



**中国重汽**  
**SINOTRUK**

**Sinotruk (Hong Kong) Limited**  
**中國重汽(香港)有限公司**

(Incorporated in Hong Kong with limited liability)  
Stock Code : 3808

**2021**  
Annual Report







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# FINANCIAL FIGURES

	2021	2020	Increase/(Decrease)	
				%
<b>Operating results (RMB million)</b>				
Revenue	<b>93,357</b>	98,198	(4,841)	(4.9)
Gross profit	<b>15,664</b>	19,585	(3,921)	(20.0)
Profit attributable to owners of the Company	<b>4,322</b>	6,851	(2,529)	(36.9)
<b>Profitability and Liquidity</b>				
Gross profit ratio (%)	<b>16.8</b>	19.9	(3.1)	(15.6)
Net profit ratio (%)	<b>5.0</b>	7.6	(2.6)	(34.2)
Current ratio (time)	<b>1.3</b>	1.1	0.2	18.2
Trade receivable turnover (days)	<b>45.8</b>	41.9	3.9	9.3
Trade payable turnover (days)	<b>217.0</b>	186.1	30.9	16.6
<b>Sales volume (units)</b>				
HDTs				
— Domestic	<b>227,775</b>	247,454	(19,679)	(8.0)
— Export (including affiliated export)	<b>54,050</b>	30,961	23,089	74.6
Total	<b>281,825</b>	278,415	3,410	1.2
LDTs	<b>129,068</b>	181,013	(51,945)	(28.7)
Trucks sold under auto financing services	<b>73,286</b>	69,300	3,986	5.8
<b>Per share data</b>				
Earnings per share - basic (RMB)	<b>1.57</b>	2.48	(0.91)	(36.7)
2021 final dividend per share				
HKD	<b>0.68</b>	1.04	(0.36)	(34.6)
or				
RMB	<b>0.55</b>	0.88	(0.33)	(37.5)

## DEFINITIONS

In this annual report, the following expressions shall have the following meanings unless the context indicates otherwise:

“AGM”	the annual general meeting of the Company or any adjournment thereof
“Articles”	the articles of association of the Company, as amended, supplemented, modified or otherwise adopted from time to time
“AsialInfo Technologies Limited”	a company listed on the Main Board of the Stock Exchange (stock code: 01675)
“Audit Committee”	the audit committee of the Company
“Beijing Dalong Weiye Real Estate Development Co., Ltd.”	北京市大龍偉業房地產開發股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600159)
“Board”	the board of Directors
“Board Office”	the board office of the Company
“BOCOM International Holdings Company Limited”	a company listed on the Main Board of the Stock Exchange (stock code: 03329)
“CAAM”	China Association of Automobile Manufacturers
“China Everbright Limited”	a company listed on the Main Board of the Stock Exchange (stock code: 00165)
“China” or “PRC”	the People’s Republic of China, and for the purpose of this annual report, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“China Spacesat Co., Ltd.”	中國東方紅衛星股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600118)
“CITIC Dameng Holdings Ltd.”	a company listed on the Main Board of the Stock Exchange (stock code: 01091)
“CNHTC”	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding company of the Company during the Period and the controlling shareholder (as defined in the Listing Rules) of the Company
“CNHTC Group”	CNHTC and its subsidiaries other than the Group
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

## DEFINITIONS

“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
“Concord New Energy Group Limited”	a company listed on the Main Board of the Stock Exchange (stock code: 00182)
“Dali Foods Group Company Limited”	a company listed on the Main Board of the Stock Exchange (stock code: 03799)
“Datong Gear”	中國重汽集團大同齒輪有限公司 (Sinotruk Datong Gear Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“ED(s)”	the executive Director(s)
“Engines Segment”	the engines segment of the Group which engages in manufacture and sale of engines and related parts
“Euro”	the lawful currency of the European Union
“Executive Committee”	the executive committee of the Company
“Finance Segment”	the finance segment of the Group which engages in provision of deposit taking, borrowings, bills discounting, issue of bills and entrustment loans to the members of the Group and members of CNHTC Group as well as the provision of auto and supply chain financing services to the public
“FPFPS Group”	FPFPS and its subsidiaries including Volkswagen AG and TRATON SE
“FPFPS”	Ferdinand Porsche Familien-Privatstiftung, an Austrian private foundation (Privatstiftung) (trust), being the beneficiary owner of 25% of the entire issued share capital of the Company plus 1 Share
“GAAP”	generally accepted accounting principles
“GDP”	gross domestic product

## DEFINITIONS

“Group” or “We”	the Company and its subsidiaries
“Hainan Drinda Automotive Trim Co., Ltd.”	a company listed on the Shenzhen Stock Exchange (stock code: 002865)
“HDT(s)”	heavy duty truck(s) and medium-heavy duty truck(s)
“HDTs Segment”	the heavy duty trucks of the Group which engages in manufacture and sale of heavy duty trucks, medium-heavy duty trucks and related components
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HOWO Bus”	中國重汽集團濟南豪沃客車有限公司 (Sinotruk Ji’nan HOWO Bus Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
“INED(s)”	the independent non-executive Director(s)
“Ji’nan Power Company”	中國重汽集團濟南動力有限公司 (Sinotruk Ji’nan Power Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
“Ji’nan Truck Company”	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji’nan Truck Co., Ltd.), a joint stock company organized under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
“Jiangxi Copper Company Limited”	a company listed on the Main Board of the Stock Exchange (stock code: 00358) and on the Shanghai Stock Exchange (stock code: 600362)
“Kingsoft Corporation Limited”	a company listed on the Main Board of the Stock Exchange (stock code: 03888)
“LDT(s)”	light duty truck(s)

## DEFINITIONS

“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
“MAN Group”	MAN SE and its subsidiaries
“MAN SE”	MAN SE, a company incorporated under the laws of Germany with limited liability, which was a non-wholly owned subsidiary of FPFPS and the shares of which were listed on the Frankfurt Stock Exchange in Germany (stock code: ISIN DE0005937007, WKN 593700 and symbol MAN). On 31 August 2021, MAN SE merged into TRATON SE via a merger-squeeze-out and ceased to exist. TRATON SE is the legal successor of MAN SE
“NED(s)”	the non-executive Director(s)
“Nomination Committee”	the nomination committee of the Company
“PBOC”	The People’s Bank of China
“Period”	the year ended 31 December 2021
“Products Revenue”	the revenue of sales of goods and rendering of services by the segments of heavy duty trucks, light duty trucks and buses as well as engines to external customers
“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)
“SG Automotive Group Co., Ltd.”	a company listed on the Shanghai Stock Exchange (stock code: 600303)
“Shanghai Baolong Automotive Corporation”	a company listed on the Shanghai Stock Exchange (stock code: 603197)
“Shanghai Stock Exchange”	Shanghai Stock Exchange in the PRC

## DEFINITIONS

“Shantui Construction Machinery Co., Ltd.”	a company listed on the Shenzhen Stock Exchange (stock code: 000680)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange in the PRC
“SHIG”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a state-owned enterprise organized under the laws of the PRC with limited liability being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company upon the registration as a holder of 65% equity in CNHTC on 25 February 2022
“Silver Grant International Industries Limited”	a company listed on the Main Board of the Stock Exchange (stock code: 00171)
“Springland International Limited”	a company delisted from the Main Board of the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy and Investment Committee”	the strategy and investment committee of the Company
“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
“Sun.King Power Electronics Group Limited”	a company listed on the Main Board of the Stock Exchange (stock code: 00580)
“TRATON SE”	a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and the shares of which are listed on the Frankfurt Stock Exchange in Germany and NASDAQ STOCKHOLM (stock code: ISIN DE000TRAT0N7, WKN TRAT0N and symbol 8TRA)
“USD”	United States dollars, the lawful currency of the United States of America

## DEFINITIONS

“Volkswagen AG”	Volkswagen AG, a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and an intermediate holding company of TRATON SE and the shares of which are listed on Frankfurt Stock Exchange in Germany (stock code: ISIN DE0007664005, WKN 766400 and symbol VOW)
“Volkswagen Group”	Volkswagen AG and its subsidiaries, including TRATON SE
“Weichai Heavy-duty Machinery Co., Ltd.”	a company listed on the Shenzhen Stock Exchange (stock code: 000880)
“Weichai Holdings”	濰柴控股集團有限公司 (Weichai Group Holdings Limited), a company organized under the laws of the PRC with limited liability
“Weichai Power”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company organized under the laws of the PRC with limited liability which shares are listed on the Main Board of the Stock Exchange (stock code: 02338) and on the Shenzhen Stock Exchange (stock code: 000338)
“Yangzhou Yaxing Motor Coach Co., Ltd.”	揚州亞星客車股份有限公司 (Yangzhou Yaxing Motor Coach Co., Ltd.), a company listed on the Shanghai Stock Exchange (stock code: 600213)
“YoY”	year-over-year
“Zhejiang Wanfeng Auto Wheel Co., Ltd.”	a company listed on the Shenzhen Stock Exchange (stock code: 002085)
“Zhewen Interactive Group Co., Ltd.”	浙文互聯集團股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600986)
“%”	per cent

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS:

Mr. Cai Dong (*Chairman*)  
 Mr. Liu Zhengtao (*President*)  
 Mr. Liu Wei  
 Mr. Dai Lixin  
 Mr. Richard von Braunschweig  
 Ms. Li Xia  
 Mr. Sun Shaojun

### NON-EXECUTIVE DIRECTORS:

Mr. Jiang Kui  
 Mr. Alexander Albertus Gerhardus  
 Vlaskamp  
 Mr. Karsten Oellers  
 Mr. Mats Lennart Harborn

### INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Lin Zhijun  
 Dr. Wang Dengfeng  
 Mr. Zhao Hang  
 Mr. Liang Qing  
 Mr. Lyu Shousheng  
 Mr. Zhang Zhong

## EXECUTIVE COMMITTEE

Mr. Cai Dong (*Chairman*)  
 Mr. Liu Zhengtao  
 Mr. Liu Wei  
 Mr. Dai Lixin  
 Mr. Richard von Braunschweig  
 Ms. Li Xia  
 Mr. Sun Shaojun

## STRATEGY AND INVESTMENT COMMITTEE

Mr. Cai Dong (*Chairman*)  
 Mr. Liu Zhengtao  
 Mr. Richard von Braunschweig  
 Ms. Li Xia  
 Mr. Zhao Hang

## REMUNERATION COMMITTEE

Mr. Lyu Shousheng (*Chairman*)  
 Dr. Lin Zhijun  
 Mr. Liang Qing  
 Mr. Zhang Zhong  
 Mr. Liu Wei

## AUDIT COMMITTEE

Dr. Lin Zhijun (*Chairman*)  
 Dr. Wang Dengfeng  
 Mr. Lyu Shousheng

## NOMINATION COMMITTEE

Mr. Zhang Zhong (*Chairman*)  
 Mr. Jiang Kui  
 Mr. Lyu Shousheng

## BOARD SECRETARY

Ms. Wang Li

## HEAD QUARTERS

Sinotruk Tower  
 No. 777 Hua'ao Road  
 Innovation Zone  
 Ji'nan City  
 Shandong Province  
 PRC  
 Postal code: 250101

## REGISTERED OFFICE IN HONG KONG

Units 2102-03  
 China Merchants Tower  
 Shun Tak Centre, 168-200  
 Connaught Road Central  
 Hong Kong

## COMPANY SECRETARY

Mr. Kwok Ka Yiu

## CORPORATE INFORMATION

### AUTHORIZED REPRESENTATIVES

Mr. Dai Lixin  
Mr. Kwok Ka Yiu

### PRINCIPAL BANKERS

Industrial and Commercial Bank of  
China Limited  
Bank of China Limited  
Agricultural Bank of China Limited  
China Construction Bank Limited  
Bank of Communications Co., Ltd.

### LEGAL ADVISERS

#### HONG KONG

Reed Smith Richards Butler LLP

#### PRC

Commerce & Finance Law Offices

### AUDITOR

Ernst & Young

### SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited

### COMPANY WEBSITE

[www.sinotruk.com](http://www.sinotruk.com)

### SECURITIES CODE

Equity: 03808.hk

### INVESTOR RELATIONS

Board Office

PRC: Tel (86) 531 5806 3808

Hong Kong: Tel (852) 3102 3808

Fax (852) 3102 3812

Email: [securities@sinotrukhk.com](mailto:securities@sinotrukhk.com)

### PUBLIC RELATIONS CONSULTANT

Wonderful Sky Financial Group

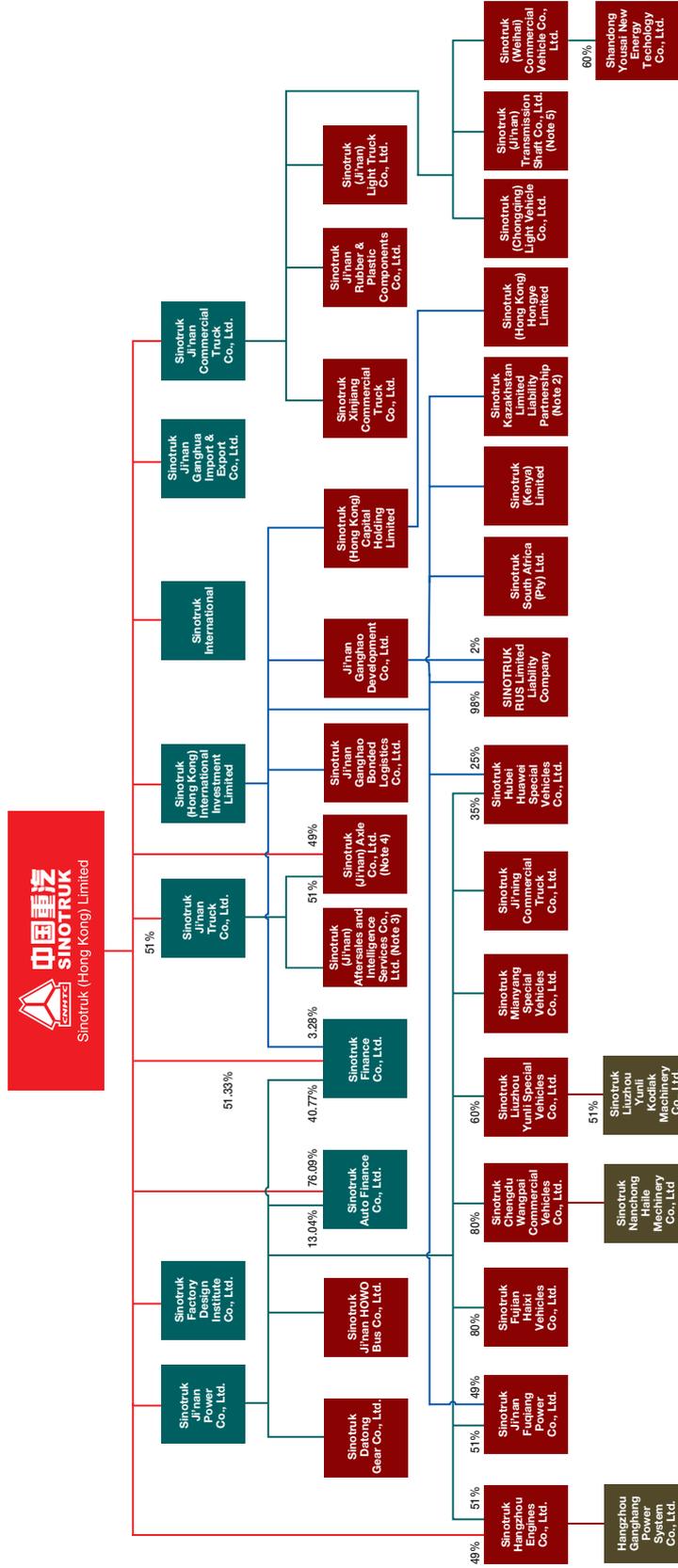
Tel: (852) 2851 1038

Email: [sinotruk@wsfg.hk](mailto:sinotruk@wsfg.hk)

# ORGANISATION STRUCTURE

## ORGANISATION STRUCTURE

As at 31 December 2021



- Notes:
- 1) All of the above subsidiaries are direct wholly-owned subsidiaries of their respective immediate holding companies unless otherwise stated.
  - 2) It is a legal commercial organization in the form of a limited liability partnership.
  - 3) Formerly known as "Sinotruk Ji'nan Global Electronic Business Co., Ltd."
  - 4) Formerly known as "Sinotruk Ji'nan Axle & Transmission Co., Ltd."
  - 5) Formerly known as "Sinotruk (Ji'nan) Auto Parts Co., Ltd."

# THE GROUP

## BUSINESS

The Group is one of the leading trucks manufacturers in the PRC which specializes in the research, development and manufacture of HDTs, medium-heavy duty trucks, LDTs, etc. and related key assemblies, parts and components. Through our diversified product portfolio, we serve a wide range of customers from different major industries including infrastructure, construction, container transportation, logistics, mining, steel, chemical, etc.

The Group mainly manufactures trucks and also produces key assemblies, parts and components such as engines, cabins, axles, steel frames, gearboxes, etc. The Group is a truck manufacturer which has its own research and development and production capability in trucks as well as the complete production chain. The Group sells truck engines and engines for use in industrial and construction machineries to third parties in addition to our own use. Our products are not only sold domestically but also exported to other countries and regions in the world. In addition, the Group provides financial services to those parties related to the production and sales of the Group's products and to the CNHTC Group.

## OPERATIONS

The Group's businesses are classified into four segments according to the nature of products and services:

### (I) HEAVY DUTY TRUCKS SEGMENT

The majority of the Group's revenue is contributed by the sales of HDTs. Its major products series include SITRAK, HOWO and Huanghe, each of which is further divided into various sub-series. The key production bases are located at Ji'nan and Ji'ning, the PRC. In addition, the Group engages in truck refitting and manufactures specialty vehicles.

### (II) LIGHT DUTY TRUCKS AND OTHERS SEGMENT

The Group's LDT products mainly include HOWO, Haoman and Wangpai products, which production bases are located at Ji'nan, Fujian and Chengdu, the PRC. The segment also manufactures and sells buses, medium duty trucks, light duty trucks and other vehicles.

### (III) ENGINES SEGMENT

Although most of the engines for heavy duty trucks produced by the Group are used to satisfy our own demand, the Group also sells industrial and construction machinery engines to third parties. In addition, the Group produces other HDT key assemblies, parts and components, such as gearboxes and various types of casting and forging. The engines production bases are located at Ji'nan and Hangzhou, the PRC.

### (IV) FINANCE SEGMENT

The finance segment of the Group provides financial services to those parties related to the production and sales of the Group's products and to the CNHTC Group. Financial services include deposits taking, borrowings, commercial notes and bank bills discounting, issue of bills, auto financing services and supply chain financing services. It also cooperates with authorized financial institutions to provide auto financing services. It builds up an auto financing services network. Its financing services cover most areas in the PRC.

# SHAREHOLDER INFORMATION

## Financial Calendar 2022

Announce 2021 annual results	31 March
2022 AGM	28 June
Ex-dividend date for 2021 final dividend	5 July
2021 final dividend entitlement date	8 July
Latest time to submit RMB dividend election form	At 4:30 p.m. on 29 July
Announce 2022 interim results	August
Despatch dividend warrants	9 September

## 2021 Dividends

Proposed 2021 final dividend	HKD0.68 or RMB0.55 per Share
Dividend payout ratio (Note)	35%

## Share Information

Stock code	03808.hk
Listing as at 31 December 2021	
– Number of issued Shares	2,760,993,339
– Market capitalization	RMB27,089 million
Board lot size	500 Shares

## For Shareholders to attend and vote at 2022 AGM

Latest time to lodge transfer documents for registration with Sinotruk's registrar	At 4:30pm on 22 June 2022
Closure of Sinotruk's register of members	23 to 28 June 2022 (both dates inclusive)
Record date	28 June 2022

## For Shareholders to be entitled to 2021 final dividend

Latest time to lodge transfer documents for registration with Sinotruk's registrar	At 4:30 p.m. on 6 July 2022
Closure of Sinotruk's register of members	7 to 8 July 2022 (both dates inclusive)
Record date	8 July 2022

## Sinotruk's Registrar - Computershare Hong Kong Investor Services Limited

For corporate communications:

By post:	17M Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
By email:	securities@sintorukhk.com

For transfer of shares:

Address:	Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
Telephone:	(852) 2862 8555

Note: Being calculated by relevant dividends for the Period divided by profit attributable to owners of the Company for the Period.

## SHAREHOLDER INFORMATION

### Share Prices During the Period

Maximum price	HKD28.40
Minimum price	HKD9.95
Average closing price	HKD17.16

### Sinotruk's Closing Stock Price - 2021



### Shareholding Distribution as at 31 December 2021 (based on Sinotruk's Register of Members)

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares held	% of no. of Shares issued
1 — 500	6,225	78.4%	3,079,513	0.1%
501 — 1000	1,131	14.2%	1,131,000	0.1%
1001 — 2000	476	6.0%	749,500	0.0%
2001 — 10000	94	1.2%	380,500	0.0%
10001 — 100000	16	0.2%	444,000	0.0%
100001 — 500000	2	0.0%	257,500	0.0%
Above 500,000	3	0.0%	2,754,951,326	99.8%
	7,947	100.0%	2,760,993,339	100.0%

Details about Sinotruk's major Shareholders are disclosed in the Corporate Governance Report contained in this annual report.

## CHAIRMAN'S STATEMENT



**CAI DONG**  
CHAIRMAN

I am pleased to present, on behalf of the Board of Directors, a review of the Group's operating results for the year ended 31 December 2021 as well as our prospects.

### INDUSTRY REVIEW

In 2021, China's GDP will exceed RMB110 trillion, representing a year-on-year increase of 8.1%. The "14th Five-Year Plan" has achieved a good start. The stable growth of the domestic economy has provided strong basic support for the commercial vehicle industry. The overall external economic environment for the commercial vehicle continues to improve. In the first half of the year, affected by policies and regulations such as the National VI emission upgrade, the scale of the HDT industry reached a historical peak of about 1.045 million vehicles; in the second half of the year, affected by factors such as pre-registration overdrafts for National V vehicles, soaring oil and gas

prices, and dual-limit and dual-control policies, the terminal demand in the HDT market continued to be sluggish. According to statistics from CAAM, the sales volume of HDT decreased by 13.8% YoY to approximately 1,395,000 units, showing a trend of high in the first half of the year and low in the second half of the year, and the HDT market still maintained a high demand. In the LDT market, under the combined effect of the new regulations for blue-plate LDT, the stricter overload governance and the expansion of the urban distribution logistics market, compliance and lightweight of trucks have gradually become the mainstream of the market. According to statistics from CAAM, the sales volume of LDT decreased by 4% YoY to approximately 2,110,000 units, showing a slight decrease in the market demand.

## CHAIRMAN'S STATEMENT

### OPERATIONS OF THE GROUP

2021 will be an extraordinary year for the Group, full of major challenges. We seized the opportunity of high growth in China's commercial vehicle market, withstood enormous pressures such as tight global supply chains and supply shocks, and achieved a series of breakthrough results. During the Period, the Group's total sales volume of trucks and buses decreased 8.7% YoY to 419,530 units, of which the sales volume of HDTs increased by 1.2% YoY to 281,825 units, and the sales volume of LDTs decreased by 28.7% YoY to 129,068 units.

The Group recorded revenue of RMB93,357 million during the Period, representing a decrease of 4.9% YoY. Profit attributable to owners of the Company was RMB4,322 million, representing a decrease of 36.9% YoY. We are one of the best manufacturers in the domestic trucks industry with respect to profitability and the operating performance.

In this year, we faced unprecedented changes in the automobile industry and achieved unprecedented breakthroughs in both sales volume and market share. HDT sales volume ranked first in domestic HDT sales volume for 5 consecutive months; the international market bravely went backwards amid the epidemic, breaking through 50,000 units for the first time, and the export of HDT ranked first in the industry for 17 consecutive years; new energy vehicles achieved leapfrog development and formed a clear market competitive advantages.

In this year, we have continuously adjusted the product structure, continued to optimize the whole series of products, accelerated the pace of "survival of the fittest" in the distribution network, won the breakthrough battle in key provinces and the tough battle in the market segment, and achieved new breakthroughs in the segment market.

In this year, we have produced a series of major scientific research achievements. The new generation of high-end Yellow River HDTs were promoted in batches; the multi-scenario demonstration application of hydrogen fuel cell HDTs and the batch delivery of unmanned electric trucks continued to be at the forefront of the industry; the wax trucks of own brand Yellow River served the Winter Olympics, filling the domestic gap.

In this year, we have continuously stimulated new kinetic energy, and the Sinotruk Intelligent Network (New Energy) HDT project has been put into use, providing strong support for Sinotruk's manufacturing level to become first-class.

### FUTURE PROSPECTS

In 2022, with the recovery of the endogenous kinetic energy of the economies of various countries, the global economic recovery is expected to continue. However, considering factors such as the marginal withdrawal of stimulus policies and the slow repair of supply chain bottlenecks, the overall economic growth rate is expected to slow down compared with 2021. According to the latest IMF forecast, the global economy is expected to grow by 3.6% in 2022, and China's GDP will grow by approximately 4.8%.

## CHAIRMAN'S STATEMENT

Throughout the domestic commercial vehicle industry, opportunities and challenges will still coexist. For the HDT industry, advanced infrastructure investment and active fiscal policies are expected to drive market opportunities for engineering HDTs. National III vehicle clearance, national IV restrictions and strict governance for environmental protection will bring replacement increments, and the demand for new energy HDTs will further increase. It is expected that the market size of the HDT industry will return to normal from the peak in 2022. For the LDT industry, driven by the implementation of the new blue plate regulations, weighing in annual inspection, and dual carbon goals, the transformation of LDT product structure is accelerating, and new energy vehicles will usher in a period of strategic opportunities. It is expected that the overall market for the LDT industry will remain stable in 2022.

The Group still regards customer satisfaction as our purpose as the core value of the enterprise, and takes building a world-class full-series commercial vehicle group as its strategic vision. We will continue to promote the iterative update of technology, accelerate the development of pure electric, hybrid and fuel cell vehicles with electric drive axles as the main route, and accelerate the application of new-generation intelligent driving, intelligent networking and other technologies to create differentiated competitive advantages and create new growth point. The Group will continuously optimize the marketing network, enhance the brand image, continue to deepen the international market and promote the internationalization of products and brands so as to strive to achieve the sustainable and healthy development of the Group.

### DIVIDENDS

The Board recommends the payment of a final dividend per share of HKD0.68 or RMB0.55 for the financial year ended 31 December 2021.

**Cai Dong**  
*Chairman*

31 March 2022

# MANAGEMENT DISCUSSION AND ANALYSIS



## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

#### TRUCK MARKET

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

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

### FINANCING MARKET

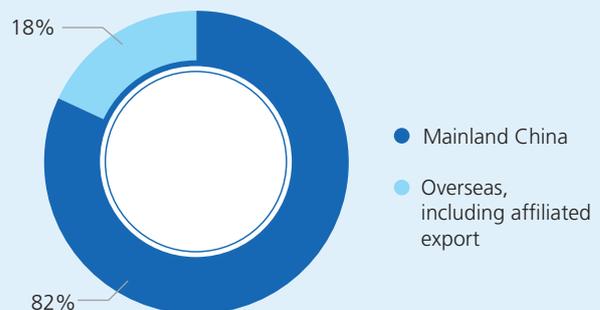
In 2021, the Chinese government continued to implement the loan prime rate (LPR) mechanism. During the Period, one-year LPR was lowered once but LPR of over five years was not adjusted. As at 31 December 2021, one-year LPR was 3.8% while LPR of over five years was 4.65%.

