SINOTRUK (HONG KONG) LIMITED
中國重汽（香港）有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 03808)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2022 together with the comparative figures for the corresponding period last year as follows:

Interim Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

	Notes	**2022**	2021
		Unaudited	Unaudited
REVENUE	4	**29,028,227**	65,169,107
Cost of sales		**(24,115,544)**	(54,353,863)
Gross profit		**4,912,683**	10,815,244
Other income and gains		**535,760**	560,338
Selling and distribution expenses		**(1,189,009)**	(3,222,191)
Administrative expenses		**(2,061,176)**	(2,539,900)
Impairment losses on financial assets, net		**(128,766)**	(275,448)
Other expenses		**(132,761)**	(99,782)

Interim Condensed Consolidated Statement of Profit or Loss (continued)

For the six months ended 30 June 2022

(All amounts in RMB thousands unless otherwise stated)

	Notes	**2022**	2021
		Unaudited	Unaudited
Operating profit		**1,936,731**	5,238,261
Finance income		**45,126**	71,150
Finance costs		**(5,476)**	(6,402)
Finance income, net		**39,650**	64,748
Share of (losses)/profits of associates		**(8,840)**	5,359
PROFIT BEFORE TAX	5	**1,967,541**	5,308,368
Income tax expense	6	**(391,426)**	(1,271,486)
PROFIT FOR THE PERIOD		**1,576,115**	4,036,882
Attributable to:			
Owners of the Company		**1,282,538**	3,623,069
Non-controlling interests		**293,577**	413,813
		1,576,115	4,036,882
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
(expressed in RMB per share)			
basic and diluted	7	**0.46**	1.31

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

(All amounts in RMB thousands unless otherwise stated)

	2022	2021
	Unaudited	Unaudited
PROFIT FOR THE PERIOD	**1,576,115**	4,036,882
OTHER COMPREHENSIVE LOSS		
Other comprehensive 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	**(7,107)**	(13,954)
Share of other comprehensive income/(loss) of associates	**1,985**	(1,067)
Exchange differences on translation of foreign operations	**1,324**	(2,033)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(3,798)**	(17,054)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Remeasurements of termination and post-employment benefit obligations	**2,489**	(382)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(1,309)**	(17,436)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,574,806**	4,019,446
Attributable to:		
Owners of the Company	**1,282,715**	3,615,533
Non-controlling interests	**292,091**	403,913
	1,574,806	4,019,446

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022

(All amounts in RMB thousands unless otherwise stated)

	Notes	**30 June 2022 Unaudited**	31 December 2021 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		**14,190,203**	14,215,393
Investment properties		**806,357**	753,520
Right-of-use assets		**2,336,853**	2,553,656
Goodwill		**68,933**	121,428
Other intangible assets		**256,675**	269,512
Investments in associates		**1,456,634**	1,338,382
Equity investments designated at fair value through other comprehensive income		**31,925**	31,925
Trade and financing receivables	9	**7,094,207**	5,007,345
Prepayments and other assets		**311,778**	522,477
Deferred tax assets		**2,367,116**	2,222,779
Total non-current assets		**28,920,681**	27,036,417
CURRENT ASSETS			
Inventories		**15,855,358**	16,667,158
Trade, financing and bills receivables	9	**16,784,911**	24,063,467
Prepayments, other receivables and other assets		**5,568,459**	3,911,611
Financial assets at fair value through other comprehensive income	10	**5,199,922**	4,057,928
Financial assets at fair value through profit or loss		**5,818,271**	2,976,855
Cash and cash equivalents and restricted cash		**23,191,896**	28,306,498
Total current assets		**72,418,817**	79,983,517

Interim Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2022

(All amounts in RMB thousands unless otherwise stated)

	Notes	**30 June 2022 Unaudited**	31 December 2021 Audited
CURRENT LIABILITIES			
Trade and bills payables	11	**32,674,775**	37,478,557
Other payables and accruals		**17,693,344**	19,378,305
Derivative financial instruments		**99,085**	—
Borrowings		**4,875,435**	3,510,514
Lease liabilities		**2,160**	3,298
Tax payable		**320,882**	311,397
Provisions		**1,876,762**	2,206,567
Total current liabilities		**57,542,443**	62,888,638
NET CURRENT ASSETS		**14,876,374**	17,094,879
TOTAL ASSETS LESS CURRENT LIABILITIES		**43,797,055**	44,131,296
NON-CURRENT LIABILITIES			
Lease liabilities		**167**	1,078
Deferred tax liabilities		**106,779**	127,238
Termination and post-employment benefit obligations		**584,674**	577,844
Deferred income		**562,636**	657,049
Total non-current liabilities		**1,254,256**	1,363,209
Net assets		**42,542,799**	42,768,087

Interim Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2022

(All amounts in RMB thousands unless otherwise stated)

	Notes	**30 June 2022 Unaudited**	31 December 2021 Audited
EQUITY			
Equity attributable to owners of the Company			
Share capital		**16,717,024**	16,717,024
Other reserves		**2,773,798**	2,763,305
Retained earnings		**15,908,572**	16,190,815
		35,399,394	35,671,144
Non-controlling interests		**7,143,405**	7,096,943
Total equity		**42,542,799**	42,768,087

Notes

(All amounts in RMB thousands unless otherwise stated)

1 General information

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

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

2 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting*.

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

The financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

The financial information relating to the year ended 31 December 2021 that is included in the interim condensed consolidated financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered those financial statements for those year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on those financial statements for the year ended 31 December 2021. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

(All amounts in RMB thousands unless otherwise stated)

3 Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

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 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)
Amendment to HKFRS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information

The chief operating decision-maker has been identified as the board of directors (the "Board") of the Company while it delegates the executive committee of the Company (the "Executive Committee") to execute. The Executive Committee reviews the internal reports in order to assess performance and allocate resources. The Executive Committee has determined the operating segments based on these reports.

The Executive Committee considers the business from both the geographical and business perspective. From the geographical perspective, the Executive Committee assesses the revenue from 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 truck and other vehicles, and related components;

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

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

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

4. Operating segment information (continued)

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

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the consolidated statement of financial position. Segment assets consist primarily of right-of-use assets, investment properties, property, plant and equipment, other intangible assets, inventories, investments in associates, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, trade, financing and bills receivables, prepayments, other receivables and other assets, and operating cash. They exclude deferred tax assets and prepaid income tax.

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

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

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

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (continued)

The segment results for the six months ended 30 June 2022 are as follows:

	Unaudited					
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Elimination	Total
External revenue						
Sales of goods	23,393,147	4,112,092	359,229	—	—	27,864,468
Rendering of services	474,845	—	—	—	—	474,845
Provision of financial services	—	—	—	688,914	—	688,914
Total external revenue	23,867,992	4,112,092	359,229	688,914	—	29,028,227
Inter-segment revenue	231,194	432,247	5,358,186	247,144	(6,268,771)	—
Total segment revenue	24,099,186	4,544,339	5,717,415	936,058	(6,268,771)	29,028,227
Operating profit/(loss) before unallocated expenses	1,165,879	(135,907)	377,554	440,077	96,497	1,944,100
Unallocated expenses						(7,369)
Operating profit						1,936,731
Finance income, net						39,650
Share of losses of associates						(8,840)
Profit before tax						1,967,541
Income tax expense						(391,426)
Profit for the period						1,576,115

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (continued)

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

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

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (continued)

The segment assets and liabilities as at 30 June 2022 are as follows:

	Unaudited					
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	Total
Segment assets	**68,733,207**	**10,307,413**	**24,036,873**	**53,869,362**	**2,470,876**	**159,417,731**
Elimination						**(58,078,233)**
Total assets						**101,339,498**
Segment liabilities	**44,910,177**	**9,010,643**	**10,490,124**	**43,986,861**	**1,998,844**	**110,396,649**
Elimination						**(51,599,950)**
Total liabilities						**58,796,699**

Reconciled to entity assets and liabilities as at 30 June 2022 as follows:

	Unaudited	
	Assets	**Liabilities**
Segment assets/liabilities after elimination	**98,868,622**	**56,797,855**
Unallocated:		
Deferred tax assets/liabilities	**2,367,116**	**106,779**
Prepaid income tax/tax payable	**51,497**	**320,882**
Other assets/liabilities	**52,263**	**1,571,183**
	2,470,876	**1,998,844**
Total	**101,339,498**	**58,796,699**

(All amounts in RMB thousands unless otherwise stated)

4. Operating segment information (continued)

The segment assets and liabilities as at 31 December 2021 are as follows:

	Audited					
	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						(63,700,681)
Total assets						107,019,934
Segment liabilities	47,359,631	9,029,109	12,819,800	51,378,114	448,528	121,035,182
Elimination						(56,783,335)
Total liabilities						64,251,847

Reconciled to entity assets and liabilities as at 31 December 2021 as follows:

	Audited	
	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	146,220	9,893
	2,865,044	448,528
Total	107,019,934	64,251,847

Notes (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):

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Cost of inventories sold	**21,772,055**	49,707,065
Employee benefit expenses	**2,209,669**	2,638,360
Warranty expenses, net	**100,907**	1,441,446
Write-down of inventories to net realisable value	**188,346**	138,324
Impairment of trade receivables, net	**97,840**	83,981
Impairment of financing receivables, net	**45,551**	200,582
Reversal of impairment of bills receivable	**(14,473)**	—
Reversal of impairment of financial assets included in prepayments, other receivables and other assets, net	**(152)**	(9,115)
Depreciation of right-of-use assets	**29,706**	38,066
Depreciation of property, plant and equipment	**668,598**	674,840
Amortisation of other intangible assets	**33,507**	36,679
Gains on disposal of items of property, plant and equipment	**(85)**	(4,617)
Foreign exchange differences, net	**(250,667)**	57,364
Government grants	**(53,188)**	(126,571)
Income on disposal of scraps	**(48,642)**	(111,444)

(All amounts in RMB thousands unless otherwise stated)

6. Income tax expense

	For the six months ended 30 June	
	2022	2021
Current income tax		
– Hong Kong profits tax	**225**	336
– PRC corporate income tax	**528,246**	1,254,706
	528,471	1,255,042
Deferred income tax	**(137,045)**	16,444
	391,426	1,271,486

Taxation on profits has been calculated on the estimated assessable profits during the six months ended 30 June 2022 at the rates of taxation prevailing in the countries/districts in which the Group operates.

The Company, Sinotruk (Hong Kong) International Investment Limited and Sinotruk (Hong Kong) Hongye Limited are subject to Hong Kong profits tax at the rate of 16.5% (2021: 16.5%) on their estimated assessable profits for the period. The Company is determined as a Chinese-resident enterprise and, is subject to corporate income tax at a rate of 25% (2021: 25%) according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"). Sinotruk (Hong Kong) Capital Holding Limited is a qualifying entity under the two-tiered profits tax rates regime in Hong Kong. Its first HKD2 million assessable profits is taxed at a rate of 8.25% and the rest at 16.5% (2021: first HKD2 million assessable profits taxed at a rate of 8.25% and the rest at 16.5%).

