ensure that there is no discrimination on gender, region, nationality, religion, age, pregnant or marital status, disability and political stance, etc. to provide strong support for the establishment of our talent team in a scientific manner.

The Group values the growth and development of our employees. Provides a smooth promotion channel and comprehensive training system to conduct staff training and drive them to realize their personal value maximization. Adhering to the concept of “making the best possible use of the talents”, we set up a fair and open performance appraisal system based on performance result and newly-developed position map. A clear promotion channel is established by utilizing the point mechanism for promotion. To motivate scientific researchers to make more contribution, the Group established a dynamic exceptional promotion mechanism which provides them with more promotion opportunities. At the same time, the Group has established comprehensive career development channel for employees: professionals such as managerial and technical personnel can be promoted to the experts of management and technology, while operational staff can be promoted to “Skilled Expert”(技能專家) or “Golden Blue-Collar” (金藍領).

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

During the Period, the staff (including Directors) expenses of the Group (including remunerations, retirement benefits, other welfares and post-employment benefits) amounted to RMB6,938 million, representing a decrease of 9.2%. The decrease is due to the decrease in termination and post employment benefits during the Period as the Group had streamlined the human resources structure in 2020 YoY. The Group did not have any share option scheme in place as at 31 December 2021.

As at 31 December 2021, the Group employed a total of 28,502 employees, who were classified by function and education as follows:

	Number of employees	%
Management team	303	1
Technical and engineering staff	3,463	12
Research and development staff	2,636	9
Production staff	15,676	55
Sales staff	3,003	11
Administrative staff	<u>3,421</u>	<u>12</u>
Total	<u><u>28,502</u></u>	<u><u>100</u></u>

PRINCIPAL RISKS AND SOLUTIONS

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

1. QUALITY RISKS

The Group continued to strengthen quality process control through quality indicators and assessment system construction, quality information processing, and corporate standard upgrades, etc., with a view to strictly controlling quality risks.

MITIGATION MEASURES:

In terms of quality indicators and assessment system construction: Firstly, the priority was to benchmark advanced world standards and top-notch domestic enterprises. In 2021, a quality indicator system was established from five perspectives, namely, research and development, engineering, procurement, manufacturing, and service quality, covering the quality evaluation of the whole process of research, production, supply, sales and service. Secondly, the planning of information-based quality management platform was completed, and the evaluation and analysis of vehicles, assemblies and parts and components were made from such perspectives as operating mileage, duration, single-vehicle cost, etc., with a view to improving the efficiency of process management and the accuracy of result management. Thirdly, a quality assessment system featuring strict compliance and efficiency was established in accordance with the principle of “whoever produces is responsible”, and the Measures for Customer-Oriented Quality Loss Investigation and Accountability Assessment (《客戶導向的品質損失調查和責任追究考核辦法》), Administrative Measures for Product Quality Inspection and Assessment (《產品品質稽查考核管理辦法》), Administrative Measures for After-sales PPM Assessment (《售後PPM考核管理辦法》) and other assessment measures were released, leading to significant enhancement of employees’ quality awareness. There were no material quality issues in batches in 2021.

In terms of rapid response to quality information: Firstly, a platform for feedback on service quality and a platform for feedback on new product quality issues were launched, with an aim to improve customer satisfaction. Regarding after-sales problems, responsibility would be taken on the same day, and a rectification plan would be formulated within 48 hours. Secondly, the Specifications for Importance Classification of Quality Problems (《品質問題重要度分級規範》) were issued, in order to implement graded management according to the severity, frequency, urgency and damage of the problems. Thirdly, resources were allocated within the Group; group-wide quality improvement project was released; and improvements were made regarding the parts with frequent occurrence of the top three after-sales issues (failure parts per million (PPM), claim costs, and failure times). After-sales tracking revealed that significant improvements were achieved in the quality enhancement of China VI products, battery, chassis shock absorber, dual-H valve, wiper motor, gating system, etc., with relevant failure rate dropping by 50% YoY.

