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## **SINOTRUK (HONG KONG) LIMITED**

**中國重汽(香港)有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 03808)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **RESULTS**

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2023 together with the comparative figures for the corresponding period last year as follows:

#### **Consolidated Statement of Profit or Loss**

For the six months ended 30 June 2023 — unaudited

(All amounts in RMB thousands unless otherwise stated)

	Notes	<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
<b>Revenue</b>	4	<b>41,389,161</b>	29,028,227
Cost of sales		<b>(34,367,215)</b>	(24,115,544)
<b>Gross profit</b>		<b>7,021,946</b>	4,912,683
Other income and gains		<b>295,463</b>	535,760
Selling and distribution expenses		<b>(1,953,998)</b>	(1,189,009)
Administrative expenses		<b>(2,063,818)</b>	(2,061,176)
Impairment losses on financial assets, net		<b>(103,302)</b>	(128,766)
Other expenses		<b>(126,116)</b>	(132,761)

**Consolidated Statement of Profit or Loss (continued)**

For the six months ended 30 June 2023 — unaudited

(All amounts in RMB thousands unless otherwise stated)

	Notes	Six months ended 30 June	
		2023	2022
<b>Profit from operation</b>		<b>3,070,175</b>	1,936,731
Finance income		<b>114,217</b>	45,126
Finance costs		<b>(23,535)</b>	(5,476)
Finance income, net		<b>90,682</b>	39,650
Share of profits less losses of associates		<b>24,830</b>	(8,840)
<b>Profit before tax</b>	5	<b>3,185,687</b>	1,967,541
Income tax	6	<b>(562,826)</b>	(391,426)
<b>Profit for the period</b>		<b>2,622,861</b>	1,576,115
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>2,373,102</b>	1,282,538
Non-controlling interests		<b>249,759</b>	293,577
<b>Profit for the period</b>		<b>2,622,861</b>	1,576,115
<b>Earnings per share</b>	7		
Basic and diluted		<b>0.86</b>	0.46

## Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023 — unaudited

(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2023	2022
<b>Profit for the period</b>	<b>2,622,861</b>	<b>1,576,115</b>
<b>Other comprehensive income for the period</b> <b>(after tax and reclassification adjustments):</b>		
Items that will not be reclassified to profit or loss:		
Remeasurements of termination and post-employment benefit obligations	<b>(3,831)</b>	2,489
Items that are or may be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income	<b>(7,060)</b>	(7,107)
Exchange differences on translation of foreign operations	<b>(2,194)</b>	1,324
Share of other comprehensive income of associates	<b>1,885</b>	1,985
	<b>(7,369)</b>	(3,798)
<b>Other comprehensive loss for the period</b>	<b>(11,200)</b>	(1,309)
<b>Total comprehensive income for the period</b>	<b>2,611,661</b>	<b>1,574,806</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>2,362,581</b>	1,282,715
Non-controlling interests	<b>249,080</b>	292,091
<b>Total comprehensive income for the period</b>	<b>2,611,661</b>	<b>1,574,806</b>

## Consolidated Statement of Financial Position

As at 30 June 2023 — unaudited

(All amounts in RMB thousands unless otherwise stated)

	Notes	At 30 June 2023	At 31 December 2022
<b>Non-current assets</b>			
Property, plant and equipment		15,428,885	15,487,358
Investment properties		1,084,404	840,134
Right-of-use assets		2,299,800	2,319,622
Goodwill		68,933	68,933
Intangible assets		198,059	232,366
Investment in associates		1,987,441	1,970,714
Equity investments designated at fair value through other comprehensive income (“FVOCI”)		31,925	31,925
Trade and financing receivables	9	4,741,219	2,274,760
Prepayments, other receivables and other assets		3,862,336	192,798
Deferred tax assets		2,417,468	2,302,340
Total non-current assets		32,120,470	25,720,950
<b>Current assets</b>			
Inventories		14,452,642	13,496,445
Trade, financing and bills receivables	9	15,543,587	16,145,075
Prepayments, other receivables and other assets		19,466,536	18,452,273
Financial assets at FVOCI	10	7,889,641	7,359,387
Financial assets at fair value through profit or loss (“FVPL”)		7,026,346	4,500,202
Cash and cash equivalents and restricted cash		15,804,628	19,804,185
Total current assets		80,183,380	79,757,567
<b>Current liabilities</b>			
Trade and bills payables	11	39,616,522	33,221,359
Other payables and accruals		20,198,906	22,184,285
Derivative financial instruments		162,606	—
Borrowings		4,223,341	3,889,799
Lease liabilities		1,356	1,917
Tax payable		477,663	480,291
Provisions		1,691,834	1,536,767
Total current liabilities		66,372,228	61,314,418
<b>Net current assets</b>		13,811,152	18,443,149
<b>Total assets less current liabilities</b>		45,931,622	44,164,099

## Consolidated Statement of Financial Position (continued)

As at 30 June 2023 — unaudited

(All amounts in RMB thousands unless otherwise stated)

	Notes	At 30 June 2023	At 31 December 2022
<b>Non-current liabilities</b>			
Borrowings		20,000	—
Lease liabilities		—	143
Deferred tax liabilities		118,948	109,755
Termination and post-employment benefit obligations		524,937	525,467
Deferred income		551,643	560,157
Total non-current liabilities		<u>1,215,528</u>	<u>1,195,522</u>
<b>Net assets</b>		<u><b>44,716,094</b></u>	<u><b>42,968,577</b></u>
<b>Equity</b>			
Share capital		16,717,024	16,717,024
Other reserves		3,005,294	3,015,829
Retained earnings		17,737,015	16,176,135
<b>Total equity attributable to equity shareholders of the Company</b>		<u><b>37,459,333</b></u>	<u><b>35,908,988</b></u>
<b>Non-controlling interests</b>		<u><b>7,256,761</b></u>	<u><b>7,059,589</b></u>
<b>Total equity</b>		<u><b>44,716,094</b></u>	<u><b>42,968,577</b></u>

## Notes to the unaudited interim results

(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 financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting.

The interim financial information is unaudited, but has been reviewed by KPMG 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 (“**HKICPA**”).

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 Company’s annual consolidated financial statements for the year ended 31 December 2022.

The financial information relating to the year ended 31 December 2022 that is included in the interim 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 2022 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 2022. 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.

### **3. Accounting policies**

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and amended 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 applied the following new and amended HKFRSs issued by the HKICPA to this interim financial information for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

### **4. Operating segment information**

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

For the purposes of assessing segment performance and allocating resources among segments, the Group’s most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of prepaid income tax, deferred tax assets and other corporate assets. Segment liabilities are those operating liabilities that result from the operating activities of a segment including all non-current and current liabilities including borrowings managed directly by the segments with the exception of deferred tax liabilities, income tax payable and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.



**(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

The segment results for the six months ended 30 June 2023 are as follows:

	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Elimination	Total
<b>External revenue</b>						
Sales of goods	35,883,199	4,390,826	315,703	—	—	40,589,728
Rendering of services	184,882	—	10,350	—	—	195,232
Provision of financing services	—	—	—	604,201	—	604,201
<b>Total external revenue</b>	<b>36,068,081</b>	<b>4,390,826</b>	<b>326,053</b>	<b>604,201</b>	<b>—</b>	<b>41,389,161</b>
Inter-segment revenue	502,131	666,301	6,862,125	113,684	(8,144,241)	—
<b>Total segment revenue</b>	<b><u>36,570,212</u></b>	<b><u>5,057,127</u></b>	<b><u>7,188,178</u></b>	<b><u>717,885</u></b>	<b><u>(8,144,241)</u></b>	<b><u>41,389,161</u></b>
Operating profit/(loss) before unallocated expenses	2,399,800	(174,417)	607,717	381,663	(133,304)	3,081,459
Unallocated expenses						(11,284)
<b>Operating profit</b>						<b>3,070,175</b>
Finance income, net						90,682
Share of profits of associates						24,830
<b>Profit before tax</b>						<b><u>3,185,687</u></b>

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

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

The segment assets and liabilities as at 30 June 2023 are as follows:

	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	Total
Segment assets	78,702,339	12,153,554	27,373,842	51,658,354	2,705,264	172,593,353
Elimination						<u>(60,289,503)</u>
<b>Total assets</b>						<u><u>112,303,850</u></u>
Segment liabilities	54,294,255	12,711,472	11,352,797	41,911,838	1,433,589	121,703,951
Elimination						<u>(54,116,195)</u>
<b>Total liabilities</b>						<u><u>67,587,756</u></u>

Reconciled to entity assets and liabilities as at 30 June 2023 as follows:

	Assets	Liabilities
<b>Segment assets/liabilities after elimination</b>	<b>109,598,586</b>	<b>66,154,167</b>
Unallocated:		
Deferred tax assets/liabilities	2,417,468	118,948
Prepaid income tax/tax payable	234,923	477,663
Dividend payable	—	818,835
Unallocated corporate assets/liabilities	<u>52,873</u>	<u>18,143</u>
	<u>2,705,264</u>	<u>1,433,589</u>
<b>Total</b>	<u><u>112,303,850</u></u>	<u><u>67,587,756</u></u>

The segment assets and liabilities as at 31 December 2022 are as follows:

	<b>Heavy duty trucks</b>	<b>Light duty trucks and others</b>	<b>Engines</b>	<b>Finance</b>	<b>Unallocated</b>	<b>Total</b>
<b>Segment assets</b>	67,236,440	9,850,820	23,435,479	50,320,322	2,506,134	153,349,195
Elimination						<u>(47,870,678)</u>
<b>Total assets</b>						<u><u>105,478,517</u></u>
<b>Segment liabilities</b>	42,451,429	10,455,303	10,225,358	40,263,559	599,584	103,995,233
Elimination						<u>(41,485,293)</u>
<b>Total liabilities</b>						<u><u>62,509,940</u></u>

Reconciled to entity assets and liabilities as at 31 December 2022 as follows:

	<b>Assets</b>	<b>Liabilities</b>
<b>Segment assets/liabilities after elimination</b>	102,972,383	61,910,356
Unallocated:		
Deferred tax assets/liabilities	2,302,340	109,755
Prepaid income tax/tax payable	155,357	480,291
Unallocated corporate assets/liabilities	<u>48,437</u>	<u>9,538</u>
	<u>2,506,134</u>	<u>599,584</u>
<b>Total</b>	<u><u>105,478,517</u></u>	<u><u>62,509,940</u></u>