### OPERATION REVIEW

#### HDTs SEGMENT

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

**Revenue from the HDTs Segment  
for the year ended 31 December 2021  
(by regional markets)**



## MANAGEMENT DISCUSSION AND ANALYSIS

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



### DOMESTIC BUSINESS

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

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

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

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

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

### INTERNATIONAL BUSINESS

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

Reconciliation of overseas revenue to affiliated export revenue from HDTs:

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

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

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

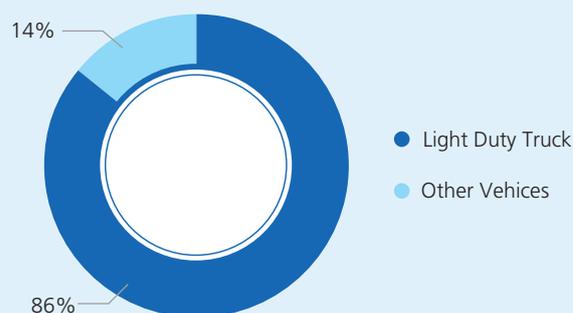
As at 31 December 2021, the Company had approximately 300 dealerships, over 520 outlets for services and spare parts, and 26 cooperative "knock down" (KD) plants overseas in more than 110 countries and has formed

an international marketing network largely covering developing countries and major emerging economies in Africa, the Middle East, Central and South America, Central Asia, Russia and Southeast Asia, as well as BRICS, developed countries and regions like Australia, Ireland and New Zealand, and mature markets including Hong Kong and Taiwan.

### LDTs AND OTHERS SEGMENT

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

#### Revenue of the Light Duty Trucks and Others Segment by product types for the year ended 31 December 2021

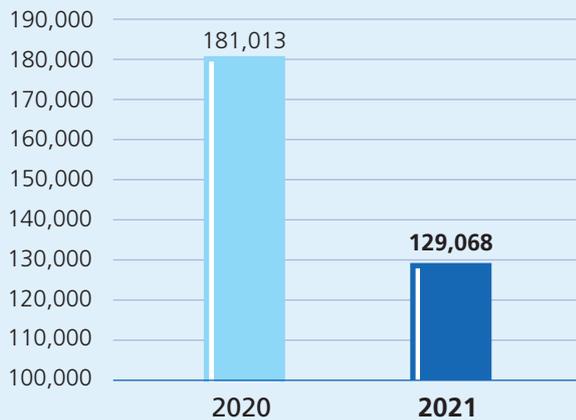


The total revenue from the LDTs and Others Segment, including sales of LDTs and other vehicles and services provided to customers thereof, was RMB13,089 million, representing a decrease of 11.7% YoY. The segment's operating loss margin was 4.3%, representing a decrease of 7.4 percentage points as compared to the operating profit margin of 3.1% in the corresponding period of last year, mainly due to the decrease in the sales of certain high-margin products as a result of regulatory changes, the insufficient initial sales scale of new products, the increase in raw material prices and the fact that the operations of newly acquired business were still being adjusted.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Sales of LDTs for the Year ended 31 December 2021 (units)



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

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

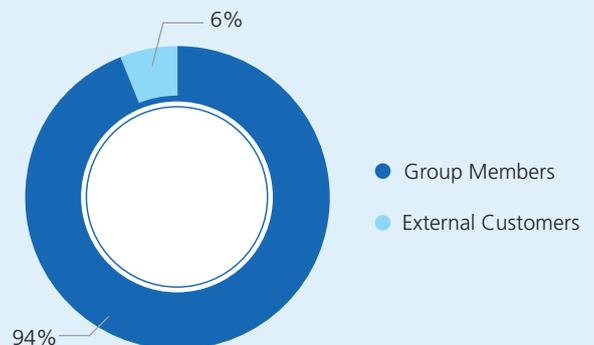
During the Period, featured products of the Group continued to break through, with a steady increase in the sales of special vehicles and new energy products, and with strong performance of the products such as refrigerated truck, flatbed truck and sanitation truck, and mass introduction of new energy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

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

### ENGINES SEGMENT

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

### Revenue from the Engines Segment for the Year ended 31 December 2021 (by customer type)



## MANAGEMENT DISCUSSION AND ANALYSIS

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



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

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

### R&D STRENGTH

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

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

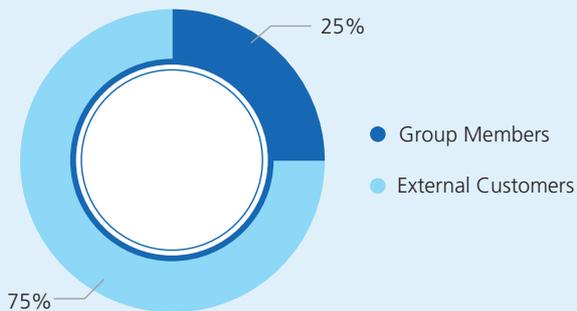
During the Period, the Group adhered to strategic guidance and innovative development, catered to market demand, and accelerated the optimization and upgrade of products and structure adjustment to achieve new breakthroughs in several critical technologies. In terms of finished vehicles, certain innovative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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCE SEGMENT

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

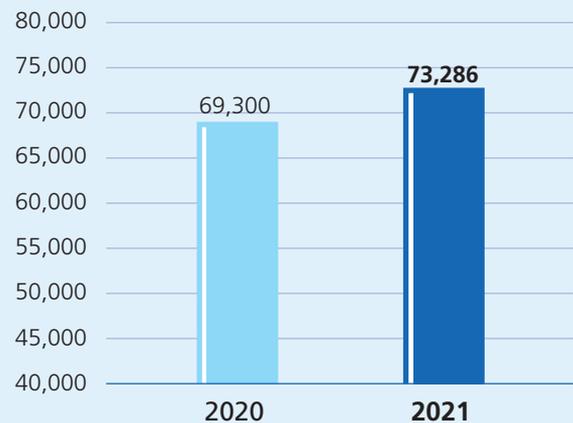
Revenue from the Finance Segment for the Year ended 31 December 2021



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

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

Sales of Trucks under Automotive Financing for the Year ended 31 December 2021 (units)



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

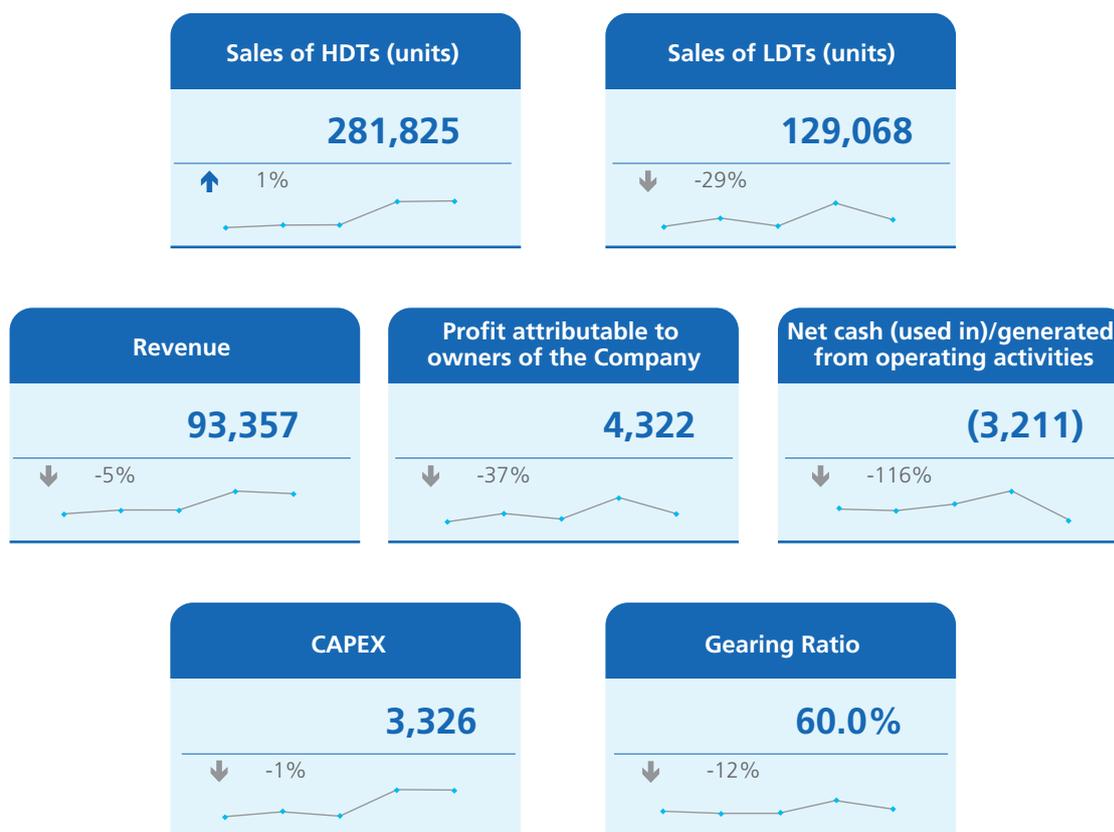
### MAJOR KEY PERFORMANCE INDICATORS ("KPIs")

The Directors put emphasis on Shareholders' interests and the sustainable development of the Group as a whole, using financial and non-financial indicators as benchmarks to assist in evaluation and decision-making. Sales and revenue of HDTs and LDTs illustrate actual operating results and performance, while cash is crucially important to our survival and net cash generated from operating activities provides insight on the Group's ability to generate cash flow as a going concern. Gearing ratio (i.e. total liabilities to total assets) shows how the management balances equity financing with debt financing in maintaining the Group's liquidity. Capital expenditure (CAPEX) provides information on the medium to long term development of the Group. Profit attributable to the owners of the Company provides information on the return to Shareholders for the Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following charts and table set out the Group's KPIs for the year ended 31 December of each of the following years:

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



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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS STRATEGIES AND PROSPECTS

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

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

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

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

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

The Group values and has always maintained good relationships with its customers, business partners (including suppliers and distributors) and employees. The Group believes that establishing long-term relationships of interests with them is a top priority in building mutual trust, loyalty and business development, and is the basis for the Group's success and sustainable development.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Strictly complying with domestic and foreign laws and regulations pertaining to recalls of defective vehicles including the "Administrative Regulation on the Recall of Defective Motor Vehicles" 《缺陷汽車產品召回管理條例》 and the "Measures for Implementation of the Administrative Regulation on the Recall of Defective Motor Vehicles" 《缺陷汽車產品召回管理條例實施辦法》, the Group established product recall procedure to identify problems, collect, analyze, deliver and store information on quality-related issues. Meanwhile, the Group made routine filing and maintenance of both the corporate and product information according to "Platform of Integrated Information Management for the Recall of Defective Motor Vehicles" 《缺陷汽車產品召回綜合資訊管理平台》. We will proactively recall (or instruct to recall) the defective products and take the corresponding remedial and prevention measures to avoid potential personal injury and property loss. In 2021, the Group had no product recall related to security and health.

The Group upholds integrity, trust and win-win cooperation as concept of supply chain management, set up internal managing documents and established a comprehensive supply chain management system based on Group's development needs to strengthen supplier management. Meanwhile, we place importance on mutual development with suppliers, cooperate with suppliers based on fair and open principles and provide various trainings to achieve win-win business. Through internal documents such as "Procurement Control Procedure" 《採

購控制程序》 "Approval Procedures for Supplier Access and Product Release" 《配套產品供方准入和產品釋放批准程序》 "Supplier Management Procedure" 《供方管理程序》 "Procurement Management Procedure on Product Tender" 《產品類招標採購管理流程》 "Supervision and Management on Product Procurement" 《配套產品採購執行監督管理辦法》, the Group standardized the whole process on supplier introduction and screening, review and evaluation. We pay attention to communicate and pursue mutual development with suppliers to achieve sustainable development of supply chain.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

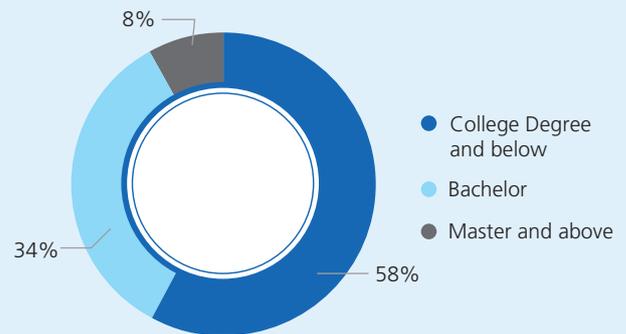
The Group's remuneration policies were determined with reference to the performance, qualification and working experience of individual employees, as well as the results of the Group and the market conditions. The benefits provided by the Group to its employees include discretionary bonus, meal subsidies,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

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

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

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

### Number of employees



## PRINCIPAL RISKS AND SOLUTIONS

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

### 1. QUALITY RISKS

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

#### MITIGATION MEASURES:

In terms of quality indicators and assessment system construction: Firstly, the priority was to benchmark advanced world standards and top-notch domestic enterprises. In 2021, a quality indicator system was established from five perspectives, namely, research and development, engineering, procurement, manufacturing, and service quality, covering the quality evaluation of the whole process of research, production, supply, sales and service. Secondly, the planning of information-based quality management platform was completed, and the evaluation and analysis of vehicles, assemblies and parts and components were made from such perspectives as operating mileage, duration, single-vehicle cost, etc.,

## MANAGEMENT DISCUSSION AND ANALYSIS

with a view to improving the efficiency of process management and the accuracy of result management. Thirdly, a quality assessment system featuring strict compliance and efficiency was established in accordance with the principle of “whoever produces is responsible”, and the Measures for Customer-Oriented Quality Loss Investigation and Accountability Assessment (《客戶導向的品質損失調查和責任追究考核辦法》), Administrative Measures for Product Quality Inspection and Assessment (《產品品質稽查考核管理辦法》), Administrative Measures for After-sales PPM Assessment (《售後PPM考核管理辦法》) and other assessment measures were released, leading to significant enhancement of employees’ quality awareness. There were no material quality issues in batches in 2021.

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

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

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

## 2. HEALTH, SAFETY AND ENVIRONMENTAL RISKS

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### MITIGATION MEASURES:

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

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

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

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

### 3. FOREIGN EXCHANGE RISKS

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

### MITIGATION MEASURES:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

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

The Group strictly abided by the Atmospheric Pollution Prevention and Control Law of the PRC 《中華人民共和國大氣污染防治法》 and relevant local emission standards, formulated and improved the Regulations on the Management of Atmospheric Pollution Emission (《大

氣污染物排放管理規定》), and ensured the full realization of up-to-standard emissions by promptly identifying and closely monitoring smoke, nitrogen oxides, sulfur dioxide, volatile organic compounds and other air pollutants generated by each member enterprise in the production and operation process, and regularly entrusting a third-party organization with professional qualifications to monitor exhaust emissions. Special treatment measures were taken continuously, and advanced production and treatment technologies were applied to rectify unorganized emissions, so as to achieve effective control and management of exhaust emissions, and effectively implement green production.

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

## FINANCIAL REVIEW

### REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

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

Gross profit margin for the Period was 16.8% (gross profit divided by revenue), representing a decrease of 3.1 percentage points YoY. The decrease in gross profit margin was mainly due to the increase in raw material prices, prices adjustments to HDT and LDT product mix and the drop in gross profit margin in sales of products of the LDTs and Others Segment.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Period was RMB4,540 million, representing a decrease of RMB443 million or 8.9% YoY and such decrease was due to the decrease in the volume of LDTs sold and warranty expenses. During the Period, the ratio of selling and distribution expenses to Products Revenue was 5.0%, representing a decrease of 0.1 percentage points YoY. Warranty expenses accounted for 1.5% of Products Revenue for the Period, representing a decrease of 0.4 percentage points YoY. The decrease was mainly due to the Group strengthened the recovery of claims for the quality of heavy duty trucks during the Period, and suppliers borne more warranty expenses and reduced the Group's warranty expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ADMINISTRATIVE EXPENSES

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

### NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

Net impairment losses of financial assets for the Period was RMB156 million, representing an increase of RMB29 million or 22.8% YoY. The impairment losses of trade and financing receivables was RMB145 million, accounting for 0.2% of the total revenue for the Period. Further details of the trade and financing receivables are set out in the section headed "TRADE, FINANCING AND BILLS RECEIVABLES".

### OTHER INCOME AND GAINS AND OTHER EXPENSES

The net amount of other income and gains as well as other expenses for the Period was RMB1,076 million, representing an increase of RMB409 million or 61.3% YoY. The increase was mainly due to the net gain on disposal of a subsidiary at the amount of RMB341 million and the reduction of foreign exchange loss of RMB85 million.

### FINANCE INCOME - NET

Net finance income for the Period was RMB109 million, representing an increase of RMB83 million or 319.2% YoY. The increase in finance income was due to the increase in interest income by RMB62 million and the significant reduction in interest expenses by RMB21 million as a result of a smaller average scale of borrowing during the Period.

### SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Share of profits less losses of associates for the Period was loss at RMB6 million, as opposed to a gain in last year, representing a drop of RMB61 million or 110.9% YoY. The drop was mainly due to the share of losses from associates previously acquired which are still in business development stage.

### INCOME TAX EXPENSE

Income tax expense for the Period was RMB1,153 million, representing a decrease of RMB974 million or 45.8% YoY. The decrease was due to the decrease in profit before tax. The effective tax rate (profit before income tax but excluding share of profits less losses of associates) for the Period was 19.6%, representing a decrease of 2.8 percentage points YoY.

### PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

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

### TRADE, FINANCING AND BILLS RECEIVABLES

In addition to granting standard credit period to certain privileged customers, the Group receives acceptance bills for settlement of trade receivables. As at 31 December 2021, the total balances of the trade receivables and acceptance bills which are classified as financial assets at fair value through other comprehensive income and as bills receivable but excluding discounted bills of the finance segment (collectively referred to "Aggregate Trade Balance") amounted to RMB11,584 million, representing an increase of RMB194 million or 1.7% when compared to the balance as at 31 December 2020. The main reason for the increase in Aggregate Trade Balances was due to more commercial acceptance bills having been received.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The trade receivables turnover (average Aggregate Trade Balances divided by Products Revenue multiplied by 365 days (2020: 366 days)) for the Period was 45.8 days (2020: 41.9 days), representing an increase of 3.9 days.

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

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

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

The credit period of the Finance Segment of the Group ranges from one year to three years. In addition, the auto financing services receivables are secured by the vehicles together with guarantees provided by the dealers and/or relevant parties while suppliers financing receivables are mainly secured by the beneficial owners of the applicants of financing services.

The Group reviews the repayment progress of key customers or customers with higher risk of default in repayment on a monthly basis and assesses impairment loss by reference to their business, actual repayment information, etc. During the Period, the Group reversed impairment loss allowance for trade receivables at the amount of approximately RMB120 million and made impairment loss allowance for financing receivables at the amount of approximately RMB265 million.

### TRADE PAYABLES

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

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

### CASH FLOWS

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

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

Net cash inflow generated from financing activities for the Period was RMB1,958 million. During the Period, Ji'nan Truck Company made private placement in return of proceeds of RMB5,001 million and Sinotruk (Chongqing) Light Vehicle Co., Ltd. issued 40% enlarged equity at approximately RMB527 million. Net repayment of borrowings was reduced by RMB286 million. In addition, there was no payment of consideration for the business combination under common control during the Period while it was RMB1,393 million last year. However, the Group has increased the payment of dividends by RMB1,559 million and the payment of acquisition of non-controlling interest by RMB419 million. As a result, cash inflow from financing activities increased by RMB5,266 million as compared to the cash outflow in the corresponding period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

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

As at 31 December 2021, the unutilized credit facilities of the Group from the banks amounted to RMB27,728 million (31 December 2020: RMB18,049 million). An aggregate amount of RMB991 million (31 December 2020: RMB876 million) of security deposits and restricted bank deposits were pledged to secure various credit facilities. In addition, the finance segment mandatorily placed deposits of RMB2,594 million (31 December 2020: RMB3,652 million) to the PBOC for its financial operations. The Group meets its daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, sufficient banking facilities and issuance of bills such as short-term commercial acceptance bills and bank acceptance bills.

### INVESTMENTS

#### INVESTMENTS IN SUBSIDIARIES

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

#### a) Interests in associates

In addition to the abovementioned disposal of 60% equity in Chongyou Gaoke Fuel System Co., Ltd., the Group acquired 30.77% equity in Shandong Guochuang Fuel Cell Technological Innovation Co., Ltd. at the consideration of RMB20 million and disposed of all its 25% equity in Shandong Changjiu Intelligence Logistics Co., Ltd. at the consideration of RMB22 million.

As at 31 December 2021, the amount of interest in associates was RMB1,338 million, representing 1.3% of the total assets of the Group. Performance and details of investments accounted for using the equity method are disclosed in the section headed "SHARE OF PROFITS LESS LOSSES OF ASSOCIATES".

#### b) Other long term equity investments

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

### OTHER SECURITIES INVESTMENTS

For the purposes of increasing profitability of short term funds and managing the liquidity of the Group, the Group invests in short-term equity investments which consists of listed securities in Hong Kong and the Mainland. As at 31 December 2021, the Group had short term equity investment at RMB87 million, representing less than 0.1% of its total assets. Such equity investments are accounted for as equity investments in financial assets at fair value through profit or loss. Their fair values keep changing from time to time depending on factors including but are not limited to their operation results, economic situations and stock markets sentiments.

### CAPITAL COMMITMENT

As at 31 December 2021, the Group committed capital expenditure in respect of property, plant and equipment as well as other intangible assets amounting to RMB3,302 million which will be funded by internal resources and borrowing facilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CHARGES ON GROUP ASSETS

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

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

### FINANCIAL MANAGEMENT AND POLICY

The finance department is responsible for the financial risk management of the Group. One of the primary objectives of financial policies of the Group is to manage exchange rate risk. The major foreign exchange risk exposure arises from its exporting and importing activities, business operations outside the PRC as well as the financing activities in Hong Kong. Although the Group does not aim for speculative activities, the Group uses forward contracts to manage the foreign exchange risks and purchases several wealth management products of which the return are linked with non-RMB foreign currencies.

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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



The RMB/Euro central parity rate in the PRC as at 31 December 2021 was 7.21970, representing an appreciation of RMB by 10.03% when compared the rate of 8.02500 as at 31 December 2020. RMB against Euro central parity rates recorded a high of 8.00950 and a low of 7.16680 with volatility at 21.58% as well as gradual appreciation trend during the Period.

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### GOING CONCERN

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

### CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

Certain subsidiaries of the Company refer designated customers to other finance leasing companies to finance their sales of trucks and guarantee the repayment obligation by these customers to the finance leasing companies by way of buyback of the trucks. As at 31 December 2021, the Group has commitment for providing such guarantees at a maximum aggregate amount of RMB40 million per year.

During the Period, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on the Group's financial conditions and results of operations. The total amount of claims of all lawsuits was approximately RMB284 million and provision for legal claims of approximately RMB45 million was made as at 31 December 2021.

### DISCLAIMER

#### NON-GAAP FINANCIAL MEASURES

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

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Cai Dong (蔡東先生)**, born in June 1963, has been an executive Director of the Company since 12 February 2007 and the chairman of the Company since 30 October 2018. He is also a director of certain subsidiaries of the Company and a general manager of CNHTC. Mr. Cai is a researcher of engineering technology application and with a bachelor's degree in engineering from Jiangsu Polytechnic University (江蘇工學院), the PRC and an executive MBA degree from Nankai University (南開大學), the PRC. He joined Ji'nan Auto Manufacturing Factory in 1983 and led its research and development, production and marketing. Mr. Cai was previously the director of the technology center, a director, chief engineer of CNHTC and the president of the Company. Mr. Cai is currently the vice-chairman of China Association of Automobile Manufacturers and vice chairman of China Chamber of International Commerce. In addition, Mr. Cai is also a director of Weichai Holdings, and Weichai Intelligent Technology Co., Ltd. Mr. Cai received an "Outstanding National Entrepreneur" award conferred jointly by the China Enterprises Confederation (中國企業聯合會), China Enterprise Directors Association (中國企業家協會) and China Enterprise Management Science Foundation (中國企業管理科學基金會) in April 2006 and Ji'nan City Preeminent Science and Technology Award in February 2013.

**Mr. Liu Zhengtao (劉正濤先生)**, born in October 1970, has been an executive Director since 9 March 2020 and the president of the Company since 15 June 2020. In addition, Mr. Liu is currently the deputy general manager of CNHTC and a director of certain subsidiaries of the Company. Mr. Liu is an engineer and holds a bachelor's degree. Mr. Liu joined Ji'nan Auto Manufacturing Factory (濟南汽車製造總廠) in July 1992 and successively served various positions including as the departmental head of the quality control department of Ji'nan Truck Company, general manager of the sales department and the executive general manager of Sinotruk Ji'nan Commercial Truck Co., Ltd. (中國重汽集團濟南商用車有限公司), the general manager of the marketing department of CNHTC, the chairman of the procurement center and the head of procurement of CNHTC, and a director of CNHTC-Hiab (Shandong) Equipment Company Limited (中國重汽集團希爾博(山東)裝備有限公司).

**Mr. Liu Wei (劉偉先生)**, born in April 1970, has been an executive Director since 9 December 2014. In addition, Mr. Liu currently also is deputy general manager of CNHTC and director of certain subsidiaries of the Company. Mr. Liu has extensive experience in commercial vehicle industry. Mr. Liu has a bachelor's degree in engineering majoring in automotive internal combustion engineering of the Wuhan Institute of Technology (武漢工學院) (now known as the "Wuhan University of Technology (武漢理工大學)"), the PRC and a master's degree in business administration from the School of Management of the Shandong University (山東大學管理學院), the PRC. Mr. Liu has successively served in various technical and management positions of CNHTC and was a director of CNHTC, director of Ji'nan Truck Company, head of the international sales division of Sinotruk International and vice president of the Company.

**Mr. Dai Lixin (戴立新先生)**, born in July 1967, has been an executive Director, a vice president, an authorized representative of the Company and a director of certain subsidiaries of the Company since 30 October 2018. Mr. Dai also is currently a board secretary of SHIG. Mr. Dai has vast experience in IPOs, financing operations, cross border acquisition and corporate governance for listed companies. Mr. Dai is an affiliate member of The Hong Kong Institute of Chartered Secretaries, senior economist, and holds a bachelor's degree. Mr. Dai joined Weifang Diesel Engine Factory (濰坊柴油機廠) in 1987 and held various managerial positions, successively served as the deputy departmental head of the capital operations department of Weifang Diesel Engine Factory, as well as the departmental head of the securities department, board secretary, and vice president of Weichai Power. He also served as a committee member of the board secretaries committee for The Listed Company Association of Shandong (山東上市公司協會). In addition, Mr. Dai was a chief investment officer of CNHTC and a board secretary of the Company.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Richard von Braunschweig**, born in February 1973, has been an executive Director since 30 November 2019. Mr. von Braunschweig obtained his law degree at the Universities of Heidelberg and Dresden, Germany. Mr. von Braunschweig has rich experience in consulting and mergers and acquisitions in global companies. He was previously a senior consultant at PricewaterhouseCoopers corporate finance advisory. In 2006, Mr. von Braunschweig joined MAN SE and built up the mergers & acquisition department within MAN SE and its subsidiaries. He held various managerial positions, including the head of international finance cooperations and within MAN Finance International GmbH (the holding company of the former captive of the MAN Group) as the head of strategy & corporate development. From 2015 to September 2021, Mr. von Braunschweig was appointed as the head of cooperations, M&A in MAN Truck & Bus SE and was also managing director for human resources and legal affairs of MAN Truck & Bus Österreich GesmbH from March 2021 to August 2021. He is the head of corporate development of MAN Truck & Bus SE since September 2021.

**Ms. Li Xia (李霞女士)**, born in January 1980, has been executive Director and financial controller of the Group and director of certain subsidiaries of the Company since 11 May 2021. Ms. Li currently also is financial controller of CNHTC. Ms. Li is a senior accountant with a master's degree in business administration. Ms. Li has successively served various positions including as the departmental head at the finance department and deputy financial controller of Weichai Power, financial controller and concurrently the departmental head of the finance department of Weichai Heavy-duty Machinery Co., Ltd. (濰柴重機股份有限公司), director of Yangzhou Yaxing Motor Coach Co., Ltd., (揚州亞星客車股份有限公司), and the head of the value engineering department of the Group and of CNHTC.