Incoming inspection was strengthened to prevent the inflow of substandard products. Incoming inspection standards were optimized, ensuring a 100% coverage of inspection work documents. The inspection environment and inspection capabilities were improved, and the investment in inspection equipment and tools was increased, with RMB72 million invested in inspection equipment in 2021.

In terms of enterprise standard upgrade and management, the quality management system was implemented, and the Group's standards for R&D, verification, release and supplier management were established; benchmarking national standards and industry standards, the Group's standards for design, trial production, testing and release of vehicles and key components were established, ensuring the compliance and quality advancement of vehicle products. In 2021, a total of 2,172 enterprise standards were released for vehicles and critical parts, covering technology, process, and quality and supplier management.

2. HEALTH, SAFETY AND ENVIRONMENTAL RISKS

The Group strictly implements the national requirements on environmental and occupational health and safety management. In 2021, the Group refined and improved 36 internal safety and environmental protection rules and regulations in accordance with relevant national laws and standards, ensuring the safe operation of the enterprise and achieving zero occurrence of major safety production accidents this year.

MITIGATION MEASURES:

Accountability for production safety was implemented in an all-round way, and the management and control of major risk points was continuously strengthened. Based on the production scheduling plan, a safety inspection plan was formulated in advance every month to achieve full coverage of the Group's risk point inspections, and safety production inspections were conducted on site. In 2021, the Group conducted 566 on-site inspections, discovered and dealt with 3,182 hidden dangers in a timely manner, conducted safety inspection reports on a monthly basis, and carried out rectification and follow-up assessment.

The safety production awareness of all employees was continuously enhanced. In 2021, the Group carried out safety training in various forms including online and offline totalling 260,000 hours, with an average of 9.12 hours per person. Through the training of safety operation procedures, safety laws and regulations, relevant standards, on-site emergency knowledge, etc., the safety awareness of employees was enhanced.

Occupational health monitoring was strengthened to ensure occupational health protection. In 2021, the Group continued to carry out the “three simultaneous” work related to the facilities for occupational disease protection while implementing new, renovated and expanded projects. Various occupational hazards were controlled from the source by improving the process, and replacing highly toxic materials with low-toxic and non-toxic materials. Annual inspection of occupational disease hazard factors and evaluation of current situation were regularly carried out, with an aim to ascertain the types and degree of occupational disease hazards in the workplace and to take targeted prevention and control measures to protect workers’ occupational health. Pre-job, in-job and post-job occupational health examinations were carried out regularly for workers exposed to occupational hazards.

Environmental protection management was strengthened and the concept of green development put into practice. In 2021, the Group invested a total of more than RMB32 million in and completed 10 environmental improvement projects. The Group actively identified the laws and regulations applicable to the Group’s environmental and occupational health and safety management, and strictly implemented the Comprehensive Management Regime for Environmental Protection (《環境保護綜合管理制度》). The Group strengthened the control of environmental risks, formulated management and control measures for all environmental risk issues within the Group, and continued to promote the replacement and upgrade of environmental protection equipment and facilities, with a view to complying with environmental regulatory requirements.

3. FOREIGN EXCHANGE RISKS

The Group has ranked first in the industry in China for 17 consecutive years in terms of heavy duty truck exports, and international business has become an important part of the Group. In order to avoid or reduce potential risks such as exchange losses in international trade, various financial means were used and various preventive measures were taken in advance.

MITIGATION MEASURES:

In 2021, cross-border Renminbi was used as preferred currency of settlement in the business transactions in areas in which we had considerable stock of Renminbi, with a view to further reducing currency exchange risks. For long-term usance letters of credit, the Group took the initiative to adopt forfaiting. In 2021, the Group achieved accelerated collection of loans in the amount of approximately US\$40 million, thus avoiding the adverse impact of forward exchange rate fluctuations.