## 5. Profit before tax

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

	Six months ended 30 June	
	2023	2022
Cost of inventories sold	<b>31,520,247</b>	21,772,055
Employee benefit expenses	<b>2,572,377</b>	2,209,669
Warranty expenses, net	<b>512,405</b>	100,907
Write-down of inventories to net realisable value	<b>386,420</b>	188,346
Impairment/(reversal of impairment)		
– trade receivables	<b>86,330</b>	97,840
– financing receivables	<b>22,487</b>	45,551
– bills receivable	<b>(13,915)</b>	(14,473)
– financial assets included in prepayments, other receivables and other assets	<b>13,127</b>	(152)
– the off-balance sheet credit business	<b>(4,727)</b>	—
– property, plant and equipment	<b>7,622</b>	—
Amortisation	<b>36,224</b>	33,507
Depreciation		
– right-of-use assets	<b>34,541</b>	29,706
– property, plant and equipment	<b>748,187</b>	668,598
Gains on disposal of items of property, plant and equipment	<b>(1,694)</b>	(85)
Foreign exchange differences, net	<b>(179,939)</b>	(250,667)
Government grants	<b>(43,888)</b>	(53,188)
Income on disposal of scraps	<b>(17,909)</b>	(48,642)

## 6. Income tax

	Six months ended 30 June	
	2023	2022
Current tax:		
– PRC corporate income tax	661,617	528,246
– Elsewhere	—	225
Total current tax	661,617	528,471
Deferred tax	(98,791)	(137,045)
Total tax charge	562,826	391,426

Taxation on profits has been calculated on the estimated assessable profits during the six months ended 30 June 2023 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% (2022: 16.5%) on their estimated assessable profits during the period. The Company is also determined as a Chinese-resident enterprise and, is subject to corporate income tax at a rate of 25% (2022: 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 HK\$2 million assessable profits is taxed at a rate of 8.25% and the remaining at 16.5% (2022: first HK\$2 million assessable profits taxed at a rate of 8.25% and the rest at 16.5%).

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. Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as a High New Tech Enterprise in 2022. These companies are entitled to a reduced corporate income tax rate of 15% (2022:15%) 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% (2022:15%) 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% (2022: 20%) according to the Tax Code of the Russian Federation.

Sinotruk South Africa (Pty) Ltd. is subject to corporate income tax at a rate of 28% (2022: 28%) according to the South Africa tax law.

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax at a rate of 20% (2022: 20%) according to the Kazakhstan tax law.

Sinotruk (Kenya) Limited is subject to a corporate income tax at a rate of 30% (2022: 30%) according to the Kenya tax law.

The remaining subsidiaries in the PRC are subject to corporate income tax at a rate of 25% (2022: 25%) according to the CIT Law.

## 7. Earnings per share

### (a) Basic earnings per share

	Six months ended 30 June	
	2023	2022
Profit attributable to equity shareholders of the Company	2,373,102	1,282,538
Weighted average number of ordinary shares in issue (in thousand shares)	2,760,993	2,760,993
Basic earnings per share (RMB per share)	<u>0.86</u>	<u>0.46</u>

### (b) Diluted earnings per share

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 2023 and 30 June 2022.

## 8. Dividends

The Board does not recommend an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil). The final dividend of the Company for the year ended 31 December 2022 was either HK\$0.33 or RMB0.29 (year 2021 final dividend: either HK\$0.68 or RMB0.55) per share of the Company with total amount of approximately RMB812,222,000 (year 2021 final dividend: approximately RMB1,555,910,000). The 2022 final dividend and the corresponding withholding dividend tax will be paid in September 2023.

During the six months ended 30 June 2023, certain non-wholly owned subsidiaries of the Company have declared the dividends payable to non-controlling interests amounting to approximately RMB46,718,000 (six months ended 30 June 2022: approximately RMB172,706,000).

## 9. Trade, financing and bills receivables

	At 30 June 2023	At 31 December 2022
Trade receivables	9,420,491	7,438,777
Provision for impairment	<u>(1,270,135)</u>	<u>(1,183,805)</u>
Trade receivables, net (note (a))	8,150,356	6,254,972
Financing receivables	12,182,472	12,516,860
Provision for impairment	<u>(829,400)</u>	<u>(806,913)</u>
Financing receivables, net (note (b))	11,353,072	11,709,947
Bills receivable	781,433	468,886
Provision for impairment	<u>(55)</u>	<u>(13,970)</u>
Bills receivable, net (note (c))	<u>781,378</u>	<u>454,916</u>
	<b><u>20,284,806</u></b>	<b><u>18,419,835</u></b>
<b><i>Current portion</i></b>		
Trade receivables	8,062,936	6,122,756
Financing receivables	6,699,273	9,567,403
Bills receivable	<u>781,378</u>	<u>454,916</u>
	<b><u>15,543,587</u></b>	<b><u>16,145,075</u></b>
<b><i>Non-current portion</i></b>		
Trade receivables	87,420	132,216
Financing receivables	<u>4,653,799</u>	<u>2,142,544</u>
	<b><u>4,741,219</u></b>	<b><u>2,274,760</u></b>



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

As at 30 June 2023, approximately RMB3,026,030,000 (31 December 2022: approximately RMB2,321,850,000) of the trade receivables were guaranteed by China Export and Credit Insurance Corporation.

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

	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
Less than 3 months	<b>3,504,592</b>	2,285,173
3 months to 6 months	<b>1,812,013</b>	1,622,969
6 months to 12 months	<b>1,408,746</b>	1,176,986
1 year to 2 years	<b>763,698</b>	649,735
2 years to 3 years	<b>280,561</b>	120,866
Over 3 years	<b>380,746</b>	399,243
	<b><u>8,150,356</u></b>	<b><u>6,254,972</u></b>

- (b) An ageing analysis of the financing receivables including discounted bills at the end of the reporting period, based on the maturity date and net of provisions, is as follows:

	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
Less than 3 months	<b>4,119,211</b>	3,336,040
3 months to 6 months	<b>2,107,560</b>	2,846,791
6 months to 12 months	<b>2,772,169</b>	3,384,572
1 year to 2 years	<b>1,772,418</b>	1,925,074
2 years to 3 years	<b>581,714</b>	217,470
	<b><u>11,353,072</u></b>	<b><u>11,709,947</u></b>

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

	At 30 June 2023	At 31 December 2022
Bank acceptance bills	239,496	60,714
Commercial acceptance bills	541,937	408,172
Provision for impairment of commercial acceptance bills	(55)	(13,970)
	<u>781,378</u>	<u>454,916</u>

An ageing analysis of the bills receivable at the end of the reporting period, based on transaction date and net of provisions, is as follows:

	At 30 June 2023	At 31 December 2022
Less than 3 months	726,345	369,528
3 months to 6 months	55,033	85,388
	<u>781,378</u>	<u>454,916</u>

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

	At 30 June 2023	At 31 December 2022
Debt investments		
– bank acceptance bills	<u>7,889,641</u>	<u>7,359,387</u>

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

An ageing analysis of bank acceptance bills at the end of the reporting period, based on transaction date, is as follows:

	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
Less than 3 months	4,557,379	4,148,833
3 months to 6 months	3,238,624	3,118,757
6 months to 12 months	93,638	91,797
	<u>7,889,641</u>	<u>7,359,387</u>

#### **11. Trade and bills payables**

	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
Trade payables	27,795,113	23,192,595
Bills payable	11,821,409	10,028,764
	<u>39,616,522</u>	<u>33,221,359</u>

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

	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
Less than 3 months	<b>28,169,093</b>	20,196,344
3 months to 6 months	<b>8,524,767</b>	10,002,980
6 months to 12 months	<b>2,619,348</b>	2,879,175
1 year to 2 years	<b>244,592</b>	108,693
2 years to 3 years	<b>36,467</b>	11,941
Over 3 years	<b>22,255</b>	22,226
	<u><b>39,616,522</b></u>	<u>33,221,359</u>

## **12. Events after the reporting period**

No significant subsequent event takes place after the reporting period.

## **MANAGEMENT DISCUSSION AND ANALYSIS — REVIEW OF OPERATIONS**

### **MARKET REVIEW**

In the first half of the year, facing the complex and severe domestic and international environments, the Chinese government adhered to the general principle of seeking progress while maintaining stability, fully implemented the new development concept, accelerated the construction of a new development pattern and focused on promoting the recovery growth of the macro economy and the comprehensive recovery of the microscopic foundation. China's GDP grew by 5.5% YoY in the first half of the year, of which an increase of 6.3% was recorded in the second quarter, while national infrastructure investment and manufacturing industry investment increased by 7.2% and 6% YoY, respectively. With the all-rounded resumption of normalized operation of the economy and society, the macro-policies have been effective, the national economy has gradually recovered and improved, and the high-quality economic development of China has continued to progress steadily.

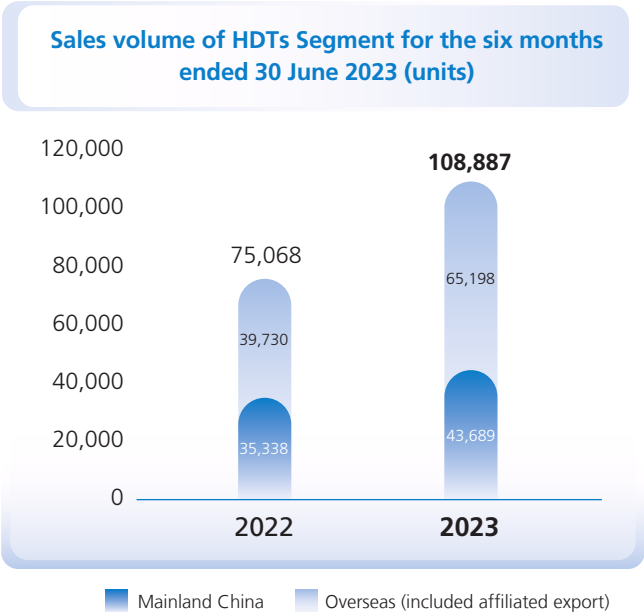
During the Period, with various national economic policies being implemented, the market confidence was effectively boosted, and the endogenous growth momentum of the economy was enhanced. The GDP and the total retail sales of consumer goods showed a steady growth trend YoY, which provided a strong support for the demand for commercial vehicles. For the heavy duty truck industry, a situation of industry recovery was established with the recovery of domestic demand in the PRC and robust overseas demand. According to statistics from CAAM, the sales of heavy duty trucks reached approximately 488,000 units in the first half of 2023, representing an increase of 28.6% YoY. For the light duty truck industry, affected by the recovery of macro economy, the new regulations for blue-plate LDT and the stricter control of overloading vehicles, the market demand increased steadily. According to statistics from CAAM, the sales of light duty trucks reached approximately 932,000 units, representing an increase of 9.7% YoY.