**Mr. Sun Shaojun (孫少軍先生)**, born in June 1965, has been an executive Director since 4 March 2022. Mr. Sun is a researcher in applied engineering technology and holds a doctoral degree in engineering majoring in power machinery and engineering granted by Tianjin University (天津大學). Mr. Sun joined Weifang Diesel Engine Factory in April 1988 and held various positions including a supervisor of the engineering department (技術中心主任) and the chief engineer. Mr. Sun has been an executive director of Weichai Power since December 2002 and is a member of the strategic development and investment committee of Weichai Power. He is also a director of several subsidiaries or associates of Weichai Power, including the chairman of the U.S.-based Power Solutions International Inc. and a director of Canada-based Ballard Power Systems Inc. Moreover, Mr. Sun is currently a director of Weichai Holdings and a deputy chief manager of SHIG. In addition, he previously served as a director of Weichai Heavy-duty Machinery Co., Ltd. and an executive president of Weichai Power. Mr. Sun is also a candidate of National Million and Ten Million Talents Project (國家百千萬人才工程), receives a special subsidy from the State Council and was a Taishan Mountain scholar specialist appointed by Shandong People's Government (山東省人民政府泰山學者特聘專家).

## DIRECTORS AND SENIOR MANAGEMENT

### NON-EXECUTIVE DIRECTORS

**Mr. Jiang Kui (江奎先生)**, born in March 1964, has been a non-executive Director since 30 October 2018. He held various positions including engineer and deputy general manager of assembly department of Shandong Bulldozer General Factory (山東推土機總廠), deputy general manager of Shantui Import and Export Company (山推進出口公司), deputy director, director of manufacturing department, deputy general manager and director of Shantui Construction Machinery Co., Ltd. (山推工程機械股份有限公司), deputy general manager of Shandong Engineering Machinery Group Co., Ltd. (山東工程機械集團有限公司), executive deputy general manager and vice chairman of Weichai Holdings, chairman of Shanzhong Jianji Co., Ltd., director of SHIG, a director of certain subsidiaries of the Company, a director of the U.S.-based Power Solutions International Inc., etc. He is currently the general manager of SHIG, a director of Shantui Construction Machinery Co., Ltd., a supervisor of KION Group AG, a director of Weichai Power, a director of Sinotruk (BVI) Limited, a director of the Canada-based Ballard Power Systems Inc., and the chairman of Weichai Ballard Hydrogen Energy Technology Company Limited. He is a senior engineer and holds an MBA degree.

**Mr. Alexander Albertus Gerhardus Vlaskamp**, born in July 1971, has been a non-executive Director since 21 March 2022. Mr. Vlaskamp has a bachelor's degree in automotive engineering granted by HAN University of Applied Sciences, Netherlands. He has rich experience in commercial vehicle industry. He held various board, supervisory board and senior management positions in a number of Scania Group's affiliates. Since November 2021, Mr. Vlaskamp has been the chairman of the executive board of MAN Truck & Bus SE (a subsidiary of TRATON SE) and a member of the executive board of TRATON SE.

**Mr. Karsten Oellers**, born in April 1976, has been a non-executive Director since 14 December 2021. Mr. Oellers has a Diploma in Industrial Engineering from the Technical University of Darmstadt, Germany. He joined DaimlerChrysler AG in 2002 and served as various senior managerial positions in various affiliates of Daimler AG. From March 2019 to June 2021, he served as the Senior Vice President Global Sales Controlling for MAN Truck, Bus, Van and Aftersales of MAN Truck & Bus SE. Mr. Oellers joined TRATON SE in July 2021 and is currently the Head of Group Finance.

**Mr. Mats Lennart Harborn**, born in February 1961, has been a non-executive Director since 14 December 2021. Mr. Harborn holds a bachelor of arts degree granted by Lund University majoring in Oriental Studies and Business Administration in Sweden. He was previously the Commercial Counsellor at the Swedish Embassy in China. Mr. Harborn joined Scania in 2004. He served successively as the Managing Director of Scania China Representative office as well as of Scania Sales (China) Co., Ltd. and the Executive Director of Scania China Strategic Office. Mr. Harborn has been the president of Scania China Group since May 2020. In addition, Mr. Harborn has been actively involved in Sino-European trade and business relations. He was previously the President of the European Chamber of Commerce in China, Chairman of Swedish Chamber of Commerce in China and the Chairman China Commercial Vehicles Board of European Automobile Manufacturers' Association (ACEA).

## DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Lin Zhijun (林志軍博士)**, born in January 1955, has been an independent non-executive Director since 26 July 2007. Dr. Lin is an experienced accounting educator and researcher with a master's degree in Economics and a Ph.D. degree in Economics (Accounting) from Xiamen University and a master's degree (MSc in Accounting) from University of Saskatchewan, Canada. He is a member of the American Institute of Certified Public Accountants (AICPA) and Global Management Accountant (CGMA), the Chinese Institute of Certified Public Accountants (CICPA) and the Certified Management Accountants of Australia (CMA). He is a member of various educational accounting associations, including the American Accounting Association and the International Association for Accounting Education and Research. Dr. Lin was previously an auditing staff at an international accounting firm (Touche Ross International, now known as "Deloitte Touche Tohmatsu") in Toronto. Since 1983, he has been teaching at Xiamen University in China, the University Lethbridge in Canada, the University of Hong Kong, Hong Kong Baptist University and Macau University of Science and Technology and he was the dean of School of Business of Macau University of Science and Technology. Dr. Lin is also an author of a series of professional articles and books. He served as an independent director of Springland International Limited (delisted) and CITIC Dameng Holdings Ltd. (resigned on 31 July 2021). He currently is also an independent nonexecutive director of three companies which securities are listed on the Main Board of the Stock Exchange, namely, China Everbright Limited, BOCOM International Holdings Company Limited and Dali Foods Group Company Limited.

**Dr. Wang Dengfeng (王登峰博士)**, born in March 1963, has been an independent non-executive Director since 9 March 2016. Dr. Wang is currently a professor and doctoral tutor of the Department of Automobiles at the School of Automotive Engineering of Jilin University (吉林大學), the PRC. Dr. Wang is also the chairman of the panelist committee of the China Automotive Lightweight Technology Innovation Strategic Alliance (中國汽車輕量化技術創新戰略聯盟), a member and a council member of the executive committee of the Society of Automotive Engineers of China (中國汽車工程學會). Dr. Wang completed his bachelor, master and doctorate degrees in engineering at Jilin University of Technology (吉林工業大學), the PRC. Dr. Wang successively held various positions including as a lecturer, professor, and head of the Automotive and Tractor Faculty of Jilin University of Technology, professor, doctoral tutor and associate dean of Automotive Engineering of Jilin University and Dr. Wang leads several National Research Programs, National Key Technology R&D Program, National High-tech R&D Program (863 Program) and projects supported by the National Natural Science Foundation of China. Dr. Wang received the title of "Excellent National Teacher" by the Ministry Education of the PRC, first class reward of China Automotive S&T Award in 2016 and "Outstanding Person" Award in the Chinese Automobile Industry for the 40th anniversary of the reform and opening up.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Zhao Hang (趙航先生)**, born in July 1955, has been an independent non-executive Director since 11 April 2016. Mr. Zhao is a research-grade senior engineer and obtained his bachelor's degree in engineering from Jilin University of Technology (吉林工業大學), and a degree in executive master of business administration from China Europe International Business School (中歐國際工商學院). Mr. Zhao served as a doctoral tutor at Wuhan University of Technology (武漢理工大學), the PRC and an instructor and adjunct professor at Tongji University (同濟大學), the PRC, Jilin University (吉林大學), the PRC, Jiangsu University (江蘇大學), the PRC and Chongqing Jiaotong University (重慶交通大學), the PRC (which is previously known as "Chongqing Vocational College of Transportation (重慶交通學院)"). In addition, Mr. Zhao held various other positions including the deputy chairman and chief secretary of the National Technical Committee of Auto Standardization (全國汽車標準化技術委員會), the deputy chairman of the Society of Automotive Engineers of China (中國汽車工程學會), the vice president of the China Association of Automobile Manufacturers (中國汽車工業協會). Mr. Zhao also served as an instructor at Transportation Engineering Institute of the Chinese People's Liberation Army (中國人民解放軍運輸工程學院) and deputy chairman of China Automotive Technology & Research Center, etc. Mr. Zhao also held positions in various companies: he was a director of China Yiqi Co., Ltd. (中國一汽股份有限公司) (an unlisted company) and a director of Zhejiang Wanfeng Auto Wheel Co., Ltd. In addition, Mr. Zhao currently also is an independent director of Shanghai Baolong Automotive Corporation, the chairman of Zhongfalian Investment Co., Ltd. (中發聯投資有限公司) (an unlisted company), an independent non-executive director of Sun.King Power Electronics Group Limited, an independent director of Hainan Drinda Automotive Trim Co., Ltd. (海南鈞達汽車飾件股份有限公司), and an independent director of SG Automotive Group Co., Ltd. (遼寧曙光汽車集團股份有限公司). In addition, he received the 2004 China Automobile Manufacturing Outstanding Technology Talent Award (2004年中國汽車工業優秀科技人才獎).

**Mr. Liang Qing (梁青先生)**, born in May 1953, has been an independent non-executive Director since 1 September 2016. Mr. Liang graduated from Beijing Open University (北京開放大學), the PRC (formerly known as "Beijing Radio and Television University (北京廣播電視大學)") in 1985, where he studied Chinese language and literature. Mr. Liang was a president assistant of China Minmetals Corporation, the deputy chairman, a director and the general manager of China Minmetals H.K. (Holdings) Limited. Mr. Liang has abundant experience in international trading and investment. Mr. Liang is currently an independent non-executive director and a member of the audit committee and remuneration committee of Silver Grant International Holdings Group Limited and an executive director of Jiangxi Copper Company Limited.

**Mr. Lyu Shousheng (呂守升先生)**, born in May 1971, has been an independent non-executive Director since 16 May 2019. He has an MBA granted by the University of Illinois. Mr. Lyu possesses extensive experience and knowledge in the areas of human resource management and organizational changes. He served as the human resource manager of Bausch & Lomb (美國博士倫公司), the chief consulting officer and the national capability director of the China Region of Hay Group, senior vice president and a member of the executive committee of Kingsoft Corporation Limited (金山軟件有限公司), the deputy manager of Weichai Holdings, and the senior vice president, chief human resources officer and an executive committee member of AsialInfo Technologies Limited (亞信科技控股有限公司). Mr. Lyu is currently the chairman of Human Resource Association for Chinese & Foreign Enterprises (HRA). He currently also holds various social roles including a member of the National Science and Technology Expert Database and a professional instructor in business administration of National School of Development in Peking University.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Zhang Zhong (張忠先生)**, born in November 1968, has been an independent non-executive Director since 23 September 2021. He is a lawyer and currently a partner of Beijing Zhonglun Law Firm (北京市中倫律師事務所). He holds a Bachelor of Laws and a Master of Laws, both granted by Renmin University of China (中國人民大學). He served as an independent non-executive director of Weichai Power, an independent director of Zhewen Interactive Group Co., Ltd. (浙文互聯集團股份有限公司) (formerly known as “Keda Group Co., Ltd” (科達集團股份有限公司)), and an independent director of Beijing Dalong Weiye Real Estate Development Co., Ltd. (北京市大龍偉業房地產開發股份有限公司). In addition, Mr. Zhang currently is an independent non-executive director of Concord New Energy Group Limited (協和新能源集團有限公司) and an independent director of China Spacesat Co., Ltd. (中國東方紅衛星股份有限公司).

### COMPANY SECRETARY

**Mr. Kwok Ka Yiu (郭家耀先生)**, aged 57, has been our company secretary and financial controller since 12 November 2007. Mr. Kwok holds an MBA degree from the University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Kwok has nearly seven years of audit experience in one of the prestigious international audit firms, KPMG and more than twenty years of financial and accounting experiences with companies listed on the Stock Exchange.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

During the Period, the Company had been in compliance with the code provisions under the CG Code, save and except for the code provisions A.5.1, A.5.2, A.6.7 and E.1.5 of the CG Code.

In respect of code provisions A.5.1 and A.5.2 of the CG Code, the Company did not have a nomination committee and did not have a nomination policy as the Board takes up all functions of a nomination committee as required under the Listing Rules. The Company established the Nomination Committee on 31 December 2021.

Code provision A.6.7 of the CG Code requires that NEDs and INEDs should attend general meetings and develop a balanced understanding of the views of the Shareholders. Mr. Jiang Kui, Ms. Annette Danielski, Mr. Matthias Gründler, Dr. h.c. Andreas Tostmann, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing were unable to join the 2021 AGM due to business commitments.

In respect of code provision E.1.5 of the CG Code, the Company should have a policy on payment of dividends. The Company has not established a dividend policy as the Company will consider various factors such as the current operating results, distributable reserves, financial position, expected financial performance, expected working capital requirements, sustainable development to determine the dividend, which is to the best interest of the Company and its Shareholders as a whole.

## BOARD OF DIRECTORS

### OVERALL ACCOUNTABILITY

The Board is accountable to the Shareholders. In discharging its corporate accountability, every Director is required to pursue excellence in the interests of the Shareholders and fulfill his/her fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

### BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible for formulating group policies and business and strategic directions, establishing good corporate governance practices and procedures and monitoring risk management, internal controls and operation performances. The EDs and the Executive Committee are delegated with the responsibilities of the day-to-day management of the Group and making operational and business decisions within the control of and delegation framework of the Group. The NEDs and INEDs contribute valuable views and proposals for the Board's deliberation and decisions.

The Board has delegated some of its functions to the board committees, details of which are set out below. Matters specifically reserved to the Board include assessment on the nomination of new Directors, determination of remuneration of Directors and senior management, establishment of an effective risk management and internal control system, assessment on the effectiveness of the processes for financial reporting and of compliance of the Listing Rules, approval of financial statements, and review and approval of proposed final dividend, significant accounting policies, material contracts, significant appointments such as company secretary and external auditors, terms of reference of board committees, as well as major corporate policies such as code of conduct.

All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request.

## CORPORATE GOVERNANCE REPORT

The primary role of the chairman (“Chairman”) of the Board is to provide leadership for the Board. He ensures that all directors are properly briefed on issues arising at board meetings and all directors receive adequate information, which is complete and reliable, in a timely manner and encourages all directors to make a full and active contribution to the Company’s affairs.

The primary responsibilities of the president (“President”) of the Company comprise the day-to-day management of the business, the implementation of major strategies and initiatives adopted by the Board, the development and formulation of business plans, budgets, strategies, business and financial objectives for consideration by the Board, and the establishment and maintenance of proper internal controls and systems.

The Board believes that the existing roles between the Chairman and the President provides the Group with strong leadership, ensures prompt and efficient implementation of decisions and best promotes the interests of shareholders.

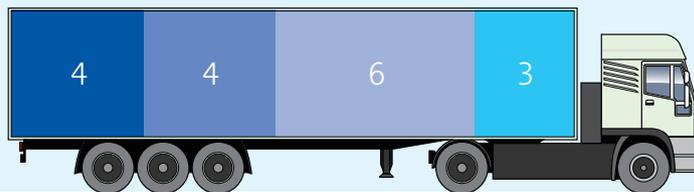
### COMPOSITION OF THE BOARD

As at 31 December 2021, the Board had a total number of seventeen Directors including seven EDs, four NEDs and six INEDs. Biographies of each existing Director are set out in the section headed “Directors and Senior Management”. Save as disclosed, there is no financial, business, family or other material/relevant relationships between Board members. A list of the Directors identifying their roles and functions are available on the websites of the Company and the Stock Exchange.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis as and when necessary.

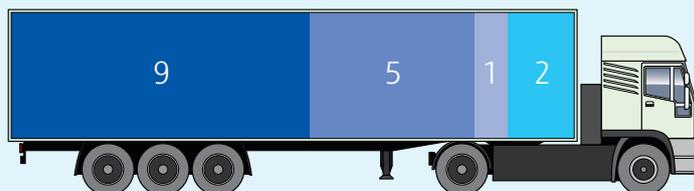
#### AGES

- 50 or below
- 51-55
- 56-60
- 66-70



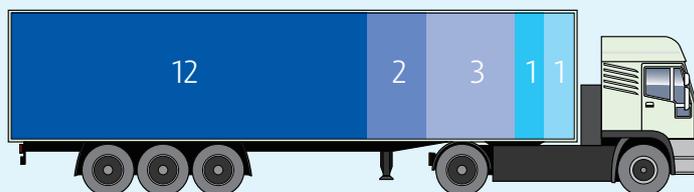
#### LENGTH OF DIRECTORSHIP WITH SINOTRUK

- 0-2 years
- 3-5 years
- 6-7 years
- Over 10 years



#### OTHER PUBLIC COMPANIES DIRECTORSHIP(S) (numbers of companies)

- Nil
- 1
- 2
- 3
- 4



## CORPORATE GOVERNANCE REPORT

### EXECUTIVE DIRECTORS

As at 31 December 2021, there were seven EDs including Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Dai Lixin, Mr. Richard von Braunschweig, Mr. Li Shaohua and Ms. Li Xia.

### NON-EXECUTIVE DIRECTORS

As at 31 December 2021, there were four NEDs including Mr. Jiang Kui, Dr. h.c. Andreas Tostmann, Mr. Karsten Oellers and Mr. Mats Lennart Harborn.

Each of Mr. Jiang Kui, Dr. h.c. Andreas Tostmann, Mr. Karsten Oellers and Mr. Mats Lennart Harborn as a NED has entered into a service contract with the Company for a term of three years commenced from 30 October 2021, 23 October 2020, 14 December 2021 and 14 December 2021 respectively. Each of the service contracts of the NEDs can be terminated by either party giving not less than three months' prior written notice.

### INDEPENDENT NON-EXECUTIVE DIRECTORS AND THEIR INDEPENDENCE

As at 31 December 2021, there were six INEDs including Dr. Lin Zhijun, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng and Mr. Zhang Zhong.

Each of Dr. Lin Zhijun, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng and Mr. Zhang Zhong has entered into a service contract with the Company for a term of three years commenced from 26 July 2019, 9 March 2019, 11 April 2019, 1 September 2019, 16 May 2019 and 23 September 2021 respectively. Each of the service contracts of the INEDs can be terminated by either party giving not less than three months' prior written notice.

With Dr. Lin Zhijun's past working experience as an auditor and his academic background in finance and accounting, the Company considers that Dr. Lin is a qualified person with appropriate professional knowledge in accounting and finance as required by Rule 3.10(2) of the Listing Rules.

The Company has already received annual confirmation letters of independence from all INEDs for the Period and each of them has declared fulfillment of all the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules. Accordingly, the Board considers that all INEDs are independent as defined in the Listing Rules. In addition, Dr. Lin Zhijun has served as an INED for more than nine years. Dr. Lin did not or does not have any management role in the Group and he does not have any relationship with any Director, senior management, substantial or controlling shareholder of the Company. During his office as an INED, Dr. Lin has made positive contributions to the Company's strategy and policies, particularly, accounting policies, financial reporting system and internal control system with independent judgement from his area of expertise. The Board considers that his continued tenure with the Company will continue to bring wide range of valuable insights and expertise to the Board, and therefore recommends he continues to be our INED notwithstanding the fact that he has served the Company for more than nine years.

## CORPORATE GOVERNANCE REPORT

## ATTENDANCE OF BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

During the Period, details of each Director's attendance in the Board and committees meetings are set out below:

Directors	Numbers of meetings attended/entitled to attend (Note 1)					
	Board meetings	Executive Committee meetings	Strategy and Investment Committee meetings	Remuneration Committee meetings	Audit Committee meetings	2021 annual general meeting
Executive Directors						
Mr. Cai Dong	6/6	3/3	2/2			1/1
Mr. Liu Zhengtao	6/6	3/3	2/2			0/1
Mr. Liu Wei	6/6	3/3		0/0		0/1
Mr. Dai Lixin	6/6	3/3				1/1
Mr. Richard von Braunschweig	6/6	0/3	2/2			0/1
Mr. Li Shaohua	5/6	3/3				0/1
Ms. Li Xia	6/6	2/2	1/1			1/1
Non-executive Directors						
Mr. Jiang Kui	5/6					0/1
Dr. h.c. Andreas Tostmann	2/6					0/1
Mr. Karsten Oellers	0/1					N/A
Mr. Mats Lennart Harborn	0/1					N/A
Independent Non-executive Directors						
Dr. Lin Zhijun	6/6			0/0	3/3	1/1
Mr. Wang Dengfeng	6/6				3/3	0/1
Dr. Zhao Hang	6/6		2/2			0/1
Mr. Liang Qing	6/6			0/0		0/1
Mr. Lyu Shousheng	6/6			0/0	2/3	1/1
Mr. Zhang Zhong	4/4			0/0		N/A
Former Directors						
Mr. Liu Peimin	0/0	0/0				N/A
Ms. Qu Hongkun	0/0	1/1	1/1			N/A
Ms. Annette Danielski	2/3					0/1
Mr. Matthias Gründler	1/3					0/1
Mr. Yang Weicheng	2/2			0/0		0/1

## Notes:

- 1) Certain Directors resigned or were appointed during the Period and the numbers of the relevant meetings entitled to attend were adjusted accordingly.
- 2) The Nomination Committee was established on 31 December 2021 and did not convene meeting during the Period.

## CORPORATE GOVERNANCE REPORT

### BOARD MEETINGS

The Company generally convenes four regular full Board meetings per year or more meetings when necessary.

During the Period, six Board meetings were convened to review, consider and approve the following major agenda items:

- (1) the 2020 annual report of the Company and related results announcements, circulars and documents, the 2020 ESG Report, the call for the 2021 AGM of the Company and the closures of register of members;
- (2) the annual review of the effectiveness and adequacy of the Group's risk management and internal control systems;
- (3) the non-competition undertaking of CNHTC;
- (4) the 2021 interim report of the Company and related results announcements and documents;
- (5) the connected transactions for the years 2020 and 2021 as well as the renewal of continuing connected transactions in year 2021;
- (6) the recommendation of the re-appointment of Ernst & Young as the Company's auditor and the re-election of the retiring Directors in the 2020 AGM;
- (7) the recommendation of the payment of the final dividend for the year 2020;
- (8) the operational and financial reports of the Group;
- (9) the operational plan, financial budget and capital expenditure budgets of the Group;
- (10) matters raised by the Audit Committee including the assessment of internal control report, the risk management report and ESG Report;
- (11) the amount of incentives for senior and core employees for the year of 2020;
- (12) the resignation and appointment of directors; and
- (13) the establishment of the Nomination Committee.

### BOARD COMMITTEES

The Board has set up the Executive Committee, the Strategy and Investment Committee, the Remuneration Committee and the Audit Committee to deal with different businesses and matters. Details of different committees are discussed below.

#### EXECUTIVE COMMITTEE

The Executive Committee has been formed by all the EDs as appointed from time to time and is responsible for implementing the decisions made by the Board including but not limit to financing operations, operating strategies, business development, etc. and managing daily operations and the effective implementation of corporate strategy and policies.

As at 31 December 2021, the Executive Committee comprised seven members, namely, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Dai Lixin, Mr. Richard von Braunschweig, Mr. Li Shaohua and Ms. Li Xia. Mr. Cai Dong is the chairman of the Executive Committee.

During the Period, the Executive Committee convened three meetings to consider and approve the following major agenda items:

- (1) the operation and financial reports of the Group;
- (2) 2021 business plan and targets; and
- (3) determination of employee reward amount and allocation.

#### STRATEGY AND INVESTMENT COMMITTEE

The Strategy and Investment Committee is mainly responsible for the formulation of medium and long term strategic plans and business development strategies of the Group including the study and recommendation of significant investment financing initiatives and significant capital operations and asset operation projects.

## CORPORATE GOVERNANCE REPORT

As at 31 December 2021, the Strategy and Investment Committee comprised five members, namely, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Richard von Braunschweig, Ms. Li Xia and Mr. Zhao Hang. Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Richard von Braunschweig and Ms. Li Xia are EDs while Mr. Zhao Hang is an INED. Mr. Cai Dong is the chairman of the Strategy and Investment Committee.

During the Period, the Strategy and Investment Committee had convened two meetings and had discussed, reviewed and approved the following major agenda items:

- (1) progress report of 2021 fixed assets investment; and
- (2) budget of 2022 new fixed assets investment projects.

### REMUNERATION COMMITTEE

The Remuneration Committee is mainly responsible for the appraisal of the Directors and senior management performance and making recommendation to the Board on their remuneration including the formulation of performance assessment standards, procedures, major proposals and mechanisms of the assessment systems, rewards and penalties. The Remuneration Committee will also supervise the remuneration and other benefits offered by the Group to the Directors.

As at 31 December 2021, the Remuneration Committee comprised five members, namely, Mr. Lyu Shousheng, Dr. Lin Zhijun, Mr. Liang Qing, Mr. Zhang Zhong and Mr. Liu Wei. Mr. Lyu Shousheng, Dr. Lin Zhijun, Mr. Liang Qing and Mr. Zhang Zhong are INEDs while Mr. Liu Wei is an ED. Mr. Lyu Shousheng is the chairman of the Remuneration Committee. The most up-to-date version of the terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

During the Period, the Remuneration Committee did not convene meeting but had approved in writing the draft service contracts for newly appointed EDs, appointment letters for newly appointed NED and INED, and recommended those agreements and letters to the Board for approval.

### AUDIT COMMITTEE

The Audit Committee is mainly responsible for reviewing and monitoring the financial control, internal control, risk management systems, including reassessment of the financial and accounting policies, review of interim reports, annual reports and financial statements, review of the risk management and internal control systems, the effectiveness of the internal audit function, etc. In addition, the Audit Committee is responsible for the appointment, re-appointment and removal of external auditor, and for reporting to the Board on the recommendation, review and supervision of the external auditor in respect of its independence and objectivity, the effectiveness of the audit procedures, review of the scope and amount of the provision of non-audit services by the external auditor as well as the impact to the independence of the external auditor, the handling of any issues related to the resignation of auditor or the removal of such auditor and the communication with the external auditor on auditing matters. The most up-to-date version of the terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

### CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is also responsible for performing the corporate governance functions including the following corporate governance duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report in the annual report of the Company.

## CORPORATE GOVERNANCE REPORT

As at 31 December 2021, the Audit Committee comprised three members, namely, Dr. Lin Zhijun, Dr. Wang Dengfeng and Mr. Lyu Shousheng who are all INEDs. Dr. Lin Zhijun is the chairman of the Audit Committee.

During the Period, the Audit Committee convened three meetings and had discussed, reviewed and approved the following major agenda items:

- (1) the 2021 annual audit plan of the Group;
- (2) the auditor's reports to the Audit Committee in respect of the 2020 annual audit and the 2021 interim review of the Group;
- (3) the 2020 annual report, the 2021 interim report and their related preliminary results announcements;
- (4) the recommendation of re-appointment of Ernst & Young as the auditor of the Company in 2021 AGM;
- (5) the review of independence of auditor, Ernst & Young, the nature and the level of remuneration of non-audit services;
- (6) the assessment of the financial reporting system of the Group;
- (7) a series of internal controls reports of the Group;
- (8) the half-year and annual internal audit report, internal control reports and the risk management report of the Group; and
- (9) review on corporate governance report

In addition to reviewing and approving the above agenda items, the Audit Committee directly communicated with the management regarding the performance and key risk areas of the Group, the relevant internal controls etc. and met the auditors at least twice a year in the absence of the management.

### NOMINATION COMMITTEE

The Company established the Nomination Committee on 31 December 2021.