6. Income tax expense (continued)

Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprise in 2019 and has applied the renewal of its High New Tech Certificate. Sinotruk Ji'nan Power Co., Ltd., Sinotruk Hangzhou Engines Co., Ltd. and Sinotruk Datong Gear Co., Ltd. have been recognised as the High New Tech Enterprises in 2020. These companies are entitled to a reduced corporate income tax rate of 15% (2021:15%) according to the tax incentives of the CIT Law for the High New Tech Enterprises.

Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., Sinotruk (Chongqing) Light Vehicle Co., Ltd. and Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd. are subject to corporate income tax at a rate of 15% (2021:15%) 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% (2021: 20%) according to Tax Code of the Russian Federation.

Sinotruk South Africa (Pty) Ltd. is subject to a corporate income tax at a rate of 28% (2021: 28%) according to South Africa Tax Law.

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax at a rate of 20% (2021: 20%) according to Kazakhstan Tax Law.

Sinotruk (Kenya) Limited is subject to a corporate income tax rate of 30% (2021: 30%) according to Kenya Tax Law.

The remaining subsidiaries in the PRC are subject to a corporate income tax at a rate of 25% (2021: 25%) according to the CIT Law.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

7. Earnings per share

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Profit attributable to owners of the Company	**1,282,538**	3,623,069
Weighted average number of ordinary shares in issue (in thousand shares)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**0.46**	1.31

Diluted earnings per share equals basic earnings per share as the Company had no dilutive potential ordinary shares for the six months ended 30 June 2022 and 30 June 2021.

8. Dividends

The Board does not recommend an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil). The final dividend of the Company for the year ended 31 December 2021 was either HKD0.68 or RMB0.55 (year 2020 final dividend: either HKD1.04 or RMB0.88) per share of the Company with total amount of approximately RMB1,555,910,000 (year 2020 final dividend: approximately RMB2,413,171,000). The 2021 final dividend and the corresponding withholding dividend tax will be paid in September 2022.

During the six months ended 30 June 2022, certain non-wholly owned subsidiaries of the Company have approved the dividends to non-controlling interests amounting to approximately RMB172,706,000 (six months ended 30 June 2021: approximately RMB279,619,000).

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

9. Trade, financing and bills receivables

	30 June 2022 Unaudited	31 December 2021 Audited
Trade receivables	**8,591,208**	7,911,108
Provision for impairment	**(1,123,291)**	(1,134,084)
Trade receivables, net (a)	**7,467,917**	6,777,024
Financing receivables	**16,957,170**	22,319,921
Provision for impairment	**(823,430)**	(778,442)
Financing receivables, net (b)	**16,133,740**	21,541,479
Bills receivable	**283,126**	772,447
Provision for impairment	**(5,665)**	(20,138)
Bills receivable (c)	**277,461**	752,309
	23,879,118	29,070,812
Current portion		
Trade receivables	**7,283,543**	6,524,402
Financing receivables	**9,223,907**	16,786,756
Bills receivable	**277,461**	752,309
	16,784,911	24,063,467
Non-current portion		
Trade receivables	**184,374**	252,622
Financing receivables	**6,909,833**	4,754,723
	7,094,207	5,007,345

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

9. Trade, financing and bills receivables (continued)

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

As at 30 June 2022, approximately RMB1,770,709,000 (31 December 2021: approximately RMB921,325,000) of the Group's trade receivables are secured by letters of credit issued by overseas third parties. As at 30 June 2022, approximately RMB2,051,686,000 (31 December 2021: RMB1,666,131,000) were guaranteed by China Export and Credit Insurance Corporation.

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

	30 June 2022 Unaudited	31 December 2021 Audited
Less than 3 months	**3,638,678**	1,632,241
3 months to 6 months	**1,407,467**	2,715,164
6 months to 12 months	**1,473,327**	1,127,599
1 year to 2 years	**272,004**	323,354
2 years to 3 years	**244,887**	503,988
Over 3 years	**431,554**	474,678
	7,467,917	6,777,024

(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 the provision for impairment, is as follows:

	30 June 2022 Unaudited	31 December 2021 Audited
Less than 3 months	**1,021,931**	5,451,878
3 months to 6 months	**1,472,879**	4,499,349
6 months to 12 months	**6,729,097**	6,835,529
1 year to 2 years	**5,617,083**	4,468,320
2 years to 3 years	**1,292,750**	286,403
	16,133,740	21,541,479

Financing receivables represent loans to CNHTC Group and end-users, dealers and suppliers of the Group and CNHTC Group, as well as lease financing to individuals and entities when they purchase commercial vehicles of the Group from dealers. Receivables from those who purchased commercial vehicles of the Group from dealers were secured by the vehicles and most of these receivables were provided with guarantees from these dealers and their relevant parties.

(All amounts in RMB thousands unless otherwise stated)

9. Trade, financing and bills receivables (continued)

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

	30 June 2022 Unaudited	31 December 2021 Audited
Discounted bills	**2,016**	3,712
Commercial acceptance bills	**281,110**	768,735
Provision for impairment of commercial acceptance bills	**(5,665)**	(20,138)
	277,461	752,309

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

	30 June 2022 Unaudited	31 December 2021 Audited
Less than 3 months	**136,551**	672,188
3 months to 6 months	**138,379**	79,921
6 months to 12 months	**2,531**	200
	277,461	752,309

(All amounts in RMB thousands unless otherwise stated)

10. Financial assets at fair value through other comprehensive income

	30 June 2022 Unaudited	31 December 2021 Audited
Bank acceptance bills	**5,199,922**	4,057,928

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

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

	30 June 2022 Unaudited	31 December 2021 Audited
Less than 3 months	**2,983,005**	1,635,071
3 months to 6 months	**2,186,656**	1,748,665
6 months to 12 months	**30,261**	674,192
	5,199,922	4,057,928

(All amounts in RMB thousands unless otherwise stated)

11. Trade and bills payables

	30 June 2022 Unaudited	31 December 2021 Audited
Trade payables	**25,312,611**	29,015,522
Bills payable	**7,362,164**	8,463,035
	32,674,775	37,478,557

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

	30 June 2022 Unaudited	31 December 2021 Audited
Less than 3 months	**21,511,679**	29,662,715
3 months to 6 months	**8,060,838**	6,789,670
6 months to 12 months	**2,606,574**	945,449
1 year to 2 years	**470,676**	29,446
2 years to 3 years	**6,736**	21,785
Over 3 years	**18,272**	29,492
	32,674,775	37,478,557

MANAGEMENT DISCUSSION AND ANALYSIS — REVIEW OF OPERATIONS

MARKET OVERVIEW

TRUCKS MARKET

In the first half of the year, facing the once-in-a-century changes together with the raging COVID-19 pandemic, the triple pressure (contracting demand, supply shock and weakening expectation) became more prominent, and the impact of unexpected factors significantly increased. In view of the above, China efficiently coordinated pandemic prevention and control with economic and social development, adhering to the principle of "stability as first priority and progress in a stable manner", and China's economy operated at a generally stable pace. China's GDP grew by 2.5% HoH in the first half of the year, of which an increase of 0.4% was recorded in the second quarter, while investment in fixed asset (excluding rural households) and infrastructure increased by 6.1% and 7.1% HoH respectively. The positive drivers increased, and the national economy stabilized and rebounded, representing the strong resilience and vitality of China's economy.

During the Period, the overall external economic environment for commercial vehicles was still under great pressure. With the orderly recovery and rebound of the manufacturing and consumer sectors, the recovery of the commercial vehicle market gained momentum. For the heavy duty truck industry, influenced by a series of negative factors such as higher of emission standards required and high inventory, the ultimate demand constantly narrowed. In particular, since March 2022, several recurring outbreaks of domestic pandemic in different regions delayed the resumption of work and production as well as the launch of infrastructure investment projects in various areas, which coupled with the impact of soaring oil and gas prices, caused the road freight market to suffer a severe impact, and resulted in the sales in the peak season for traditional marketing falling short of expectations. According to CAAM, the sales of heavy duty trucks reached approximately 380,000 units in the first half of the year, representing a decrease of 63.6% HoH. For the light duty truck industry, affected by various factors including outbreaks of the pandemic, an excessive number of trucks compared to the volume of cargo, a low freight rate and the implementation of new regulations for blue-plate LDT, sales hit a new low in the first half of 2022 as compared to the same period in recent years. According to CAAM, the sales of light duty trucks reached approximately 849,000 units in the first half of the year, representing a decrease of 29.5% HoH.

FINANCING MARKET

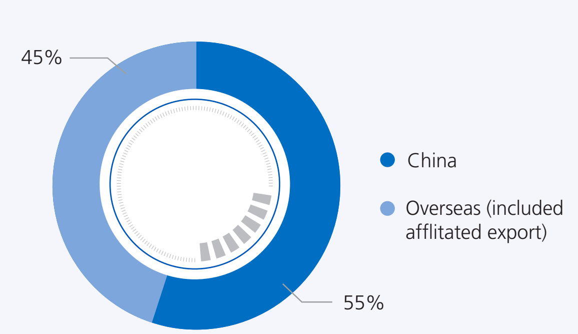
During the Period, one-year loan prime rate (LPR) in the PRC was not adjusted but five-year LPR was lowered once. As at 30 June 2022, the one-year LPR was 3.7% and the five-year or more LPR was 4.45%.

OPERATION REVIEW

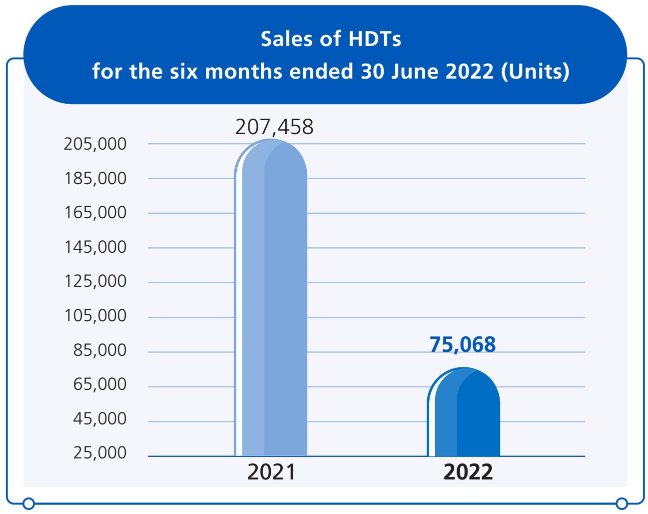
HEAVY DUTY TRUCKS SEGMENT

During the Period, total revenue from the HDTs segment (including sales of HDTs and services provided to customers thereof) was RMB24,099 million, representing a decrease of 58.8% HoH; the segment operating profit margin was 4.8%, representing a decrease of 2.4 percentage points HoH, mainly due to the significant decline in sales.