Research on exchange rate fluctuations was strengthened and close attention was paid to changes in market exchange rates. In 2021, the Group continued to conduct exchange settlements in batches at favorable time according to capital needs and changes in market exchange rates. When signing foreign trade contracts, if there is a possibility of exchange rate inversion, the Group will adopt forward exchange rate accounting in a timely manner to lock in contract profits. Based on export business volume and collection plan, the Group estimated the amount of monthly receipts, and on this basis, cooperated with relevant banks on the financial products with locked forward exchange rates to the exchange losses that may be caused by exchange rate fluctuations.

ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

Persistently adhering to the concept of green development, the Group strictly abided by relevant national laws and regulations, refined and implemented the internal rules and regulations of the Group, established and improved environmental regulation system, standardized day-to-day production processes, and achieved stable and up-to-standard discharge of industrial “three wastes”, with a requirement to achieve 100% compliance in terms of “three wastes” discharge and transfer of hazardous wastes. The Group actively provided all-round and multi-dimensional technical support for all the subordinate units of the Group involved in environmental protection projects, and established a long-term mechanism for pollution prevention and control, to reduce the generation of “three wastes” from the source, and achieve continuous improvement of environmental performance.

The Group strictly abided by the Atmospheric Pollution Prevention and Control Law of the PRC 《中華人民共和國大氣污染防治法》 and relevant local emission standards, formulated and improved the Regulations on the Management of Atmospheric Pollution Emission (《大氣污染物排放管理規定》), and ensured the full realization of up-to-standard emissions by promptly identifying and closely monitoring smoke, nitrogen oxides, sulfur dioxide, volatile organic compounds and other air pollutants generated by each member enterprise in the production and operation process, and regularly entrusting a third-party organization with professional qualifications to monitor exhaust emissions. Special treatment measures were taken continuously, and advanced production and treatment technologies were applied to rectify unorganized emissions, so as to achieve effective control and management of exhaust emissions, and effectively implement green production.

The Group strictly complied with the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), and carried out whole-process control of wastewater generated in the production process, to achieve comprehensive control of wastewater discharge.

The Group's wastewater mainly includes production wastewater and domestic sewage in the factory area. All subordinate units were encouraged to carry out advanced treatment of wastewater, and required to set up sewage treatment facilities in the factory area to pretreat production wastewater. A system for online pointer monitoring of sewage was set up at the discharge nozzle, which was connected to the environmental protection departments at provincial and municipal levels to monitor the chemical oxygen demand (COD), ammonia nitrogen emission concentration and other pollutant indicators in real time, thus achieving whole-process control of the wastewater generated in the production process, and ensuring up-to-standard discharge of wastewater.

The prevention and control principles of volume reduction, resource recovery and harmlessness were upheld persistently, the laws and regulations such as the Environmental Pollution Law of the PRC on the Prevention and Control of Solid Waste (《中華人民共和國固體廢棄物污染環境防治法》) were strictly complied with, and the management of collection, storage and disposal of solid waste in daily production was standardized, so as to further reduce environmental impact.

In accordance with the Regulations of the PRC on the Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治條例》), the Group formulated and improved its regulations on noise emission management, to strictly control the noise generated by production and operation. The noise-generating department of each company was required to identify the noise-generating points, strictly control the noise source, propose a special treatment plan, scientifically plan the setting of production areas, and regularly organize professional institutions to conduct noise emission testing in accordance with the requirements of environmental protection management, so as to minimize the threat of noise to the surrounding environment and the health and safety of employees.

All members of the Group were encouraged to actively consider the promotion and adoption of advanced technologies and processes and purchase low-noise and environmentally friendly production equipment and components in the design process while ensuring production quality. For mechanical equipment and motor vehicles with high level of noise and vibration, the Group actively promoted and adopted advanced technologies and processes, and vigorously introduced noise absorption, shockproof and noise reduction facilities to ensure that the noise at the factory boundary meets the requirements of emission regulations.

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

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

FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period was RMB93,357 million, representing a decrease of RMB4,841 million or 4.9% YoY. The decrease in the revenue was due to the significant decrease in the sales volume and sales revenue of LDTs. The Group's gross profit for the Period was RMB15,664 million, representing a decrease of RMB3,921 million or 20.0% YoY. The decrease in gross profit was mainly due to the increase in raw material prices resulting the increase of material costs and the significant decrease in sales in LTDs and reduction of production scale.