The Board (before the establishment of the Nomination Committee) and the Nomination Committee are responsible for reviewing the Board's structure, size, composition (including the skills, knowledge and experience) and diversity regularly and making any changes to complement the Company's corporate strategy, including the selection of individuals nominated for directorships, the appointment or re-appointment of Directors, succession planning for Directors and accessing the independence of independent non-executive Directors.

As at 31 December 2021, the Nomination Committee comprised three members, namely, Mr. Zhang Zhong, Mr. Jiang Kui and Mr. Lyu Shousheng who all are INEDs. Mr. Zhang Zhong is the chairman of the Nomination Committee. The most up-to-date version of the terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

During the Period, the Board has reviewed and concluded that its existing structure, size, composition and diversity are appropriate. The Nomination Committee was established on 31 December 2021 and did not convene any meetings during the Period.

According to article 82 of the Articles, any Director appointed by the Board to fill a casual vacancy or by way of addition to their number shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-appointment. According to article 83(1) of the Articles, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

## CORPORATE GOVERNANCE REPORT

### DIVERSITY POLICY AND NOMINATION PROCEDURES

The Company recognizes and embraces the importance and benefit to achieve diversity on the Board to corporate governance and the board effectiveness. The Company adopted a board diversity policy on 1 September 2013. The board diversity policy is to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance and sets out the measurable objectives to select board candidates based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Company does not have a formal nomination policy in place. The Board (before the establishment of the Nomination Committee) and the Nomination Committee have primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the diversity policy in selection of board candidates. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard to the benefits of diversity on the Board.

### DIVIDEND POLICY

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

### 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.

### CHANGES IN DIRECTORS' INFORMATION

Mr. Cai Dong is a director of Weichai Holdings, and Weichai Intelligent Technology Co., Ltd. Mr. Liu Wei is deputy general manager of CNHTC. Mr. Dai is a board secretary of SHIG. Mr. Richard von Braunschweig resigned as the managing director for human resources and legal affairs of MAN Truck & Bus Österreich GesmbH and currently is the head of corporate development of MAN Truck & Bus SE. Ms. Li Xia resigned as the head of the value engineering department of the Group and of CNHTC. Mr. Jiang Kui is a director of Sinotruk (BVI) Limited. Dr. Lin Zhijun resigned as an independent director of CITIC Dameng Holdings Ltd.

### DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors have kept abreast of their responsibilities as Directors and of the conduct, business activities and development of the Company. Directors are continuously updated with regulatory and governance developments.

Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. The Company has devised a training record to assist the Directors to record the training they have undertaken. In addition, the Company will reimburse Directors any reasonable costs incurred for the attendance of these professional development courses and seminars.

## CORPORATE GOVERNANCE REPORT

In December 2021, the Company provided “Duties and Responsibilities of a Director” and “Duties and Responsibilities of a Director of a Company Listed on the Main Board of the Stock Exchange of Hong Kong Limited and Bribery Offences and Dealing with the Independent Commission Against Corruption in Hong Kong” training materials prepared by Reed Smith Richards Butler, legal advisers to the Company as to Hong Kong laws, to all Directors. Each of Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Dai Lixin, Mr. Richard von Braunschweig, Mr. Li Shaohua, Ms. Li Xia, Mr. Jiang Kui, Dr. h.c. Andreas Tostmann, Mr. Karsten Oellers, Mr. Mats Lennart Harborn, Dr. Lin Zhijun, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng and Mr. Zhang Zhong has confirmed in writing that he/she had participated in continuous professional developments to develop and refresh their knowledge and skills as directors during the Period by way of attending the training and/or reading the above training materials. In addition, each of Mr. Li Shaohua, Ms. Li Xia, Mr. Karsten Oellers and Mr. Mats Lennart Harborn had attended a training on director’s responsibilities relevant to the declaration and undertaking with regard to directors (Form B) provided by Reed Smith Richards Butler in relation to his/her appointment as a Director during the Period.

### REMUNERATION OF AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

For NEDs and INEDs, their remuneration paid to each of them is a director’s fee only. Apart from basic salaries, EDs are also entitled to year-end bonus and employee incentive scheme, which depend on the market conditions, and performance of the Group and individual persons during the Period.

For the Period, the remuneration payable to members of senior management by band are follows:

	<b>Emolument bands (in RMB)</b>
500,000 or below	12
500,001 - 1,000,000	2
1,000,001 or above	7

Two Directors waived their remuneration during the Period.

Further particulars regarding Directors’ remuneration and the five highest paid individuals as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 9 to the consolidated financial statements.

### ACCOUNTABILITY AND AUDITING

The Directors are responsible for preparing the financial statements for the financial year ended 31 December 2021 to reflect a true and fair view of the Company’s and the Group’s financial positions and results and cash flows during the year.

In preparing the financial statements for the year ended 31 December 2021, the GAAP in Hong Kong, Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards are adopted, with consistent use of appropriate accounting policies, for making reasonable and prudent judgments and estimates. The financial statements for the year ended 31 December 2021 were prepared on a going concern basis.

The reporting responsibilities of the auditors are set out in the Independent Auditor’s Report in this annual report.

## CORPORATE GOVERNANCE REPORT

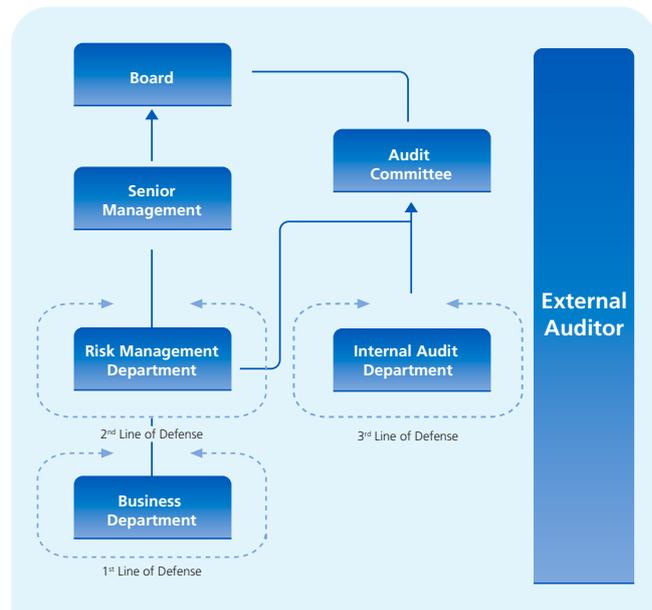
### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the maintenance of a stable and effective risk management and internal control systems for the Group and also responsible for reviewing their effectiveness. The Board, with the assistance from the Audit Committee, conducted annual review on the effectiveness of the Group's risk management and internal control systems as required by the CG Code, covering financial, operational and compliance controls and risk management functions, and including reviews on the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial report function for the Period and considered they were effective and adequate.

The Company has established an organizational structure with defined levels of responsibility and reporting procedures. The risk management department and the group internal audit department assist the Board and/or the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through these departments are kept regularly apprised of significant risks that may impact on the Group's performance.

The Company has established "Overall Risk Management Procedures" 《全面風險管理流程》 to ensure further improvement of management standards, increase competitiveness, and promote steady development. Relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework is guided by the following model as shown below:



Senior management is responsible for reviewing the establishment of the overall risk management organization and the definition of the responsibilities, approving the annual risk management work plan and supervising its implementation, reviewing the development, implementation and adjustment of significant risk reaction programs, determining the key risk monitoring indicators, decomposing these indicators and reviewing risk management related systems and significant risk management policies.

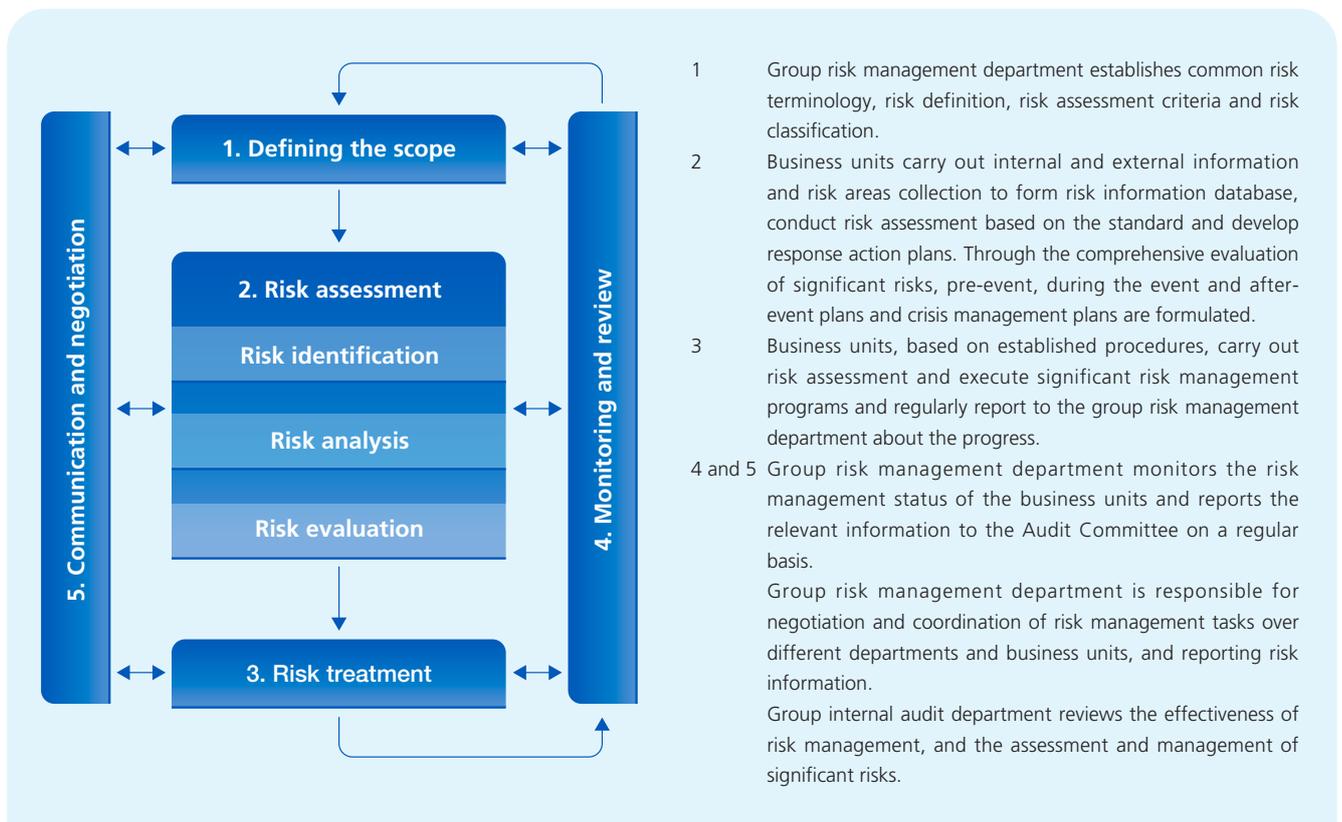
The internal audit department is responsible for assessing, reviewing the effectiveness of risk management processes and systems, assessing whether risk is properly assessed, assessing significant risk reporting, and reviewing significant risk management.

## CORPORATE GOVERNANCE REPORT

The risk management department is responsible for establishing the risk management organization and defining responsibilities, procedures and system of risk management, formulating the annual risk management work plan, carrying out risk assessment, proposing the risk management strategy, assisting the relevant departments carrying out significant risk management. It also prepares risk management performance appraisal program and conducts annual performance appraisal and arranges risk management training.

Business units identify, analyze and evaluate their business risks and identify significant risks, develop risk management strategies, solutions and crisis management plans for significant risks, dynamically monitor significant risk associated indicators and execute the procedures and policies of the risk management and internal controls of the Group.

The Group adopts the principles of “ISO 31000:2009 Risk Management - Principles and Guidelines” as its approach to manage its business and operational risks. The following diagram illustrates the key processes used to identify, evaluate and manage the Group’s significant risks:



## CORPORATE GOVERNANCE REPORT

The Company has incorporated its risk management systems into the core operating practices of the business. On an ongoing basis, the respective business units review and assess the status of potential risks which may impact on their ability to achieve their business objectives and/or those of the Company. The business units report to their risk management department on the changes in the significant risk management and the related indicators on a quarterly basis. The group risk management department conducts a risk assessment on a regular basis and reports to the Audit Committee on the significant risk management of the Group and the implementation of the risk response measures at each regular meeting.

The Executive Committee had provided the Board with the written confirmation that the risk management and internal controls were effective during the Period. The Executive Committee also confirmed that the Group had properly complied with the internal control procedures over the connected transactions including but not limited to those in respect of the pricing and the annual caps (if applicable) of such transactions. The internal audit department had regularly reviewed the internal controls systems including connected transactions and did not identify any significant issues during the Period.

The Board confirmed that the risk management system and internal control systems of the Group were effective and adequate and that there were no significant risk events occurred during the Period.

The internal audit department of the Group and each subsidiary are responsible for carrying out internal audit. They review the significant controls of the Group on a continuous basis and aim to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective.

Both the risk management department and the internal audit department submit their 6-month reports for the review of the Audit Committee when the Audit Committee reviews interim and annual results of the Company.

In addition to the review of risk management and internal controls undertaken within the Group, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

In addition, Ji'nan Truck Company appointed Ernst & Young Hua Ming LLP to express audit opinion on the effectiveness of internal controls in its financial reports. Ernst & Young Hua Ming LLP opined that Ji'nan Truck Company had maintained the effective internal controls in its financial reports in all material aspects under "Basic Standard for Enterprise Internal Control" and the relevant regulations as at 31 December 2021.

The Board Office (previously, the investment management and securities department of the Group) is responsible for handling and dissemination of inside information. The Company has established "Disclosure of Inside Information Policy" 《内幕信息披露制度》 and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved and made, while the dissemination of such information is efficiently and consistently made. The Company regularly communicates with relevant employees about the status of the implementation of the inside information disclosure policies and provides them the relevant trainings.

### NON-COMPETITION UNDERTAKING

In order to protect the Group's interests, CNHTC entered into a non-competition undertaking (the "Non-competition Undertaking") with the Group in November 2007. The Board has received an annual confirmation from CNHTC for its compliance with the Non-competition Undertaking for the year ended 31 December 2021. After conducting the review, the Directors, including all INEDs, are of the view that the Non-competition Undertaking have been complied with by all parties.

## CORPORATE GOVERNANCE REPORT

### REMUNERATION OF AUDITORS

For the Period, details of the remuneration in respect of the Group's auditors, Ernst & Young and its related entities are as follows:

	RMB'000
For financial audit services:	6,289
For other services:	
Internal control audit of services for a subsidiary	468
Taxation professional services	83
Environment, social and governance report reporting services	159
Total fee for other services	710
Auditors' remuneration	6,999

### COMPANY SECRETARY

The company secretary of the Company ("Company Secretary"), Mr. Kwok Ka Yiu, has confirmed that he has attended not less than 15 hours of relevant professional training during the Period. His biographical details are set out in the section headed "Directors and Senior Management" in this annual report.

### SHAREHOLDERS AND INVESTOR RELATIONS

#### COMMUNICATION POLICY

The Board considers that active communications with investors are important and provides reports with transparency and clarity in disclosures. Any significant events of the Group fall to be disclosed will be published in a timely, accurate and complete manner through the websites of the Company and the Stock Exchange, so as to safeguard Shareholders' rights of information and participation. Ji'nan Truck Company publishes its

announcements in the designed website as required by the regulations of the Shenzhen Stock Exchange while the Company announces the latest financial information of Ji'nan Truck Company from time to time on the websites of the Company and the Stock Exchange.

The notice of the AGM together with relevant documents will be sent out to the Shareholders at least 20 business days prior to the date on which the AGM will be held and at least 10 business days prior to the date on which all other general meetings will be held. The notice contains details on the procedures for voting by poll as well as other relevant information related to the proposed resolutions.

Sinotruk's website ([www.sinotruk.com](http://www.sinotruk.com)) has been adopted as the designated company website for publication of the Company's announcements, notices and other corporate communications. As at 31 December 2021, about 9.2 per cent of registered Shareholders in Sinotruk's register of the members opted to receive corporate communications via print version.

#### SHAREHOLDING ANALYSIS

Based on publicly available information and within the Directors' knowledge as at the date of this annual report, approximately 24 per cent of Shares were held by the public.

As at 31 December 2021, the major shareholders of the Company were CNHTC and FPFPS. CNHTC is a PRC state-owned commercial vehicles manufacturing enterprise and indirectly holds 51% of the entire issued capital of the Company. FPFPS indirectly holds 25% of the entire issued share capital of the Company plus one Share. The FPFPS Group, including Volkswagen Group, is one of the world's leading automobile manufacturers in commercial vehicles and passenger cars. Volkswagen Group owns twelve brands from seven European countries: Volkswagen Passenger Cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN.

## CORPORATE GOVERNANCE REPORT

The Company's market capitalization and shareholding distribution as at 31 December 2021 are set out in the section headed "SHAREHOLDER INFORMATION" of this annual report.

### INVESTOR RELATIONS

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

### ANNUAL GENERAL MEETING

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 2021 AGM was successfully held on 29 June 2021 at Theatre B, Hong Kong General Chamber of Commerce, 22/F, United Centre, 95 Queensway, Hong Kong. Certain members of the Board and external auditors of Company attended the 2021 AGM and communicated with the Shareholders via video conferencing system. Details of the voting particulars were disclosed in the

Company's announcement dated 29 June 2021.

The Board encourages all the Shareholders to participate in the forthcoming 2021 AGM where the members of the Board and external auditors will be present and communicate with the Shareholders.

### SHAREHOLDERS' RIGHTS

#### (1) Procedures for Shareholders to convene a general meeting

Any one or more Shareholders holding at the date of deposit of the Requisition (as defined below) at least 5% of the total voting rights of all Shareholders having rights to vote at general meetings of the Company (the "Requisitionist(s)") shall at all times have the right, by requisition (the "Requisition") to the Board or the Company Secretary to convene a general meeting.

The Requisition must state the business to be dealt with at the general meeting. It must also be authenticated by such Requisitionist(s) and either deposited at the registered office of the Company (the "Registered Office") at Units 2102-03, China Merchants Tower, Shun Tak Centre, 168 - 200 Connaught Road Central, Hong Kong or by email to [generalmeeting@sinotruk.com](mailto:generalmeeting@sinotruk.com) for attention of the "Company Secretary".

If the Directors do not within 21 days from the date of the deposit of the Requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which notice convening the meeting is given, such Requisitionist(s), or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting in accordance with the relevant provisions of the Companies Ordinance, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

## CORPORATE GOVERNANCE REPORT

### (2) Procedures for putting forward proposals at Shareholders' meeting

Eligible Shareholders may submit a request to make proposals or move a resolution at the general meeting (the "Request"). "Eligible Shareholder(s)" means:

- (i) any number of Shareholders representing at least 2.5% of the total voting rights of all Shareholders having at the date of the Request a right to vote at the general meeting to which the Request relates; or
- (ii) at least 50 Shareholders who have a right to vote at the general meeting to which the Request relates.

The Request must state clearly the name(s) and contact information of the Eligible Shareholders, his/her/their shareholding, the proposed resolution, accompanied by a statement (the "Statement") of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the proposed business to be dealt with at the general meeting.

The Request and the Statement must be authenticated by the Eligible Shareholder(s) making the Request and either deposited at the Registered Office or by email to [resolutionrequest@sinotruk.com](mailto:resolutionrequest@sinotruk.com) for the attention of the "Company Secretary" at least six (6) weeks before the AGM to which the Request relates; or if later, the time at which notice is given of that AGM, and in all other cases, at least seven (7) days before the general meeting to which the Request relates.

The Eligible Shareholder(s) need not pay the circulation of the Statement if the Request and the Statement have been duly received by the Company and been sent together with notice of the AGM. In all other cases, the Eligible Shareholder(s) concerned shall deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution, a circular or a supplemental circular (as the case may be) concerned together with the Statement at least seven (7) days before the general meeting to which the Request relates in accordance with the Companies Ordinance and the requirements under the Listing Rules to all the Shareholders.

### (3) Shareholders' enquiries to the Board

Shareholders may send their enquiries and concerns together with their names and contact information to the Board by addressing them to the Registered Office of the Company by post or email to [boardenquiries@sinotruk.com](mailto:boardenquiries@sinotruk.com) for the attention of the "Company Secretary". The Board will reply to the enquiries and concerns as soon as possible.

## CONSTITUTIONAL DOCUMENTS

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

## DISCLAIMER

The contents of the section headed "SHAREHOLDERS' RIGHTS" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the Shareholders. Shareholders should seek their own independent legal or other professional advice as to their rights as Shareholders. The Company disclaims all liabilities and losses incurred by the Shareholders in reliance on any contents of the section headed "SHAREHOLDERS' RIGHTS".

# REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2021.

## PRINCIPAL BUSINESS

The Company is principally engaged in investment holding. The Group primarily specializes in the research, development and manufacturing of HDTs, LDTs, buses, etc and related key assemblies, parts and components, including engines, cabins, axles, steel frames and gearboxes as well as provision of financing services to those parties related to the production and sales of the Group's products and to the CNHTC Group. Details of principal activities of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

An analysis of the Group's performance for the Period by operating segments is set out in note 4 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's performance during the Period using financial key performance indicators, a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section heading "MANAGEMENT DISCUSSION AND ANALYSIS" of this annual report. This discussion forms part of this report of the Directors.

## OPERATING RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income.

## PROPOSED DIVIDENDS

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

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

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

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

## REPORT OF THE DIRECTORS

### PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investing purposes are set out in note 14 to the consolidated financial statements.

### SHARE ISSUED DURING THE PERIOD

There were no issue of Shares during the Period. Details of the movements in the equity of the Company during the Period are set out in the consolidated statement of changes in equity and note 32 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserves as at 31 December 2021, calculated under Part 6 of the Companies Ordinance, were approximately RMB3,476,419,000 (2020: approximately RMB3,950,430,000).

### CHARITABLE DONATIONS

The Group's total charitable and other donations for the Period amounted to approximately RMB112,039 (2020: RMB273,740).

### BORROWINGS

Details of the Group's borrowings as at 31 December 2021 are set out in note 27 to the consolidated financial statements.

### FIVE YEARS FINANCIAL SUMMARY

A summary of the results, the assets and liabilities of the Group for the past five financial years is set out on pages 215 to 216.

### PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY AND SUBSIDIARIES

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

During the Period, Ji'nan Truck Company issued new shares. For more details, please refer to section headed "INVESTMENTS IN SUBSIDIARIES" under "MANAGEMENT DISCUSSION AND ANALYSIS".

### SHARE OPTIONS

The Company did not have any share option scheme as at 31 December 2021.

### DIRECTORS

During the Period and as at the date of this report, the Directors were as follows:

#### EXECUTIVE DIRECTORS:

Mr. Cai Dong (*Chairman*)  
 Mr. Liu Zhengtao (*President*)  
 Mr. Liu Wei  
 Mr. Dai Lixin  
 Mr. Richard von Braunschweig  
 Mr. Li Shaohua (appointed on 19 March 2021 and resigned on 4 March 2022)  
 Ms. Li Xia (appointed on 11 May 2021)  
 Mr. Sun Shaojun (appointed on 4 March 2022)

#### NON-EXECUTIVE DIRECTORS:

Mr. Jiang Kui  
 Mr. Alexander Albertus Gerhardus Vlaskamp  
 (appointed on 21 March 2022)  
 Mr. Karsten Oellers (appointed on 14 December 2021)  
 Mr. Mats Lennart Harborn  
 (appointed on 14 December 2021)

## REPORT OF THE DIRECTORS

### INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Lin Zhijun  
Dr. Wang Dengfeng  
Mr. Zhao Hang  
Mr. Liang Qing  
Mr. Lyu Shousheng  
Mr. Zhang Zhong (appointed on 23 September 2021)

### RESIGNED DIRECTORS:

Mr. Liu Peimin (resigned on 19 March 2021)  
Ms. Qu Hongkun (resigned on 11 May 2021)  
Mr. Yang Weicheng (resigned on 23 September 2021)  
Ms. Annette Danielski (resigned on 14 December 2021)  
Mr. Matthias Gründler (resigned on 14 December 2021)  
Dr. h.c. Andreas Tostmann (resigned on 21 March 2022)

Each of Mr. Liu Peimin, Ms. Qu Hongkun, Mr. Yang Weicheng, Ms. Annette Danielski, Mr. Matthias Gründler and Mr. Li Shaohua has confirmed that he/she has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders.

Pursuant to article 82 of the Articles, Mr. Zhang Zhong, Mr. Mats Lennart Harborn, Mr. Karsten Oellers and Mr. Sun Shaojun will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election as Director. Pursuant to article 83 (1) of the Articles, Mr. Cai Dong, Mr. Jiang Kui, Dr. Lin Zhijun and Mr. Lyu Shousheng will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election as Directors.

### DIRECTORS OF THE COMPANY'S SUBSIDIARIES

During the Period, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Dai Lixin, Ms. Li Xia, Mr. Jiang Kui and former directors, Mr. Liu Peimin, Ms. Qu Hongkun and Mr. Li Shaohua are/were also directors in certain subsidiaries of the Company.

A full list of the names of the directors of the Company's subsidiaries can be found in the Company's website at [www.sinotruk.com](http://www.sinotruk.com) under "Investor Relations" • "Corporate" • "Board of directors".

### PERMITTED INDEMNITY

Pursuant to the Articles, subject to the statues, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. Subject to the applicable laws and the Articles, the Company has taken out insurance against the liability and costs associated with legal actions against all the Directors arising out of corporate activities.

### DIRECTORS' SERVICE CONTRACTS

None of the Directors has or is proposed to have any service contract with the Company or its subsidiary that is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

During the period, Mr. Cai Dong is the general manager of CNHTC and a director of Weichai Holdings; Mr. Liu Zhengtao is the deputy general manager of CNHTC; Mr. Dai Lixin is the board secretary of SHIG and was the chief investment officer of CNHTC; Mr. Richard von Braunschweig is the head of cooperations, M&A in MAN Truck & Bus SE; Ms. Li Xia is the financial controller of CNHTC; Mr. Jiang Kui is the general manager of SHIG and a non-executive director of Weichai Power; Dr. h.c. Andreas Tostmann is a member of the executive board of TRATON SE as well as the chief executive officer of MAN SE and MAN Truck & Bus SE; Mr. Karsten Oellers is the head of group finance at TRATON SE and was the senior vice president of Global Sales Controlling for MAN Truck, Bus, Van and Aftersales of MAN Truck & Bus SE; Mr. Mats Lennart Harborn is the president of Scania China Group; Ms. Qu Hongkun was the financial controller of CNHTC; Mr. Li Shaohua is a deputy general manager of CNHTC; Ms. Annette Danielski is the chief financial officer and a member of the executive board of TRATON SE and was the head of group finance within TRATON SE; Mr. Matthias Gründler was the chief executive officer of TRATON SE, the chairman of the supervisory board of MAN SE and MAN Truck and Bus SE, the chairman of the board of Scania AB and Scania CV AB and a member of the supervisory board of VW Financial Services AG. Volkswagen AG, TRATON SE, MAN SE, MAN Truck & Bus SE, Scania AB, Scania CV AB and Scania China Group are non-wholly owned subsidiaries or division of FPFPS.

Save for transactions amongst group members, between the Group and the CNHTC Group and between the Group and the FPFPS Group as disclosed in section headed "connected transactions" below in the report of the Directors and in the related party transactions in note 40 to the consolidated financial statements, no other transactions, arrangements and contracts of significance to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director and the Director's connected party had any material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

The manufacture and sales of trucks and/or bus activities of the CNHTC Group, Weichai Power, Volkswagen AG, TRATON SE, MAN SE, MAN Truck & Bus SE, Scania AB, Scania CV AB and Scania China Group constitute competing businesses to the Group.

### BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current Directors and senior management of the Company as at the date of this report are set out on pages 40 to 45.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, none of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, other than the interests of the Directors and chief executives of the Company as disclosed above, the Company has been notified of the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO:

## REPORT OF THE DIRECTORS

## A) THE COMPANY

## Long position

Name of Shareholder	Capacity in which interests are held	Note	Number of Shares held	Approximate percentage of shareholding
SHIG	Interest in controlled corporation	(a)	1,408,106,603	51%
CNHTC	Interest in controlled corporation	(b)	1,408,106,603	51%
Sinotruk (BVI) Limited	Beneficial owner		1,408,106,603	51%
FPFPS	Interest in controlled corporation	(c)	690,248,336	25%
Ferdinand Porsche Familien-Holding GmbH	Interest in controlled corporation	(d)	690,248,336	25%
Ferdinand Alexander Porsche GmbH	Interest in controlled corporation	(e)	690,248,336	25%
Familie Porsche Beteiligung GmbH	Interest in controlled corporation	(f), (l)	690,248,336	25%
Porsche Automobil Holding SE	Interest in controlled corporation	(g), (m)	690,248,336	25%
Volkswagen AG	Interest in controlled corporation	(h)	690,248,336	25%
Volkswagen Finance Luxemburg S.A.	Interest in controlled corporation	(i)	690,248,336	25%
TRATON SE	Interest in controlled corporation	(j)	690,248,336	25%
MAN SE	Interest in controlled corporation	(k), (n)	690,248,336	25%
MAN Finance and Holding S.A.	Beneficial owner		690,248,336	25%

## REPORT OF THE DIRECTORS

### Notes:

- (a) SHIG holds 65% interest in CNHTC. SHIG is deemed to have interest in all the Shares held (or deemed to be held) by CNHTC under the SFO.
- (b) CNHTC holds the entire issued share capital of Sinotruk (BVI) Limited. CNHTC is deemed to have interest in all the Shares held (or deemed to be held) by Sinotruk (BVI) Limited under the SFO.
- (c) FPFPS holds 90% interest in Ferdinand Porsche Familien-Holding GmbH. FPFPS is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Porsche Familien-Holding GmbH under the SFO.
- (d) Ferdinand Porsche Familien-Holding GmbH holds 73.85% interest in Ferdinand Alexander Porsche GmbH. Ferdinand Porsche Familien-Holding GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Alexander Porsche GmbH under the SFO.
- (e) Ferdinand Alexander Porsche GmbH holds 100% interest in Familie Porsche Beteiligung GmbH. Ferdinand Alexander Porsche GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Familie Porsche Beteiligung GmbH under the SFO.
- (f) Familie Porsche Beteiligung GmbH holds 51.69% interests in Porsche Automobil Holding SE. Familie Porsche Beteiligung GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Porsche Automobil Holding SE under the SFO.
- (g) Porsche Automobil Holding SE holds 50.73% interest in Volkswagen AG. Porsche Automobil Holding SE is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen AG under the SFO.
- (h) Volkswagen AG holds 100% interest in Volkswagen Finance Luxemburg S.A. Volkswagen AG is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen Finance Luxemburg S.A. under the SFO.
- (i) Volkswagen Finance Luxemburg S.A. holds 89.72% voting interest in TRATON SE. Volkswagen Finance Luxemburg S.A. is deemed to have interest in all the Shares held (or deemed to be held) by TRATON SE under the SFO.
- (j) TRATON SE holds 94.68% voting interest in MAN SE. TRATON SE is deemed to have interest in all the Shares held (or deemed to be held) by MAN SE under the SFO.
- (k) MAN SE holds 100% voting interest in MAN Finance and Holding S.A. MAN SE is deemed to have interest in all the Shares held (or deemed to be held) by MAN Finance and Holding S.A. under the SFO.
- (l) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 31 December 2021, Familie Porsche Beteiligung GmbH held a 27.73% interest in the capital of Porsche Automobil Holding SE and had a voting interest of 55.46% in this entity.
- (m) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 31 December 2021, Porsche Automobil Holding SE held a 31.42% interest in the capital of Volkswagen AG and had a voting interest of 53.35% in this entity.
- (n) For information purposes, the Company has been informed that, on 31 August 2021, MAN SE merged into TRATON SE via a merger-squeeze-out and ceased to exist. TRATON SE is the legal successor of MAN SE.

## REPORT OF THE DIRECTORS

### B) MEMBERS OF THE GROUP

#### Long position

Name of equity holder	Nature of interests	Name of the member of the Group	Approximate percentage of equity interest held
Liuzhou Yunli Investment Co., Ltd.	Beneficial owner	Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd.	40%
Weihai Weineng Commercial Machinery Co., Ltd.	Beneficial owner	Shandong Yousai New Energy Technology Co., Ltd.	40%
Yongan Fudi Investment Co., Ltd.	Beneficial owner	Sinotruk Fujian Haixi Vehicles Co., Ltd.	20%
Chengdu Dachenggong Mechanics Co., Ltd.	Beneficial owner	Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd.	20%
Suizhou Huawei Investment Holdings Co., Ltd.	Beneficial owner	Sinotruk Hubei Huawei Special Vehicles Co., Ltd.	40%
Kodiak America LLC.	Beneficial owner	Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd.	49%
Shandong International Trust Co., Ltd.	Beneficial owner	Sinotruk Auto Finance Co., Ltd.	6.5%

Save as disclosed above, as at 31 December 2021, no other persons had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the Period.

## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

The followings are the percentages of purchases and sales attributable to the major customers and suppliers of the Group for the Period:

#### Sales

– the largest customer	1.98%
– the five largest customers	6.93%

#### Purchases

– the largest supplier	10.26%
– the five largest suppliers	15.38%

None of the Directors, or any of their associates or any shareholders who, to the knowledge of the Directors, hold over 5% of the issued share capital of the Company, had any beneficial interest in the major customers or suppliers of the Group noted above.

### CONNECTED TRANSACTIONS

Set out below are the details of the connected transactions of the Company as required to be reported under the Listing Rules.

#### A. CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

##### 1) The Equity Transfer Agreement

Date of agreement	: 31 March 2021
Parties	: CNHTC (seller) Sinotruk Ji'nan Commercial Truck Co., Ltd. (purchaser)
Objective	: To acquire the entire equity interests in Sinotruk (Weihai) Commercial Vehicle Co., Ltd. (which is principally engaged in the development, manufacture, sales and servicing of vehicles including light duty trucks, mini-trucks, special-purpose vehicles and new energy vehicles and vehicle parts and components) from CNHTC so as to expand into the mini-truck segment market and further complete the full-series commercial vehicle products mix of the Group
Consideration	: RMB253 million

Details of the transactions contemplated under the equity transfer agreement were disclosed in the Company's announcement dated 31 March 2021. The acquisition was completed in July 2021.

## REPORT OF THE DIRECTORS

### 2) The Equity Transfer Agreement

Date of agreement	:	27 August 2021
Parties	:	Ji'nan Power Company and Sinotruk (Hong Kong) International Investment Limited (sellers) CNHTC (purchaser)
Objective	:	In light of (i) the diversification of demands of customers in the Chinese special vehicle markets in recent years and (ii) the tightening regulations on the special vehicle enterprises by the PRC government in particular in respect of the product homologation applications and the consistency of products, special vehicle enterprises face rising regulatory risks, the disposal of all equity (aggregate of 60%) of Sinotruk Hubei Huawei Special Vehicles Co., Ltd. held by the Group enables the Group to reduce its operational risks and ensure the healthy and sustainable development of the Group in the long run
Consideration	:	RMB104 million

Details of the transactions contemplated under the equity transfer agreement were disclosed in the Company's announcement dated 27 August 2021. The acquisition is not yet completed.

## REPORT OF THE DIRECTORS

### B. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

#### 1) 2021 General Services Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group has agreed to provide services such as property management, transportation, staff training, medical services and products testing and improvement services, etc. to the Group
Consideration	:	the consideration was determined on the basis of: (a) government guidance price; (b) market price; or (c) if there is no market price, the cost with a reasonable margin
Annual cap for the year ended 31 December 2021	:	RMB147,000,000
Actual consideration for the year ended 31 December 2021	:	RMB1,615,272

Details of the transactions contemplated under the 2021 General Services Agreement were disclosed in the Company's announcement dated 26 March 2018.

## REPORT OF THE DIRECTORS

### 2) 2021 Property Leasing In Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group has agreed to provide leasing services to the Group including lease of land, office buildings and factory premises
Consideration	:	the consideration was determined on the basis of the market price approach
Annual cap for the year ended 31 December 2021	:	RMB40,000,000
Actual consideration for the year ended 31 December 2021	:	RMB31,568,615

Details of the transactions contemplated under the 2021 Property Leasing In Agreement were disclosed in the Company's announcement dated 26 March 2018.

### 3) 2021 Property Rent Out Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the Group has agreed to provide leasing services to the CNHTC Group including lease of land, office buildings and factory premises
Consideration	:	the consideration was determined on the basis of the market price approach
Annual cap for the year ended 31 December 2021	:	RMB33,000,000
Actual consideration for the year ended 31 December 2021	:	RMB11,293,371

Details of the transactions contemplated under the 2021 Property Rent Out Agreement were disclosed in the Company's announcement dated 26 March 2018.

## REPORT OF THE DIRECTORS

### 4) 2021 Construction and Project Management Services Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group has agreed to provide construction and project management services to the Group
Consideration	:	the consideration was determined on the basis of: (a) the price stipulated or guidance price by the PRC government; or (b) market price
Annual cap for the year ended 31 December 2021	:	RMB286,000,000
Actual consideration for the year ended 31 December 2021	:	RMB376,294

Details of the transactions contemplated under the 2021 Construction and Project Management Services Agreement were disclosed in the Company's announcement dated 26 March 2018.

## REPORT OF THE DIRECTORS

### 5) 2021 Technology Development Service Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group agreed to provide technology development services for the production and operation of gearbox including but not limited to providing new technology, production procedures and supply new products and materials in relation to gearbox technologies to the Group
Consideration	:	the consideration was determined on the basis of a cost plus profit margin approach with margin between 5% and 25%
Annual cap for the year ended 31 December 2021	:	RMB34,000,000
Actual consideration for the year ended 31 December 2021	:	nil

Details of the transactions contemplated under the 2021 Technology Development Service Agreement were disclosed in the Company's announcement dated 26 March 2018.

## REPORT OF THE DIRECTORS

### 6) 2021 Technology Support and Services Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the Group has agreed to provide the CNHTC Group the technology support and services such as technology research and development, technology consultancy and support services
Consideration	:	the consideration was determined on the basis of: (a) guidance price; or (b) a cost plus profit margin approach with margin between 5% to 25%
Annual cap for the year ended 31 December 2021	:	RMB67,000,000
Actual consideration for the year ended 31 December 2021	:	RMB2,154,434

Details of the transactions contemplated under the 2021 Technology Support and Services Agreement were disclosed in the Company's announcement dated 26 March 2018.

## REPORT OF THE DIRECTORS

### 7) 2021 CNHTC Guarantee Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) (as grantor of the credit guarantee) the Company (for itself and on behalf of its subsidiaries) (as beneficiary of the credit guarantee)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	members of the CNHTC Group agreed to provide credit guarantee to the Group in respect of the payment obligations of loans to customers of the CNHTC Group
Consideration	:	nil
Annual cap for the year ended 31 December 2021	:	maximum day-end guarantee balance: RMB350,000,000
Actual consideration for the year ended 31 December 2021	:	maximum day-end guarantee balance: RMB95,296,011

Details of the transactions contemplated under the 2021 CNHTC Guarantee Agreement were disclosed in the Company's announcement dated 26 March 2018.

## REPORT OF THE DIRECTORS

### 8) 2021 MTB Parts Sales Agreement

Date of agreement	:	10 December 2020
Parties	:	MAN Truck & Bus SE the Company
Term	:	one year from 1 January 2021 to 31 December 2021
Objective	:	the Group has agreed to supply raw materials, auxiliary materials, parts and spare parts, semi-finished products for production and operation and moulds for the production of these spare parts, etc. to MAN Truck & Bus SE and its associates
Consideration	:	the consideration was determined on the basis of: (a) off-the-shelf products: market price approach; or (b) unique and proprietary products: a cost plus profit margin approach with margin between 5% to 25%
Annual cap for the year ended 31 December 2021	:	RMB600,000,000
Actual consideration for the year ended 31 December 2021	:	RMB32,427,981

Details of the transactions contemplated under the 2021 MTB Parts Sales Agreement were disclosed in the Company's announcement dated 10 December 2020.

## REPORT OF THE DIRECTORS

### 9) 2021 Deposits Taking Services Agreement

Date of agreement	: 26 March 2018
Parties	: CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	: three years from 1 January 2019 to 31 December 2021
Objective	: the eligible members of the Group to provide the deposits taking services to the CNHTC Group
Consideration	: the consideration was determined on the basis of the market price approach
Annual cap for the year ended 31 December 2021	: (i) maximum day end balance: RMB3,000,000,000 and (ii) interest expenses: RMB129,000,000
Actual consideration for the year ended 31 December 2021	: (i) maximum day end balance: RMB2,872,697,441 and (ii) interest expenses: RMB49,279,422

Details of the transactions contemplated under 2021 Deposits Taking Services Agreement were disclosed in the Company's announcement dated 26 March 2018.

### C. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

#### 1) 2021 Products Sales Agreement

Date of agreement	: 26 March 2018
Parties	: CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	: three years from 1 January 2019 to 31 December 2021
Objective	: the Group has agreed to supply products including trucks, chassis and semi-tractor trucks to the CNHTC Group
Consideration	: the consideration was determined on the basis of the market price approach with reference to same price list to independent third parties and the CNHTC Group
Annual cap for the year ended 31 December 2021	: RMB1,164,000,000
Actual consideration for the year ended 31 December 2021	: RMB370,959,588

Details of the transactions contemplated under the 2021 Products Sales Agreement were disclosed in the Company's announcement dated 26 March 2018 and the Company's circular dated 9 May 2018.

## REPORT OF THE DIRECTORS

### 2) 2021 Products Purchase Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group has agreed to sell products including refitted trucks to the Group
Consideration	:	the consideration was determined on the basis of: (a) refitted products: market price approach or, at the case may be, prices mutually agreed between the Group's customers and the CNHTC Group (b) products only available from the CNHTC Group: prices as quoted in the price lists of the CNHTC Group for all its customers
Annual cap for the year ended 31 December 2021	:	RMB3,647,000,000
Actual consideration for the year ended 31 December 2021	:	RMB2,181,004,615

Details of the transactions contemplated under the 2021 Products Purchase Agreement were disclosed in the Company's announcement dated 26 March 2018 and the Company's circular dated 9 May 2018.

## REPORT OF THE DIRECTORS

### 3) 2021 Parts Sales Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the Group has agreed to supply raw materials, parts and components and semi-finished products to the CNHTC Group
Consideration	:	the consideration was determined on the basis of the market price approach with reference to the same price list both to independent third parties and the CNHTC Group
Annual cap for the year ended 31 December 2021	:	RMB1,330,000,000
Actual consideration for the year ended 31 December 2021	:	RMB705,472,964

Details of the transactions contemplated under the 2021 Parts Sales Agreement were disclosed in the Company's announcement dated 26 March 2018 and the Company's circular dated 9 May 2018.

## REPORT OF THE DIRECTORS

### 4) 2021 Parts Purchase Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group has agreed to supply raw materials, parts and components and semi-finished products to the Group
Consideration	:	the consideration was determined on the basis of the market price approach with reference to the prices as quoted in the price lists of the CNHTC Group for all its customers including the Group
Annual cap for the year ended 31 December 2021	:	RMB2,145,000,000
Actual consideration for the year ended 31 December 2021	:	RMB15,180,593

Details of the transactions contemplated under the 2021 Parts Purchase Agreement were disclosed in the Company's announcement dated 26 March 2018 and the Company's circular dated 9 May 2018.

## REPORT OF THE DIRECTORS

### 5) 2021 Financial Services Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the Group will provide a wide range of financial services to the CNHTC Group
Consideration	:	(a) bills discounting services, (b) unsecured loan services, (c) issue of bills and (d) entrustment loan arrangements: market price approach
Annual cap for the year ended 31 December 2021	:	<p>(a) bills discounting services: (i) maximum day end balance: RMB200,000,000 and (ii) interest income: RMB13,600,000</p> <p>(b) unsecured loan services: (i) maximum day end balance: RMB1,500,000,000 and (ii) interest income: RMB97,200,000</p> <p>(c) issue of bills: (i) maximum day end balance: RMB800,000,000, (ii) fee income: RMB800,000 and (iii) interest expense for surety: RMB10,320,000</p> <p>(d) entrustment loan arrangements' fee income: RMB2,000,000</p>
Actual consideration for the year ended 31 December 2021	:	<p>(a) bills discounting services: (i) maximum day end balance: nil and (ii) interest income: nil</p> <p>(b) unsecured loan services: (i) maximum day end balance: RMB1,480,000,000 and (ii) interest income: RMB42,935,914</p> <p>(c) issue of bills: (i) maximum day and balance: nil, (ii) fee income: nil and (iii) interest expense for surety: nil</p> <p>(d) entrustment loan arrangements' fee income: RMB16,038</p>

Details of the transactions contemplated under the 2021 Financial Services Agreement were disclosed in the Company's announcements dated 26 March 2018 and 3 April 2018, and the Company's circular dated 9 May 2018.

Reference is made to the announcement of the Company dated 31 March 2021 and the circular of the Company dated 21 May 2021 in respect of possible continuing connected transactions. Since SHIG was not the controlling shareholder (as defined in the Listing Rules) of the Company during the Period, Weichai Holdings and its subsidiaries ("**Weichai Holdings Group**") were not connected parties of the Company. Accordingly, the transactions under 2021 Weichai Parts Sales Agreement and 2021 Weichai Parts Purchase Agreement (as both defined in the above mentioned announcement and/or circular) between the Group and Weichai Holdings Group during the Period were not connected transactions.

## REPORT OF THE DIRECTORS

In order to determine the selling prices of relevant Parts for Sales (as defined in the above mentioned announcement) under 2021 Weichai Parts Sales Agreement, the Group maintains and updates on an annual basis the Parts Price List (as defined in the above mentioned announcement) which are available to all customers of the Group including independent third parties and Weichai Holdings Group.

In order to determine the purchase prices of Parts for Purchase (as defined in the above mentioned announcement and circular) under 2021 Weichai Parts Purchase Agreement, the Group prepares a parts purchase price list which summarises all agreed parts purchase prices with independent parts suppliers and the Weichai Group for all procurement departments of the Group to follow. In preparing the parts purchase price list, the Group asks for quotations from the independent third party suppliers and the Weichai Group and cross check their prices and compare the intragroup selling prices of the Group against those offered by the Weichai Group if the Group also produces such parts.

All the above continuing connected transactions did not exceed the relevant annual cap amounts. The price and the terms of the above transactions have been determined in accordance with the pricing policies and guideline set out in their relevant announcements and/or the relevant circulars.

The Directors (including the INEDs) have reviewed the continuing connected transactions of the Company and confirmed that they have been entered into:

- i. in the ordinary and usual course of business of the Group;
- ii. on normal commercial terms or better; and
- iii. in accordance with the relevant agreements governing these transactions on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.

The auditors of the Company was engaged to report the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants.

Ernst & Young, the auditors of the Company, has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions for the Period disclosed above in accordance with the Rule 14A.56 of the Listing Rules and confirmed nothing has come to their attention that causes them to believe that the continuing connected transactions:

- i. have not been approved by the Board;
- ii. were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provisions of goods or services by the Group;
- iii. were not entered into, in all material respects, in accordance with the relevant agreements governing these continuing connected transactions; and
- iv. have exceeded the relevant annual caps.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

## REPORT OF THE DIRECTORS

### RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 40 to the consolidated financial statements. Apart from the connected transactions disclosed above, the other related party transactions as disclosed in notes 40(a)(i) and (ii) fall under the scope of connected transactions under Chapter 14A of the Listing Rules but are exempt from reporting, annual review, announcement or independent shareholders' approval requirements and have complied with the requirements of Chapter 14A of the Listing Rules.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company, and within the knowledge of the Directors, as at the bulk printing date of this report, the Company has maintained sufficient public float in accordance with the Listing Rules.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The 2021 Environmental, Social and Governance Report of the Company will be disclosed separately at the websites of the Company and the Stock Exchange.

### AUDITORS

PricewaterhouseCoopers retired as the auditors of the Company upon expiration of its term of office at the conclusion of the 2020 AGM on 29 June 2020. Thereafter, the Company appointed Ernst & Young as its auditors.

The consolidated financial statements have been audited by Ernst & Young who will retire at the forthcoming AGM of the Company.

### SUBSEQUENT EVENTS

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

By Order of the Board

**Cai Dong**

*Chairman*

Ji'nan, PRC, 31 March 2022

# INDEPENDENT AUDITOR'S REPORT

## To the members of Sinotruk (Hong Kong) Limited

*(Incorporated in Hong Kong with limited liability)*

### OPINION

We have audited the consolidated financial statements of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 90 to 214, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of Trade and Financing Receivables</b></p> <p>As at 31 December 2021, the gross carrying amount of trade and financing receivables in the consolidated financial statements was RMB30,231 million, and the provision for impairment of trade and financing receivables amounted to RMB1,913 million.</p> <p>The Group, applying the simplified approach for trade receivables and the general approach for financing receivables to measure the lifetime expected credit losses ("ECLs") according to HKFRS 9, has taken into account reasonable and supportable information relating to historical events, prevailing conditions and forecasts of future economic conditions. Other than trade and financing receivables for which provision for impairment has been recognised individually, ECLs of trade and financing receivables have been assessed by management based on the expected loss rate of identical or similar group in prior years with similar distinctive credit risk characteristics.</p> <p>We focused on this area because the calculation of the ECLs in respect of trade and financing receivables requires management's judgements and estimates.</p> <p>Relevant disclosures are included in notes 2.4, 3 and 19 to the consolidated financial statements.</p>	<p>Our procedures in relation to this as part of our audit included:</p> <p>For the provision for impairment of trade and financing receivables, we understood and tested the internal control processes;</p> <p>We examined management's calculation of ECLs in respect of trade and financing receivables:</p> <p>For trade and financing receivables assessed individually, we reviewed the bases upon which management arrived at the credit risks and the amount of ECLs, including management's assessment of the credit risks of customers, taking into account the business operation of the respective customers, market conditions and historical payment and so forth;</p> <p>For trade and financing receivables assessed by group, we reviewed management's determination of the groups with similar distinctive credit risk characteristics and reviewed, on a sampling basis, key information including the ageing of each group, credit history and overdue days. Based on grouping with similar distinctive credit risk characteristics, we also reviewed the bases upon which management arrived at the credit risks and the amount of ECLs, including management's assessment of the credit risks of customers, taking into account the business operation of the respective customers, market conditions and historical payment and so forth;</p> <p>We reviewed the disclosures of the provision for impairment of trade and financing receivables made in the consolidated financial statements.</p>

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><b>The Recognition of Warranty Provisions</b></p> <p>As at 31 December 2021, the Group had warranty provisions amounted to RMB2,162 million.</p> <p>Provisions for warranties granted by the Group to customers are recognised based on sales volume and past experience of the cost of repair. The key judgement adopted by management as part of the process includes determining the time of the expected repair occurred and the estimated labour costs and parts costs of warranty claims on products sold.</p> <p>We focused on this area due to the magnitude of the amount of warranty provisions and the significant involvement of management's judgement and assumptions applied in estimating of costs in respect of future warranty claims.</p> <p>Relevant disclosures are included in notes 2.4, 3 and 28 to the consolidated financial statements.</p>	<p>Our procedures in relation to this as part of our audit included:</p> <p>We understood and tested the key controls over the estimation of the warranty provisions. In addition, we tested the information technology environments of the Group's system and the maintenance of data which was used to calculate the warranty provisions.</p> <p>We reviewed the reasonableness of the model for the warranty provisions. We also tested the mathematical accuracy of calculations therein by re-performing the calculations.</p> <p>We compared the current year actual claims results with the year 2021 figures included in the prior year forecast to consider whether there is a bias in the management's estimation. In addition, we confirmed with the management and performed analysis on actual claims during the year and subsequent to the year-end to identify any indicators of significant quality defect, changes of labour and parts costs, and changes of expected occurrence of repair that would significantly affect the estimates of the year end warranty provisions.</p> <p>We reviewed the disclosures of the warranty provisions made in the consolidated financial statements.</p>

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the audit committee of the Company (the "Audit Committee") in discharging their responsibilities for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheong Ming Yik.

#### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

31 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	2021	2020
<b>REVENUE</b>	5	<b>93,357,031</b>	98,197,985
Cost of sales		<b>(77,692,927)</b>	(78,612,778)
<b>Gross profit</b>		<b>15,664,104</b>	19,585,207
Other income and gains	5	<b>1,258,030</b>	962,401
Selling and distribution expenses		<b>(4,539,909)</b>	(4,983,205)
Administrative expenses		<b>(6,284,627)</b>	(5,670,709)
Impairment losses on financial assets, net		<b>(155,980)</b>	(127,419)
Other expenses		<b>(181,722)</b>	(295,627)
<b>Operating profit</b>		<b>5,759,896</b>	9,470,648
Finance income		<b>119,950</b>	57,897
Finance costs		<b>(11,391)</b>	(32,385)
Finance income, net	7	<b>108,559</b>	25,512
Share of profits and losses of associates		<b>(5,641)</b>	54,570
<b>PROFIT BEFORE TAX</b>	6	<b>5,862,814</b>	9,550,730
Income tax expense	10	<b>(1,153,352)</b>	(2,127,080)
<b>PROFIT FOR THE YEAR</b>		<b>4,709,462</b>	7,423,650
<b>Attributable to:</b>			
Owners of the Company		<b>4,322,071</b>	6,850,524
Non-controlling interests		<b>387,391</b>	573,126
		<b>4,709,462</b>	7,423,650
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	12		
(expressed in RMB per share)			
Basic and diluted		<b>1.57</b>	2.48

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	2021	2020
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	<b>14,215,393</b>	12,438,433
Investment properties	14	<b>753,520</b>	724,075
Right-of-use assets	15	<b>2,553,656</b>	2,453,470
Goodwill		<b>121,428</b>	68,933
Other intangible assets	16	<b>269,512</b>	314,921
Investments in associates	17	<b>1,338,382</b>	1,028,215
Equity investments designated at fair value through other comprehensive income	21	<b>31,925</b>	33,125
Trade and financing receivables	19	<b>5,007,345</b>	7,195,586
Prepayments, other receivables and other assets	20	<b>522,477</b>	349,834
Deferred tax assets	29	<b>2,222,779</b>	2,327,101
Total non-current assets		<b>27,036,417</b>	26,933,693
<b>CURRENT ASSETS</b>			
Inventories	18	<b>16,667,158</b>	20,810,994
Trade, financing and bills receivables	19	<b>24,063,467</b>	20,222,201
Prepayments, other receivables and other assets	20	<b>3,911,611</b>	2,610,090
Financial assets at fair value through other comprehensive income	22	<b>4,057,928</b>	4,384,164
Financial assets at fair value through profit or loss	23	<b>2,976,855</b>	5,440,261
Cash and cash equivalents and restricted cash	24	<b>28,306,498</b>	30,606,858
Total current assets		<b>79,983,517</b>	84,074,568
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	25	<b>37,478,557</b>	54,694,963
Other payables and accruals	26	<b>19,378,305</b>	14,224,620
Borrowings	27	<b>3,510,514</b>	1,473,910
Lease liabilities	15	<b>3,298</b>	21,646
Tax payable		<b>311,397</b>	1,312,086
Provisions	28	<b>2,206,567</b>	2,140,405
Total current liabilities		<b>62,888,638</b>	73,867,630
<b>NET CURRENT ASSETS</b>		<b>17,094,879</b>	10,206,938
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>44,131,296</b>	37,140,631

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	2021	2020
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	27	—	237,930
Lease liabilities	15	1,078	1,595
Deferred tax liabilities	29	127,238	96,772
Termination and post-employment benefit obligations	30	577,844	598,461
Deferred income	31	657,049	504,895
Tax payable		—	21,571
Total non-current liabilities		1,363,209	1,461,224
<b>Net assets</b>		<b>42,768,087</b>	35,679,407
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	32	16,717,024	16,717,024
Other reserves	33	2,763,305	480,257
Retained earnings		16,190,815	14,917,727
		35,671,144	32,115,008
<b>Non-controlling interests</b>		<b>7,096,943</b>	3,564,399
<b>Total equity</b>		<b>42,768,087</b>	35,679,407

The above consolidated financial statements should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 90 to 214 were approved by the Board of Directors on 31 March 2022 and were signed on its behalf by:

**Cai Dong**  
Director

**Li Xia**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	Attributable to owners of the Company								Non-controlling interests	Total equity		
	Share capital	Capital reserve	Revaluation reserve	comprehensive income	Statutory reserve	Discretionary reserve	Merger reserve	Translation and other reserves			Retained earnings	Total
At 1 January 2020	16,717,024	(3,612,554)	41,732	—	2,471,832	104,294	480,081	15,014	10,142,219	26,339,642	3,166,801	29,526,443
Profit for the year	—	—	—	—	—	—	—	—	6,850,524	6,850,524	573,126	7,423,650
Other comprehensive income/(loss) for the year:												
Changes in fair value of financial assets at fair value through other comprehensive income	—	—	—	(17,265)	—	—	—	—	—	(17,265)	(6,235)	(23,500)
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties	—	—	2,750	—	—	—	—	—	—	2,750	—	2,750
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(30,960)	—	(30,960)	—	(30,960)
Share of other comprehensive loss of associates	—	—	—	—	—	—	—	(1,702)	—	(1,702)	—	(1,702)
Reassessments of termination and post-employment benefit obligations	—	—	(2,739)	—	—	—	—	—	—	(2,739)	(3,786)	(6,525)
Total comprehensive income for the year	—	—	11	(17,265)	—	—	—	(32,662)	6,850,524	6,800,608	563,105	7,363,713
Transactions with owners in their capacity as owners:												
Dividends of the Company for 2019	—	—	—	—	—	—	—	—	(991,530)	(991,530)	—	(991,530)
Dividends of subsidiaries distributed to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(142,551)	(142,551)
Dividends paid to the then holding company of a subsidiary	—	—	—	—	—	—	—	—	(53,712)	(53,712)	—	(53,712)
Changes in ownership interests in a subsidiary without change of control	—	—	—	—	—	—	—	—	—	—	(22,956)	(22,956)
Total transactions with owners in their capacity as owners	—	—	—	—	—	—	—	—	(1,045,242)	(1,045,242)	(165,507)	(1,210,749)
Appropriation to reserves	—	—	—	—	1,029,774	—	—	—	(1,029,774)	—	—	—
At 31 December 2020	16,717,024	(3,612,554)	41,743	(17,265)	3,501,606	104,294	480,081	(17,648)	14,917,727	32,115,008	3,564,399	35,679,407

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

Note	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Capital reserve	Revaluation reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory reserve	Discretionary reserve	Merger reserve	Translation and other reserves	Retained earnings	Total		
At 1 January 2021	16,717,024	(3,612,554)	41,743	(17,265)	3,501,606	104,294	480,081	(17,648)	14,917,727	32,115,008	3,564,399	35,679,407
Profit for the year	—	—	—	—	—	—	—	—	4,322,071	4,322,071	387,391	4,709,462
Other comprehensive income/(loss) for the year:												
Changes in fair value of financial assets at fair value through other comprehensive income	—	—	—	3,923	—	—	—	—	—	3,923	2,484	6,417
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties	—	—	9,643	—	—	—	—	—	—	9,643	—	9,643
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	11,639	—	11,639	—	11,639
Share of other comprehensive loss of associates	—	—	—	—	—	—	—	(3,348)	—	(3,348)	—	(3,348)
Remeasurements of termination and post-employment benefit obligations	—	—	(10,611)	—	—	—	—	—	—	(10,611)	4,227	(6,384)
Total comprehensive income for the year	—	—	(968)	3,923	—	—	—	8,291	4,322,071	4,333,317	394,112	4,727,429
Transactions with owners in their capacity as owners:												
Dividends of the Company for 2020	—	—	—	—	—	—	—	—	(2,413,171)	(2,413,171)	—	(2,413,171)
Changes in ownership interests in a subsidiary without change of control	—	1,667,841	—	—	—	—	—	—	—	1,667,841	3,418,051	5,085,892
Dividends of subsidiaries distributed to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(279,619)	(279,619)
Others	—	(31,851)	—	—	—	—	—	—	—	(31,851)	—	(31,851)
Total transactions with owners in their capacity as owners	—	1,635,990	—	—	—	—	—	—	(2,413,171)	(777,181)	3,138,432	2,361,251
Appropriation to reserves	—	—	—	—	635,812	—	—	—	(635,812)	—	—	—
At 31 December 2021	16,717,024	(1,976,564)	40,775	(13,342)	4,137,418	104,294	480,081	(9,357)	16,190,815	35,671,144	7,096,943	42,768,087

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>5,862,814</b>	9,550,730
Adjustments for:			
Finance costs	7	<b>11,391</b>	32,385
Share of profits and losses of associates		<b>5,641</b>	(54,570)
Finance income	7	<b>(119,950)</b>	(57,897)
Dividend income from financial assets			
at fair value through profit or loss	5	<b>(139)</b>	(1,684)
(Gains)/losses on disposal of items of property, plant and equipment		<b>(17,105)</b>	3,501
Gain upon derecognition of leases	5	<b>(248)</b>	(574)
Gain on disposal of investment properties	5	<b>—</b>	(42,123)
Gain on disposal of a subsidiary	5	<b>(341,058)</b>	(3,479)
Gain on disposal of an associate	5	<b>(10,718)</b>	—
Loss on disposal of part of the equity in an associate	5	<b>778</b>	—
Gain on disposal of financial assets			
at fair value through profit or loss	5	<b>(272,032)</b>	(259,461)
Revaluation (gains)/losses on investment properties	14	<b>(2,258)</b>	8,561
Fair value losses/(gains) on financial assets			
at fair value through profit or loss		<b>4,823</b>	(47,531)
Fair value (gains)/losses on listed equity investments		<b>(29,220)</b>	17,427
Fair value loss on contingent consideration		<b>1,330</b>	—
Depreciation of right-of-use assets	15	<b>76,163</b>	73,823
Depreciation of property, plant and equipment	13	<b>1,370,920</b>	1,551,282
Amortisation of other intangible assets	16	<b>72,416</b>	61,548
Impairment of property, plant and equipment	13	<b>9,493</b>	2,368
Reversal of impairment of trade receivables	19	<b>(119,684)</b>	(98,815)
Impairment of financing receivables	19	<b>265,196</b>	262,718
Impairment of bills receivable	19	<b>20,138</b>	—
Reversal of impairment of other receivables	20	<b>(9,670)</b>	(36,484)
Impairment of goodwill		<b>—</b>	13,610
Write-down of inventories to net realisable value	6	<b>348,403</b>	256,751
Recognition of deferred income	31	<b>(60,324)</b>	(116,116)
Foreign exchange differences, net		<b>67,337</b>	155,103
		<b>7,134,437</b>	11,271,073

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

	Notes	2021	2020
Decrease/(increase) in inventories		3,719,591	(11,165,325)
Increase in trade, financing and bills receivables		(2,228,850)	(9,609,839)
Increase in prepayments and other receivables		(557,298)	(4,594,755)
Decrease/(increase) in restricted cash		932,623	(2,008,990)
(Decrease)/increase in trade and bills payables		(17,046,168)	29,255,663
Increase in other payables and accruals		4,854,031	5,461,436
Increase in provisions		81,466	896,144
Increase in termination and post-employment benefits		216,877	786,199
Increase in government grants		4,305	6,022
Decrease in other non-current liabilities		—	(5,000)
Increase in operating fund of finance segment	37	2,210,514	1,000,000
Increase in interest receivable of finance segment		(18,591)	(4,347)
Cash (used in)/generated from operations		(697,063)	21,288,281
Interest paid		(10,272)	(31,296)
Income tax paid		(2,503,515)	(1,765,291)
<b>Net cash flows (used in)/generated from operating activities</b>		<b>(3,210,850)</b>	19,491,694
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		138,542	62,244
Dividends received from an associate		9,458	10,499
Dividend income received from financial assets at fair value through profit or loss		139	1,684
Purchases of items of property, plant and equipment		(2,516,765)	(1,037,429)
Proceeds from disposal of items of property, plant and equipment		26,097	30,069
Purchase of acquisition of right-of-use assets		(10,883)	(576,056)
Proceeds from disposal of investment properties		—	108,968
Proceeds from government grants		82,318	79,758
Purchase of other intangible assets		(41,134)	(37,693)
Acquisition of a subsidiary	35	(248,913)	(676,298)
Acquisition of an associate		(20,000)	(482,897)
Proceeds from disposal of an associate		22,081	—
Proceeds from disposal of part of the equity in an associate		11,752	—
Contingent consideration for acquisition of an associate		—	(17,125)
Proceeds from disposal of a subsidiary	36	386,160	4,875
Purchases of financial assets at fair value through profit or loss		(24,977,673)	(47,840,957)
Proceeds from disposal of financial assets at fair value through profit or loss		27,737,508	44,467,522
Purchase of financial assets at amortised cost		(810,500)	—
Proceeds from disposal of financial assets at amortised cost		250,131	—
Designated loan to an associate		(75,000)	—
<b>Net cash flows used in investing activities</b>		<b>(36,682)</b>	(5,902,836)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		—	16,000
Repayment of borrowings		(411,840)	(700,000)
Capital injection from non-controlling interests		5,528,087	—
Principal portion of lease payments		(23,053)	(20,873)
Acquisition of non-controlling interests		(442,195)	(22,956)
Purchase of a subsidiary under common control		—	(1,392,708)
Dividends paid to the owners of the Company		(2,413,171)	(991,530)
Dividends paid to the non-controlling interests of subsidiaries		(279,619)	(142,551)
Dividends paid to the then holding company of a subsidiary		—	(53,712)
<b>Net cash flows generated from/(used in) financing activities</b>		<b>1,958,209</b>	<b>(3,308,330)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year	24	26,049,064	15,923,639
Effect of foreign exchange rate changes, net		(67,337)	(155,103)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>24,692,404</b>	<b>26,049,064</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	24	22,594,267	23,349,064
Time deposits	24	2,098,137	2,700,000
<b>Cash and cash equivalents as stated in the consolidated statement of cash flows</b>		<b>24,692,404</b>	<b>26,049,064</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

## 1. CORPORATE AND GROUP 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 manufacture 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.

In the opinion of the directors, the holding company of the Company is Sinotruk (BVI) Limited, which is incorporated in the British Virgin Islands. As at 31 December 2021, the ultimate holding company of the Company was CNHTC, which is incorporated in the PRC.

The financial information relating to the year ended 31 December 2020 that is included in the consolidated statement of financial position ended 31 December 2021 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for the year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap 662) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. 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 Section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap 622).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

#### INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business/ kind of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinotruk Ji'nan Truck Co., Ltd.* 中國重汽集團濟南卡車股份有限公司	PRC/Mainland China/Joint stock company with limited liability	RMB1,174.87	51.00	—	Manufacture and sale of trucks and spare parts
Sinotruk Ji'nan Power Co., Ltd.* 中國重汽集團濟南動力有限公司	PRC/Mainland China/Limited liability company	RMB6,713.08	100.00	—	Manufacture and reproduction of engines
Sinotruk Ji'nan Commercial Truck Co., Ltd.* 中國重汽集團濟南商用車有限公司	PRC/Mainland China/Limited liability company	RMB1,871.29	100.00	—	Manufacture and sale of trucks and spare parts
Sinotruk International 中國重汽集團國際有限公司	PRC/Mainland China/Limited liability company	RMB1,500.00	100.00	—	Import and export of trucks and spare parts
Sinotruk (Hong Kong) International Investment Limited 中國重汽(香港)國際資本有限公司	Hong Kong/Limited liability company	HKD1,518.27	100.00	—	Consultations and strategic planning in respect of automobile market, import and export trading, asset operations and investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

#### INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business/ kind of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinotruk Finance Co., Ltd. * 中國重汽財務有限公司	PRC/Mainland China/Limited liability company	RMB3,050.00	51.33	44.05	Taking deposits, facilitating borrowings, discounting bills, and providing loans, entrusted loans and entrusted investment
Sinotruk (Ji'nan) Axle Co., Ltd.* 重汽(濟南)車橋有限公司 (formerly known as "Sinotruk Ji'nan Axle & Transmission Co., Ltd. *") 中國重汽集團濟南橋箱有限公司)	PRC/Mainland China/Limited liability company	RMB646.74	49.00	26.01	Manufacture and sale of trucks and axle and transmission parts
Sinotruk Auto Finance Co., Ltd. * 重汽汽車金融有限公司	PRC/Mainland China/Limited liability company	RMB2,600.00	76.09	13.04	Taking deposits, facilitating borrowings and financing leases, providing loans and customer credit
Sinotruk Hangzhou Engines Co., Ltd. * 中國重汽集團杭州發動機有限公司	PRC/Mainland China/Limited liability company	RMB1,931.00	49.00	51.00	Manufacture and reproduction of engines
Sinotruk Ji'ning Commercial Truck Co., Ltd. * 中國重汽集團濟寧商用車有限公司	PRC/Mainland China/Limited liability company	RMB300.00	—	100.00	Manufacture and sale of trucks and spare parts
Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. * 中國重汽集團成都王牌商用車有限公司	PRC/Mainland China/Limited liability company	RMB800.00	—	80.00	Research, development, manufacture and sale of commercial vehicles

\* The English name of the entity represents the best effort made by the directors of the Company in translating the Chinese name as it does not have an English name, and is for reference only.

Sinotruk Ji'nan Power Co., Ltd., Sinotruk Ji'nan Commercial Truck Co., Ltd., Sinotruk International, Sinotruk Factory Design Institute Co., Ltd. and Sinotruk Ji'nan Ganghua Import & Export Co., Ltd. are wholly owned foreign enterprises.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

#### INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

During the year, the Group acquired Sinotruk (Weihai) Commercial Vehicle Co., Ltd. (“Weihai Commercial Vehicle”) from CNHTC. Further details of this acquisition are included in note 35 to the consolidated financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to nearest thousand (RMB’000) except when otherwise indicated.

#### BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### BASIS OF CONSOLIDATION (CONTINUED)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*Covid-19-Related Rent Concessions beyond  
30 June 2021 (early adopted)*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the revised HKFRSs are described below:

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

The Group had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate (“LPR”) as at 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

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

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to HKFRS 17	<i>Insurance Contracts<sup>2,5</sup></i>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information<sup>2</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2, 4</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract<sup>1</sup></i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41<sup>1</sup></i>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

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

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The amendments are not expected to have any significant impact on the Group's financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

*Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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For the year ended 31 December 2021  
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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### INVESTMENTS IN ASSOCIATES (CONTINUED)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

#### BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

#### FAIR VALUE MEASUREMENT

The Group measures its investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### FAIR VALUE MEASUREMENT (CONTINUED)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the statement of profit or loss in the period in which it arises.

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### RELATED PARTIES

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis or, for certain equipment, the double declining balance method to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, as follows:

Buildings	8 - 35 years
Machinery	8 - 15 years
Furniture, fittings and equipment	4 - 18 years
Motor Vehicles	5 - 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents building and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

#### INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

##### Proprietary technology

Proprietary technology recognised from development expenditures is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 6 to 10 years.

##### Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### INTANGIBLE ASSETS (OTHER THAN GOODWILL) (CONTINUED)

##### Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the products and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

#### LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50-999 years
Buildings	1 to 20 years
Motor vehicles	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### LEASES (CONTINUED)

##### Group as a lessee (Continued)

##### (b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are separately disclosed in the consolidated statement of financial position.

##### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, tools, furniture and fixtures and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of tools, furniture and fixtures and motor vehicles that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

##### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception or when there is a lease modification each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### INVESTMENTS AND OTHER FINANCIAL ASSETS

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### **Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

##### **Financial assets at fair value through other comprehensive income (debt instruments)**

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

##### **Financial assets designated at fair value through other comprehensive income (equity investments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

##### Subsequent measurement (Continued)

##### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### DERECOGNITION OF FINANCIAL ASSETS (CONTINUED)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

##### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

##### General approach (Continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

##### Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

#### FINANCIAL LIABILITIES

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, and borrowings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### FINANCIAL LIABILITIES (CONTINUED)

##### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

##### **Financial liabilities at amortised cost (borrowings)**

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

##### **Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

The fair value of financial guarantees is determined based on the present value of the difference in cashflows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of trucks and related key assemblies parts and components for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs, discounted to their present values as appropriate.

#### INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### INCOME TAX (CONTINUED)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

#### REVENUE RECOGNITION

##### Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### REVENUE RECOGNITION (CONTINUED)

##### Revenue from contracts with customers (Continued)

##### (a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

##### ***Dealers***

Sales are recognised when control of the products has transferred, being when the products are delivered to the dealers, the dealer has full discretion over the channel and price to sell the produces, and there is no unfulfilled obligation that could affect the dealer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the dealer, and either the dealer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

##### ***End use customers***

The Group also sells its products directly to end user customers. Revenue from the sales of products is recognised when the products are delivered to end user customers. The risk of obsolescence and loss are not transferred to the customers until the delivery of goods.

##### ***Volume rebates***

Some contracts for the sale of goods provide customers with rebates. The rebates give rise to variable consideration. Retrospective rebates may be provided to certain customers according to the Group's business policy. Rebates are offset against amounts payable by the customer. The Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of rebates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### REVENUE RECOGNITION (CONTINUED)

##### Revenue from contracts with customers (Continued)

##### (b) Rendering of services

Revenue from the rendering of services is recognised in the accounting period in which the services are rendered, by reference to the acceptance of the total service by the customers, or stage of completion of the specific transaction and assessed on the basis of the actual services provided as a proportion of the total services to be provided.

##### Revenue from other sources

Revenue from provision of financing services is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

##### Other income

Rental income is recognised on a time proportion basis over the lease terms.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

#### CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### EMPLOYEE BENEFITS

##### Pension schemes

The Group operates a defined contribution mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with MFP Scheme.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### EMPLOYEE BENEFITS (CONTINUED)

##### Pension schemes (Continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

##### Termination and post-employment benefits

Termination and post-employment benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

##### Housing funds

Full-time employees of the Group in Mainland China are entitled to participate in various government-supervised housing funds. The Group contributes on a monthly basis to these funds based on the rates ranging from 5% to 12% of the basic salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

#### BORROWINGS COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries not established in the PRC are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal or liquidation of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the subsidiaries not established in the PRC are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### Provision for expected credit losses on trade and financing receivables

The Group uses a provision matrix to calculate ECLs for trade and financing receivables.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and financing receivables is disclosed in note 19 to the consolidated financial statements.

#### Provision for inventories

A write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgements and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed. The Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realisable value and makes reserves for slow-moving items and obsolescence by using the lower of cost and net realisable value rule. The Group re-estimates the allowance to reduce the valuation of inventories to net realisable value item by item at the end of each reporting period. At 31 December 2021, the amount of write-down of inventories was RMB358,534,000 (2020: RMB305,747,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

#### ESTIMATION UNCERTAINTY (CONTINUED)

##### Estimation of fair value of investment properties

The fair value of investment properties is determined by using valuation techniques.

The carrying amount of investment properties at 31 December 2021 was RMB753,520,000 (2020: RMB724,075,000). Details of the judgement and assumptions have been disclosed in note 14 to the consolidated financial statements.

##### Termination and post-employment benefit obligations

The Group has recognised the early retirement plan and the supplementary pension insurance plans and other comprehensive retirement benefit plans. The estimated amounts of such benefit expenses and liabilities are calculated on the basis of various assumption conditions, including discount rate, growth rate of related benefits and others. The difference between the actual results and actuarial assumption may affect the accuracy of accounting estimations. The changes in the above assumptions will affect the amount of liabilities for early retirement and supplementary pension benefits and other comprehensive benefit plan liabilities, even though management considers that the assumptions are reasonable. At 31 December 2021, termination and post-employment benefit obligations amounted to RMB953,824,000 (2020: RMB835,225,000). Further details are included in note 30 to the consolidated financial statements.

##### Product warranty provisions

The Group generally offers warranties with periods of 6 months to 96 months for its trucks, buses and engines. The assessment of the provision amount involves management's judgements and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying amount of the product warranty provisions and the provision amount charged/reversed in the period in which such estimate has been changed. At 31 December 2021, the provision for product warranty amounted to RMB2,161,971,000 (2020: RMB2,136,024,000). Further details are included in note 28 to the consolidated financial statements.

##### Useful lives of items of property, plant and equipment

The Group's management determines the estimated useful lives for its property, plant and equipment. The estimation is based on the historical experience of the actual useful lives.

Management will revise the depreciation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

#### ESTIMATION UNCERTAINTY (CONTINUED)

##### Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

##### Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2021 was RMB2,222,779,000 (2020: RMB2,327,101,000). Further details are contained in note 29 to the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in RMB thousands unless otherwise stated)

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

A reconciliation for entity assets and liabilities is as follows:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

A reconciliation for entity assets and liabilities is as follows:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

#### GEOGRAPHICAL INFORMATION

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

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

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

##### (b) Non-current assets

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

#### GEOGRAPHICAL INFORMATION (CONTINUED)

##### (b) Non-current assets (Continued)

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

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

##### (c) Contract liabilities

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

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

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

#### Information about major customers

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
<i>Revenue from contracts with customers</i>	<b>91,577,124</b>	96,861,069
<i>Revenue from other sources</i>		
Provision of financing services	<b>1,779,907</b>	1,336,916
	<b>93,357,031</b>	98,197,985

#### REVENUE FROM CONTRACTS WITH CUSTOMERS

##### (a) Disaggregated revenue information

	2021	2020
<b>Types of goods or services</b>		
Sale of goods	<b>90,596,023</b>	95,253,922
Rendering of services	<b>981,101</b>	1,607,147
Total revenue from contracts with customers	<b>91,577,124</b>	96,861,069
<b>Geographical markets</b>		
Mainland China	<b>79,776,579</b>	90,499,210
Overseas	<b>11,800,545</b>	6,361,859
Total revenue from contracts with customers	<b>91,577,124</b>	96,861,069
<b>Timing of revenue recognition</b>		
Transferred at a point in time	<b>91,018,055</b>	96,599,079
Transferred over time	<b>559,069</b>	261,990
Total revenue from contracts with customers	<b>91,577,124</b>	96,861,069

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

#### REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

##### (a) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021	2020
<b>Revenue recognised that was included in contract liabilities at the beginning of the reporting period:</b>		
Sale of goods	4,270,755	1,744,364
Rendering of services	27,304	19,886
	<b>4,298,059</b>	<b>1,764,250</b>

##### (b) Performance obligations

Information about the Group's performance obligations is summarised below:

###### Sale of goods

The performance obligation is satisfied upon delivery of goods. Payment in advance is normally required, except for some customers with good credit, where payment is generally due from 3 to 12 months from delivery. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

###### Rendering of services

Revenue from the rendering of services is recognised in the accounting period in which the services are rendered, by reference to the acceptance of the total services by the customers, or stage of completion of the specific transaction and assessed on the basis of the actual services provided as a proportion of the total services to be provided.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	Note	2021	2020
<u>Other income</u>			
Government grants		<b>208,575</b>	209,313
Income on disposal of scraps		<b>144,659</b>	211,610
Penalties income		<b>97,866</b>	87,688
Rental income from leases		<b>26,314</b>	23,878
Income from utilities		<b>3,462</b>	2,834
Dividend income from financial assets			
at fair value through profit or loss		<b>139</b>	1,684
Others		<b>19,119</b>	27,699
		<b>500,134</b>	564,706
<u>Other gains</u>			
Gain on disposal of a subsidiary	36	<b>341,058</b>	3,479
Gain on disposal of financial assets			
at fair value through profit or loss		<b>272,032</b>	259,461
Fair value gains on financial assets			
at fair value through profit or loss		<b>24,397</b>	47,531
Gains on disposal of items of property, plant and equipment		<b>17,105</b>	—
Gain on disposal of an associate		<b>10,718</b>	—
Revaluation gains on investment properties		<b>2,258</b>	—
Gain upon derecognition of leases	6	<b>248</b>	574
Gain on disposal of investment properties		<b>—</b>	42,123
Others		<b>90,080</b>	44,527
		<b>757,896</b>	397,695
		<b>1,258,030</b>	962,401

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 6. PROFIT BEFORE TAX

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

	Notes	2021	2020
Cost of inventories sold		<b>68,684,880</b>	68,913,396
Warranty expenses		<b>1,387,131</b>	1,792,204
Depreciation of property, plant and equipment	13	<b>1,370,920</b>	1,551,282
Depreciation of right-of-use assets	15(a)	<b>76,163</b>	73,823
Amortisation of other intangible assets	16	<b>72,416</b>	61,548
Research and development costs*		<b>3,280,256</b>	2,622,693
Transportation charges		<b>1,216,351</b>	1,491,251
Auditor's remuneration:			
Financial audit services		<b>6,289</b>	6,289
Internal control audit services		<b>468</b>	468
Taxation professional services		<b>83</b>	83
Environmental, social and government report services		<b>159</b>	159
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages, salaries, allowances, social security and benefits		<b>4,830,194</b>	4,994,233
Defined contribution pension schemes**		<b>562,366</b>	371,753
Termination benefits		<b>355,452</b>	572,995
Post-employment benefits		<b>28,489</b>	331,800
Housing benefits		<b>452,841</b>	422,982
Other staff benefits		<b>708,684</b>	946,047
Impairment of goodwill***		—	13,610
Lease payments not included in the measurement of lease liabilities	15(c)	<b>44,984</b>	21,240
(Gains)/losses on disposal of items of property, plant and equipment		<b>(17,105)</b>	3,501
Gain upon derecognition of leases	5	<b>(248)</b>	(574)
Write-down of inventories to net realisable value		<b>348,403</b>	256,751
Reversal of impairment of trade receivables	19(a)	<b>(119,684)</b>	(98,815)
Impairment of financing receivables	19(b)	<b>265,196</b>	262,718
Impairment of bills receivable	19(c)	<b>20,138</b>	—
Reversal of impairment of financial assets included in prepayments, other receivables and other assets	20	<b>(9,670)</b>	(36,484)
Impairment of property, plant and equipment	13	<b>9,493</b>	2,368
Foreign exchange differences, net****		<b>167,912</b>	252,867

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 6. PROFIT BEFORE TAX (CONTINUED)

- \* The research and development costs of RMB3,280,256,000 (2020: RMB2,622,693,000) are included in "Administrative expenses" in the consolidated statement of profit or loss.
- \*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions in respect of MFP Scheme and Mainland China central retirement benefit schemes. As at 31 December 2021, the Group had no forfeited contributions available to reduce its contribution to the pension schemes in future years (2020: nil).
- \*\*\* The impairment of goodwill is included in "Other expenses" in the consolidated statement of profit or loss.
- \*\*\*\* Foreign exchange differences, net are included in "Other expenses" in the consolidated statement of profit or loss.