Revenue from the HDTs Segment by geographic markets for the six months ended 30 June 2022



During the Period, the Group sold 75,068 HDTs, representing a decrease of 63.8% HoH.



DOMESTIC BUSINESS

During the Period, the Group sold 35,338 HDTs in the PRC, representing a decrease of 80.3% HoH.

The Group continued to focus on enhancing the core competitiveness of products, deepened the penetration of our business in segment markets and implemented precise marketing strategies, extensively fostered and developed sale resources and consistently improved internal operations efficiency, achieving some breakthroughs in key segment markets and major customer development.

In the market of tractor truck, having insisted in adopting a market-oriented approach, the Group continued to reduce the fuel consumption and dead weight of our products, gaining a significant increase in the market share of tractor truck with 500 horsepower or above in particular. With its SITRAK series tractor truck aiming to build the top high-end brand in the logistics industry in China, the Group maintained its leading position in the long-haul truck market. The market share of C9H diesel tractor truck with 550 horsepower or above hit a new high, and the sales of AMT vehicle model of single G7 series ranked top within the industry.

C9H and G7 model diagram

In the market of cargo truck, relying on its competitive strengths in differentiated products, and by cultivating the sub-markets of the transport of agricultural goods, cold chain and express, the Group's market share increased by 5.6 percentage points HoH. In the market of mixer truck, the Group constantly enriched the product portfolio, and deepened the strategic cooperation in mixer truck modification, keeping its number one position in the mixer truck industry. In the market of special vehicle, the Group achieved full coverage of various series of models. Among the 14 special vehicle sub-markets, the market share of 12 has increased (source: domestic insurance data, Beidou data and internal company data). The Group continued to optimize its dealer network. As at 30 June 2022, in the PRC there were more than 750 dealerships selling the Group's HDT products, with more than 1,280 service centers offering high-quality after-sales services and more than 90 truck-refitting services enterprises offering tuning services.

INTERNATIONAL BUSINESS

During the Period, the Group exported 39,730 HDTs (including affiliated export), representing an increase of 41.8% HoH. The export revenue (including affiliated export) amounted to RMB11,074 million, representing an increase of 54.3% HoH.

Reconciliation of overseas revenue to affiliated export revenue from HDTs:

	For the six months ended June 30	
	2022	2021
	RMB million	RMB million
Overseas revenue	**10,342**	6,110
Affiliated export revenue	**1,496**	1,689
Total affiliated export revenue	**11,838**	7,799
Total non-HDTs export revenue (including affiliated export)	**(764)**	(623)
Total HDTs export revenue (including affiliated export)	**11,074**	7,176

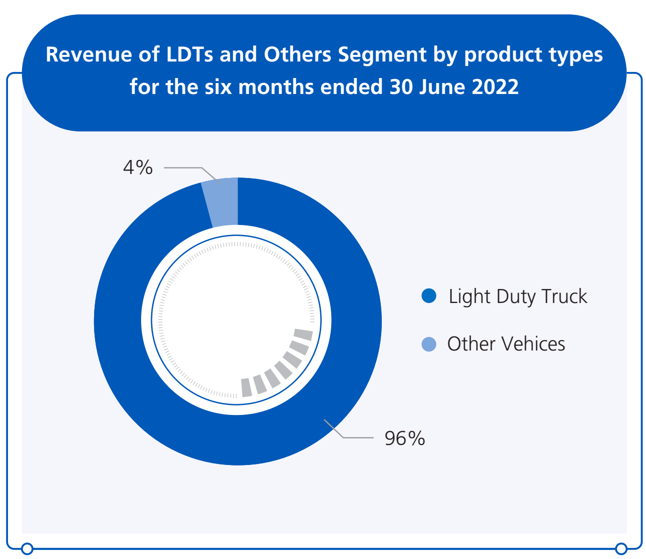
Affiliated export refers to the Group's sales to domestic exporters who have provided shipping documents to prove that they would direct export to overseas customers. The Directors consider that affiliated export forms part of the Group's export business.

In the first half of the year, despite the conflict between Russia and Ukraine and sharp rise in global inflation coupled with the overlying impact from weak global recovery and tightening monetary policy, the Group's export business overcame all difficulties, bucked the trend, and secured high-quality development in the international market to such extent that the sales volume hit a record high and the export market share ranked first in the domestic HDT industry. During the Period, firstly, grasping the market opportunities arising from the economic recovery, the Group consolidated our traditional the advantageous in markets of Africa and Southeast Asia, and accelerated the development of the advantageous markets of European and American brands; secondly, the Group doubled the export volume of mid and high-end products by orderly advancing the upgrade of export products structure; thirdly, the Group focused precisely on customers' usage scenarios and needs by formulating a market segment breakthrough strategy; fourthly, the Group accelerated in making breakthroughs in our relatively weak markets of cargo truck and high-end tripper truck; and fifthly, the Group strengthened marketing management and focused on the leading markets, further enhancing its brand image and product popularity.

As at 30 June 2022, the Group had developed around 300 dealerships at all levels, around 270 outlets for services and around 260 outlets for spare parts, and 26 overseas cooperative KD plants in more than 90 countries and regions, forming an international marketing network largely covering developing countries and major emerging economies in Africa, the Middle East, Central and South America, Southeast Asia, as well as 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 96.4% 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:



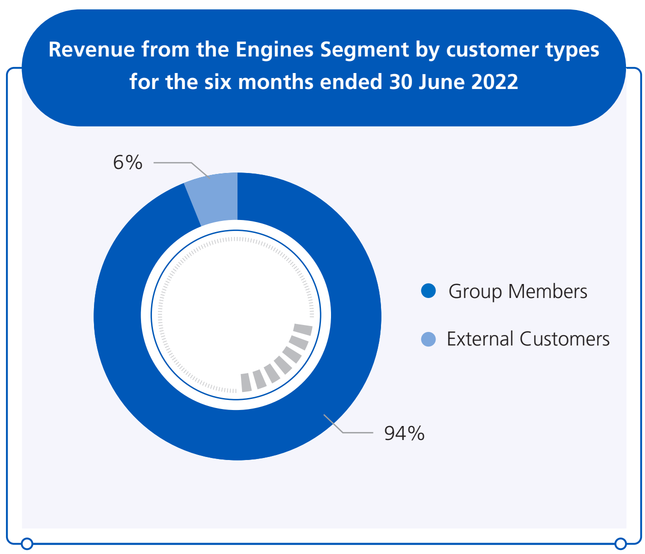
During the Period, the total revenue from the LDTs and Others Segment (sales of LDTs and other vehicles) was RMB4,544 million, representing a decrease of 30.1% HoH. The segment's operating loss margin was 3.0% negative, representing an increase of 0.8 percentage points as compared to the corresponding period of last year, mainly due to decrease in sales volume of LDTs which resulted in the larger drop in sales revenue.

During the Period, the Group sold 45,289 LDTs, representing a decrease of 45.0% HoH.

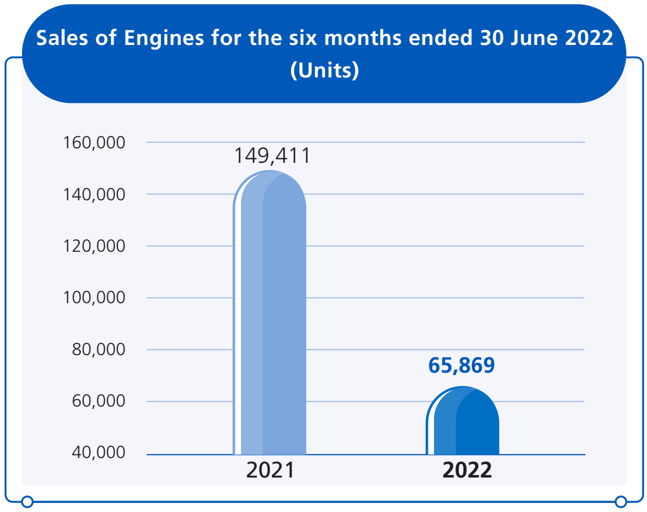
During the Period, the Group actively responded to the industry's "new blue plate" regulations and policies, proactively adjusted its product structure, and continued its strategic transformation. Firstly, the Group perfected its product portfolio strategy, enhanced its competitive advantages of products, carried out the promotion of vehicles of 2.3L, 2.5L, AMT automatic transmission vehicles, new energy and other new products, and continued to improve product quality in response to product market performance and market adaptability; and secondly, the Group achieved full coverage of the mid-to-high-end market by further enriching product lines, and created new product portfolio advantages for all scenarios and road conditions. In addition, the Group continued to optimize and eliminate inefficient sales networks, and the quality of channel network operations was significantly improved. As at 30 June 2022, the Group had, in the PRC, a total of approximately 1,000 dealerships of LDTs, approximately 2,200 service centers offering after-sales services and approximately 130 modification enterprises offering tuning services.

ENGINES SEGMENT

During the Period, the segment recorded total revenue (sales of engines) of RMB5,717 million, representing a decrease of 54.9% HoH, of which external sales accounted for 6.3%, representing an increase of 0.4 percentage points HoH. The segment's operating profit margin was 6.6%, representing a decrease of 6.9 percentage points HoH, mainly due to the decrease in sales volume and higher fixed costs shared by each product, resulting in the increase of average costs. During the Period, the proportion of segment revenue by customer type was as follows:



During the Period, Engines Segment sold 65,869 engines, representing a decrease of 55.9% HoH:

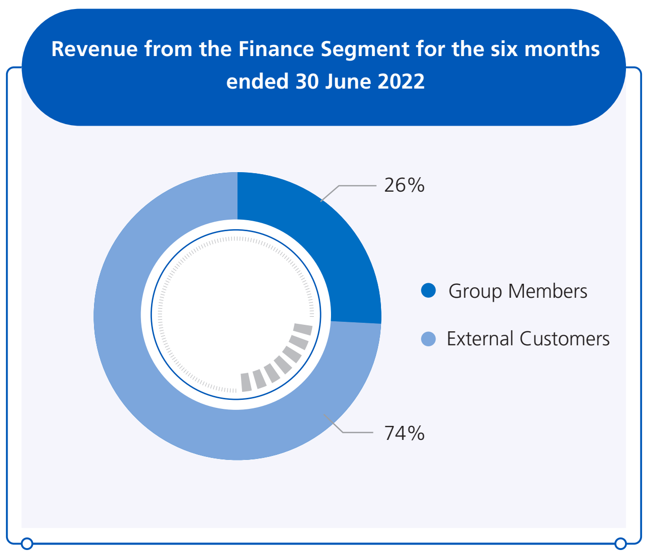


During the Period, in accordance with the technical development requirements for carbon peak and carbon neutrality, the Group continued to enhance the competitiveness of existing engine products, increased investment in new energy technologies, and built a variety of advanced powertrain platforms to meet the needs of different vehicle products such as HDTs, LDTs, construction machinery, etc.