During the Period, one-year loan prime rate (LPR) was lowered once and the five-year LPR was lowered once in the PRC. As at 30 June 2023, one-year LPR was 3.55% while LPR of over five years was 4.20%.

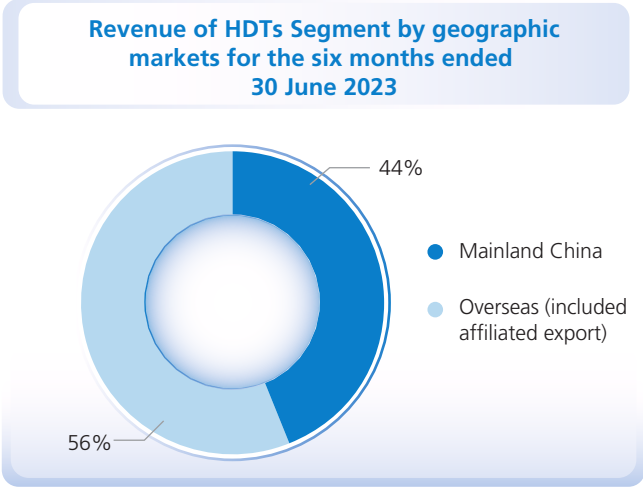
## OPERATION REVIEW

### HEAVY DUTY TRUCKS SEGMENT

During the Period, the Group sold 108,887 HDTs, representing an increase of 45.1% YoY.



The total revenue from the HDTs Segment was RMB36,570 million, representing an increase of 51.7% YoY. The HDTs Segment’s Operating Profit Margin was 6.6%, representing an increase of 1.8 percentage points YoY, mainly due to the significant increase in sales as a result of the recovery of domestic demand for the HDTs industry and the increase of demand in overseas markets.



**DOMESTIC BUSINESS**

During the Period, the Group sold 43,689 HDTs in the PRC, representing an increase of 23.6%.

The Group adhered to penetrate market segments, listened to customer feedback, and achieved a comprehensive breakthrough in key segment markets in the PRC.

In the market of tractor trucks, the Group’s products have long been recognized by the market for their low fuel consumption and high reliability. Among others, the market share of tractor trucks above 600 horsepower in the long-distance highway truck transportation market ranks first in the industry; the market share of 4 × 2 express tractor trucks ranks first in the industry, especially, the Huanghe and SITRAK C9H, which basically realized the domestic substitution of imported vehicles; the market share of hazardous chemicals transportation market increased by 2.2 percentage points YoY, ranking first in the industry; the market share of port container transportation market ranks first in the industry.

In the market of cargo trucks, taking application scenarios as the breakthrough point, the Group intensified market development, created exclusive product solutions and after-sales service system, and continuously improved product competitiveness. The market share increased by 3.3 percentage points YoY, winning a good market reputation.

In the market of mixer trucks and tipper trucks, the Group paid close attention to those regional market hotspots and business opportunities, constantly deepened the strategic cooperation with refitting factories and enriched the product portfolio. In particular, the Group kept its first position in the mixer truck industry in terms of the market share, and the Group's market share increased by 3 percentage points YoY and has been the first in the muck tipper truck industry.

In the market of special vehicles, the Group continuously improved its products, launched lightweight products in a timely manner and created popular models, and constantly enhanced its market competitiveness. Specifically, the market share of refrigerated trucks increased by 7.6 percentage points YoY, rising to the first in the industry. The Group maintained its industry leading role in the high-end special vehicle market including fire trucks, pumper trucks and oil field trucks, with a YoY increase of its market share by 6.8 percentage points.

The Group continued to optimize its dealers' network, strengthen the efforts to build its core network and continuously improved its systematic marketing capabilities. As at 30 June 2023, in the PRC there were more than 660 dealerships selling the Group's HDT products, with more than 1,260 service centers offering high-quality after-sales services and more than 100 truck-refitting services enterprises offering refitting services.

(Data source: ultimate sales data, the Group's internal data)



## INTERNATIONAL BUSINESS

During the Period, the Group exported 65,198 HDTs (including affiliated export), representing an increase of 64.1% YoY. The export revenue (including affiliated export) amounted to RMB20,532 million, representing an increase of 85.4% YoY.

Reconciliation of overseas revenue to total HDTs export revenue (including affiliated export):

	<b>For the six months ended 30 June 2023 RMB million</b>	<b>For the six months ended 30 June 2022 RMB million</b>
Overseas revenue	14,817	10,342
Affiliated export revenue	<u>6,656</u>	<u>1,496</u>
Total affiliated export revenue	<u><u>21,473</u></u>	<u><u>11,838</u></u>
HDTs affiliated export revenue	20,532	11,074
Other affiliated export revenue	<u>941</u>	<u>764</u>
Total affiliated export revenue	<u><u>21,473</u></u>	<u><u>11,838</u></u>

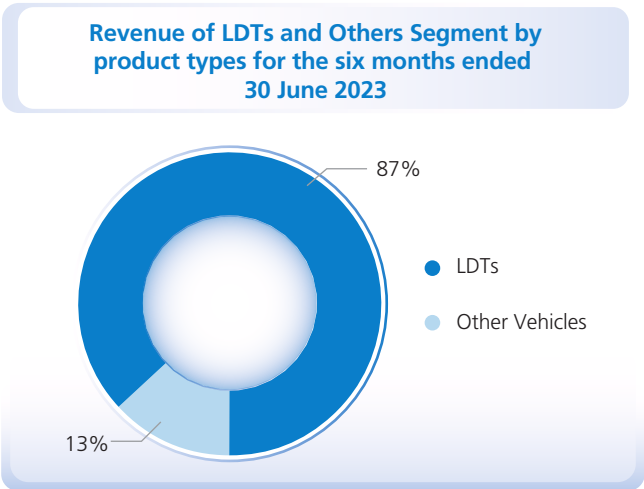
In the first half of the year, affected by continuous geopolitical tension and interest rate hike by the Federal Reserve, global inflation remained at a high level, and global economic growth further slowed down under the overlying impact of the shortage of foreign currency in some developing countries and weak demand in developed countries. The Group achieved outstanding results in export business, among which HDTs export recorded a significant increase and the sales volume hit a record high, and it ranked first in the domestic HDT industry in terms of the export market share.

During the Period, the Group took various measures to seize the international market opportunities. Firstly, the Group deployed its presence in advance, taking the initiative to go deep into the front line of the market and investigating the market conditions; secondly, the Group strengthened marketing management, deepened marketing reform, deployed network in the lower-tiered cities and took other measures to further expand the market share in the traditional advantageous market; thirdly, the Group developed a market segment breakthrough strategy and precisely focused on high-end market customers' needs, with an aim to achieve market breakthrough of our high-end products SITRAK (汕德卡) in Central and South America, the Middle East and other traditional dominant markets featuring European and American brands; and fourthly, in view of the shortage of shipping resources, the Group utilized its internal and external resources and implemented systematic deployment to ensure the smooth delivery of orders.

As at 30 June 2023, the Group had developed around 220 dealership networks at all levels, around 20 centers for spare parts, and 28 overseas cooperative KD plants in more than 90 countries and regions, forming an international marketing network system largely covering developing countries and major emerging economies in Africa, the Middle East, Central and South America, Central and Southeast Asia, as well as countries and regions like Australia, Ireland and New Zealand, and mature markets including Hong Kong and Taiwan.

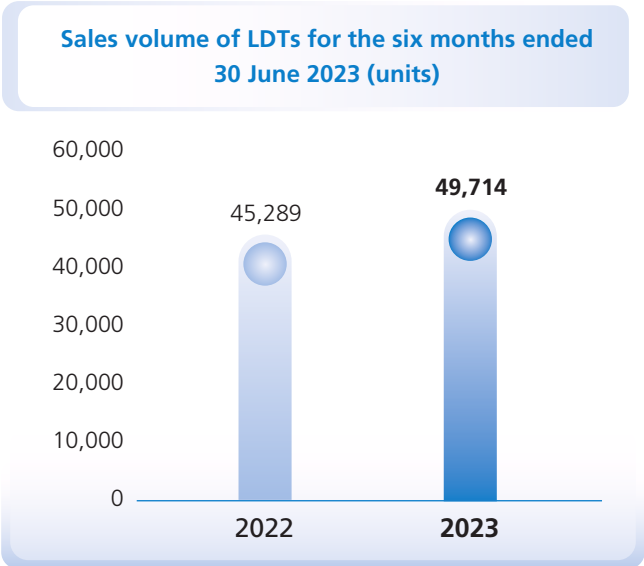
**LIGHT DUTY TRUCKS AND OTHERS SEGMENT**

The major product of the LDTs and Others Segment is LDT which revenue was accounted for approximately 86.9% of the total revenue during the Period of this segment while other products of the segment included buses, pickup trucks and other vehicles.



During the Period, the total revenue from the LDTs and Others Segment (including sales of LDTs and other vehicles and services provided to customers thereof) was RMB5,057 million, representing an increase of 11.3% YoY. The Operating Loss Margin of the LDTs and Others Segment was 3.4%, representing an increase of 0.4 percentage points as compared to the Previous Period, which was due to the fact that the Group increased selling expenses and invested more in research and development to improve product competitiveness in view of the intense competition in PRC light truck market.

During the Period, the Group sold 49,714 LDTs, representing an increase of 9.8% YoY.

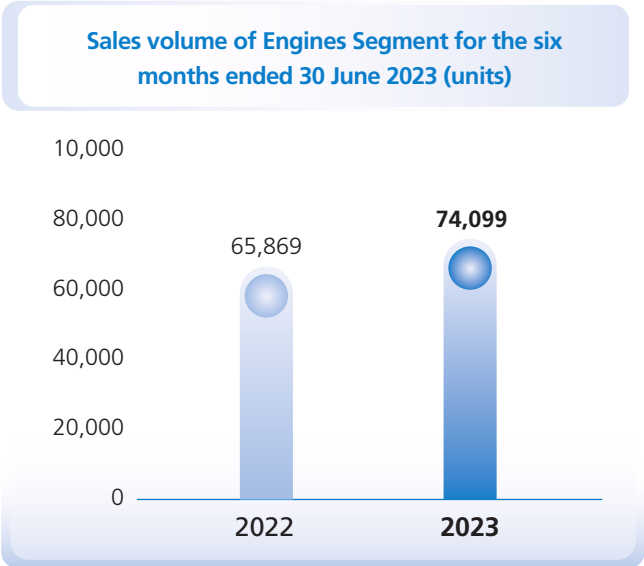


During the Period, the Group actively transformed its LDT business and accelerated the adjustment toward high-quality development. Firstly, the Group focused on sub-markets of the transport of agricultural goods, cold chain and medium-and high-end express and continuously enriched the product line and power chain, and made breakthroughs of HOWO Commander (統帥), HOWO General (悍將) and other series of products in market segments with different horsepower; secondly, the Group strengthened its online marketing through short videos, live broadcasts and public accounts to promote new products and raise customer brand awareness; thirdly, the Group continued to optimize and eliminate inefficient marketing network, standardized existing networks and assisted in the rapid development of new network, and the operation performance of marketing network has been greatly improved.