### 7. FINANCE INCOME

An analysis of finance income is as follows:

	2021	2020
Finance costs:		
– Borrowings	<b>(10,160)</b>	(30,867)
– Interest on lease liabilities (note 15(b))	<b>(1,408)</b>	(2,482)
	<b>(11,568)</b>	(33,349)
Less: Interest capitalised in construction in progress	<b>177</b>	964
	<b>(11,391)</b>	(32,385)
Finance income:		
– Interest income from bank deposits	<b>119,950</b>	57,897
Finance income, net	<b>108,559</b>	25,512

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
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### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021	2020
Fees	1,449	1,488
Other emoluments:		
Salaries, allowances and benefits in kind	15,667	12,712
Defined contribution pension schemes	209	159
	<b>17,325</b>	14,359

Except for directors' fees, there were no other emoluments payable to the independent non-executive directors during the year (2020: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

The names of the directors and chief executive and their remuneration during the year are as follows:

2021	Notes	Fees	Salaries, allowance and benefits in kind	Discretionary bonuses	Employer's contribution to retirement benefit schemes	Total
Executive directors:						
Mr. Cai Dong		—	3,180	—	36	3,216
Mr. Liu Zhengtao	(i)	—	2,265	—	36	2,301
Mr. Liu Wei		—	2,574	—	36	2,610
Mr. Dai Lixin		—	2,991	—	36	3,027
Mr. Li Shaohua	(ii)	—	694	—	23	717
Mr. Richard von Braunschweig		—	564	—	—	564
Ms. Li Xia	(iii)	—	349	—	21	370
Non-executive directors:						
Mr. Jiang Kui	(iv)	—	—	—	—	—
Dr. h.c. Andreas Tostmann	(v)	180	—	—	—	180
Mr. Karsten Oellers	(vi)	9	—	—	—	9
Mr. Mats Lennart Harborn	(vii)	9	—	—	—	9
Independent non-executive directors:						
Dr. Lin Zhijun		180	—	—	—	180
Dr. Wang Dengfeng		180	—	—	—	180
Mr. Zhao Hang		180	—	—	—	180
Mr. Liang Qing		180	—	—	—	180
Mr. Lyu Shousheng		180	—	—	—	180
Mr. Zhang Zhong	(viii)	49	—	—	—	49
Former directors:						
Mr. Liu Peimin	(ix)	—	1,732	—	9	1,741
Ms. Qu Hongkun	(x)	—	1,318	—	12	1,330
Ms. Annette Danielski	(xi)	171	—	—	—	171
Mr. Matthias Gründler	(xii)	—	—	—	—	—
Mr. Yang Weicheng	(xiii)	131	—	—	—	131
Total		1,449	15,667	—	209	17,325

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

2020	Notes	Fees	Salaries, allowance and benefits in kind	Discretionary bonuses	Employer's contribution to retirement benefit schemes	Total
Executive directors:						
Mr. Cai Dong		—	3,066	—	26	3,092
Mr. Liu Zhengtao	(i)	—	1,731	—	26	1,757
Mr. Liu Wei		—	2,439	—	26	2,465
Mr. Dai Lixin		—	1,492	—	26	1,518
Mr. Richard von Braunschweig		—	581	—	—	581
Non-executive directors:						
Mr. Jiang Kui	(iv)	—	—	—	—	—
Dr. h.c. Andreas Tostmann	(v)	34	—	—	—	34
Independent non-executive directors:						
Dr. Lin Zhijun		180	—	—	—	180
Dr. Wang Dengfeng		180	—	—	—	180
Mr. Zhao Hang		180	—	—	—	180
Mr. Liang Qing		180	—	—	—	180
Mr. Lyu Shousheng		180	—	—	—	180
Former directors:						
Mr. Wang Shanpo	(xiv)	—	153	—	4	157
Mr. Sun Chenglong	(xv)	—	227	—	4	231
Mr. Liu Peimin	(ix)	—	2,228	—	25	2,253
Ms. Qu Hongkun	(x)	—	795	—	22	817
Mr. Andreas Hermann Renschler	(xvi)	97	—	—	—	97
Mr. Joachim Gerhard Drees	(xvii)	97	—	—	—	97
Ms. Annette Danielski	(xi)	180	—	—	—	180
Mr. Matthias Gründler	(xii)	—	—	—	—	—
Mr. Yang Weicheng	(xiii)	180	—	—	—	180
Total		1,488	12,712	—	159	14,359

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

Notes:

- (i) Mr. Liu Zhengtao was appointed as an executive director on 9 March 2020.
- (ii) Mr. Li Shaohua was appointed as an executive director on 19 March 2021.
- (iii) Ms. Li Xia was appointed as an executive director on 11 May 2021.
- (iv) Mr. Jiang Kui waived all his emoluments during his tenure.
- (v) Dr. h.c. Andreas Tostmann was appointed as a non-executive director on 23 October 2020.
- (vi) Mr. Karsten Oellers was appointed as a non-executive director on 14 December 2021.
- (vii) Mr. Mats Lennart Harborn was appointed as a non-executive director on 14 December 2021.
- (viii) Mr. Zhang Zhong was appointed as an independent non-executive director on 23 September 2021.
- (ix) Mr. Liu Peimin resigned as an executive director with effect from 19 March 2021.
- (x) Ms. Qu Hongkun was appointed as an executive director on 9 March 2020 and resigned as executive director with effect from 11 May 2021.
- (xi) Ms. Annette Danielski resigned as a non-executive director with effect from on 14 December 2021.
- (xii) Mr. Matthias Gründler was appointed as a non-executive director on 23 October 2020 and resigned as non-executive director with effect from 14 December 2021. He waived all his emoluments during his tenure.
- (xiii) Mr. Yang Weicheng resigned as an independent non-executive director with effect from 23 September 2021.
- (xiv) Mr. Wang Shanpo resigned as an executive director with effect from 9 March 2020.
- (xv) Mr. Sun Chenglong resigned as an executive director with effect from 9 March 2020.
- (xvi) Mr. Andreas Hermann Renschler resigned as a non-executive director with effect from 16 July 2020.
- (xvii) Mr. Joachim Gerhard Drees resigned as a non-executive director with effect from 16 July 2020.

### 9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included five directors (2020: five directors), details of whose remuneration are set out in note 8 above.

There was no amount paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 10. INCOME TAX

The Company, Sinotruk (Hong Kong) Capital Holding Limited and Sinotruk (Hong Kong) Hongye Limited are subject to Hong Kong profits tax at the rate of 16.5% (2020: 16.5%) on their estimated assessable profits during the year. The Company is also determined as a Chinese-resident enterprise and, is subject to corporate income tax at a rate of 25% (2020: 25%) according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"). Sinotruk (Hong Kong) International Investment Limited is a qualifying entity under the two-tiered profits tax rates regime in Hong Kong. Its first HKD2 million assessable profits is taxed at a rate of 8.25% and the remaining at 16.5% (2020: first HKD2 million assessable profits taxed at a rate of 8.25% and the rest at 16.5%).

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

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

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax at a rate of 20% (2020: 20%) according to the Tax Code of the Russian Federation.

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 10. INCOME TAX (CONTINUED)

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

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2021	2020
Profit before tax	<b>5,862,814</b>	9,550,730
Tax at the statutory tax rate	<b>1,461,802</b>	2,380,100
Lower tax rates enacted by local authorities	<b>(210,882)</b>	(283,844)
Additional deduction for research and development expenditure	<b>(423,743)</b>	(278,251)
Adjustments in respect of current tax of previous periods	<b>30,619</b>	13,092
Income not subject to tax	<b>(5,418)</b>	(301)
Expenses not deductible for tax	<b>22,419</b>	70,118
Utilisation of unrecognised tax losses from previous periods	<b>(32,099)</b>	(7,249)
Tax losses and deductible temporary differences not recognised	<b>310,654</b>	233,415
Tax charge at the Group's effective rate	<b>1,153,352</b>	2,127,080

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
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### 11. DIVIDENDS

At a meeting held on 31 March 2022, the Board proposed a final dividend in respect of the year ended 31 December 2021 of either HKD0.68 or RMB0.55 (2020: HKD1.04 or RMB0.88) per ordinary share, representing a total dividend of approximately HKD1,877,475,000 (2020: approximately HKD2,871,433,000) or approximately RMB1,518,546,000 (2020: approximately RMB2,429,674,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company. The consolidated financial statements do not reflect this dividend payable.

During the year ended 31 December 2021, certain non-wholly-owned subsidiaries of the Company have approved the dividends to non-controlling interests amounting to approximately RMB279,619,000 (2020: approximately RMB142,551,000).

### 12. EARNINGS PER SHARE

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
<b>For the year ended 31 December 2021</b>						
At 1 January 2021:						
Cost	8,057,321	14,736,781	539,803	318,504	2,631,793	26,284,202
Accumulated depreciation and impairment	(2,432,575)	(10,866,129)	(338,711)	(190,267)	(18,087)	(13,845,769)
Net carrying amount	5,624,746	3,870,652	201,092	128,237	2,613,706	12,438,433
At 1 January 2021, net of accumulated depreciation and impairment	5,624,746	3,870,652	201,092	128,237	2,613,706	12,438,433
Additions	7,158	25,914	28,082	419	3,076,905	3,138,478
Acquisition of a subsidiary (note 35)	292,092	108,662	2,123	422	6,309	409,608
Transfers	1,439,492	1,379,375	26,382	111,065	(2,956,314)	—
Transfer from investment properties (note 14)	14,882	—	—	—	1,029	15,911
Revaluation gains recognised in other comprehensive income	12,857	—	—	—	—	12,857
Transfer to investment properties (note 14)	(27,421)	—	—	—	(10,330)	(37,751)
Transfer to other intangible assets (note 16)	—	—	—	—	(1,075)	(1,075)
Transfer to right-of-use assets (note 15 (a))	—	—	—	—	(11,822)	(11,822)
Disposal of a subsidiary (note 36)	(39,688)	(126,893)	(801)	(833)	(162,769)	(330,984)
Disposals	(6,650)	(21,627)	(2,683)	(6,889)	—	(37,849)
Depreciation	(311,302)	(973,494)	(57,077)	(29,047)	—	(1,370,920)
Impairment	—	(9,485)	—	(8)	—	(9,493)
At 31 December 2021, net of accumulated depreciation and impairment	7,006,166	4,253,104	197,118	203,366	2,555,639	14,215,393
At 31 December 2021:						
Cost	9,777,783	15,679,522	545,419	399,353	2,644,917	29,046,994
Accumulated depreciation and impairment	(2,771,617)	(11,426,418)	(348,301)	(195,987)	(89,278)	(14,831,601)
Net carrying amount	7,006,166	4,253,104	197,118	203,366	2,555,639	14,215,393

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
<b>For the year ended 31 December 2020</b>						
At 1 January 2020:						
Cost	7,448,442	14,067,911	506,672	307,260	593,920	22,924,205
Accumulated depreciation and impairment	(2,094,079)	(9,801,723)	(304,808)	(176,828)	(19,511)	(12,396,949)
Net carrying amount	5,354,363	4,266,188	201,864	130,432	574,409	10,527,256
At 1 January 2020, net of accumulated depreciation and impairment	5,354,363	4,266,188	201,864	130,432	574,409	10,527,256
Additions	3,178	45,702	31,002	15,674	2,650,350	2,745,906
Acquisition of a subsidiary (note 35)	482,392	251,087	2,497	1,635	8,774	746,385
Transfers	35,983	563,830	9,481	5,689	(614,983)	—
Transfer from investment properties (note 14)	19,036	—	—	—	—	19,036
Transfer to investment properties (note 14)	(8,880)	—	—	—	—	(8,880)
Transfer to other intangible assets (note 16)	—	—	—	—	(2,049)	(2,049)
Disposal of a subsidiary (note 36)	—	(922)	(646)	—	(433)	(2,001)
Disposals	(2,077)	(26,883)	(1,421)	(3,189)	—	(33,570)
Depreciation	(259,249)	(1,228,350)	(41,679)	(22,004)	—	(1,551,282)
Impairment	—	—	(6)	—	(2,362)	(2,368)
At 31 December 2020, net of accumulated depreciation and impairment	5,624,746	3,870,652	201,092	128,237	2,613,706	12,438,433
At 31 December 2020:						
Cost	8,057,321	14,736,781	539,803	318,504	2,631,793	26,284,202
Accumulated depreciation and impairment	(2,432,575)	(10,866,129)	(338,711)	(190,267)	(18,087)	(13,845,769)
Net carrying amount	5,624,746	3,870,652	201,092	128,237	2,613,706	12,438,433

As at 31 December 2021, the Group's aggregate carrying value of the buildings without ownership certificates was approximately RMB1,453,902,000 (2020: approximately RMB285,985,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and/or use the buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 14. INVESTMENT PROPERTIES

	2021	2020
Carrying amount at 1 January	<b>724,075</b>	797,513
Transfer from property, plant and equipment (note 13)	<b>37,751</b>	8,880
Transfer to property, plant and equipment (note 13)	<b>(15,911)</b>	(19,036)
Addition	—	9,626
Disposal	—	(66,845)
Transfer from right-of-use assets (note 15(a))	<b>5,347</b>	—
Transfer to right-of-use assets (note 15(a))	—	(737)
Revaluation gains recognised in other comprehensive income	—	3,235
Revaluation gains/(losses) recognised in other income and gains/(other expenses)	<b>2,258</b>	(8,561)
Carrying amount at 31 December	<b>753,520</b>	724,075

Investment properties are located in Hong Kong, Shandong province, Shanxi province and Guangxi province, of the PRC and were revalued as at 31 December 2021 on an open market value. Investment properties in Hong Kong are held on leases over 50 years. Investment properties in Mainland China are held on leases between 35 and 50 years.

An independent valuation of the Group's investment properties was performed by the surveyors, PRUDENTIAL Property Surveyors (Hong Kong) Limited and Shandong Zhongping Hengxin Assets Appraisal Co., Ltd., to determine the fair value of the investment properties as at 31 December 2021 (2020: PRUDENTIAL Property Surveyors (Hong Kong) Limited and Shandong Pan-China Assets Appraisal Co., Ltd.). The revaluation gains or losses are included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss.

As at 31 December 2021, the Group's aggregate carrying value of the buildings without ownership certificates was approximately RMB83,885,000 (2020: approximately RMB81,427,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and/or use the buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
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### 14. INVESTMENT PROPERTIES (CONTINUED)

#### FAIR VALUE HIERARCHY

The Group's policy is to recognise transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstance that caused the transfers. There were no transfers among levels 1, 2 and 3 during the year (2020: nil).

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2021 using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Recurring fair value measurement for:				
– Warehouses	—	—	75,030	75,030
– Factories	—	—	316,116	316,116
– Office units	—	293,184	25,736	318,920
– Residential properties	—	43,454	—	43,454
	—	336,638	416,882	753,520
	Fair value measurement as at 31 December 2020 using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Recurring fair value measurement for:				
– Warehouses	—	—	65,331	65,331
– Factories	—	—	332,017	332,017
– Office units	—	302,103	24,624	326,727
	—	302,103	421,972	724,075

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 14. INVESTMENT PROPERTIES (CONTINUED)

#### FAIR VALUE HIERARCHY (CONTINUED)

Level 2 fair values of the investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation is the selling price per square foot or per square metre.

Level 3 fair values of the investment properties are based on the income capitalisation approach (term and reversionary method), direct comparison method or replacement cost approach. The income capitalisation approach largely used unobservable inputs (rental value and capitalisation rate) and took into account the significant adjustment on term yield to account for the risk upon the reversionary and estimation in vacancy rate after the expiry of the current lease.

Information about fair value measurement of investment properties using significant unobservable inputs (Level 3):

Fair value as at 31 December 2021	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
331,301	Income capitalisation approach	Rental value	RMB0.19-2.6 per day per square metre	The higher the rental value, the higher the fair value
		Capitalisation rate	6.8%-8%	The higher the capitalisation rate, the lower the fair value
44,914	Direct comparison method	Unit price	RMB900.71-903.84 per day per square metre	The higher the unit price, the higher the fair value
40,667	Replacement cost approach	Integrated depreciation rate	48%-89%	The higher the integrated depreciation rate, the lower the fair value

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 14. INVESTMENT PROPERTIES (CONTINUED)

#### FAIR VALUE HIERARCHY (CONTINUED)

Fair value as at 31 December 2020	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
336,217	Income capitalisation approach	Rental value	RMB0.19-2.6 per day per square metre	The higher the rental value, the higher the fair value
		Capitalisation rate	6.8%-7.65%	The higher the capitalisation rate, the lower the fair value
45,052	Direct comparison method	Unit price	RMB825.09-900.13 per day per square metre	The higher the unit price, the higher the fair value
40,703	Replacement cost approach	Integrated depreciation rate	52%-92%	The higher the integrated depreciation rate, the lower the fair value

### 15. LEASES

#### THE GROUP AS A LESSEE

The Group has lease contracts for various items of leasehold land, buildings and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years or more, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 5 years. Motor vehicles generally have lease terms between 1 and 5 years and/or are individually of low value. There are several lease contracts that include extension options, which are further discussed below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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### 15. LEASES (CONTINUED)

#### (a) RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Land use rights	Buildings	Motor Vehicles	Total
As at 1 January 2020	1,623,850	56,075	144	1,680,069
Additions	579,076	8,164	—	587,240
Transfer from investment properties (note 14)	737	—	—	737
Additions as a result of acquisition of a subsidiary (note 35)	273,765	3,016	—	276,781
Disposals	—	(17,534)	—	(17,534)
Depreciation charge	(46,539)	(27,225)	(59)	(73,823)
As at 31 December 2020 and 1 January 2021	<b>2,430,889</b>	<b>22,496</b>	<b>85</b>	<b>2,453,470</b>
Additions	<b>61,164</b>	<b>4,006</b>	<b>5,858</b>	<b>71,028</b>
Additions as a result of acquisition of a subsidiary (note 35)	<b>112,853</b>	—	—	<b>112,853</b>
Transfer from property, plant and equipment (note 13)	<b>11,822</b>	—	—	<b>11,822</b>
Transfer to investment properties (note 14)	<b>(5,347)</b>	—	—	<b>(5,347)</b>
Disposals	<b>(686)</b>	<b>(422)</b>	—	<b>(1,108)</b>
Disposals as a result of disposal of a subsidiary (note 36)	<b>(12,832)</b>	<b>(67)</b>	—	<b>(12,899)</b>
Depreciation charge	<b>(54,061)</b>	<b>(21,519)</b>	<b>(583)</b>	<b>(76,163)</b>
As at 31 December 2021	<b>2,543,802</b>	<b>4,494</b>	<b>5,360</b>	<b>2,553,656</b>

As at 31 December 2021, certain parcels of the Group's land use rights with an aggregate carrying amount of approximately RMB11,586,000 (2020: RMB14,977,000) did not have land use right certificates registered under the names of the respective subsidiaries of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
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### 15. LEASES (CONTINUED)

#### (b) LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021	2020
Carrying amount at 1 January	23,241	57,379
New leases	4,777	1,876
Additions as a result of acquisition of a subsidiary (note 35)	—	2,967
Accretion of interest recognised during the year (note 7)	1,408	2,482
Disposals as a result of disposal of a subsidiary (note 36)	(167)	—
Derecognition of leases	(422)	(18,108)
Payments	(24,461)	(23,355)
Carrying amount at 31 December	4,376	23,241
Analysed into:		
Current portion	3,298	21,646
Non-current portion	1,078	1,595
Total	4,376	23,241

The maturity analysis of lease liabilities is disclosed in note 43 to the consolidated financial statements.

#### (c) THE AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS IN RELATION TO LEASES ARE AS FOLLOWS:

	2021	2020
Interest on lease liabilities	1,408	2,482
Depreciation charge of right-of-use assets	76,163	73,823
Expense relating to short-term and low-value leases	44,984	21,240
Total amount recognised in profit or loss	122,555	97,545

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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### 15. LEASES (CONTINUED)

#### (d) EXTENSION OPTIONS

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. These extension options are expected to be exercised.

(e) The total cash outflow for leases is disclosed in note 37(c) to the consolidated financial statements.

#### THE GROUP AS A LESSOR

The Group leases its investment properties (note 14) consisting of fourteen (2020: thirteen) commercial properties in Mainland China and Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB33,513,000 (2020: RMB45,837,000).

At 31 December 2021, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021	2020
Within one year	<b>24,315</b>	21,275
After one year but within five years	<b>66,374</b>	65,689
After five years	<b>9,900</b>	9,706
	<b>100,589</b>	96,670

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 16. OTHER INTANGIBLE ASSETS

	Development costs	Proprietary technology	Software	Total
<b>For the year ended 31 December 2021</b>				
Cost at 1 January 2021, net of accumulated amortisation	34,661	225,928	54,332	314,921
Additions	14,573	95,628	6,341	116,542
Acquisition of a subsidiary (note 35)	—	37	—	37
Disposal of a subsidiary (note 36)	—	(90,647)	—	(90,647)
Transfer from property, plant and equipment (note 13)	—	—	1,075	1,075
Amortisation	—	(61,226)	(11,190)	(72,416)
At 31 December 2021	49,234	169,720	50,558	269,512
At 31 December 2021:				
Cost	49,234	1,446,679	147,213	1,643,126
Accumulated amortisation and impairment	—	(1,276,959)	(96,655)	(1,373,614)
Net carrying amount	49,234	169,720	50,558	269,512
<b>For the year ended 31 December 2020</b>				
Cost at 1 January 2020, net of accumulated amortisation	33,613	236,530	48,264	318,407
Additions	—	1,952	14,534	16,486
Acquisition of a subsidiary (note 35)	34,661	37,669	810	73,140
Disposals	(33,613)	—	—	(33,613)
Transfer from property, plant and equipment	—	—	2,049	2,049
Amortisation	—	(50,223)	(11,325)	(61,548)
At 31 December 2020	34,661	225,928	54,332	314,921
At 31 December 2020:				
Cost	34,661	1,441,661	139,797	1,616,119
Accumulated amortisation and impairment	—	(1,215,733)	(85,465)	(1,301,198)
Net carrying amount	34,661	225,928	54,332	314,921

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 17. INVESTMENTS IN ASSOCIATES

	2021	2020
Associates	1,338,382	1,028,215

The Group's trade receivable and payable balances with associates are disclosed in note 40(b) to the consolidated financial statements.

Particulars of the Group's associates are as follows:

Name	Particulars of registered capital (in million)	Place of registration/ business	Ownership interest	Percentage of voting power	Profit sharing	Principal activities
Prinx (Cayman) Holding Limited (Prinx)*	USD50	Cayman Islands/ PRC	9.71%	9.71%	9.71%	Investment holding
Sinotruk Panzhihua Mining Truck Co., Ltd. (Panzhihua Mining Truck)	RMB30	PRC/ Mainland China	30%	30%	30%	Sale of heavy duty trucks
UZ TRUCK AND BUS MOTORS Limited Liability Company (UZ TRUCK AND BUS MOTORS)	EUR11	Uzbekistan	32.89%	32.89%	32.89%	Manufacture and sale of heavy duty trucks
Suzhou Tsintel Co., Ltd. (Suzhou Tsintel) (formerly known as "Tianjin Tsintel")	RMB7	PRC/ Mainland China	7.69%	7.69%	7.69%	Manufacture and sale of automotive electronics, auto parts, machinery and equipment and related consulting
Shandong Guochuang Fuel Cell Technology Innovation Center Co., Ltd. (Shandong Guochuang)**	RMB65	PRC/ Mainland China	30.77%	30.77%	30.77%	Fuel cell design and development
Shengrui Transmissio Co., Ltd. (Shengrui Transmission)	RMB165	PRC/ Mainland China	20%	20%	20%	Manufacture and sale of auto parts and related maintenance services
Chongqing Yunyang Automotive Manufacturing Co., Ltd. (Chongqing Yunyang)	RMB216	PRC/ Mainland China	35.05%	35.05%	35.05%	Manufacture and sale of automobile and parts
Chongyou Gaoke Fuel System Co., Ltd. (Chongyou Gaoke)***	RMB338	PRC/ Mainland China	40%	40%	40%	Manufacture and sale of fuel pumps

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 17. INVESTMENTS IN ASSOCIATES (CONTINUED)

- \* The fair value of investment in Prinx (Cayman) Holding Limited was RMB366,575,000 as at 31 December 2021 (2020: RMB530,024,000).
- \*\* In June 2021, Sinotruk Ji'nan Power Co., Ltd. subscribed for 30.77% equity in Shandong Guochuang Fuel Cell Technology Innovation Center Co., Ltd. at a consideration of RMB20,000,000. As the Group has two of the eight board seats in Shandong Guochuang and exercises significant influence on it, Shandong Guochuang is considered an associate of the Group.
- \*\*\* In August 2021, the Group transfer 60% equity of a wholly-owned subsidiary, Chongyou Gaoke to Weichai Power Co., Ltd. Further details of this acquisition are included in note 36 to the consolidated financial statements.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021	2020
Share of the associates' (loss)/profit	<b>(5,641)</b>	54,570
Share of the associates' other comprehensive loss	<b>(3,348)</b>	(1,702)
Share of the associates' total comprehensive (loss)/income	<b>(8,989)</b>	52,868
Aggregate carrying amount of the Group's interests in associates	<b>1,338,382</b>	1,028,215

### 18. INVENTORIES

	2021	2020
Raw materials	<b>3,435,044</b>	2,855,138
Work in progress	<b>2,072,181</b>	2,556,693
Finished goods – engines, parts and components	<b>324,840</b>	304,928
Finished goods – trucks and others	<b>11,193,627</b>	15,399,982
	<b>17,025,692</b>	21,116,741
Less: write-down of inventories to net realisable value	<b>(358,534)</b>	(305,747)
	<b>16,667,158</b>	20,810,994

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 19. TRADE, FINANCING AND BILLS RECEIVABLES

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

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

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

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

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

The movements in provision for impairment of trade receivables are as follows:

	2021	2020
At 1 January	1,236,456	1,966,983
Reversal of impairment losses, net (note 6)	(119,684)	(98,815)
Amount written off as uncollectible	—	(632,732)
Acquisition of a subsidiary	17,589	1,020
Disposal of a subsidiary	(277)	—
At 31 December	<b>1,134,084</b>	1,236,456

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### 19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(a) (Continued)

An impairment analysis is performed at each reporting date using a provision matrix or individually assessed to measure expected credit losses. The provision rates of the provision matrix are based on the invoice date for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Ageing as at 31 December 2021				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.33%	13.29%	33.64%	56.58%	14.34%
Gross carrying amount (RMB'000)	5,548,874	355,629	533,456	1,473,149	7,911,108
Expected credit losses (RMB'000)	73,870	47,275	179,468	833,471	1,134,084

As at 31 December 2020

	Ageing as at 31 December 2020				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	2.52%	21.13%	42.12%	54.25%	15.32%
Gross carrying amount (RMB'000)	5,224,410	1,070,553	709,951	1,068,209	8,073,123
Expected credit losses (RMB'000)	131,705	226,254	299,034	579,463	1,236,456

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### 19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

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

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

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

The movements in provision for impairment of financing receivables are as follows:

	Stage 1	Stage 2	Stage 3	Total
Provision for impairment of financing receivables as at 31 December 2020	415,245	1,414	96,587	513,246
Increase (note 6)	231,717	1,576	31,903	265,196
Provision for impairment of financing receivables as at 31 December 2021	<b>646,962</b>	<b>2,990</b>	<b>128,490</b>	<b>778,442</b>

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### 19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(b) (Continued)

	Stage 1	Stage 2	Stage 3	Total
Provision for impairment of financing receivables as at 31 December 2019	114,139	29,048	107,341	250,528
Increase (note 6)	301,106	—	—	301,106
Decrease (note 6)	—	(27,634)	(10,754)	(38,388)
Provision for impairment of financing receivables as at 31 December 2020	415,245	1,414	96,587	513,246

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

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

Bills receivable based on transaction dates at the respective dates of the statement of financial position, net of provisions, is as follows:

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

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### 19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(c) (Continued)

The movement in provision for impairment of bills receivables is as follows:

	2021	2020
At 1 January	—	—
Impairment losses, net (note 6)	<b>20,138</b>	—
At 31 December	<b>20,138</b>	—

(d) The carrying amounts of the Group's trade, financing and bills receivables are denominated in the following currencies:

	2021	2020
RMB	<b>26,910,697</b>	26,090,949
USD	<b>1,999,041</b>	1,245,906
EURO	<b>155,757</b>	61,518
ZAR (South African Rand)	<b>5,286</b>	5,057
Others	<b>31</b>	14,357
	<b>29,070,812</b>	27,417,787

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(All amounts in RMB thousands unless otherwise stated)

### 20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
<i>Current portion</i>		
Prepayments	<b>860,962</b>	851,872
Deposits	<b>361,005</b>	374,357
Financial assets at amortised cost	<b>658,305</b>	—
Others	<b>2,063,116</b>	1,416,216
	<b>3,943,388</b>	2,642,445
Provision for impairment	<b>(31,777)</b>	(32,355)
	<b>3,911,611</b>	2,610,090
<i>Non-current portion</i>		
Long-term prepayments	<b>387,028</b>	332,709
Contingent consideration	<b>15,796</b>	17,125
Others	<b>119,653</b>	—
	<b>522,477</b>	349,834
	<b>4,434,088</b>	2,959,924

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

The movements in provision for impairment of prepayments and other receivables are as follows:

	2021	2020
At 1 January	32,355	60,682
Reversal of impairment losses, net (note 6)	(9,670)	(36,484)
Disposal of a subsidiary	(255)	(287)
Acquisition of a subsidiary	9,347	8,444
At 31 December	31,777	32,355

Financial assets included in prepayments, other receivables and other assets mainly represent deposits with suppliers and other parties, national debt reverse repurchase and designated loan to an associate. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2021 was 0.76% (2020: 1.09%). The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

The carrying amounts of the Group's other receivables are denominated in the following currencies:

	2021	2020
RMB	979,363	333,811
USD	7,778	7,791
HKD	392	400
	987,533	342,002

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
Equity investments	<b>31,925</b>	33,125

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

### 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

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

All debt investments as at 31 December 2021 and 2020 are denominated in RMB.