During the Period, firstly, the Group continued to improve the introduction efficiency of products complying with China VI Emission Standards. The MC series engines complying with China VI Emission Standards with good economy, strong power and high reliability were recognized by the market. Secondly, the Group developed high-pressure hybrid, mild hybrid and other products in light of the fourth-stage fuel consumption regulations combined with the market acceptance of heavy duty commercial vehicles, and continued to promote and reform technologies to enhance product competitiveness. Thirdly, the Group continued to carry out the optimization of engine fuel consumption. The fuel thermal efficiency of high-efficiency vehicle models has been continuously improved, and the fuel consumption per 100 kilometers has been continuously reduced, contributing to the enhancement of the competitiveness of our finished vehicles.

FINANCE SEGMENT

During the Period, the revenue from the Group's Finance Segment (including interest and financial lease income), was RMB936 million, representing a decrease of 19.6% HoH. Revenue from external customers amounted to RMB689 million, representing a decrease of 22.0% HoH. The segment's operating profit margin was 47.0%, increased by 15.3 percentage points HoH, primarily due to the impairment provisions for financial receivables decreasing significantly during the Period. During the Period, the proportion of segment revenue by customer type was as follows:



During the Period, firstly, the Group firmly established the business philosophy of risk prevention and control, and continued to improve its risk management and control capabilities. Starting from system implementation, business continuity, credit management, operation management, etc., the Group established a digital and intelligent risk control system, strengthened technological empowerment and leadership, and effectively prevented and control financial risks. Secondly, in accordance with the Group's sales network development plan, the Group diversified its financial services, innovated and enriched financial products, and meanwhile improved channel-specific services, comprehensively strengthened financial services on the basis of effective risk prevention and control, and further enhanced financial support and sales capabilities.

As at 30 June 2022, the Finance Segment of the Group had established 22 business offices, with its business covering China, and further improved its automotive consumer credit services.

The Finance Segment operates money lending business of the Group through the provision of the following services to the relevant client(s) or borrower(s) (collectively, the "**Borrower(s)**"):

(i) commercial lending ("**Commercial Lending**") which involves the provision of loans to the Borrowers and bill discounting services for bank bills presented by the Borrowers, and

(ii) auto-finance services ("**Auto-finance Services**"), which involves the provision of financing to the Borrowers, being end-users and dealers of the Group's products for the purpose of purchasing the Group's vehicles.

The money lending business of the Group were funded by the equity of the members of the Group which operates the Finance Segment, deposits made by other Group members, the Group's bank borrowings and internal financial resources of the Group. Depending on the type of lending services provided, the Group generally charges an interest rate that ranges from 1.5% to 11%.

Commercial Lending

In respect of the provision of the Commercial Lending services by the Group, the Borrowers comprise CNHTC and its associates (as defined under the Listing Rules), dealers of the Group and suppliers of the Group and the CNHTC Group. CNHTC is a substantial shareholder of the Company whilst the relevant dealers and suppliers are either existing dealers and suppliers of the Group, or suppliers introduced to the Group through business referrals from the CNHTC Group. Such arrangement not only enables the Group to gain a reasonable interest income, but also ensures stability of its industrial chain and achieves a win-win cooperation among upstream and downstream entities along such industrial chain.

Loans to CNHTC and its associates are unsecured and are made in the manner as stipulated under the financial services agreement which terms and details are disclosed in the Company's announcement dated 31 March 2021 (for the loans made in 2021, terms and details of loans that were made as stipulated under the financial services agreement (as supplemented) as disclosed on 26 March 2018, 3 April and 16 April 2018, respectively). Loans to dealers are unsecured while loans to suppliers are secured by the pledge of receivables from suppliers of the Group and the CNHTC Group. For a few cases in respect of dealers and suppliers, further security such as properties and deposits were required. All loans granted are repayable within one year. The Group only discounts the bills issued by banks in the PRC, which bills shall all be matured within one year.

During the Period, the interest revenue from the Commercial Lending services was RMB71 million, compared with the Last Period at RMB118 million, representing a decrease of RMB47 million or 39.8% HoH. As at 30 June 2022, the outstanding net amounts and interest receivable of the loans and bills discounted was RMB2,543 million and RMB54 million, (31 December 2021: RMB2,096 million and RMB104 million) respectively.

As at 30 June 2022, there were less than 100 of such Borrowers who had outstanding balances with the Group in respect of such provision of loan services and bill discounting services. As at 30 June 2022, the Commercial Loans granted to the largest Borrower (being the CNHTC Group) and the top five Borrowers constituted approximately 45.9% and 64.8% (31 December 2021: 50.4% (being the CNHTC Group) and 72.4%) of the Group's relevant net financing receivables and discounting bills balance.

Auto-finance Services

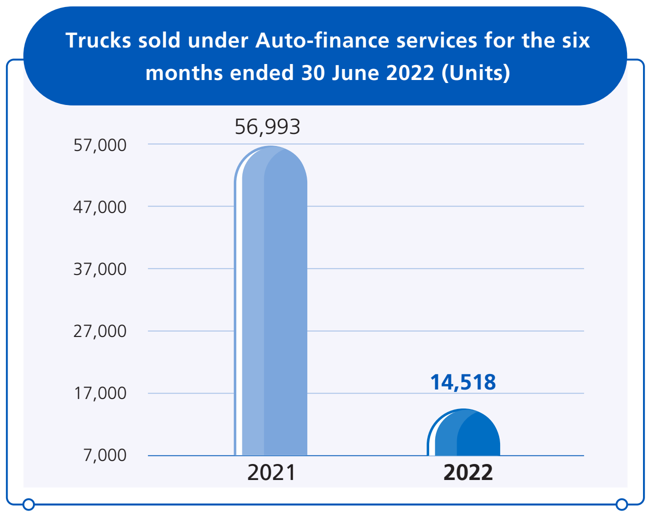
In respect of the provision of the Auto-finance Services by the Group, the Borrowers comprise individuals and entities that purchase commercial vehicles of the Group from dealers and were either end-users of the Group's commercial vehicles or car dealers of commercial vehicles. Such Borrowers were either existing customers of the Group, or introduced to the Group through business referrals from the CNHTC Group or dealers of the Group's vehicles. The Auto-finance Services are further divided into auto-finance loans and finance leasing.

All amounts granted under the Auto-finance Services are guaranteed by the Borrowers (and, for those that are entities, by guarantees of their owner(s) as well), and in respect of certain Borrowers, the relevant amounts are also guaranteed by the dealers. For loans involving a large amount, further security such as properties and guarantee deposits may be required to be provided as collateral. In addition, all such financing are secured by assets such as commercial trucks being purchased by the Borrowers and guarantee deposits. The relevant loans and finance leases granted under the Auto-finance Services are normally repayable within three years.

During the Period, the interest revenue from the Auto-finance Services was RMB364 million, compared with that of the Last Period at RMB489 million, representing a decrease of RMB125 million or 25.6% HoH. As at 30 June 2022, the outstanding net amounts and interest receivable of the loans and finance leases was RMB13,521 million and RMB18 million (31 December 2021: RMB19,321 million and RMB25 million), respectively. As at 30 June 2022, the net finance leases balance to the net loans and finance leases balance was approximately 10.2% (31 December 2021: approximately 11.0%).

As at 30 June 2022, the Borrowers who obtained financing via the Group's Auto-finance Services were more than 88,000 (31 December 2021: more than 90,000). As at 30 June 2022, the loans and leases granted under Auto-finance Services to the largest Borrower and the top five Borrowers constituted approximately 0.2% and 0.7% (31 December 2021: approximately 0.3% and 0.8%) of the Group's relevant net loans and leases balance.

During the Period, the Group sold 14,518 vehicles through Auto-finance Services, representing a decrease of 74.5% HoH.



Impairments and Write-offs

The Finance Segment considers the provision for impairment based on the Borrowers' repayment situations, current and forecast economic conditions and legal and regulations which are consistent with market practices. In compliance with the requirements set out in the Guidance on Provisioning for Loan Losses (《銀行貸款損失準備計提指引》) promulgated by the People's Bank of China, in assessing the relevant risks of loss in respect of the relevant loans and financing, the Finance Segment shall, on at least a quarterly basis, assess and classify the relevant outstanding balances into five categories depending on the credit risk. Depending on the relevant category, provisions for impairment in respect of the outstanding financing receivables will made by the Finance Segment in accordance with the Group's internal policy, based on a provision rate ranging from 1.5% to 100%.

During the Period, the increase in the provision for impairment amounted to RMB46 million (Last Period: RMB201 million). As at 30 June 2022, the total provision of impairment of financing receivables including discounting bills amounted to RMB823 million (31 December 2021: RMB778 million) which were made after the consideration of the Borrowers' repayment history and market situations, in particular, the impacts of COVID-19. During the Period, RMB0.6 million (Last Period: none) of the financing receivables had been written-off.

The abovementioned methodology and the basis applied were common and widely used in the market and such approach in assessing the impairment on financing receivable is consistent with practice adopted by Group, hence, such methodology and the basis applied are fair and reasonable.

Key Internal Control Measures

Credit risk assessment

Prior to the granting of loans or financial services to the relevant Borrower, the relevant business units ("**Business Unit**") of the Finance Segment will first review the application of the potential Borrower, and conduct appropriate pre-loan checks on the potential Borrower and the its guarantor, which involves (a) reviewing the financial reports and statements of the potential Borrower; and (b) performing an assessment on the financial condition of the potential Borrower and its equity holder(s) (for enterprises), such as the type and value of assets owned by the potential Borrower.

Depending on the nature and amount of the loan or financing, the Business Unit will assess and decide the necessity and the amount of security/collateral and pledge for the granting of each loan or financial services on a case by case basis considering the factors including but not limited to the repayment history, results of public credit search towards the Borrower, the value and location of the assets owned by the Borrower and the financial condition of the Borrower.

Relevant business approval forms including but not limited to details of the amounts, repayment terms and the applicable interest will be prepared and the senior management of the relevant Business Unit will give final approval in respect of the relevant application and, pursuant to which, the Business Unit will execute the relevant drawdown or payment procedures. In respect of loans or financial services to be granted to CNHTC and its associates, during the drawdown process, the finance department of the relevant Business Unit will re-confirm that the total outstanding balances, after taking into consideration the amount in the aforesaid application, does not exceed the pre-approved caps and approve the release of the funds if the annual cap has not been exceeded.