Gross profit margin for the Period was 16.8% (gross profit divided by revenue), representing a decrease of 3.1 percentage points YoY. The decrease in gross profit margin was mainly due to the increase in raw material prices, prices adjustments to HDT and LDT product mix 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 RMB4,540 million, representing a decrease of RMB443 million or 8.9% YoY and such decrease was due to the decrease in the volume of LDTs sold and warranty expenses. During the Period, the ratio of selling and distribution expenses to Products Revenue was 5.0%, representing a decrease of 0.1 percentage points YoY. Warranty expenses accounted for 1.5% of Products Revenue for the Period, representing a decrease of 0.4 percentage points YoY. The decrease was mainly due to the Group strengthened the recovery of claims for the quality of heavy duty trucks during the Period, and suppliers borne more warranty expenses and reduced the Group's warranty expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB6,285 million, representing an increase of RMB614 million or 10.8% YoY. During the Period, administrative expenses to revenue ratio was 6.7%, representing an increase of 0.9 percentage points YoY. The increase in the ratio was mainly due to the increase by RMB658 million in research and development expenses.

NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

Net impairment losses of financial assets for the Period was RMB156 million, representing an increase of RMB29 million or 22.8% YoY. The impairment losses of trade and financing receivables was RMB145 million, accounting for 0.2% of the total revenue for the Period. Further details of the trade and financing receivables are set out in the section headed “TRADE, FINANCING AND BILLS 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 RMB1,076 million, representing an increase of RMB409 million or 61.3% YoY. The increase was mainly due to the net gain on disposal of a subsidiary at the amount of RMB341 million and the reduction of foreign exchange loss of RMB85 million.

FINANCE INCOME - NET

Net finance income for the Period was RMB109 million, representing an increase of RMB83 million or 319.2% YoY. The increase in finance income was due to the increase in interest income by RMB62 million and the significant reduction in interest expenses by RMB21 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 loss at RMB6 million, as opposed to a gain in last year, representing a drop of RMB61 million or 110.9% YoY. The drop was mainly due to the share of losses from associates previously acquired which are still in business development stage.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB1,153 million, representing a decrease of RMB974 million or 45.8% YoY. The decrease was due to the decrease 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 19.6%, representing a decrease of 2.8 percentage points YoY.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the Period was RMB4,709 million, representing a decrease of RMB2,715 million or 36.6% YoY. Net profit ratio (profit for the Period divided by revenue) was 5.0%, representing a decrease of 2.6 percentage points. Profit attributable to owners of the Company for the Period was RMB4,322 million, representing a decrease of RMB2,529 million or 36.9% YoY. The basic earnings per share attributable to owners of the Company for the Period was RMB1.57, representing a decrease of RMB0.91 or 36.7% YoY.

TRADE, FINANCING AND BILLS RECEIVABLES

In addition to granting standard credit period to certain privileged customers, the Group receives acceptance bills for settlement of trade receivables. As at 31 December 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 RMB11,584 million, representing an increase of RMB194 million or 1.7% when compared to the balance as at 31 December 2020. The main reason for the increase in Aggregate Trade Balances was due to more commercial acceptance bills having been received.

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 365 days (2020: 366 days)) for the Period was 45.8 days (2020: 41.9 days), representing an increase of 3.9 days.

As at 31 December 2021, the Aggregate Trade Balances aged not more than twelve months amounted to RMB10,282 million or 88.8% of Aggregate Trade Balances.

As at 31 December 2021, the financing receivables was RMB21,541 million, representing an increase of RMB1,146 million or 5.6% when compared to the balance as at 31 December 2020.

As at 31 December 2021, the financing receivables aged not more than twelve months amounted to RMB16,787 million or 77.9% of the total financing receivables.

The credit period of the Finance Segment of the Group ranges 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 reversed impairment loss allowance for trade receivables at the amount of approximately RMB120 million and made impairment loss allowance for financing receivables at the amount of approximately RMB265 million.