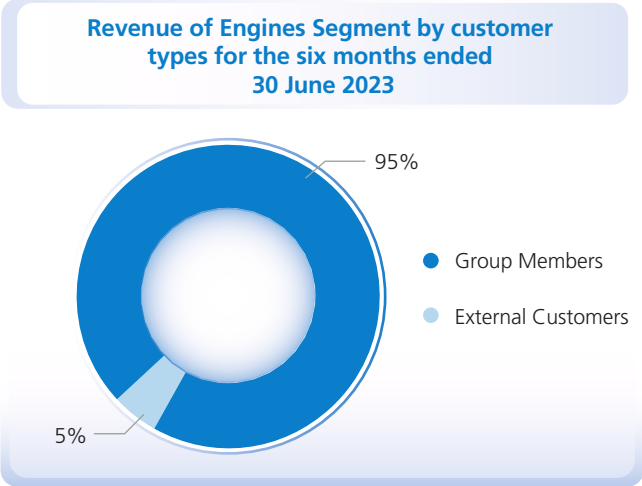
As at 30 June 2023, the Group had, in the PRC, a total of approximately 1,100 dealerships of LDTs, approximately 2,600 service centers offering after-sales services and approximately 110 modification enterprises offering refitting services.

### ENGINES SEGMENT

During the Period, the Engines Segment sold 74,099 engines, representing an increase of 12.5% YoY.



The segment recorded total sales revenue of RMB7,188 million, representing an increase of 25.7% YoY, of which external sales of engines accounted for 4.5%, representing a decrease of 1.8 percentage points YoY. The Operating Profit Margin of the Engines Segment was 8.5%, representing an increase of 1.9 percentage points YoY, which was due to the increase in sales volume and production scale.

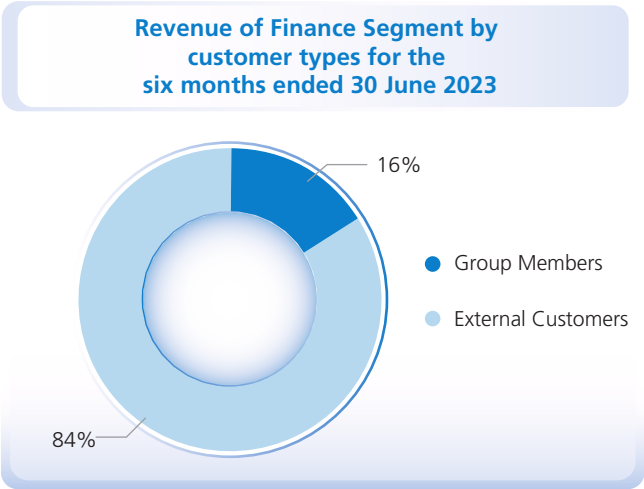


The Group focused on the technical requirements of “improving quality, increasing efficiency and reducing cost”, constantly enhanced the performance, quality and competitiveness of existing engine products, constructed various advanced power parts and components platforms, to satisfy the needs of different products including HDTs, LDTs and construction machines.

During the Period, firstly, the Group enhanced the product introduction and market technical support for the high-efficiency SCR engine products complying with China VI Vehicle Emission Standards, and further enhanced the market recognition of the MC series engines complying with China VI Vehicle Emission Standards with good economy, strong power and high reliability; secondly, the Group actively conducted research and development cooperation, and the use of new high-strength aluminum alloy materials further reduced engine costs and fuel consumption, which helped to improve the market competitiveness of finished vehicle products.

## FINANCE SEGMENT

During the Period, the revenue of the Finance Segment (including interest income and finance lease income) was RMB718 million, representing a decrease of 23.3% YoY. Revenue from external customers amounted to RMB604 million, representing a decrease of 12.3% YoY. The Operating Profit Margin of the Finance Segment was 53.2%, increased by 6.2 percentage points YoY. The decrease in income of the Finance Segment was mainly attributable to the decrease in interest income resulted from the decrease in the scale of the Auto-finance Services while the increase in the operating profit margin was attributable to the decrease in interest expense of the Finance Segment resulted from the decrease in borrowing interest rates due to the stimulation of the economy and promotion of financial investment in China.



The Finance Segment operates money lending business of the Group through the provision of Commercial Lending Services and Auto-finance Services.

The below figures in this section are stated after the elimination of intragroup transactions.

Depending on the type of the money lending business provided, the Group generally charges an interest rate that ranges from 2.5% to 10%. As at 30 June 2023, the financing receivables and interest receivables were approximately RMB11,353 million and RMB20 million, respectively. The ageing analysis of the financing receivables based on the maturity date as at 30 June 2023 and 31 December 2022 is as follows:

<b>RMB million</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
Less than 3 months	4,119	3,336
3 months to 6 months	2,108	2,847
6 months to 12 months	2,772	3,385
1 year to 2 years	1,772	1,925
2 years to 3 years	582	217
	<u>11,353</u>	<u>11,710</u>

During the Period, the provision for impairment of financing receivables of RMB23 million (2022: RMB46 million) was made but impairment losses of off-balance sheet credit business of RMB5 million was reversed (2022: nil). During the Period, no financing receivables had been written-off (2022: RMB1 million).

As at 30 June 2023, the total provision of impairment of financing receivables amounted to RMB829 million (31 December 2022: RMB807 million) and there was no provision for impairment losses of off-balance sheet credit business (31 December 2022: RMB5 million).

## **COMMERCIAL LENDING SERVICES**

The borrowers of the Commercial Lending Services comprise the CNHTC Group and its associates (as defined under the Listing Rules), dealers of the Group and suppliers of the Group and the CNHTC Group. The Commercial Lending Services 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 dealers are unsecured while loans to suppliers are secured by the pledge of receivables from suppliers of the Group and the CNHTC Group. All loans granted are repayable within one year while discount of bills (issued by banks only) shall all be matured within one year. Commercial Lending Services are carried at the Group's headquarter in Ji'nan, PRC.

During the Period, the revenue from the Commercial Lending Services was RMB74 million, representing an increase of RMB3 million or 4.2% YoY.

As at 30 June 2023, there were less than 100 borrowers (31 December 2022: around 100 borrowers) of the Commercial Lending Services business and their total net outstanding receivables and interest receivable were RMB1,902 million and RMB7 million (31 December 2022: RMB2,581 million and RMB4 million), respectively.

As at 30 June 2023, the largest borrower (being the CNHTC Group) and the top five borrowers under the Commercial Lending Services business constituted approximately 50.9% and 75.1% (31 December 2022: approximately 44.4% (being the CNHTC Group) and 62.5%), respectively of the net financing receivables and discounting bills balance of the Commercial Lending Services business.

## **AUTO-FINANCE SERVICES**

The borrowers of the Auto-finance Services comprise end-users or dealers of the Group's commercial vehicles who may be individuals and entities. Such borrowers were either existing customers of the Group or those referred from the CNHTC Group or the dealers of the Group's vehicles. All loans and leases are secured by commercial trucks being purchased with guarantee deposits, 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. Moreover, for any loan or lease involving a large amount, further security such as properties and (additional) guarantee deposits may be required to be provided as collateral. The loans and finance leases granted under the Auto-finance Services are normally repayable within three years. The Auto-finance Services are further divided into auto-finance loans and finance leasing. As at 30 June 2023, the Finance Segment had established 24 business offices, with its business covering China, and having further improved its automotive consumer credit services.

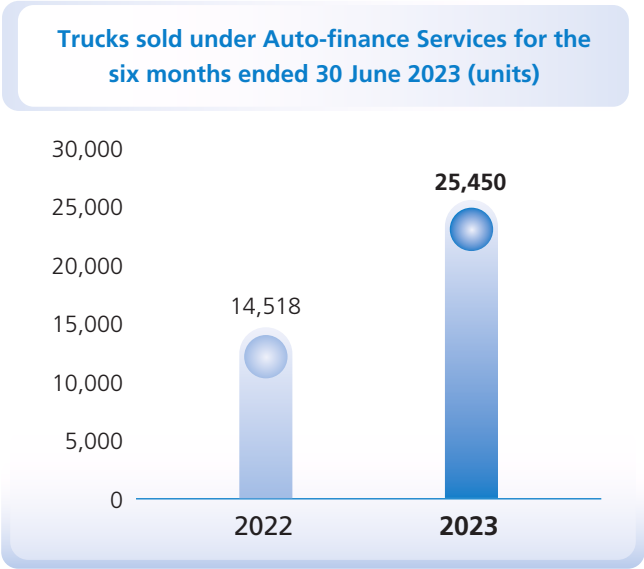
During the Period, the revenue from the Auto-finance Services was RMB184 million, representing a decrease of RMB180 million or 49.5% YoY.



As at 30 June 2023, there were less than 55,000 borrowers (31 December 2022: less than 70,000 borrowers) of Auto-finance Services and their total net outstanding receivables and interest receivable were approximately RMB9,451 million and RMB13 million (31 December 2022: approximately RMB9,112 million and RMB13 million), respectively. As at 30 June 2023, the net finance leases balance to the net loans and finance leases balance was approximately 10.3% (31 December 2022: approximately 10.2%).

As at 30 June 2023, the largest borrower and the top five borrowers of the Auto-finance Services who are all independent third parties constituted approximately 0.1% and 0.6% (31 December 2022: approximately 0.2% and 0.7%), respectively of the net financing receivables of the Auto-finance Services.

During the Period, the Group sold 25,450 vehicles through Auto-finance Services, representing an increase of 75.3% YoY.



## **KEY INTERNAL CONTROL MEASURES**

### ***Approval***

Prior to the granting of financial services to the borrowers, the relevant business units (“**Business Unit(s)**”) of the Finance Segment will first review the application of the potential borrower, and conduct appropriate pre-loan or pre-lease checks on the potential borrower and 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 entities), such as the type and value of assets owned by the potential borrower.