Monitoring of loan collection and recovery

The Group has adopted the procedures on monitoring loan repayment and recovery which involves various departments of the Business Unit (principally engaged in after-loan management) being required to report to the risk management and operations departments of the Business Unit on the repayment status of all loans and financing on at least a quarterly basis and to report any material defaulted loans immediately upon occurrence. In addition, regular and/or specific inspections will be carried out in respect of the financial status of the Borrowers and the status of the collaterals. In addition, in respect of the loans or financial services to be granted to CNHTC and its associates, regular meetings are conducted by the Group's Board Office to monitor and ensure all the relevant continuing connected transactions are in compliance with the relevant rules and regulations.

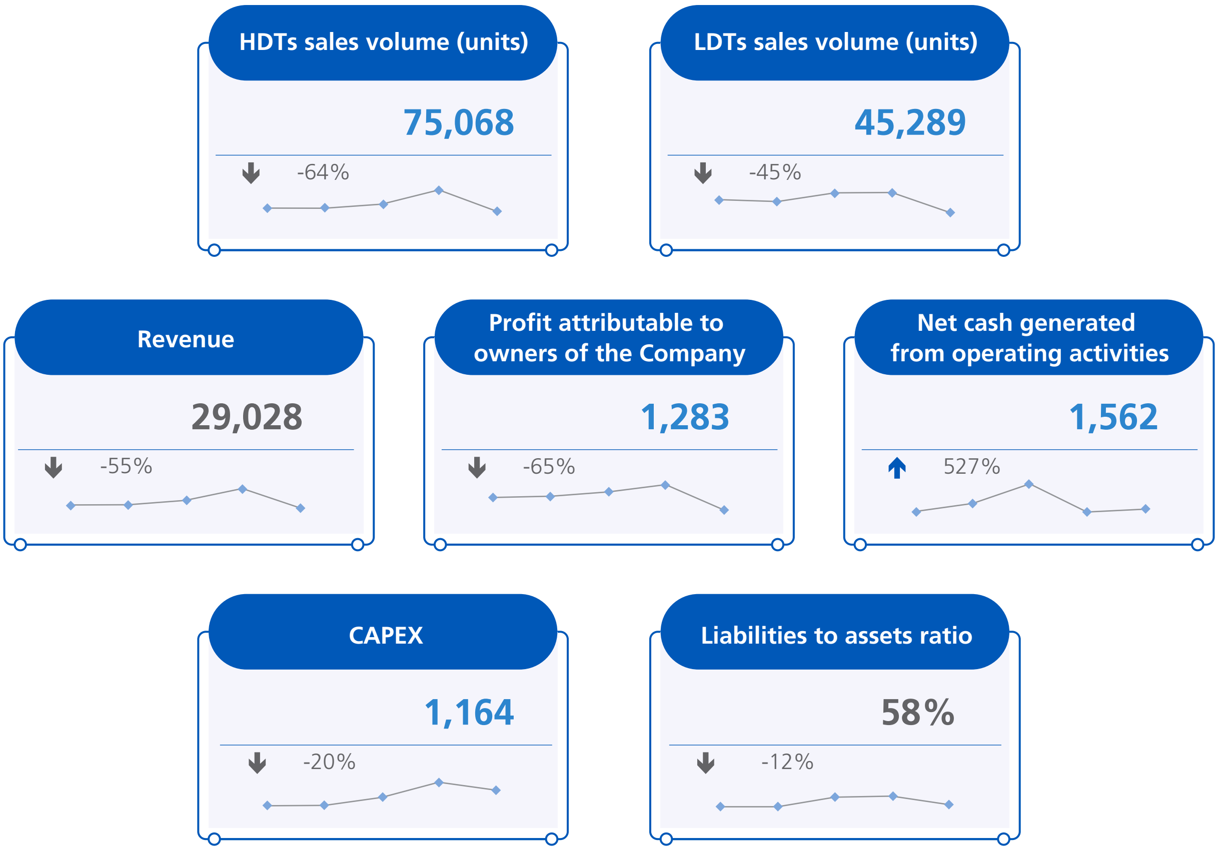
The Group has also adopted a policy for loan collection/recovery, pursuant to which, depending on the status of the overdue payment, the Business Units will continuously contact the Borrows via different means including by phone and on-site interviews, issue overdue payment reminder to the Borrower, and, based on the approval of the senior management of the Business Unit, the Business Unit may negotiate with the Borrower for the repayment or settlement of the loan. Depending on the outcome of the aforesaid measures, the Business Units may also instruct its legal advisers to issue formal legal demand letters. Thereafter, formal legal proceedings may be initiated where appropriate.

MAJOR KEY PERFORMANCE INDICATORS ("KPI")

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

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

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



Key performance indicators	**2022**	**2021**	**2020**	**2019**	**2018**
HDTs sales volume (units)	75,068	207,458	118,073	92,668	93,527
LDTs sales volume (units)	45,289	82,387	81,704	65,401	68,848
Revenue	29,028	65,169	42,798	34,623	34,266
Profit attributable to owners of the Company	1,283	3,623	2,941	2,536	2,419
Net cash generated from operating activities	1,562	249	13,474	4,272	516
CAPEX	1,164	1,463	892	591	578
Liabilities to assets ratio	58%	66%	65%	56%	56%

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 but data for 2018 has been restated according to data of HOWO Bus only.

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND OTHERS

The Group values its communication with stakeholders. The Group has established effective communication and feedback mechanisms, and been listening to the opinions and suggestions of stakeholders from different communication mechanisms such as government and regulators, shareholders and investors, customers, employees, partners, society and environment, etc., identifying the feedback and expectations of various stakeholders of the Group, and responding to their demands in a targeted manner, so as to comprehensively improve the Group's corporate social responsibilities performance.

The Group upholds the concept of "customer satisfaction as our top priority" and implemented the 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 customers, protect customers' privacy and improve customer service quality. In accordance with internal management documents such as the Sinotruk Settlement Standards of Automotive Product Warranty Service Fees, the Sinotruk Policy of Product Quality Warranty, the Customer Maintenance and Fund Management Process, the Supervision and Management of Service Process, and the Management Process of After-sales Service Technical Support, we established an integral after-sales service management system to ensure the after-service quality comprehensively. 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 products and service, we conduct review in time and set up improvement plan to further enhance reliability of our products and service and maintain the brand's image of the Group.

The Group continues to improve on products and service. We established and improved a program of customer service survey and regarded customers' feedback as an important basis for daily operation improvement and enhancement. We set up customer satisfaction survey modules on several platforms, and conduct real time monitor and management of customer satisfaction survey through Smart Sinotruck ("智慧重汽") app, and conduct quality satisfaction survey quarterly in vehicle manufacturing plants, sales companies and service offices. We analyze customers' negative feedback and pay return visits to identify their needs in a timely manner. We request relevant departments to take actions for remedy, propose improvement plan and verify its feasibility which form a closed-loop management (standard - effect - correction) in order to avoid the occurrence of similar events.

The Group highly values the security of customer personal information and privacy. We strictly abide by relevant laws and regulations, such as the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Regulations of the PRC for Safety Protection of Computer Information Systems (《中華人共和國計算機信息系統安全保護條例》), and the Measures for Security Protection Administration of the International Networking of Computer Information Networks (《計算機信息網絡國際聯網安全保護管理辦法》). We formulated internal management regulations such as the Management Procedures for Information Security (《信息安全管理流程》), the Administrative Measures for Protecting the Confidentiality of Information Systems, Information Equipment and Storage Equipment (《信息系統、信息設備和存儲設備保密管理制度》), and the Management Procedures for Trade Secrets Protection (《商業秘密保護管理流程》), taking various actions to strictly protect customers' privacy.

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 for them to achieve win-win in our business.

The Group is well aware that our employees are a constant driving force to achieve the sustainable development of the enterprise. We fully protect employees' legal rights and benefits, and have established a comprehensive promotion system, providing professional learning platforms and implementing measures of staff care in order to achieve mutual development of both employees and the enterprise. In addition, we actively undertake social responsibility, try our utmost to give back to the society and participate in building a better community.

The Group is committed to providing employees with all-round training in line with job requirements and career goal planning, to provide the core driving force for corporate development and optimize talent reserve.

We have formulated the Procedures for Training Management (《培訓管理程序》), the Internal Trainer Management Procedures (《內部培訓師管理工作流程》) and other relevant policy documents. We have been building a three-level training system for employees and a strong team of trainers to comprehensively enhance the quality of training and continuously advance our training work.

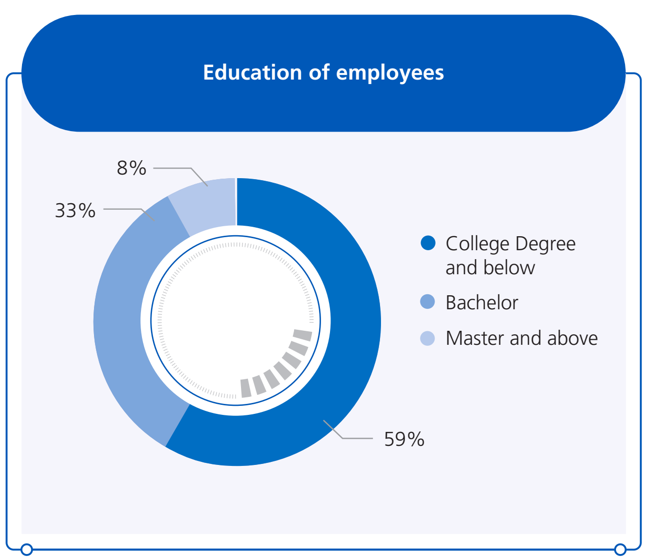
Considering business characteristics and development needs, the Group has established and improved the training system with respect to multiple fields such as corporate culture, digital transformation, going global, and smart growth, and formulated a highly timely, practical and scientific training plan to comprehensively improve the abilities and awareness of employees at all levels. We actively explore diversified training methods, combining online and offline training. The Group has attached great importance to the building of an online learning platform "Sinotruk Cloud Academy" for employees, which provides built-in courses and the courses on products, management and professional skills independently developed by the subsidiaries, to establish a regular learning mechanism for employees.

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 executive Directors) may receive bonuses and monetary rewards based on their performance and ratings in annual performance appraisals.

During the Period, the remuneration of the Group (including salaries, retirement benefits, other welfares and post-employment benefits) to all employees including Directors amounted to RMB2,210 million, representing a decrease of 16.2% HoH. The decrease was mainly due to the decrease in the provision for termination and retirement benefits during the period under review. The Group did not have any share option scheme in place as at 30 June 2022.