TRADE PAYABLES

As at 31 December 2021, the trade and bills payables amounted to RMB37,479 million, representing a decrease of RMB17,216 million or 31.5% when compared to the balance as at 31 December 2020.

The trade payables turnover (average trade and bills payables balances divided by costs of Products Revenue multiplied by 365 days (2020: 366 days)) for the Period was 30.9 days, representing an increase of 217.0 days YoY.

CASH FLOWS

Net cash outflow used in operating activities for the Period was RMB3,211 million. Due to adoption of longer terms of suppliers financing in the corresponding period last year, such suppliers financing was mature during the Period, which led to a significant increase in the amount of repayment of trade and bills payables. Compared with the net cash inflow in the same period last year, the net cash outflow increased by RMB22,703 million.

Net cash outflow used in investing activities for the Period was RMB37 million. During the Period, the Group significantly reduced the purchase of wealth management and finance products from net outflow of RMB3,373 million in the same period last year to net inflow of RMB2,199 million and the cash flow of acquisition and disposal of subsidiaries and associates changed from net outflow of RMB1,171 million in the same period last year to a net inflow of RMB151 million. However, such cash inflow was partly offset by the increase in purchase of property, plant and equipment and land use right at RMB918 million. Cash outflow used in investing activities decreased by RMB5,866 million as compared to the cash outflow in the corresponding period last year.

Net cash inflow generated from financing activities for the Period was RMB1,958 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. Net repayment of borrowings was reduced by RMB286 million. In addition, there was no payment of consideration for the business combination under common control during the Period while it was RMB1,393 million last year. However, the Group has increased the payment of dividends by RMB1,559 million and the payment of acquisition of non-controlling interest by RMB419 million. As a result, cash inflow from financing activities increased by RMB5,266 million as compared to the cash outflow in the corresponding period last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, the Group had cash and cash equivalents of RMB24,692 million, representing a decrease of RMB1,357 million or 5.2% when compared to the balance as at 31 December 2020. The Group's total borrowings were about RMB3,511 million as at 31 December 2021. Its gearing ratio (total borrowings divided by total assets) and debt-to-equity ratio (total borrowings divided by equity) as at 31 December 2021 were 3.3% and 8.2% respectively (31 December 2020: 1.5% and 4.8% respectively). As at 31 December 2021, current ratio (total current assets divided by total current liabilities) was 1.3 (31 December 2020: 1.1).

As at 31 December 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 31 December 2021 RMB million	As at 31 December 2020 RMB million
Within one year	3,511	1,474
In the second year	—	158
Three to five years	—	80
	<u>3,511</u>	<u>1,712</u>

As at 31 December 2021, total consolidated equity of the Company was RMB42,768 million, representing an increase of RMB7,089 million or 19.9% when compared with the balance as at 31 December 2020.

As at 31 December 2021, the Company's market capitalization was RMB27,089 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD12.0 per Share and at the exchange rate of 1:0.817160 between HKD and RMB).

As at 31 December 2021, the unutilized credit facilities of the Group from the banks amounted to RMB27,728 million (31 December 2020: RMB18,049 million). An aggregate amount of RMB991 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 mandatorily placed deposits of RMB2,594 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 SUBSIDIARIES

In January 2021, Ji'nan Power Company purchased 0.13% equity of Sinotruk Finance Co., Ltd at cash consideration of RMB7 million.

In January 2021, Weichai Power contributed approximately RMB527 million in cash to Sinotruk (Chongqing) Light Vehicle Co., Ltd. which was originally a wholly-owned subsidiary of the Company for its 40% enlarged equity. In September 2021, the Group repurchased that 40% equity interest at a cash consideration of RMB436 million, Thereafter, it became a wholly-owned subsidiary of the Company.

In March 2021, Ji'nan Truck Company completed its private placement of new shares in return of proceeds of RMB5,001 million which resulted in the Group's ownership in equity of Ji'nan Truck Company being diluted to 51%.