Depending on the nature and amount of the loan or lease, the Business Units will assess and decide the necessity and the amount of security/collateral for the granting of each loan or lease 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 rate 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.

### ***Ongoing monitoring of loan collection and recovery***

Various departments of the Business Units (principally engaged in after-loan management) involve in monitoring loan repayment and recovery. Such departments report to the risk management and operations departments 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.

The Finance Segment 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 borrower 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 Units, the Business Units 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 legal advisers to issue formal legal demand letters or carry out formal legal proceedings for collection of loans.

### ***Impairment and write-offs***

The Finance Segment considers the provision for impairment based on the borrowers' repayment situations, current and forecast economic conditions and laws and regulations which are consistent with market practices. In compliance with the requirements set out in the Guidance on Provisioning for Bank Loan Losses (《銀行貸款損失準備計提指引》) promulgated by the PBOC, in assessing the relevant risks of loss in respect of the financing receivables and off-balance sheet credit business, 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 be made by the Finance Segment in accordance with the Group's internal policy, based on a provision rate ranging from 5% to 100%.

### ***Additional Controls in respect of Continuing Connected Transactions***

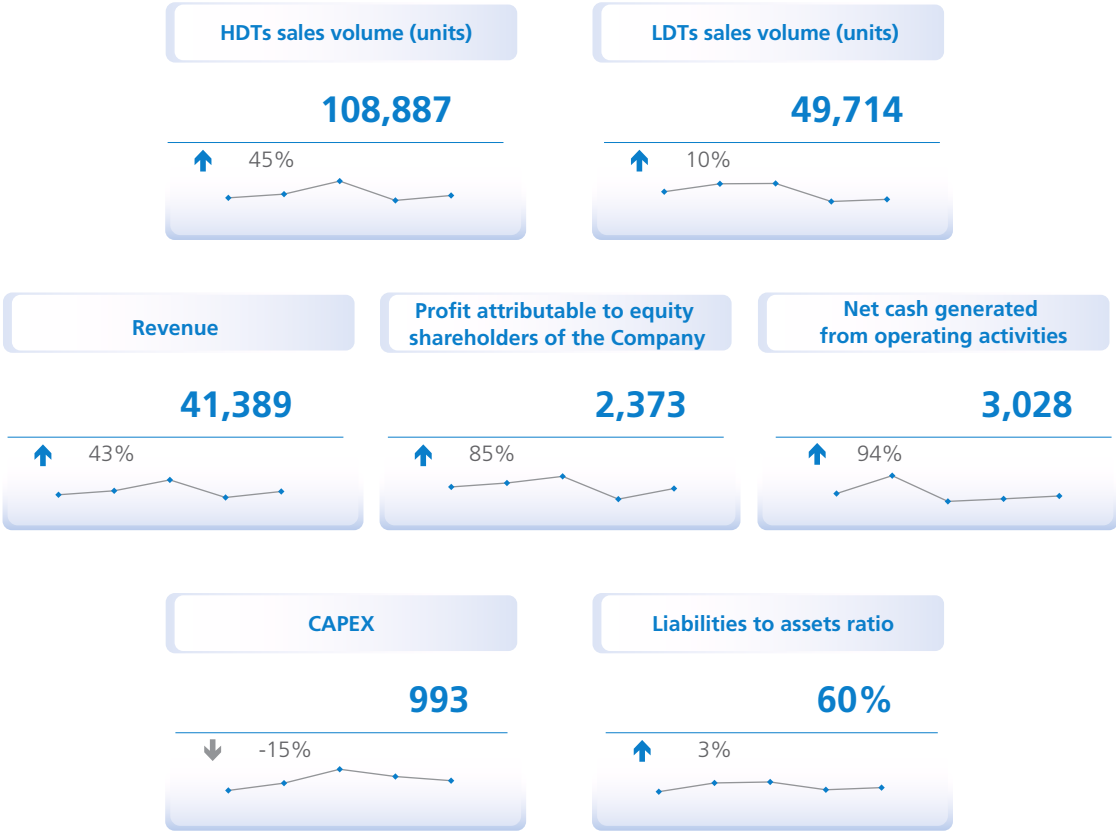
The provision of Commercial Lending Services to CNHTC and its associates constitutes continuing connected transactions of the Group and such transactions are conducted in the manner as stipulated under the relevant financial services framework agreements. Additional internal control measures, including but not limited to re-confirmation of the release of new or renewal of loan or lease not exceeding the pre-approved caps, are implemented, so as to ensure the compliance with the requirements of the Listing Rules.

# 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 volume and revenue 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 equity shareholders of the Company provides information on the return to Shareholders for the Period.

The following charts present the key KPIs for the six months ended 30 June of each of the following years.

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



<b>Key performance indicators</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
HDTs sales volume (units)	108,887	75,068	207,458	118,073	92,668
LDTs sales volume (units)	49,714	45,289	82,387	81,704	65,401
Revenue	41,389	29,028	65,169	42,798	34,623
Profit attributable to equity shareholders of the Company	2,373	1,283	3,623	2,941	2,536
Net cash generated from operating activities	3,028	1,562	249	13,474	4,272
CAPEX	993	1,164	1,463	892	591
Liabilities to assets ratio	60%	58%	66%	65%	56%

## **KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND OTHERS**

The Group values the opinions and suggestions from stakeholders, establishes multiple channels to continuously communicate with stakeholders, listens to the opinions and suggestions of stakeholders, such as the government and regulators, shareholders and investors, customers, employees, society, partners, environment, etc., identifies feedbacks and expectations of various stakeholders on the Company, incorporates the concerns of stakeholders into the Group’s strategic decision-making, and jointly creates sustainable value for the Group.

In order to practice the corporate core value of “customer satisfaction as our top priority”, the Group continues to optimize the quality of customer service, strengthens the protection of customers’ privacy, insists on excellence, and provides safe and high-quality products and comfortable and satisfactory services.

The Group focuses on customers, establishes a comprehensive customer service and after-sales management process system, continuously optimizes the quality of customer service, formulates 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 and the Guidance on Core Service Process, and standardizes after-sales service in terms of service office management, on-site management, service process, after-sales maintenance, etc.

Meanwhile, the Group also conducts on-site management inspection of service offices, implements comprehensive operation quality evaluation and dynamic adjustment of service offices, and improves the level of on-site management of service offices. The Group attaches great importance to user feedbacks, has formulated the Complaint Acceptance Management Process, established and improved the customer complaint handling mechanism, feedback mechanism and rapid response mechanism. We have established various complaint channels, including a 24-hour 400 hotline for manual complaints, recorded complaints, and online complaints through the Smart Sinotruck (“智慧重汽”) APP. According to the content and demands of the complaints, the customer service staff will transfer them to the relevant department to provide corresponding solutions, update the processing progress in real time and report. The first person to accept the complaints will pay return visits to customers to ensure that the customers are satisfied with solutions.

In order to continuously improve products and services, the Group has formulated a program of customer satisfaction survey and established customer satisfaction survey modules on several platforms, including real-time monitoring and management of customer satisfaction survey through the Smart Sinotruck (“智慧重汽”) APP, conducted quality satisfaction survey quarterly in finished vehicles manufacturing plants, sales companies and service stations to understand and analyze expectations and demands of customers, formulated corrective measures for customers’ negative feedbacks, and conducted on-site reviews to ensure the issues being properly remedied by corrective measures.

The Group attaches great importance to the improvement of suppliers' capabilities and coordinated development, focusing on the optimization and improvement of the efficiency of the supply chain, and maintains close and efficient communication with supplier partners through daily exchanges, diversified training courses, holding supplier conferences, etc. Meanwhile, we promote the concept of sustainable development to suppliers through relationship incentives, information sharing, technical support, joint development, etc.

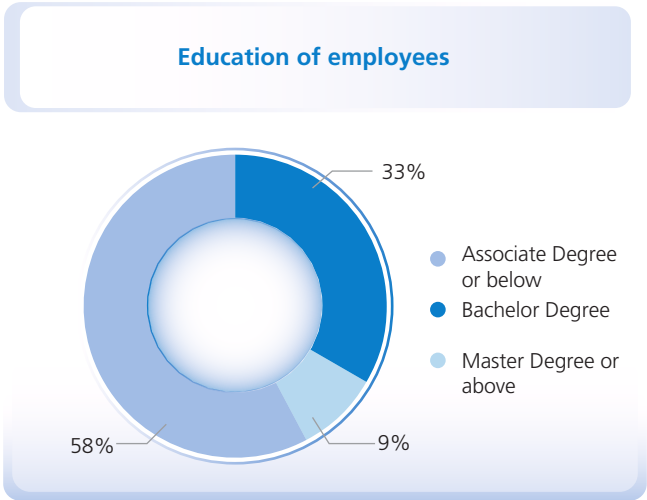
The Group adheres to the concept of people-oriented, and regards employees as the important wealth and guarantee for the operation and development of the enterprise. We resolutely protect the legitimate rights and interests of employees, help employees achieve progress and development, pay attention to employees' physical and mental health in an all-round way, and provide employees with a good workplace experience. Meanwhile, the Group fulfills its social responsibilities as a responsible enterprise, assists social public welfare undertakings, and contributes to building a better community.

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 expenses of the Group (including salaries, retirement benefits, other welfares and post-employment benefits) to all employees including Directors amounted to RMB2,572 million, representing an increase of 16.4% YoY, which was mainly due to the significant increase of sales, resulting in the substantial increase in sales commissions for sales and related staff during the Period. The Group did not have any share scheme in place as at 30 June 2023.

As at 30 June 2023, the Group employed a total of 27,318 employees, broken down by function and education as follows:

	<b>Number of employees</b>	<b>Percentage</b>
Management team	<b>266</b>	1%
Technical and engineering staff	<b>3,371</b>	13%
Research and development staff	<b>3,065</b>	11%
Production staff	<b>15,629</b>	57%
Operation and sales staff	<b>2,224</b>	8%
Administrative staff	<b>2,763</b>	10%
<b>Total</b>	<b><u>27,318</u></b>	<b><u>100%</u></b>





## **ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS**

The Group keeps a close watch on the trend of global climate change and the impact of climate change on its business. To address challenges brought by climate-related risks, we regularly identify and analyze climate-related risks and opportunities presented by climate change to the Group during its operations by referring to the information disclosure framework of the Task Force on Climate-Related Financial Disclosures (TCFD), based on which we formulated an action plan to address climate risks, and improved our ability to address the risks brought by extreme weather events, thus building the foundation for steadily promoting the low-carbon transition of the Group.