As at 30 June 2022, the Group employed a total of 26,849 employees, broken down by function and education as follows:

	Number of employees	**%**
Management team	284	1
Technical and engineering staff	3,439	13
Research and development staff	2,476	9
Production staff	15,216	57
Operation and sales staff	2,585	10
Administrative staff	2,849	10
Total	26,849	100



ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

The Group actively responds to the national "dual-carbon" strategy and the national call for carbon reduction and environmental protection. We adhere to green operation, fulfill our environmental responsibilities, and pursue the sustainability of our development and operation. We have been maintaining the business philosophy of "lucid waters and lush mountains are invaluable assets", actively identifying and responding to the risks brought about by climate change, enhancing our ability to adapt to climate change, turning challenges into opportunities, continuously strengthening waste and energy resource management. In this way, we contribute to the whole industry in the area of low-carbon environmental protection and ecological construction.

The Group coherently upholds the concept of green development, strictly abides by relevant national laws and regulations, refines and implements internal rules and regulations of the Group, establishes and improves the environmental regulation system, and standardizes the daily production process, so as to ensure stable and up-to-standard discharge of industrial "three wastes"(wastewater, flue gas and solid waste), with a requirement to achieve 100% compliance in terms of "three wastes" discharge and transfer of hazardous wastes. With the aim to continuously improve our environmental performance, we actively provided comprehensive and multi-dimensional technical support for all the subordinate units of the Group involved in environmental protection projects, established a long-term mechanism for pollution prevention and control, in order to reduce the generation of "three wastes" from the source.

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

The wastewater of the Group mainly includes the production wastewater and domestic sewage in the factory area. All subordinate units have been 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 has been set up at the discharge nozzle, which is 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 Group strictly abides 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, it formulated and improved the Regulations on the Management of Atmospheric Pollution Emission (《大氣污染物排放管理規定》), to ensure 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 emissions.

The Group persistently upholds pollution prevention and control principles of volume reduction, resource recovery and harmlessness. In strict accordance with 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》) and other laws and regulations, we standardize the collection, storage and disposal management of solid waste in daily production, 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 has formulated and improved the regulations on the management of noise emission to strictly control the noise generated in production and operation. The noise-generating department of each Group member has been required to identify the noise-generating spots, strictly controlling the noise source, proposing a special treatment plan, scientifically planning the setting of production areas, and regularly organizing 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.

COMPLIANCE MATTERS

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, the SFO and the Corporate Governance Code regarding, among others, disclosure of information and corporate governance.

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:

Product review was intensified and rolling review was continuously strengthened. The Group increased the frequency of quality assessment and achieving full coverage of all hot sales vehicle models every quarter as well as full coverage of components and parts of vehicle assembly half a year, and rectified the problems identified in a standard manner. In the first half of 2022, 11 finished vehicles, 40 components and parts of vehicle assembly as well as 197 processes during the management process were reviewed, the completion rate of rectification of which was 92% and 83%, respectively.

The production process was reviewed to ensure the quality of output of core production lines and such reviews covered all core production lines of key products sold. The Group continuously carried out production process review according to *Process Review Operation Instructions* (《過程審核作業指導書》) and focused on its core production lines. In the first half of 2022, the Group conducted 6 process reviews involving 20 production lines. The Group also organized each unit to make rectifications and conduct on-site verification, strengthening the rectification and tracking to ensure the rate of resolved problems of above 90%.

Urgently purchased products were stringently reviewed in accordance with the Group's Q/ZZ50239 standard to ensure that the product inspection, sufficient testing, qualified physical review and commitments of quality indicators meet the relevant requirements. Products not complying with the above standard or products that are not urgently needed for production shall be returned and not allowed for emergency purchase, and those units that conducted non-compliance emergency purchase shall be inspected and notified. The Group improved the quality indicator requirements, and all emergency purchase suppliers shall provide a quality commitment letter, to agree on product quality indicators and to make a written commitment on the consequences of exceeding the quality standards, and no actions shall be allowed if such requirements are not complied with.

In 2022, the Group identified 19 major special quality research projects in response to the long-standing problems in the after-sales market, including heat dangers, high braking temperatures, resonance and urea crystallization. For major special topics, trans-department research team was established to conduct in-depth market research, understand the current situation and analyze the reasons from various units and aspects for the purpose of achieving the comprehensive improvement of products. In the first half of 2022, 19 quality research projects were carried out as planned with no overdue projects and the overall improvement was under control. According to the data analysis, the failure rate of products under such research projects in the first half of 2022 reduced by 43% year-on-year. In addition to the above complicated problems, the Group focused on the after-sales failure rate and the claim amount as monthly top issues, published a list of group-level projects, promoted the implementation of improvement of dynamic management, combined the after-sales big data statistics analysis, and formulated a list of improvement projects in line with the principle of covering 70% of claims amounts. With such clear and clarified measure plan, the Group sets the quantity target of 50% failure rate reduction as the improvement indicator, and focused on data tracking and effect evaluation. The failure rate of products under those 113 group-level improvement projects decreased by 50% year-on-year in the first half of 2022.

While enhancing the capacity building of regulation conformance and regulatory informatization, the management and control over the life-cycle informatization including the vehicle qualification certificate, environmental protection list, vehicle conformance and other certificates were improved.

The Group determined the implementation plan for certificate upload monitoring and early warning, completed the development of relevant functions of the vehicle registration management system, realized accurate statistics on the number of certificate uploads as well as early warning and limitation on the number of certificate uploads per day, improved the timeliness of certificate upload information monitoring, prevented secondary units from uploading certificates in large quantities without authorization in a short time, and avoided triggering the "abnormal movements monitoring (異動監控)" system published by Ministry of Industry and Information Technology of the PRC (MIIT) to avoid relevant risks such as being notified by MIIT and restriction on certificate uploading function.

The Group strengthened the self-examination of chassis problems during the commissioned vehicle improvement and registration as well as the compliance management and control of truck body products, phased out those commissioned units with low capacity, poor management and control and high regulatory risks, constantly refined the inspection requirements for the conformance of vehicle regulations during commissioned vehicle improvement and vehicle registration, greatly reducing the risk of regulatory conformance supervision.

The Group formulated and issued the "Administrative Measures for the Truck-refitting Services Providers" (《委改單位准入管理辦法》) and "Administrative Measures for the Release of Truck-Refitted Products" (《委改產品釋放管理辦法》), regulating the access of commissioned units for improvement and the process of commissioned improved products release. The Group formulated the " Specifications for Quality and Technique of Commissioned Improved Truck Bodies" (《上裝委改質量技術規範》), specifying the regulatory items of truck bodies, welding, painting, pipeline connection and other technical requirements to ensure that refitted products meet the product conformance requirements.

2. HEALTH, SAFETY AND ENVIRONMENTAL RISKS:

The Group always adheres to the principle of "safety first, prevention oriented and comprehensive management", improves the safety management system continuously, implements supervision and monitoring, and continuously enhances the safety management level, the safety production work has been running smoothly as a whole.

MITIGATION MEASURES:

In the first half of the year, the situation of domestic epidemic prevention and control was extremely severe and complicated. In response to the requirements of epidemic prevention work, we built a comprehensive defense line against the epidemic and effectively guaranteed the health and safety of all employees. The Group regularly conducts nucleic acid testing for all employees, formulates testing plans in advance, designates testing sites, conducts on-site disinfection and sterilization, and diverts personnel to ensure that nucleic acid testing is carried out in an orderly manner and effectively safeguards production safety.

The Group intensified the inspection and assessment of safety production in the form of monthly inspections, conducted all-round supervision through a combination of data review, site inspection, as well as inquiries and surveys, classified and summarized the inspection problems, put forward work improvement requirements and completed rectification.

In June, the Group innovatively carried out the safety production month activities, focusing on the theme of "complying with the safety production law and being the first responsible person", with "seven activities", including training competition, hidden danger detection activity, face-to-face meeting with experts, collection of safety science works, refining safety management system document, intrinsic safety improvement activity and safety skills competition, as the main line to carry out activities. Combining the characteristics of the machinery industry, the Group innovated the forms of activities, and enriched the content of the activities, so as to truly get close to the enterprise and life. The Group raised the safety awareness, improved the level of safety management and enhanced the publicity of safety production to demonstrate the Group's good level of safety development.

The Group promoted the development of fire protection and safety intelligence. The Group made every effort to promote the launch of the intelligent error prevention and error correction system for specific scenarios safety production. The system can automatically identify and alarm, and improve the intelligent level of safety management. The Group promoted the test project of "major risk early warning and intelligent prevention and control system" and the project of "environmental protection data and fire risk online monitoring and real-time scheduling", promoted the QR code scanning and spot inspection project of fire protection equipment and facilities, standardized the digital construction of hidden dangers in safety production, and improved system weaknesses.

The Group conducted various centralized emergency drills in order to improve its abilities of catastrophe prevention and relief. During the first half of year, the Group has commenced drills mainly on aspects of fire safety, heat stroke, occupational diseases, public health, contingency plan for natural disasters and on-site management and implementation plan. Through the commencement of various drills, the staffs' capability to handle emergency situation was enhanced while the suitability and effectiveness of the contingency plans and on-site execution plans were verified.

3. FOREIGN EXCHANGE RISKS:

The Group reached a historic high in terms of heavy duty truck exports in the first half of 2022, 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:

The Group adopted cross-border Renminbi as settlement currency for business transactions in areas with sufficient Renminbi so as to further reduce currency exchange risks. For long-term letters of credit, the Group took the initiative to adopt forfaiting, accelerating the collection of trade receivables, 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. 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, where there is a possibility of exchange rate inversion, the Group adopted 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.

BUSINESS STRATEGIES AND PROSPECTS

Looking forward to the second half of 2022, global economic growth will gradually fall back to normal, supply chain bottlenecks will exacerbate inflationary pressures, the risk of global "stagflation" will increase, fiscal support for major economies will weaken, monetary policies will be tightened, and international financial market volatility will intensify. From the perspective of the domestic economic situation, as the rebound of the epidemic is effectively controlled, the Chinese economy will continue to adhere to the general principle of seeking progress while maintaining stability, various policies of the central government to stabilize the economy will be further implemented and take effect, and the recovery momentum will continue to be maintained in the second half of the year. Earlier implementation of infrastructure investment and proactive fiscal policy will provide solid guarantee for economy to operate within a reasonable range.

From the perspective of the commercial vehicle industry, as the economic situation stabilizes and improves, the demand for freight will continue to grow steadily, and the control over excess and limit driven by source management continuously reinforced promoting the replacement demand for lightweight products and bringing a permutational increment. In addition, the release of the policy of carbon peak and carbon neutrality 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 penetration rate of new energy commercial vehicles will continue to rise.