In June 2021, the Company injected capital into Sinotruk Auto Finance Co., Ltd. in cash at approximately RMB1,120 million. After the capital injection, the Group increased its holdings in Sinotruk Auto Finance Co., Ltd. to approximately 89.13%.

In July 2021, the Group completed the acquisition of all equity in Sinotruk (Weihai) Commercial Vehicle Co., Ltd. at cash consideration of RMB253 million.

In August 2021, the Group disposed of 60% equity in Chongyou Gaoke Fuel System Co., Ltd. (formerly known as “Sinotruk Chongqing Fuel System Co., Ltd.”) which was originally a wholly-owned subsidiary of the Company at cash consideration of RMB477 million and other receivable at RMB24 million. Thereafter, Chongyou Gaoke Fuel System Co., Ltd. became an associated company of the Group.

EQUITY INVESTMENTS FORMING PART OF THE GROUP’S OPERATIONS

The Group holds long-term equity investments forming part of its business operations:

a) Interests in associates

In addition to the abovementioned disposal of 60% equity in Chongyou Gaoke Fuel System Co., Ltd., 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 RMB22 million.

As at 31 December 2021, the amount of interest in associates was RMB1,338 million, representing 1.3% 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 31 December 2021, the Group's unlisted equity investments for long term strategic investment purpose amounted to RMB32 million, representing less than 0.1% of the total assets of the Group. These investments were classified as financial assets at fair value through other comprehensive income.

OTHER SECURITIES INVESTMENTS

For the purposes of increasing profitability of short term funds and managing the liquidity of the Group, the Group invests in short-term equity investments which consists of listed securities in Hong Kong and the Mainland. As at 31 December 2021, the Group had short term equity investment at RMB87 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 31 December 2021, the Group committed capital expenditure in respect of property, plant and equipment as well as other intangible assets amounting to RMB3,302 million which will be funded by internal resources and borrowing facilities.

CHARGES ON GROUP ASSETS

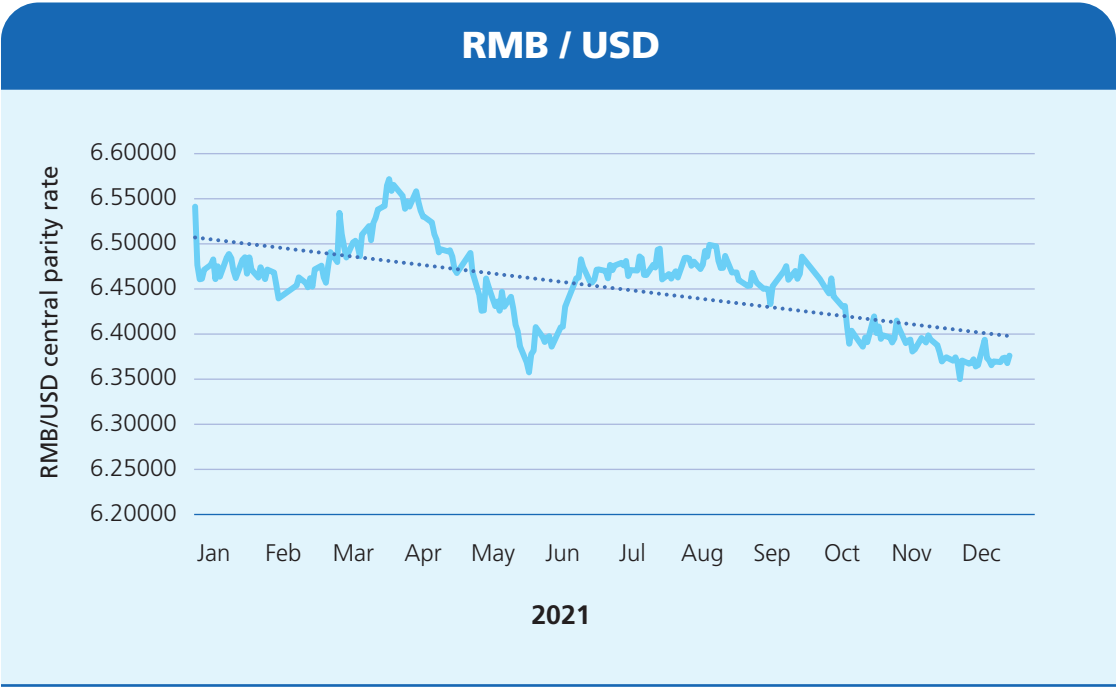
As at 31 December 2021, restricted cash at RMB3,614 million was pledged or restricted for issue of bills, letters of credit and mandatory reserve deposits for deposit taking activities of the Group and others (refer to the section headed "LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE" for more details) and bank acceptance bills at RMB2 million was pledged for issue of bills of the Group.