The Group strictly abides by the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) and other laws and regulations and the industry-related emission standards during its operations, and makes efforts to establish and improve its management system. In accordance with the ISO 14001:2015 Environmental Management System (EMS), we have formulated the procedure documents, standards, and evaluation specifications for the environmental management system. And we actively promote the ISO 14001 EMS certification in all production and operation sites. In addition, EMS external audits are conducted for our subsidiaries every year.

The Group keeps improving the long-term mechanism of pollution prevention and control, striving to develop a sound emission management system and disposal process to standardize the management and prevention of pollutants such as wastewater, waste gas, solid waste, and noise in production, in a bid to reduce the negative impact on the environment.

The Group takes low carbon and emission control, energy conservation and consumption reduction as the main task, continues to promote energy and resource management and improves the use efficiency of energy and resource. In the meantime, according to our internal operation conditions and the changes in external standards, we timely update the energy conservation and water conservation objectives. We are committed to integrating green and low-carbon into production, construction, and operation.

## **COMPLIANCE MATTERS**

During the Period, as far as the Group is aware, the Group was not in any 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 system construction, quality planning, quality improvement, quality supervision and consistency with laws and regulations, with a view to strictly controlling quality risks.

#### **MITIGATION MEASURES:**

In terms of quality system construction, in accordance with the IATF 16949 quality management system certification, the Group have established a strict internal quality management system, which has been applied to the whole process of product design and development, manufacturing, as well as sales and after-sales services. Meanwhile, we identify and control technical risks and quality risks in the quality systems of the Group. During the Period, the Group has issued a total of 41 files on quality management, including 10 files on revision of procedures, 21 files on amendment to the administrative measures, and 10 files on new administrative measures, covering 6 business areas of research and development (“R&D”), technology, procurement, planning, value, and testing.

In terms of quality planning, the Group has established and improved a group-level quality index system and evaluation system which covers the entire process including R&D, manufacturing, etc. Strengthening the control of manufacturing process index, we improved the quality of installation and modification through improving the supervision and analysis of process index. Leverage on the self-serviced analysis platform to carry out after-sales quality operation analysis, we strengthened and improved the quality control through evaluating products' after-sale quality, such as reliability and durability.

In terms of quality improvement, guided by “zero-kilometer” and after-sales issues, we have presently identified 26 research projects, 85 group-level improvement projects and 166 company-level improvement projects. During the Period, the rectification implementation rates for each projects reached 94%, 89%, and 95% respectively.

In terms of quality supervision, we have inspected 17 finished vehicles and rectified problems founded with rectification completion rate of 93%; we have reviewed the assemblies for 16 times and fixed issues found with rectification completion rate of 88%; 116 quality audits for production process were conducted and completed the rectification at a rate of 93%.

In order to improve consistency of the product specifications with those registered under laws and regulations, the Group has carried out special verification of total 124 export vehicles. During the Period, emission test of 6 engines and PEMS self-inspection test of 37 finished vehicles have been organized to keep the control of the environmental consistency of vehicles and engines with those registered under laws and regulations.

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

The Group always adheres to the principles of “safety first, prevention oriented, comprehensive management” and “prevention first combined with fire protection”, implements the management concept of “centralized supervision, and management and accountability”, comprehensively promotes the implementation of accountability of production safety for all personnel and continuously improves the safety and environmental management system based on regime and procedures. With the goal of promoting the high-quality development of the Group, it also constantly enhances the safety and environmental management level to ensure the safety production work has been running smoothly as a whole.

### **MITIGATION MEASURES:**

The Group always adheres to strengthening the inspection of safety and environment and eliminating hidden dangers in safety and environment. The Group conducted a total of 276 on-site inspections in the first half of 2023 including special inspections on blasting and thermal engineering, hazardous waste, hazardous chemical products, material hidden dangers and environmental protection. In the event of discovering issues during inspections, notices for hidden dangers rectification were delivered in a timely manner and accountable unit and personnel were ascertained and required for rectification within a fixed period as well as inspection results collected were circulated in monthly safety system meeting and inspection report. As of June 2023, the completion rate of rectification was 100%.

Taking production lines and facilities that discharge pollution as the environmental risks management and control unit, the Group accurately identified the environmental risks of pollution sources (being exhaust gas, waste water and solid waste pollution sources) and has renewed and updated the list of environmental risk spots. For environmental risk spots of each level in the list, sorting governance, single-point breakthrough and dynamic monitoring have been implemented by approaches such as intelligence, routine monitoring, inspection management and quick and self-check to realize the environmental management covering the whole process of pollution production and discharge and accomplish the general goal of the prevention and control of environmental risks.

In order to ensure safety in fire protection, the Group conducted emergency drills in office building in cooperation with fire protection and maintenance units on a monthly basis with a total of six drills in the first half of the year. Through the commencement of drills, the staffs' capability to handle fire emergency situation was enhanced.

Based on the characteristics of the prevention and treatment of common occupational diseases, the Group commenced targeted prevention and treatment trainings and grouped employees to learn Law on the Prevention and Treatment of Occupational Diseases (《職業病防治法》) through which to inform them of occupational medical care rights legally enjoyed by workers, occupational injury insurance benefits for patients with occupational diseases and the prevention and treatment of common occupational diseases, etc. The Group encouraged its staff to actively participate in watching the program of occupational diseases knowledge education and attending the quiz activity by Shandong Health Committee so as to actually improve the awareness of employees about the prevention and treatment of occupational diseases.

### **3. FOREIGN EXCHANGE RISKS:**

Various financial and management and control means were used and various preventive measures were taken in advance by the Group to avoid or reduce the potential risks such as exchange losses in international trade.

#### **MITIGATION MEASURES:**

In terms of the issue of exchange rate fluctuations in foreign exchange market, the Group prioritized to adopt cross-border Renminbi as settlement currency for foreign operations and stipulated Renminbi prices during business negotiation so as to avoid exchange risks to the maximum extent. 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 constant attention was paid to changes in market exchange rates. The Group continued to conduct exchange settlements in batches at favorable time according to business and capital needs and changes in market exchange rates. The Group specified fixed exchange rate in sales contract terms to lock in contract profits, and purchased bank forward exchange rate settlement products to lock in foreign exchange rate in a certain stage to resist exchange rate fluctuations.

## **BUSINESS STRATEGIES AND PROSPECTS**

Looking forward to the second half of the year, the growth momentum of global major economies will continue to weaken and de-inflation process will remain but it may slow down. In the context of global economic growth dynamic contained by a higher interest rate, developed economies will face higher recession risk and adverse conditions including less foreign exchange reserves in developing countries and higher debt pressures will still carry on, which will intensify international financial market volatility. From the perspective of the domestic economic situation, China's economy will enter the stage of recovery growth. Efforts will be made continuously around aspects such as expanding domestic demand and boosting confidence in the future so as to promote the persistent enhancement of economic operation and endogenous power. With the economic operation gradually returned to be normal, China's economy will gradually shift from recovery to expansion.

From perspective of the commercial vehicle industry, as the macroeconomy improves and various measures have been implemented to boost economy, the domestic demand for freight will gradually recover. For instance, considering that the control over excess and limit load has caused the decrease of single vehicle capacity and the renewal of ownership volume along with the permutational increment brought by economic recovery, the demand for commercial vehicle industry will further release. Furthermore, due to no quota in deduction or exemption of purchase tax on new energy commercial vehicles and the on-going improvement of urban charging infrastructure, the penetration rate of new energy commercial vehicles will hopefully continue to rise.

In general, the sales volume of the HDTs industry and LDTs industry in 2023 will experience a trend of recovery, and demand is expected continuously pick up in the second half of the year.

The Group insists on “customer satisfaction is our purpose” 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 2023, the Group will strive to perform well in the following four areas:

1. Seize opportunities in international markets and accelerate to achieve market transformation. The Group will make efforts to increase its market share in high-end markets including the Middle East and Latin America and establish its competitive advantage and achieve further breakthrough in high-end market segments led by European and American brands; strengthen its brand building and products promotion and accelerate the transformation from selling products to selling brands and from selling brands to selling services.
2. Grasp the core competitiveness of products and continue to move towards high-end. The Group will accelerate the development of key products and ensure that typical models are fully ahead of industry in terms of power, economy, drag coefficient, vehicle fatigue life, and other aspects; accelerate breakthroughs in key technologies, increase research in areas such as ergonomic performance, passive safety performance, vehicle lightweight technology, integrated AMT optimization, and the new generation of electric drive axles, so as to enhance core technological competitiveness and continue to move towards high-end.
3. Improve brand influence considerably by speeding up breakthrough in segment markets. The Group will ensure the continuous improvement of segment market share with focus on trending segment market such as natural gas and large horsepower trucks; capture the hot markets such as express, cold chain and coal to realize rapid breakthroughs in application scenarios including express, cold chain and coal; focus on requirements of major customers and fleet customers and timely meet their needs by accurately matching product and service resources.

4. Launch new energy top-selling products and improve its commercialization efficiency. The Group will accelerate the development of new energy products and push forward the product verification and pilot market testing of new long-endurance products so as to create new growth points by continuously improving its new energy products portfolio and launching key products.

## **FINANCIAL REVIEW**

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

The Group's revenue for the Period was RMB41,389 million, representing an increase of RMB12,361 million or 42.6% YoY. The increase in the revenue was due to a significant recovery in HDTs demand benefited from the steady improvement of the domestic macroeconomic economy and the increasing demand in overseas markets. The Group has achieved significant growth in product sales volume and profitability by seizing market opportunities and continuously adjusting product portfolio and business structures. The Group's gross profit for the Period was RMB7,022 million, representing an increase of RMB2,109 million or 42.9% YoY. The increase in gross profit was mainly due to the significant increase in sales in trucks and expansion of production scale. Gross profit margin (gross profit divided by revenue) for the Period was 17.0%, representing an increase of 0.1 percentage points YoY. The increase in gross profit margin was less because the Group introduced more favorable business policies in facing the fierce competition in the PRC market and the contribution from the Finance Segment which has higher profit margin reduced.

### **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses for the Period was RMB1,954 million, representing an increase of RMB765 million or 64.3% YoY and such increase was due the increase in export sales. During the Period, the ratio of selling and distribution expenses to Products Revenue was 4.7%, representing an increase of 0.6 percentage points YoY. Warranty expenses accounted for 1.3% of Products Revenue for the Period, representing an increase of 0.9 percentage points YoY. The increase was mainly due to the increase in sales, particularly, the export sales which bears higher warranty expenses.