In general, the sales volume of the HDTs industry and LDTs industry in 2022 will experience a structural with some uncertain factors, and demand is expected gradually pick up in the second half of the year.

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

1. Seize opportunities in overseas markets and increase market segment development. Continue to consolidate some traditional advantageous markets in Africa and Southeast Asia, and accelerate the development of advantageous markets for European and American brands; focus on key national markets, and develop segmented market models such as cargo trucks, high-end dump trucks, and medium- and long-distance tractors to further increase overseas market share.

2. Continuously consolidate the traditional dominant market position and break through weak markets. The Group will seize the demand opportunities arising from economic recovery, consolidate the dominant market of tipper trucks and mixer trucks, continue to increase the development of various market segments, and search for breakthrough point by focusing on markets such as composite and coal, high-horsepower tractor trucks, gas vehicles, and 4×2 trucks and achieve incremental improvement.

3. Comprehensively enhance systematic marketing capabilities. By improving the whole value chain marketing system of custody services, second-hand cars, Internet of Vehicles, intelligent driving, financial insurance, etc., the Group will develop an in-depth capability in identifying fleet-type customers, gradually form a value ecological chain, enhance marketing capabilities and brand premiums, and accelerate the realization of value marketing transformation.

4. Make every effort to achieve strategic market breakthroughs. The Group will continue to increase investment in research and development to ensure breakthroughs in new technologies and new formats such as new energy, Internet of Vehicles, and intelligent driving, and achieve comprehensive leadership in high-end technologies. The Group will focus on developing customized products around typical scenarios such as ports, steel mills, muck transportation, cement mixing, municipal sanitation, urban distribution logistics, etc., to enhance the core competitiveness of new energy vehicle products, speed up commercialization and create new growth points.

FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period was RMB29,028 million, representing a decrease of RMB36,141 million or 55.5% HoH. The decrease in the revenue was due to the economic slowdown and the disrupted logistics due to the complicated and fluctuating Covid-19 pandemic situations, which together resulted in a significant year-on-year drop in truck demand in the PRC and, in turn, resulted in a relatively large drop in the sales volume of all kinds of trucks and Products Revenue. The Group's gross profit for the Period was RMB4,913 million, representing a decrease of RMB5,902 million or 54.6% HoH. The decrease in gross profit was mainly due to the significant decrease in sales in trucks and reduction of production scale. Gross profit margin for the Period was 16.9% (gross profit divided by revenue), representing an increase of 0.3 percentage points HoH. The increase in the gross profit margin was mainly due to the increase of contribution to total gross profit by the Finance Segment which had higher gross profit margin.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Period was RMB1,189 million, representing a decrease of RMB2,033 million or 63.1% HoH and such decrease was due to the decrease in the sales volume of trucks resulting the decrease in transportation costs and the decrease in warranty expenses. During the Period, the ratio of selling and distribution expenses to Products Revenue was 4.2%, representing a decrease of 0.8 percentage points HoH. Warranty expenses accounted for 0.4% of Products Revenue for the Period, representing a decrease of 1.8 percentage points HoH. The decrease was mainly due to the fact that the Group speeded up the timeliness of quality claims of heavy duty trucks during the Period and, hence, reduced the Group's warranty expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB2,061 million, representing a decrease of RMB479 million or 18.9% HoH. During the Period, administrative expenses to revenue ratio was 7.1%, representing an increase of 3.2 percentage points HoH. The increase in the ratio was mainly due to the fact that research and development expenses did not decrease even sales declined, and continued to be incurred according to the research and development plans.

NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

Net impairment losses of financial assets for the Period was RMB129 million, representing a decrease of RMB146 million or 53.1% HoH. The impairment losses of trade and financing receivables was RMB129 million, accounting for 0.4% of the total revenue for the Period. Further details of the trade and financing receivables are set out in the section headed "TRADE, 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 RMB403 million, representing a decrease of RMB58 million or 12.6% HoH. The decrease was mainly due to the significant drop in various other incomes, including income from disposal of scraps, government grants, fines, penalty income etc., and without the write-off of long-term accounts payable during the Period resulting the decrease by RMB214 million HoH while most of the decrease being offset by the net gains from foreign exchange differences and foreign exchange forward contracts.

FINANCE INCOME - NET

Net finance income for the Period was RMB40 million, representing a decrease of RMB25 million or 38.5% HoH. The decrease in finance income was mainly due to the decrease in average amounts of fixed deposits.

SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Share of profits less losses of associates for the Period was loss at RMB9 million, as opposed to a gain in the Previous Period, representing a drop of profits shared by RMB14 million or 280.0% HoH. The drop was mainly due to the share of losses from associates engaged in innovation and new technologies which are still in research and development stage.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB391 million, representing a decrease of RMB880 million or 69.2% HoH. 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 19.8%, representing a decrease of 4.2 percentage points HoH.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the Period was RMB1,576 million, representing a decrease of RMB2,461 million or 61.0% HoH. Net profit ratio (profit for the Period divided by revenue) was 5.4%, representing a decrease of 0.8 percentage points HoH. Profit attributable to owners of the Company for the Period was RMB1,283 million, representing a decrease of RMB2,340 million or 64.6% HoH. The basic earnings per share attributable to owners of the Company for the Period was RMB0.46, representing a decrease of RMB0.85 or 64.9% HoH.

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 30 June 2022, the Aggregate Trade Balance amounted to RMB12,943 million, representing a decrease of RMB1,359 million or 11.7% when compared to the balance as at 31 December 2021. The main reason for the decrease in Aggregate Trade Balances was due to drop in sales of trucks during the Period.

The Group grants large dealers with good repayment history credit period from 3 to 12 months and/or accepts the settlement by commercial or bank acceptance bills and, hence, their ageing of the Aggregate Trade Balances is longer than that of other customers.

The trade receivables turnover (average Aggregate Trade Balances divided by Products Revenue multiplied by 181 days (2021: 181 days)) for the Period was 78.3 days (2021: 39.8 days), representing an increase of 38.5 days.

As at 30 June 2022, the Aggregate Trade Balances aged not more than twelve months amounted to RMB11,995 million or 92.7% of the Aggregate Trade Balances.

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 businesses, actual repayment information, etc. During the Period, the Group made impairment loss allowance for Aggregate Trade Balance at the amount of RMB83 million.

As at 30 June 2022, the net financing receivables was RMB16,134 million, representing a decrease of RMB5,407 million or 25.1% when compared to the balance as at 31 December 2021.

As at 30 June 2022, the net financing receivables aged not more than twelve months amounted to RMB9,224 million or 57.2% of the net financing receivables.

During the Period, the Group made impairment loss allowance for financing receivables at the amount of RMB46 million. Further details of the financing receivables and discounting bills are set out in the section headed “FINANCE SEGMENT”.

TRADE PAYABLES

As at 30 June 2022, the trade and bills payables amounted to RMB32,675 million, representing a decrease of RMB4,804 million or 12.8% when compared to the balance as at 31 December 2021. The trade payables turnover (average trade and bills payables balances divided by costs of Products Revenue multiplied by 181 days (2021: 181 days)) for the Period was 264.0 (2021:180.3 days), representing an increase of 83.7 days HoH.

CASH FLOWS

Net cash inflow generated from operating activities for the Period was RMB1,562 million. Compared with the Previous Period, the Group significantly reduced the payment of income tax by RMB1,734 million. However, such cash outflow impact was partly offset by the decrease in cash generated from operations as a result of the decrease in profits. Compared with the net cash inflow in the Previous Period, the net cash inflow increased by RMB1,313 million.

Net cash outflow used in investing activities for the Period was RMB5,875 million. During the Period, the Group significantly increased the purchase of wealth management and finance products, as compared with the Previous Period, the net cash outflow increased by RMB4,249 million. Such cash outflow was partly offset by the decrease in payment of purchase of property, plant and equipment and land use right at RMB674 million and proceeds from disposal of subsidiaries at RMB259 million. Cash outflow in investing activities increased by RMB3,455 million as compared to the cash outflow in the Previous Period.

Net cash outflow used in financing activities for the Period was RMB246 million. Although the Group did not further repay the borrowings and reduced the payment of dividends to the non-controlling interests of subsidiaries during the Period which totally reduced cash outflow at RMB519 million, Ji'nan Truck Company carried out share buyback for the purpose of share reward scheme during the Period which spent RMB63 million and there was no capital injection from non-controlling interests (while cash at RMB5,528 million was injected in the Previous Period). As a result, net cash outflow used in financing activities increased by RMB5,051 million as compared to the cash inflow in the Previous Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group had cash and cash equivalents of RMB20,290 million, representing a decrease of RMB4,402 million or 17.8% when compared to the balance as at 31 December 2021. The Group's total borrowings were about RMB4,875 million as at 30 June 2022. Its gearing ratio (total borrowings divided by total assets) and debt-to-equity ratio (total borrowings divided by equity) as at 30 June 2022 were 4.8% and 11.5% respectively (31 December 2021: 3.3% and 8.2% respectively). As at 30 June 2022, current ratio (total current assets divided by total current liabilities) was 1.3 (31 December 2021: 1.3).

As at 30 June 2022, all borrowings were denominated in RMB (31 December 2021: all in RMB) and all borrowings were charged with reference to bank's preferential fixed rates. The maturity profile of all borrowings was as follows:

	As at 30 June 2022 RMB million	As at 31 December 2021 RMB million
Within one year	**4,875**	3,511
	4,875	3,511

As at 30 June 2022, total consolidated equity of the Company was RMB42,543 million, representing a decrease of RMB225 million or 0.5% when compared with the balance as at 31 December 2021.

As at 30 June 2022, the Company's market capitalization was RMB25,973 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD11.0 per Share and at the exchange rate of 1:0.85519 between HKD and RMB).

As at 30 June 2022, the unutilized credit facilities of the Group from the banks amounted to RMB24,243 million (31 December 2021: RMB27,728 million). An aggregate amount of RMB806 million (31 December 2021: RMB991 million) of security deposits and restricted bank deposits were pledged to secure various credit facilities. In addition, the finance segment mandatorily placed deposits of RMB2,096 million (31 December 2021: RMB2,594 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

The Group continues to pay attention to potential strategic investment opportunities in the market, and timely acquires or invests in those meet the Group's strategic development requirements.

INVESTMENTS IN SUBSIDIARIES

In February 2022, the Group acquired 0.1497% equity interest in Sinotruk Finance Co., Ltd. at the consideration of RMB8 million.

In March 2022, the Group disposed of 66% equity interest of a wholly-owned subsidiary of the Company, Sinotruk Mianyang Special Vehicles Co., Ltd., at the consideration of RMB125 million. Thereafter, Sinotruk Mianyang Special Vehicles Co., Ltd. became as an associated company of the Company.