Save as disclosed, as at 31 December 2021, there were no assets of the Group being pledged.

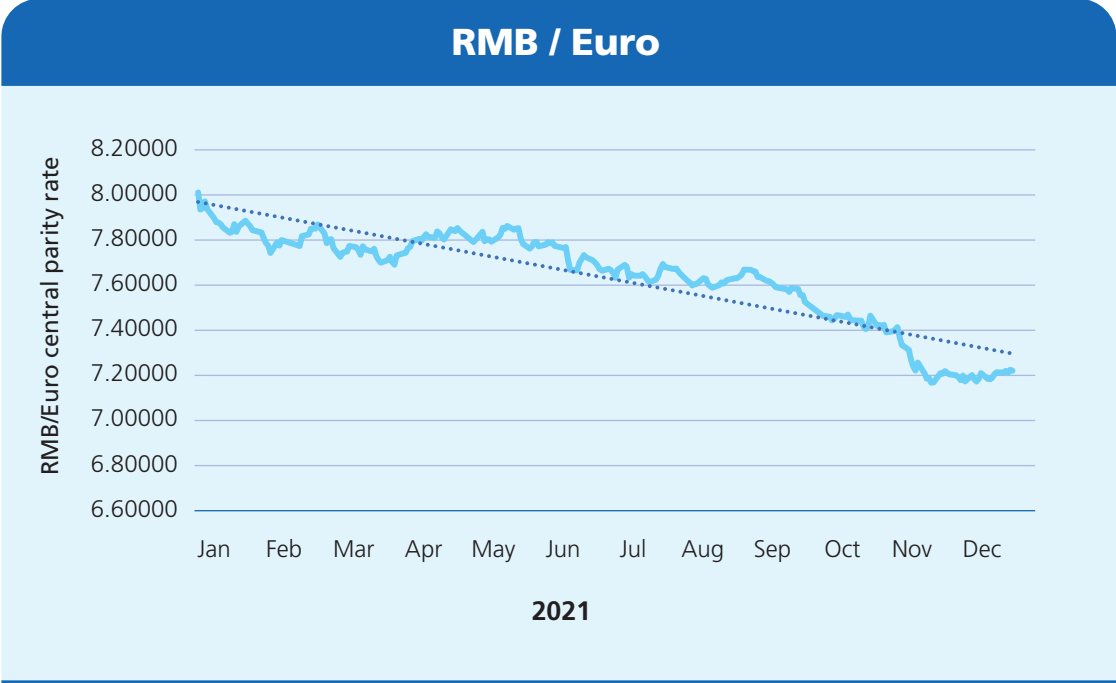
FINANCIAL MANAGEMENT AND POLICY

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 31 December 2021 was 6.37570, representing an appreciation of RMB by 2.29% when compared to the rate of 6.52490 as at 31 December 2020. RMB against USD central parity rates recorded the highest rate of 6.57130 and the lowest rate of 6.34980 with a fluctuation of 4.9% and showing a trend of gradual appreciation during the Period.



The RMB/Euro central parity rate in the PRC as at 31 December 2021 was 7.21970, representing an appreciation of RMB by 10.03% 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 7.16680 with volatility at 21.58% as well as gradual appreciation trend during the Period.

As at 31 December 2021, most of the Group’s monetary assets and liabilities were denominated in RMB. As at 31 December 2021, the major non-RMB denominated net monetary assets were in USD and EURO while major non-RMB denominated net monetary liabilities was in HKD.