## **ADMINISTRATIVE EXPENSES**

Administrative expenses for the Period was RMB2,064 million, representing an increase of RMB3 million or 0.1% YoY. During the Period, administrative expenses to revenue ratio was 5.0%, representing a decrease of 2.1 percentage points YoY. The administrative expenses maintained even the sales and production increase significantly. Among them, research and development expenses accounted for 55.0% of the administrative expenses, representing an increase by 2.7 percentage points YoY.

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

Net impairment losses of financial assets for the Period was RMB108 million, representing a decrease of RMB21 million or 16.3% YoY. The impairment losses of trade, financing and bills receivables was RMB95 million, accounting for 0.2% of the total revenue for the Period. When the Group assesses the impairment of trade, financing and bills receivables, the Group will use 12-month, whole life and simplified expected credit loss models and consider historical observed default rates, forecast economic conditions and public credit information of each debtor or borrower. Further details of the trade, financing and bills receivables are set out in the sections headed “FINANCE SEGMENT” and “RECEIVABLES FROM TRADE AND FINANCING ACTIVITIES”. In addition, impairment losses of off-balance sheet credit business at RMB5 million was reversed during the Period (2022: Nil).

## **OTHER INCOME AND GAINS AND OTHER EXPENSES**

The net amount of other income and gains as well as other expenses for the Period was RMB169 million, representing a decrease of RMB234 million or 58.1% YoY. The decrease was mainly due to the decrease in foreign exchange gains and the sales of scraps as well as no gain on disposal of subsidiaries.

## **FINANCE INCOME - NET**

Net finance income for the Period was RMB91 million, representing an increase of RMB51 million or 127.5% YoY. The increase in finance income was mainly due to the increase in higher interest rate of USD time deposits with appreciation of USD in terms of RMB and higher return of derivative time deposits.

## **SHARE OF PROFITS OF ASSOCIATES**

Share of profits of associates for the Period was RMB25 million, compared with net losses at RMB9 million in the Previous Period, representing an increase of profits shared by RMB34 million YoY. The increase in share of profits of associates was mainly due to the share of profits from those engaged in sales of parts and components of trucks and whole truck much more than the losses shared from those engaged in innovation and new technologies.

## **INCOME TAX EXPENSE**

Income tax expense for the Period was RMB563 million, representing an increase of RMB172 million or 44.0% YoY. The increase was due to the increase in profit before tax. The effective tax rate (profit before income tax but excluding share of profits of associates) for the Period was 17.8%, representing a decrease of 2.0 percentage points YoY due to reduction of unrecognised tax losses.

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

Profit for the Period was RMB2,623 million, representing an increase of RMB1,047 million or 66.4% YoY. Net profit ratio (profit for the Period divided by revenue) was 6.3%, representing an increase of 0.9 percentage points YoY.

Profit attributable to equity shareholders of the Company for the Period was RMB2,373 million, representing an increase of RMB1,090 million or 85.0% YoY. The basic earnings per share attributable to equity shareholders of the Company for the Period was RMB0.86, representing an increase of RMB0.40 or 87.0% YoY.

## RECEIVABLES FROM TRADE AND FINANCING ACTIVITIES

In addition to granting standard credit period to certain privileged customers, the Group received acceptance bills for settlement of trade receivables. As at 30 June 2023, the Aggregate Trade Balance amounted to RMB16,821 million, representing an increase of RMB2,752 million or 19.6% when compared to the balance as at 31 December 2022. The main reason for the increase in Aggregate Trade Balances was due to an increase in domestic sales, especially in the second quarter of 2023 and increase in export sales of trucks (with longer credit period) during the Period.

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

The trade receivables turnover (average Aggregate Trade Balances divided by Products Revenue multiplied by 181 days (2022: 181 days)) for the Period was 68.5 days (2022: 78.3 days), representing a decrease of 9.8 days.

As at 30 June 2023, the Aggregate Trade Balances aged not more than twelve months amounted to RMB15,396 million or 91.5% of the Aggregate Trade Balances.

The Group reviewed the repayment progress of key customers or customers with higher risk of default in repayment on a monthly basis and assessed impairment loss by reference to their businesses, repayment information, etc. During the Period, the Group made additional impairment loss allowance for Aggregate Trade Balance at the amount of RMB72 million.

As at 30 June 2023, the net financing receivables was RMB11,353 million, representing a decrease of RMB357 million or 3.0% when compared to the balance as at 31 December 2022.

As at 30 June 2023, the net financing receivables aged not more than twelve months amounted to RMB8,999 million or 79.3% of the net financing receivables.

During the Period, the Group made impairment loss allowance for financing receivables at the amount of RMB23 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 2023, the trade and bills payables amounted to RMB39,617 million, representing an increase of RMB6,396 million or 19.3% when compared to the balance as at 31 December 2022.

The trade payables turnover (average trade and bills payables balances divided by costs of Products Revenue multiplied by 181 days (2022: 181 days)) for the Period was 193.8 days (2022: 264.0 days), representing a decrease of 70.2 days YoY.

## **CASH FLOWS**

Net cash inflow generated from operating activities for the Period was RMB3,028 million. Compared with the Previous Period, gross profit increased by RMB2,109 million, which led to an increase in cash generated from operations, but the increase was offset by an increase of RMB464 million in interest expenses and income taxes paid. The net cash inflow from operating activities increased by RMB1,466 million YoY.

Net cash outflow used in investing activities for the Period was RMB7,132 million. Compared with the Previous Period, the increase in longer term time deposits at RMB1,010 million and the increase in financial assets at RMB472 million increased the investing activities cash outflow. The cash outflow from investing activities increased by RMB1,257 million YoY.

Net cash inflow generated from financing activities for the Period was RMB72 million. The Group borrowed RMB118 million, reduced the payment of dividends to non-controlling interests by RMB127 million, the stop of the purchase of treasury stock by a subsidiary saved RMB63 million and no acquisition of non-controlling interests saved RMB8 million. Cash inflow from the financing activities increased by RMB318 million, compared with cash outflow in the Previous Period.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group had cash and cash equivalents of RMB11,318 million, representing a decrease of RMB3,944 million or 25.8% when compared to the balance as at 31 December 2022. The Group's total borrowings were about RMB4,243 million as at 30 June 2023, representing an increase of RMB353 million or 9.1% when compared with the balance as at 31 December 2022. Its gearing ratio (total borrowings divided by total assets) and debt-to-equity ratio (total borrowings divided by equity) as at 30 June 2023 were 3.8% and 9.5% respectively (31 December 2022: 3.7% and 9.1% respectively). As at 30 June 2023, current ratio (total current assets divided by total current liabilities) was 1.2 (31 December 2022: 1.3).

As at 30 June 2023, all borrowings were denominated in RMB (31 December 2022: 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:

	<b>As at 30 June 2023 RMB million</b>	<b>As at 31 December 2022 RMB million</b>
Within one year	4,223	3,890
2 years to 3 years	20	—
	<u>4,243</u>	<u>3,890</u>

As at 30 June 2023, total consolidated equity of the Company was RMB44,716 million, representing an increase of RMB1,747 million or 4.1% when compared with the balance as at 31 December 2022.

As at 30 June 2023, the Company's market capitalization was RMB38,744 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HK\$15.22 per Share and at the exchange rate of 1:0.92198 between HK\$ and RMB).

As at 30 June 2023, the unutilized credit facilities of the Group from the banks amounted to RMB36,745 million (31 December 2022: RMB37,552 million). An aggregate amount of RMB2,615 million (31 December 2022: RMB2,655 million) of security deposits and restricted bank deposits were pledged to secure various credit facilities. In addition, the Finance Segment mandatorily placed deposits of RMB1,870 million (31 December 2022: RMB1,883 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 continued to pay attention to potential strategic investment opportunities in the market, and timely acquired or invested in those meet the Group's strategic development requirements.

### **INVESTMENT IN SUBSIDIARIES**

In February 2023, Ji'nan Power Company acquired 0.1178% equity of Sinotruk Finance Co., Ltd. at cash consideration of RMB7.2 million.

In June 2023, Ji'nan Power Company invested RMB3 million in cash to establish Sinotruk (Ji'nan) Business Co., Ltd. and accounted for its 60% equity.

## **EQUITY INVESTMENTS FORMING PART OF THE GROUP'S OPERATIONS**

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

### ***a) Investment in associates***

As at 30 June 2023, the amount of investment in associates was RMB1,987 million, representing 1.8% of the total assets of the Group. Performance of these investments are disclosed in the section headed "SHARE OF PROFITS OF ASSOCIATES".

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

As at 30 June 2023, 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 invested in short-term equity investments which consisted of listed securities in Hong Kong and China. As at 30 June 2023, the Group had short term equity investment at RMB3 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 situation and stock markets sentiments.

## **CAPITAL COMMITMENT**

As at 30 June 2023, the Group committed capital expenditure in respect of property, plant and equipment as well as intangible assets amounting to RMB993 million which would be funded by internal resources and borrowing facilities.

## **CHARGES ON GROUP ASSETS**

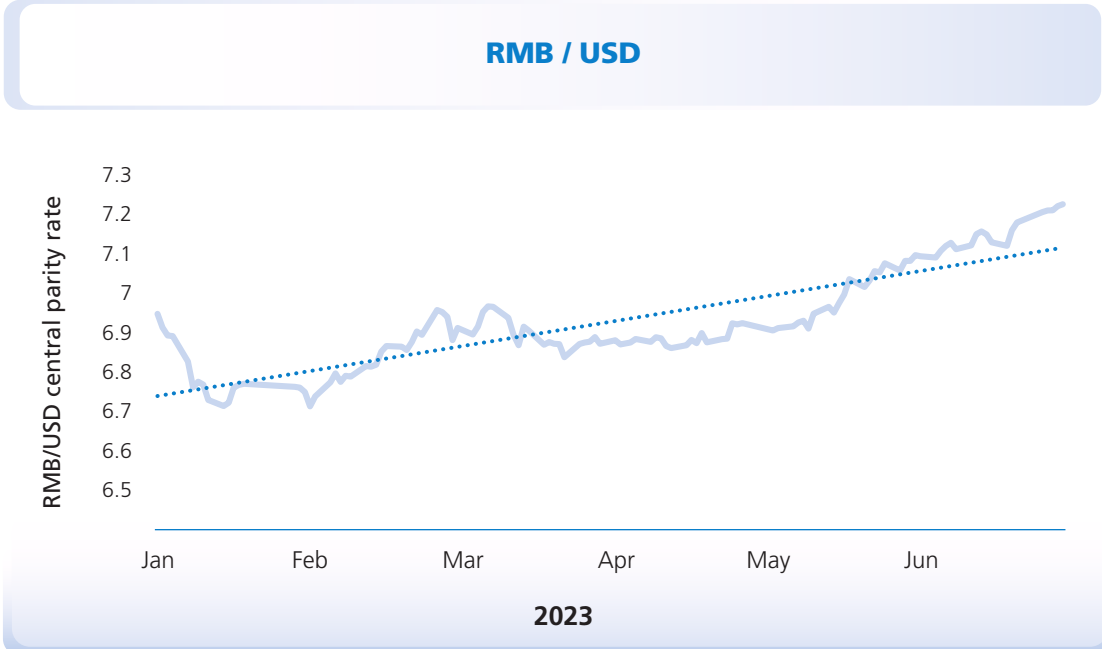
Save as disclosed in the section headed “LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE”, as at 30 June 2023, there were no assets of the Group being pledged.