In May 2022, the Group finally disposed of its all interests in Sinotruk (Weihai) Commercial Vehicle Co., Ltd. at the consideration of RMB162 million. Details of the disposal was disclosed in the Company's announcement dated 29 April 2022.

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 January 2022, the Group completed the acquisition for 30% equity interest in Weichai Intelligent Technology Co., Ltd. at the cash consideration of RMB76 million. Details of the acquisition was disclosed in the Company's announcement dated 17 January 2022.

As mentioned above, Sinotruk Mianyang Special Vehicles Co., Ltd. became an associated company of the Company in March 2022.

In July 2022, the Group injected RMB133 million to top up 40% equity interest in Chongyou Gaoke Fuel System Co., Ltd. Details of the injection was disclosed in the Company's announcement dated 22 June 2022.

As at 30 June 2022, the amount of interest in associates was RMB1,457 million, representing 1.4% of the total assets of the Group. Performance and details of investments accounted for using the equity method are disclosed in the section headed "SHARE OF PROFITS LESS LOSSES OF ASSOCIATES".

b) *Other long term equity investments*

As at 30 June 2022, 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 China. As at 30 June 2022, the Group had short term equity investment at RMB5 million, representing less than 0.1% of its total assets. Such equity investments are accounted for as equity investments in financial assets at fair value through profit or loss. Their fair values keep changing from time to time depending on factors including but are not limited to their operation results, economic situations and stock markets sentiments.

CAPITAL COMMITMENT

As at 30 June 2022, the Group committed capital expenditure in respect of property, plant and equipment as well as other intangible assets amounting to RMB3,355 million which will be funded by internal resources and borrowing facilities.

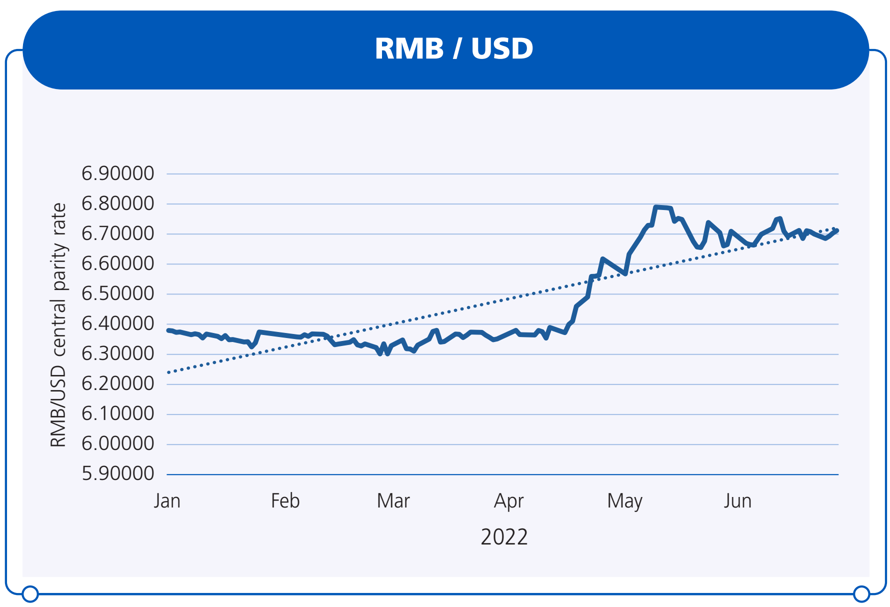
CHARGES ON GROUP ASSETS

Save as disclosed in the section headed "LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE", as at 30 June 2022, there were no assets of the Group being pledged.

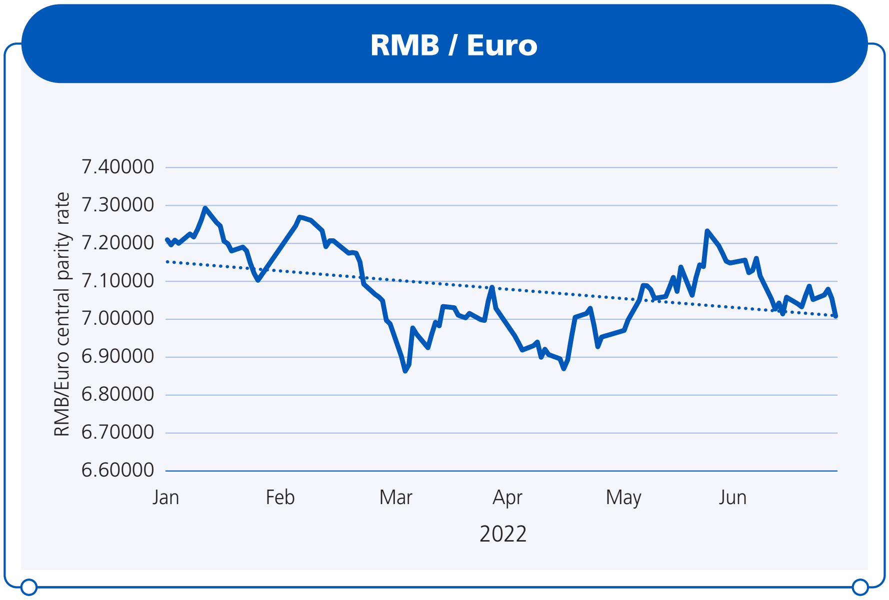
FINANCIAL MANAGEMENT AND POLICY

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 exchange contracts to manage the foreign exchange risks and purchases several wealth management products of which the return are linked with non-RMB foreign currencies.

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



The RMB/USD central parity rate in the PRC as at 30 June 2022 was 6.71140, representing a depreciation of RMB by 5.27% when compared to the rate of 6.37570 as at 31 December 2021. RMB against USD central parity rates recorded a high of 6.78980 and a low rate of 6.30140 with volatility at 16.64% and showed a trend of gradual depreciation during the Period.



The RMB/Euro central parity rate in the PRC as at 30 June 2022 was 7.00840, representing an appreciation of RMB by 2.93% when compared the rate of 7.21970 as at 31 December 2021. RMB against Euro central parity rates recorded a high of 7.29320 and a low of 6.86340 with volatility at 10.86% and showed trend of gradual appreciation during the Period.

As at 30 June 2022, most of the Group's monetary assets and liabilities were denominated in RMB. As at 30 June 2022, the major non-RMB denominated net monetary assets were in USD and EURO. During the Period, the Group recorded foreign exchange gains of RMB251 million in operating profit and losses of RMB131 million on forward foreign exchange contracts (for hedging foreign exchange fluctuations). The material potential foreign exchange impacts to net monetary assets and liabilities of the Group as at 30 June 2022 are:

	USD denominated net assets	**EURO denominated net assets**
5% appreciation/depreciation in RMB	Loss/gain before tax of RMB360 million	Loss/gain before tax of RMB55 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 customers to buy their trucks and guarantee the repayment obligation by these customers to the finance leasing companies by way of buyback of the trucks. As at 30 June 2022, 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 RMB303 million and provision for legal claims of approximately RMB40 million was made as at 30 June 2022.

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

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.

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 Part 2 of Appendix 14 "Corporate Governance Code and Corporate Governance Report" (the "**CG Code**") to the Listing Rules as its own code of corporate governance.

During the Period, the Company had been in compliance with the code provisions under the CG Code, save and except for the code provisions F.1.1 of the CG Code.

In respect of code provision F.1.1 of the CG Code, the Company should have a policy on payment of dividends. The Company has not established a dividend policy as the Company will consider various factors such as the current operating results, distributable reserves, financial position, expected financial performance, expected working capital requirements, sustainable development to determine the dividend, which is to the best interest of the Company and its Shareholders as a whole.

DIRECTORS' SECURITIES TRANSACTIONS

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

DIVIDENDS

The Board resolved not to declare any interim dividends for the six months ended 30 June 2022.

REVIEW OF INTERIM RESULTS

This unaudited interim condensed consolidated financial information of the Company for the six months ended 30 June 2022 has been reviewed by the Audit Committee and by Ernst and Young, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

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

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

INVESTOR RELATIONS

The Board Office is responsible for promoting investor relations, enhancing communications and ensuring that the investors are able to obtain information about the Group on a fair and timely basis to assist them in making the best investment decisions. To develop good relationship with Shareholders and potential investors, the Board office and the management has participated in a number of one-on-one meetings, investors' conferences and site visits during the Period.

Analysts and fund managers may enrich their knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company at www.sinotruk.com for the latest information available in respect of the Group including information on the financial conditions and the latest business developments of the Group.

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all the Shareholders and improving the Shareholders' returns. The Board considers that AGM is an important opportunity for direct communication with the Shareholders.

The 2022 AGM was held on 28 June 2022 at Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong. Certain members of the Board and external auditors of Company attended the 2022 AGM and communicated with the Shareholders via video conferencing system. Details of the voting particulars were disclosed in the Company's announcement dated 28 June 2022.

CONSTITUTIONAL DOCUMENTS

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

PUBLICATION OF THE 2022 INTERIM RESULTS AND THE INTERIM REPORT

The interim results announcement for the six months ended 30 June 2022 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinotruk.com). The interim report of the Company for the six months ended 30 June 2022 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:

"Aggregate Trade Balance"	the total balances of the net trade receivables and acceptance bills which are classified as financial assets at fair value through other comprehensive income and as net bills receivable but excluding discounted bills of the Finance Segment
"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"	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the intermediate holding company of the Company as at 30 June 2022

"CNHTC Group"	CNHTC and its subsidiaries other than the Group
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company" or "Sinotruk"	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange
"Datong Gear"	中國重汽集團大同齒輪有限公司 (Sinotruk Datong Gear Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Euro"	the lawful currency of the European Union
"GAAP"	generally accepted accounting principles
"GDP"	gross domestic product
"Group" or "We"	the Company and its subsidiaries
"HDT(s)"	heavy duty truck(s) and medium-heavy duty truck(s)
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HoH"	as compared to the period of six months ended 30 June 2021
"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
"Ji'nan Truck Company"	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji'nan Truck Co., Ltd.), a joint stock company organized under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
"LDT(s)"	light duty truck(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PBOC"	The People's Bank of China
"Period"	the six-month period ended 30 June 2022
"Previous Period"	the six-month period ended 30 June 2021
"Products Revenue"	the revenue of sales of goods and rendering of services by the segments of heavy duty trucks, light duty trucks and others as well as engines to external customers
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange in the PRC
“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 controlling shareholder (as defined in the Listing Rules) of the Company as at 30 June 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
“%”	per cent

By order of the Board
Mr. Cai Dong
Chairman of the Board

Ji’nan, PRC, 31 August 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. Richard von Braunschweig, Ms. Li Xia, Mr. Sun Shaojun and Mr. Wang Chen; 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.