During the Period, the Group recorded foreign exchange losses of RMB168 million in operating profit. The material potential foreign exchange impacts to net monetary assets and liabilities of the Group as at 31 December 2021 are:

	USD denominated net assets	Euro denominated net assets
5% appreciation/depreciation in RMB	Loss/gain before tax of RMB242 million	Loss/gain before tax of RMB29 million

GOING CONCERN

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

CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

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 31 December 2021, the Group has commitment for providing such guarantees at a maximum aggregate amount of RMB40 million per 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 RMB284 million and provision for legal claims of approximately RMB45 million was made as at 31 December 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" effective during the Period (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 have a nomination committee during most time of the Period and does not have a nomination policy as the Board takes up all functions of a nomination committee as required under the Listing Rules. The Company established the Nomination Committee on 31 December 2021.

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

DIVIDEND POLICY

As at 31 December 2021, the Company did not have a dividend policy in place.

REVIEW OF FINANCIAL STATEMENTS

The Company's consolidated financial statements for the year ended 31 December 2021 have been reviewed by the Audit Committee.

SCOPE OF WORK OF ERNST & YOUNG

The financial figures in this announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Group's external auditor, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by EY on this announcement.

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

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

INVESTOR RELATIONS

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

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

PUBLICATION OF THE 2021 ANNUAL RESULTS AND THE ANNUAL REPORT

The annual results announcement for the year ended 31 December 2021 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinotruk.com). The annual report of the Company for the year ended 31 December 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 and, as at 31 December 2021, 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 (after the acquisition of its entire equity interest by the Group)
“Director(s)”	the director(s) of the Company
“ED(s)”	the executive Director(s)
“Engines Segment”	the engines segment of the Group which engages in manufacture and sale of engines and related parts
“EURO”	the lawful currency of the European Union
“Executive Committee”	the executive committee of the Company
“Finance Segment”	the finance segment of the Group which engages in provision of deposit taking, borrowings, bills discounting, issue of bills and entrustment loans to the members of the Group and members of CNHTC Group as well as the provision of auto and supply chain financing services to the public

“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)
“HDTs Segment”	the heavy duty trucks of the Group which engages in manufacture and sale of heavy duty trucks, medium-heavy duty trucks and related components
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HOWO Bus”	中國重汽集團濟南豪沃客車有限公司 (Sinotruk Ji’nan HOWO Bus Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
“INED(s)”	the independent non-executive Director(s)
“Ji’nan Power Company”	中國重汽集團濟南動力有限公司 (Sinotruk Ji’nan Power Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
“Ji’nan Truck Company”	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji’nan Truck Co., Ltd.), a joint stock company organized under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
“LDT(s)”	light duty truck(s)

“LDTs and Others Segment”	the light duty trucks and others segment of the Group which engages in manufacture and sale of light duty trucks, buses, etc. and related components
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NED(s)”	the non-executive Director(s)
“Nomination Committee”	the nomination committee of the Company
“PBOC”	the People’s Bank of China
“Period”	the year ended 31 December 2021
“Products Revenue”	the revenue of sales of goods and rendering of services by the segments of heavy duty trucks, light duty trucks and buses as well as engines to external customers
“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
“SHIG”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a state-owned enterprise organized under the laws of the PRC with limited liability being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company upon the registration as a holder of 65% equity in CNHTC on 25 February 2022

“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”	潍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)
“YoY”	year-over-year
“%”	per cent

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

Ji’nan, the PRC, 31 March 2022

As at the date of this announcement, the Board of the Company consists of seven executive directors of the Company including Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Dai Lixin, Mr. Richard von Braunschweig, Ms. Li Xia and Mr. Sun Shaojun; four non-executive Directors of the Company including Mr. Jiang Kui, Mr. Alexander Albertus Gerhardus Vlaskamp, Mr. Karsten Oellers and Mr. Mats Lennart Harborn; and six independent non-executive Directors of the Company including Dr. Lin Zhijun, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng and Mr. Zhang Zhong.