## **FINANCIAL MANAGEMENT AND POLICY**

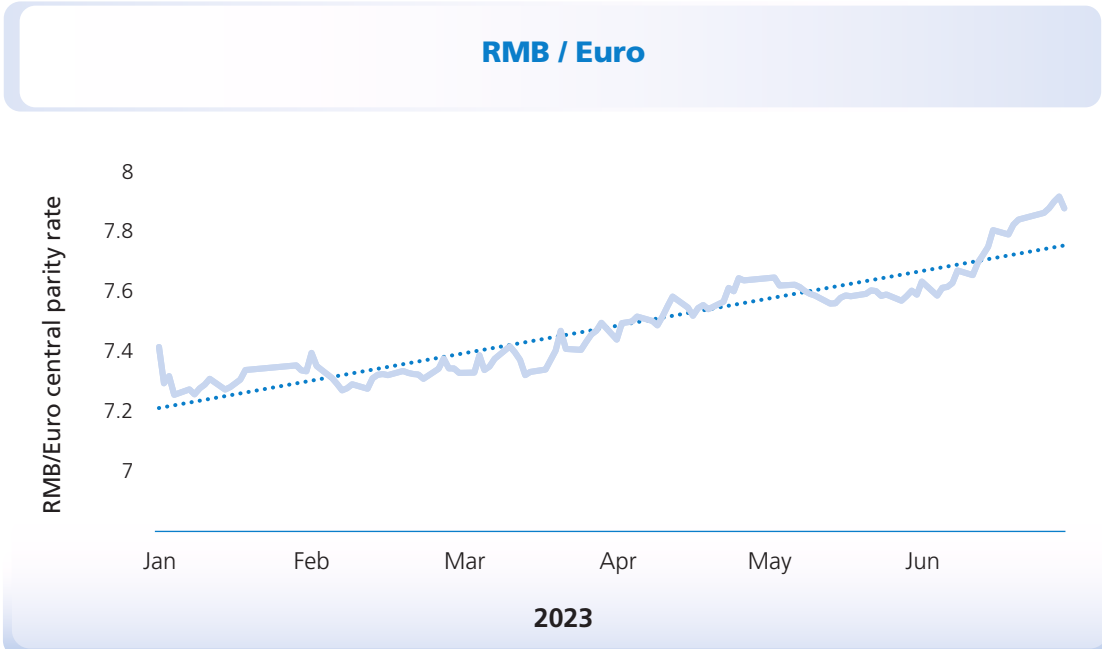
The group finance department is responsible for the financial risk management of the Group. One of the primary objectives of financial policies of the Group is to manage exchange rate risk. The major foreign exchange risk exposure arises from its exporting and importing activities, business operations 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, foreign exchange derivatives, etc. to manage the foreign exchange risks and purchases several wealth management products of which the return is linked with non-RMB foreign currencies.



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



The RMB/USD central parity rate in the PRC as at 30 June 2023 was 7.2258, representing a depreciation of RMB by 3.75% when compared to the rate of 6.9646 as at 30 December 2022. RMB against USD central parity rates recorded a high of 7.2258 and a low rate of 6.7130 with volatility at 12.68% and showed a trend of depreciation during the Period.



The RMB/Euro central parity rate in the PRC as at 30 June 2023 was 7.8771, representing a depreciation of RMB by 6.12% when compared with the rate of 7.4229 as at 30 December 2022. RMB against Euro central parity rates recorded a high of 7.9167 and a low of 7.2535 with volatility at 16.85% and showed trend of depreciation during the Period.

As at 30 June 2023, most of the Group’s monetary assets and liabilities were denominated in RMB while the major non-RMB denominated net monetary assets were in USD, Euro and HK\$. During the Period, the Group recorded foreign exchange gains of RMB180 million in operating profit and losses of RMB157 million on forward foreign exchange contracts for the purpose of reducing foreign exchange fluctuations. The material potential foreign exchange impacts to monetary assets and liabilities of the Group as at 30 June 2023 are:

	<b>USD denominated net assets</b>	<b>EURO denominated net assets</b>
5% appreciation/depreciation in RMB	Loss/gain before tax of RMB87 million/ RMB73 million	Loss/gain before tax of RMB13 million/ RMB13 million
		<b>HK\$ denominated net liabilities</b>
5% appreciation/depreciation in RMB		Gain/loss before tax of RMB19 million/ RMB19 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 such trucks. As at 30 June 2023, the Group has commitment for providing such guarantees at a maximum aggregate amount of RMB390 million per year.

During the Period, the Group was not involved in any litigation and other legal 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 RMB264 million and provision for legal claims of approximately RMB67 million was made as at 30 June 2023.

## **DISCLAIMER ON NON-GAAP FINANCIAL MEASURES**

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

## **OTHER INFORMATION**

### **CORPORATE GOVERNANCE PRACTICES**

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

During the Period, the Company had been in compliance with the code provisions under the CG Code, save and except for the code provisions D.2.6 and F.1.1 of the CG Code.

In accordance with code provision D.2.6 of the CG Code, the Company has established a whistleblowing policy and system. From 29 March 2023, the Company further improves its whistleblowing reporting channel under which employees and those who deal with the Group (such as customers and suppliers) can raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Group.

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.

The Company has also amended its terms of reference of the Remuneration Committee on 30 March 2023 to provide for the Remuneration Committee’s duty to review and/or approve matters relating to share schemes and implement any share scheme in accordance with the decision of the Board from time to time.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

## **DIVIDENDS**

The Board resolved not to declare any interim dividends for the six months ended 30 June 2023.

## **REVIEW OF INTERIM RESULTS**

This unaudited interim financial information of the Group for the six months ended 30 June 2023 has been reviewed by the Audit Committee and by KPMG, 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**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s securities during the Period.

## **INVESTOR RELATIONS**

The Board Office is responsible for promoting investor relations, enhancing communication and ensuring that the investors are able to obtain information about the Group on a fair and timely basis to assist them in making the best investment decisions. To cultivate good relationship with the Shareholders and potential investors, the Company has participated in a number of one-on-one meetings, investors' conferences, road shows and site visits during the Period. Analysts and fund managers may gain better knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company at [www.sinotruk.com](http://www.sinotruk.com) for the latest information available in respect of the Group including information on the financial conditions and the latest business developments of the Group.

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

The 2023 AGM was successfully held on 28 June 2023 at the meeting centre of the Company, No. 688 Shunhua South Road, Licheng District, Ji'nan City, Shandong Province, PRC and Level 22, Nexus Building, 41 Connaught Road Central, Hong Kong. Certain members of the Board and external auditors of Company attended in person or via video conferencing system the 2023 AGM and communicated with the Shareholders. Details of the voting particulars were disclosed in the Company's announcement dated 28 June 2023.

## **CONSTITUTIONAL DOCUMENTS**

The new Articles of the Company was adopted by way of a special resolution passed by the Shareholders at the 2023 AGM held on 28 June 2023. The new Articles of the Company is available on the websites of the Company and the Stock Exchange.

## **PUBLICATION OF THE 2023 INTERIM RESULTS AND THE INTERIM REPORT**

The interim results announcement for the six months ended 30 June 2023 is published on the website of the Company ([www.sinotruk.com](http://www.sinotruk.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the six months ended 30 June 2023 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 balance of the trade receivables, bills receivable and acceptance bills which are classified as financial assets at fair value through other comprehensive income
“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
“Auto-finance Services”	the provision of financing to the end-users and dealers of the Group’s products for the purpose of purchasing the Group’s vehicles
“Board”	the board of Directors

“Board Office”	the board office of the Company
“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
“CNHTC Group”	CNHTC and its subsidiaries other than the Group
“Commercial Lending Services”	the provision of loans to the borrowers, bill discounting services for bank bills presented by the borrowers and issue of bills (off-balance sheet credit business)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company” or “Sinotruk”	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company



“Engines Segment”	the engines segment of the Group which engages in manufacture and sale of engines and related parts
“Euro”	the lawful currency of the European Union
“Finance Segment”	the finance segment of the Group which engages in provision of deposit taking, Commercial Lending Services and entrustment loans to the members of the Group and members of CNHTC Group as well as the provision of Auto-financing Services and supply chain financing services to the public
“GAAP”	generally accepted accounting principles
“GDP”	gross domestic product
“Group” or “We”	the Company and its subsidiaries
“HDT(s)”	heavy duty truck(s) and medium-heavy duty truck(s)
“HDTs Segment”	the heavy duty trucks segment of the Group which engages in manufacture and sale of heavy duty trucks, medium-heavy duty trucks and related components
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“LDT(s)”	light duty truck(s)

“LDTs and Others Segment”	the light duty trucks and others segment of the Group which engages in manufacture and sale of light duty trucks, buses, etc. and related components
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operating Profit (Loss) Margin”	the ratio of operating profit (loss) to revenue of the segment of the Group
“PBOC”	The People’s Bank of China
“Period”	the six-month period ended 30 June 2023
“Previous Period”	the six-month period ended 30 June 2022
“Products Revenue”	the revenue of sales of goods and rendering of services by the HDTs Segment, the LDTs and Others Segment and the Engines Segment to external customers
“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and “Subsidiaries” shall be construed accordingly
“USD”	United States dollars, the lawful currency of the United States of America
“YoY”	as compared to the Previous Period
“%”	per cent

By order of the Board  
**Mr. Wang Zhijian**  
*Chairman of the Board*

Ji’nan, PRC, 30 August 2023

*As at the date of this announcement, the board of the Company consists of seven executive directors of the Company including Mr. Wang Zhijian, Mr. Wang Chen, Mr. Liu Wei, Mr. Zhang Wei, Ms. Li Xia, Ms. Zhao Hong and Mr. Richard von Braunschweig; four non-executive directors of the Company including Mr. Sun Shaojun, 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.*