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### 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
Wealth management product		
– with the principal and interest non-guaranteed	<b>2,872,079</b>	5,381,328
Listed equity investments, at fair value	<b>87,014</b>	58,933
Forward currency contracts	<b>17,762</b>	—
	<b>2,976,855</b>	5,440,261

The above equity investments were classified as financial assets at fair value through profit or loss as they are held for trading.

Financial assets at fair value through profit or loss are denominated in the following currencies:

	2021	2020
RMB	<b>2,970,112</b>	5,430,763
HKD	<b>6,743</b>	9,498
	<b>2,976,855</b>	5,440,261

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2021	2020
Cash and bank balances	<b>22,594,267</b>	23,349,064
Time deposits	<b>2,098,137</b>	2,700,000
Cash and cash equivalents	<b>24,692,404</b>	26,049,064
Restricted cash	<b>3,614,094</b>	4,557,794
	<b>28,306,498</b>	30,606,858

As at 31 December 2021, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB21,400,600 (2020: RMB22,648,970,000). The RMB kept in Mainland China is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks which are authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the deposit rates of the respective periods. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

The management considered the credit risks in respect of bank deposits with financial institutions are relatively minimum as each counterparty either bears a high credit rating or is a large state-owned or listed PRC bank with good reputation.

The breakdown of restricted cash by nature as at the year end is as follows:

	2021	2020
Deposits for issuing bank acceptance bills	<b>990,959</b>	820,423
Deposits for issuing letters of credit	—	55,842
Mandatory reserve deposits (i)	<b>2,593,923</b>	3,651,934
Other restricted cash	<b>29,212</b>	29,595
	<b>3,614,094</b>	4,557,794

- (i) Sinotruk Finance Co., Ltd. and Sinotruk Auto Finance Co., Ltd. are required to place mandatory deposits with the People's Bank of China ("PBOC") for deposit taking.

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### 24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

Cash and cash equivalents and restricted cash are denominated in:

	2021	2020
RMB	24,982,703	27,186,317
USD	2,874,148	3,217,810
EURO	430,280	117,173
HKD	10,806	55,735
Others	8,561	29,823
	<b>28,306,498</b>	<b>30,606,858</b>

### 25. TRADE AND BILLS PAYABLES

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

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

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

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### 25. TRADE AND BILLS PAYABLES (CONTINUED)

Trade payables are non-interest-bearing. Credit periods granted by each individual supplier or contractor are on a case-by-case basis and set out in the respective contracts.

Trade and bills payables are denominated in:

	2021	2020
RMB	<b>37,453,527</b>	54,631,949
USD	<b>25,030</b>	49,497
EURO	—	13,517
	<b>37,478,557</b>	54,694,963

### 26. OTHER PAYABLES AND ACCRUALS

	2021	2020
Other payables	<b>9,111,842</b>	4,506,782
Volume rebate	<b>1,747,961</b>	1,233,776
Contract liabilities (a)	<b>4,907,927</b>	4,298,059
Accruals	<b>771,489</b>	857,407
Staff salaries and welfare	<b>1,655,306</b>	1,682,203
Termination and post-employment benefits due less than one year (note 30)	<b>375,980</b>	236,764
Other taxes and surcharge payables	<b>807,800</b>	1,409,629
	<b>19,378,305</b>	14,224,620

Other payables are non-interest-bearing and repayable on demand.

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### 26. OTHER PAYABLES AND ACCRUALS (CONTINUED)

(a) Details of contract liabilities are as follows:

	31 December 2021	31 December 2020	1 January 2020
Short-term advances received from customers			
Sale of goods	4,887,249	4,270,755	1,744,364
Rendering of services	20,678	27,304	19,886
	<b>4,907,927</b>	4,298,059	1,764,250

Contract liabilities mainly represent receipts in advance from customers prior to the satisfaction of performance obligations.

Other payables are denominated in:

	2021	2020
RMB	9,086,504	4,360,973
USD	6,139	98,448
HKD	18,756	44,482
EURO	—	2,105
KTZ	245	436
ZAR (South African Rand)	198	338
	<b>9,111,842</b>	4,506,782

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 27. BORROWINGS

	2021			2020		
	Effective interest rate (%)	Maturity		Effective interest rate (%)	Maturity	
Current						
Bank borrowings - unsecured	3.35-3.55	2022	3,510,514	3.00-3.85	2021	1,300,000
Bank borrowings - secured	—	—	—	4.00	2021	157,910
Related parties borrowings - unsecured	—	—	—	4.05	2021	16,000
			<b>3,510,514</b>			<b>1,473,910</b>
Non-current						
Bank borrowings - secured	—	—	—	4.00	2022-2024	237,930
			<b>3,510,514</b>			<b>1,711,840</b>
<b>Analysed into:</b>						
Borrowings repayable:						
Within one year			<b>3,510,514</b>			1,473,910
In the second year			—			157,910
In the third to fifth years, inclusive			—			80,020
			<b>3,510,514</b>			<b>1,711,840</b>

At the end of the reporting period, all borrowings were denominated in RMB.

All interest-bearing bank borrowings were unsecured as at 31 December 2021 (2020: certain of the Group's bank loans were secured by mortgages of the Group's buildings and land use right, which had an aggregate carrying value amounting to RMB555,097,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 28. PROVISIONS

	Product warranties	Legal claims	Total
At 1 January 2021	2,136,024	4,381	2,140,405
Additional provisions	2,957,946	41,419	2,999,365
Amounts utilised during the year	(2,931,999)	(1,204)	(2,933,203)
At 31 December 2021	2,161,971	44,596	2,206,567

The Group provides product warranties ranging from half year to three years to its customers on the trucks and buses and five to eight years on the batteries of the buses during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

The legal claim is subject to legal arbitration and is expected to be finalised in late 2022. At the end of the reporting period, the provision has been reassessed, and as a result thereof, it has been increased to RMB44,596,000.

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### 29. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

#### DEFERRED TAX ASSETS

	Provision for receivables and inventories	Pensions and other post- retirement benefits	Unrealised profit	Accrued expenses and provisions	Fair value adjustment arising from business combination	Deferred income	Loss available for offsetting against future taxable profits	Others	Total
At 1 January 2020	622,903	879	369,684	498,523	53,646	54,873	18,082	116,702	1,735,292
Deferred tax credited/(charged) to profit or loss (note 10)	(171,279)	148,027	203,585	393,262	32,998	(11,781)	340	74,664	669,816
Deferred tax credited to other comprehensive income	—	7,953	—	—	—	—	—	9,211	17,164
Acquisition of a subsidiary (note 35)	—	—	—	—	59	—	—	—	59
At 31 December 2020 and 1 January 2021	<b>451,624</b>	<b>156,859</b>	<b>573,269</b>	<b>891,785</b>	<b>86,703</b>	<b>43,092</b>	<b>18,422</b>	<b>200,577</b>	<b>2,422,331</b>
Deferred tax credited/(charged) to profit or loss (note 10)	<b>(99,301)</b>	<b>(58,715)</b>	<b>(94,213)</b>	<b>196,675</b>	<b>(15,915)</b>	<b>13,758</b>	<b>36,092</b>	<b>668</b>	<b>(20,951)</b>
Deferred tax credited to other comprehensive income	—	—	—	—	—	—	—	<b>8,923</b>	<b>8,923</b>
Acquisition of a subsidiary (note 35)	—	—	—	—	<b>74</b>	—	—	—	<b>74</b>
Disposal of a subsidiary (note 36)	<b>(687)</b>	<b>(971)</b>	—	<b>(3,697)</b>	<b>(21)</b>	—	—	<b>(89)</b>	<b>(5,465)</b>
At 31 December 2021	<b>351,636</b>	<b>97,173</b>	<b>479,056</b>	<b>1,084,763</b>	<b>70,841</b>	<b>56,850</b>	<b>54,514</b>	<b>210,079</b>	<b>2,404,912</b>

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### 29. DEFERRED TAX (CONTINUED)

#### DEFERRED TAX LIABILITIES

	Depreciation allowance in excess of related depreciation	Fair value adjustment arising from business combination	Fair value arising from financial assets at fair value through profit or loss	Fair value arising from property, plant and equipment and land use right	Fair value adjustment arising from investment property	Total
At 1 January 2020	48,673	23,180	—	8,781	392	81,026
Deferred tax charged/(credited) to profit or loss (note 10)	61,547	(261)	—	—	(769)	60,517
Acquisition of a subsidiary (note 35)	—	50,459	—	—	—	50,459
At 31 December 2020 and 1 January 2021	<b>110,220</b>	<b>73,378</b>	<b>—</b>	<b>8,781</b>	<b>(377)</b>	<b>192,002</b>
Deferred tax charged/(credited) to profit or loss (note 10)	<b>88,647</b>	<b>(7,522)</b>	<b>13,397</b>	<b>—</b>	<b>(1,188)</b>	<b>93,334</b>
Deferred tax charged to other comprehensive income	—	—	—	—	3,214	3,214
Acquisition of a subsidiary (note 35)	—	22,073	—	—	—	22,073
Disposal of a subsidiary (note 36)	(1,252)	—	—	—	—	(1,252)
At 31 December 2021	<b>197,615</b>	<b>87,929</b>	<b>13,397</b>	<b>8,781</b>	<b>1,649</b>	<b>309,371</b>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021	2020
Net deferred tax assets recognised in the consolidated statement of financial position	<b>2,222,779</b>	2,327,101
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>127,238</b>	96,772

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### 29. DEFERRED TAX (CONTINUED)

The Group has tax losses arising in Mainland China of RMB4,578,844,000 (2020: RMB2,901,654,000) that will expire in one to five or ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2021	2020
Tax losses not recognised as deferred assts	<b>4,578,844</b>	2,901,654
Deductible temporary differences	<b>1,701,033</b>	1,165,861
	<b>6,279,877</b>	4,067,515

### 30. TERMINATION AND POST-EMPLOYMENT BENEFITS

	2021	2020
Termination benefits (a)	<b>586,312</b>	454,599
Post-employment benefits (b)	<b>367,512</b>	380,626
	<b>953,824</b>	835,225
Less: current portion (note 26)	<b>375,980</b>	236,764
Non-current portion	<b>577,844</b>	598,461

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### 30. TERMINATION AND POST-EMPLOYMENT BENEFITS (CONTINUED)

- (a) The termination benefit balance mainly represents the early retirement plan under the streamlining of the human resources structure. The termination benefits recognised in the consolidated statement of profit or loss are as follows:

	2021	2020
Termination benefits, included in staff cost	355,452	572,995

- (b) The Group established the supplementary pension insurance plans and other comprehensive retirement benefit plans for employees who retired before 1 January 2019. These plans include annual living subsidies for employees after their retirement.

The amounts of post-employment benefits recognised in the consolidated statement of financial position are determined as follows:

	2021	2020
Present value of benefit plans	367,512	380,626
Liability in the consolidated statement of financial position	367,512	380,626

The movements of post-employment benefits recognised in the consolidated statement of financial position are as follows:

	2021	2020
As at 1 January	380,626	33,510
Post-employment benefits recognised in profit or loss	28,489	331,800
Remeasurement of post-employment benefits recognised in other comprehensive income	1,238	23,286
Benefits paid	(40,833)	(7,970)
Disposal of a subsidiary	(2,008)	—
As at 31 December	367,512	380,626
Less: current portion	34,580	39,575
Non-current portion	332,932	341,051

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 30. TERMINATION AND POST-EMPLOYMENT BENEFITS (CONTINUED)

The material actuarial assumptions used in valuing these obligations are as follows:

- (i) Discount rates adopted and salary increase adopted:

	2021	2020
Termination benefits and post-employment benefits discount rate	2.25%/2.75%	2.75%/3.25%
Average salary increase rate	8%	8%

- (ii) Mortality: Average life expectancy of residents in the PRC.

### 31. DEFERRED INCOME

	2021	2020
Government grants	657,049	504,895

During 2021, recognition of deferred income amounting to RMB60,324,000 is credited to profit or loss (2020: RMB116,116,000).

### 32. SHARE CAPITAL

	2021	2020
Issued and fully paid: 2,760,993,339 (2020: 2,760,993,339) ordinary shares	16,717,024	16,717,024

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's capital reserve is the reserve arising from asset donations and transactions with CNHTC as a result of the reorganisation and transactions with non-controlling interests.

The Group's statutory reserves are the aggregate statutory reserves of all PRC subsidiaries. In accordance with PRC regulation and the articles of association of the subsidiaries incorporated in the PRC ("PRC subsidiaries"), before distributing the profit each year, the PRC subsidiaries are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under the PRC accounting regulations to the statutory reserve. When the balance of such reserve reached 50% of the capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior year's losses or issue bonus shares. However, such statutory reserve must be maintained at a minimum of 25% of the entity's capital after such issuance.

According to the regulations of the Notice of the Ministry of Finance on Issuing the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued on 30 March 2012, financial enterprises shall, based on their actual conditions, carry out quantitative analysis on the risks to which the risk assets are exposed via the internal model approach or standard approach to determine the estimated value of potential risk. A general provision is made for the part that the estimated value of potential risk exceeds the impairment of assets. In principle, the balance of general provision shall not be lower than 1.5% of the ending balance of the risk assets. The proportion (1.5%) that the balance of general provision accounts for the ending balance of the risk assets could be reached in several years, but no more than 5 years in principle, if it is not available for a financial enterprise by one-time.

The merger reserve of the Group represents the difference between the nominal value of the shares or the capital of the subsidiaries that had been acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the Reorganisation or consideration paid for the acquisition of a subsidiary as a business combination under common control subsequent to the Reorganisation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in RMB thousands unless otherwise stated)

### 34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Company's subsidiaries that have material non-controlling interests are set out below:

<b>Sinotruk Ji'nan Truck Co., Ltd.</b>	<b>2021</b>	<b>2020</b>
Percentage of equity interest held by non-controlling interests	<b>49.00%</b>	36.22%

<b>Sinotruk Ji'nan Truck Co., Ltd.</b>	<b>2021</b>	<b>2020</b>
Profit for the year allocated to non-controlling interests	<b>424,284</b>	558,218
Dividends paid to non-controlling interests	<b>279,619</b>	133,686
Accumulated balances of non-controlling interests at the reporting date	<b>6,220,344</b>	2,517,346

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

<b>Sinotruk Ji'nan Truck Co., Ltd.</b>	<b>2021</b>	<b>2020</b>
Revenue	<b>48,511,219</b>	53,248,142
Total expenses	<b>(47,645,333)</b>	(51,706,955)
Profit for the year	<b>865,886</b>	1,541,187
Total comprehensive income for the year	<b>907,524</b>	1,453,121
Current assets	<b>23,938,227</b>	25,941,748
Non-current assets	<b>4,610,496</b>	3,428,412
Current liabilities	<b>15,548,435</b>	21,746,964
Non-current liabilities	<b>305,708</b>	266,874
Net cash flows generated from operating activities	<b>216,776</b>	3,495,153
Net cash flows generated from/(used in) investing activities	<b>314,203</b>	(394,683)
Net cash flows generated from/(used in) financing activities	<b>3,669,999</b>	(2,985,295)
Net increase in cash and cash equivalents	<b>4,200,978</b>	115,175

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
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### 35. BUSINESS COMBINATION

#### 2021

On 30 July 2021, the Group acquired a 100% equity interest in Weihai Commercial Vehicle from CNHTC. Weihai Commercial Vehicle is engaged in the business of the manufacture and sale of light trucks and others. The acquisition was made as part of the Group's strategy to further develop its business. The consideration was satisfied by cash, amounting to approximately RMB252,648,000. This acquisition was accounted for using the acquisition method due to the temporary nature of control of CNHTC over Weihai Commercial Vehicle which was acquired by CNHTC from a third party in February 2021.

The fair values of the identifiable assets and liabilities of Weihai Commercial Vehicle as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
Property, plant and equipment	13	409,608
Right-of-use assets	15	112,853
Other intangible assets	16	37
Deferred tax assets	29	74
Inventories		11,973
Trade, financing and bills receivable		3,939
Financial assets at fair value through other comprehensive income		14,930
Prepayments, other receivables and other assets		7,188
Cash and cash equivalents and restricted cash		3,735
Trade and bills payables		(94,511)
Other payables and accruals		(73,366)
Borrowings		(35,000)
Provisions		(11,770)
Deferred tax liabilities	29	(22,073)
Termination and post-employment benefit obligations		(1,610)
Deferred income		(125,854)
Total identifiable net assets at fair value		200,153
Goodwill on acquisition		52,495
Satisfied by cash		252,648

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 35. BUSINESS COMBINATION (CONTINUED)

#### 2021 (CONTINUED)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB3,939,000 and RMB3,847,000 respectively. The gross contractual amounts of trade receivables and other receivables were RMB21,528,000 and RMB13,194,000 respectively, of which trade receivables of RMB17,589,000 and other receivables of RMB9,347,000 are expected to be uncollectible.

The Group did not incur transaction costs for this acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	<b>(252,648)</b>
Cash and cash equivalents acquired	<b>3,735</b>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<b>(248,913)</b>
Transaction costs of the acquisition included in cash flows used in operating activities	<b>—</b>
	<b>(248,913)</b>

Since the acquisition, Weihai Commercial Vehicle contributed RMB10,032,000 to the Group's revenue and made a loss of RMB42,849,000 against the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB93,265,806,000 and RMB4,684,500,000, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 35. BUSINESS COMBINATION (CONTINUED)

#### 2020

On 31 December 2020, the Group acquired from Weichai Power Co., Ltd. a 100% equity interest in Sinotruk (Chongqing) Light Vehicle Co., Ltd. ("Sinotruk Chongqing"), which is engaged in the business of the manufacture and sale of pickup trucks and others. The consideration was satisfied by cash, amounting to approximately RMB790,058,500. The acquisition was made as part of the Group's strategy to further develop its business.

The fair values of the identifiable assets and liabilities of Sinotruk Chongqing as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
Property, plant and equipment	13	746,385
Right-of-use assets	15	276,781
Other intangible assets	16	73,140
Interests in associates		6,428
Financial assets at fair value through other comprehensive income		61,011
Deferred tax assets	29	59
Inventories		91,201
Prepayments, other receivables and other assets		280,957
Cash and cash equivalents and restricted cash		205,226
Trade and bills payables		(253,911)
Other payables and accruals		(313,017)
Borrowings		(395,840)
Lease liabilities	15	(2,967)
Deferred tax liabilities	29	(50,459)
Total identifiable net assets at fair value		724,994
Goodwill on acquisition		65,065
Satisfied by cash		790,059

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 35. BUSINESS COMBINATION (CONTINUED)

#### 2020 (CONTINUED)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to nil and RMB280,957,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB1,020,000 and RMB280,957,000, respectively, of which trade receivables of RMB1,020,000 are expected to be uncollectible.

The Group did not incur transaction costs for this acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	(790,059)
Cash and cash equivalents acquired	113,761
Net outflow of cash and cash equivalents included in cash flows from investing activities	(676,298)
Transaction costs of the acquisition included in cash flows used in operating activities	—
	(676,298)

Sinotruk Chongqing has no contribution to the Group's revenue and consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB98,932,671,000 and RMB6,927,070,000, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 36. DISPOSAL OF A SUBSIDIARY

In August 2021, the Group disposed of 60% equity of a wholly-owned subsidiary, Chongyou Gaoke Fuel System Co., Ltd. (formerly known as "Sinotruk Chongqing Fuel System Co., Ltd.") to Weichai Power Co., Ltd. at the consideration of approximately RMB501,004,000. After the completion of the disposal, Chongyou Gaoke Fuel System Co., Ltd. changed from a subsidiary of the Company to an associate of the Company.

	Notes	2021	2020
Net assets disposed of:			
Right-of-use assets	15	12,899	—
Property, plant and equipment	13	330,984	2,001
Other intangible assets	16	90,647	—
Deferred tax assets		4,213	—
Inventories		87,815	—
Trade, financing and bills receivables		76,758	—
Financial assets at fair value through other comprehensive income		11,787	—
Prepayments, other receivables and other assets		21,315	63
Cash and cash equivalents and restricted cash		102,112	10
Termination and post-employment benefit obligations		(4,327)	—
Trade and bills payables		(156,698)	—
Other payables and accruals		(69,904)	(668)
Provision		(15,310)	—
Lease liabilities	15	(167)	—
		492,124	1,406
Gain on disposal of a subsidiary (note 5)	5	341,058	3,479
		833,182	4,885
Satisfied by:			
Fair value of 40% equity		332,178	—
Cash		477,195	4,885
Other receivables		23,809	—
		833,182	4,885

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 36. DISPOSAL OF A SUBSIDIARY (CONTINUED)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2021	2020
Cash consideration received	477,195	4,885
Cash and cash equivalents disposed of	(91,035)	(10)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	386,160	4,875

### 37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2021, the Group endorsed bank acceptance bills to the suppliers for purchase of property, plant and equipment amounting to approximately RMB836,306,000 (2020: approximately RMB1,499,533,000).

#### (b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2021

	Bank borrowings	Related party borrowings	Lease liabilities	Total
At 1 January 2021	1,695,840	16,000	23,241	1,735,081
Changes from financing cash flows	(395,840)	(16,000)	(23,053)	(434,893)
Increase in operating fund of finance segment	2,210,514	—	—	2,210,514
Interest paid	—	—	(1,408)	(1,408)
New leases	—	—	4,777	4,777
Accretion of interest recognised during the year	—	—	1,408	1,408
Derecognition of leases	—	—	(422)	(422)
Disposal as a result of disposal of a subsidiary	—	—	(167)	(167)
At 31 December 2021	3,510,514	—	4,376	3,514,890

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

#### (b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

2020

	Bank borrowings	Related party borrowings	Lease liabilities	Total
At 1 January 2020	1,000,000	—	57,379	1,057,379
Changes from financing cash flows	(700,000)	16,000	(23,355)	(707,355)
Increase in operating fund of finance segment	1,000,000	—	—	1,000,000
New leases	—	—	4,358	4,358
Derecognition of leases	—	—	(18,108)	(18,108)
Additions as a result of acquisition of a subsidiary	395,840	—	2,967	398,807
At 31 December 2020	1,695,840	16,000	23,241	1,735,081

#### (c) TOTAL CASH OUTFLOW FOR LEASES

	2021	2020
Within operating activities	(40,321)	(26,802)
Within financing activities	(23,053)	(20,873)
	(63,374)	(47,675)

### 38. CONTINGENT LIABILITIES

#### (A) REPURCHASE OBLIGATIONS

Certain subsidiaries refer designated customers to other finance leasing companies to finance their sales of trucks and undertake repurchase obligations to the finance leasing companies in the event of customers' default in repayment or under certain specific conditions stipulated in the contract. As at 31 December 2021, the Group's maximum exposure to these obligations was RMB40,000,000 each year.

#### (B) OTHERS

The directors are of the opinion that except for the provision for legal claims already made as disclosed in note 28, there is no material contingent liability in respect of legal claims. The provision for guarantees of product warranties is disclosed in note 28.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 39. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021	2020
Property, plant and equipment and other intangible assets	3,301,717	2,098,586

### 40. RELATED PARTY TRANSACTIONS

The immediate holding company of the Company is Sinotruk (BVI) Limited, a company incorporated in the British Virgin Islands. As at 31 December 2021, the ultimate holding company of the Group was CNHTC, which is a state-owned company established in the PRC and is controlled by the PRC Government.

The Company is an associated company of MAN Finance and Holding S.A., a non-wholly-owned subsidiary of Ferdinand Porsche Familien – Privatstiftung ("FPFPS"). FPFPS and its subsidiaries are referred to as the FPFPS Group.

Prinx and its subsidiaries (referred to as "Prinx Cayman Group"), Panzhuhua Mining Truck, Shandong Guochuang, UZ TRUCK AND BUS MOTORS, Suzhou Tsintel, Shengrui Transmission, Chongqing Yunyang, Chongyou Gaoke are associated companies of the Group.

The directors consider that the major related parties are the CNHTC Group, the FPFPS Group, all associated companies of the Group, the key management personnel of the Company and the CNHTC Group as well as their close family members, and other PRC government-related entities ("Other State-owned Enterprises").

#### (a) SIGNIFICANT RELATED PARTY TRANSACTIONS

Financing activities with related parties

##### (i) CNHTC Group

	Highest balance during the year ended 31 December 2021	Balance at 31 December 2021	Highest balance during the year ended 31 December 2020	Balance at 31 December 2020
<b>Assets</b>				
Financing receivables	1,480,000	1,090,000	1,250,000	1,250,000
<b>Liabilities</b>				
Deposit taking	2,872,697	2,816,577	1,741,918	1,183,699
Borrowings	16,000	—	16,000	16,000
	<b>2,888,697</b>	<b>2,816,577</b>	1,757,918	1,199,699

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 40. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Trading, servicing and other transactions with related parties

	2021	2020
(i) CNHTC Group		
Sale of trucks	<b>370,960</b>	388,258
Purchases of trucks	<b>2,181,005</b>	1,892,245
Sale of spare parts	<b>705,473</b>	816,208
Purchases of spare parts	<b>15,181</b>	23,082
Supply of auxiliary production services	<b>10,531</b>	9,166
Purchases of general services	<b>1,615</b>	57,621
Rental income	<b>11,293</b>	11,269
Purchases of construction and project management services	<b>376</b>	1,503
Supply of technology development	<b>2,154</b>	895
Interest expense for deposit taking services	<b>49,279</b>	14,524
Interest expense for borrowings services	<b>151</b>	504
Interest income for loan services	<b>42,936</b>	23,988
Interest expense for leases	<b>862</b>	2,012
Fee income	<b>16</b>	39
Purchases of land use rights	<b>21,861</b>	11,610
Purchases of property, plant and equipment	<b>1,448</b>	—
Sale of property, plant and equipment	<b>1,745</b>	771
Acquisition of a company	<b>252,648</b>	—
	<b>3,669,534</b>	3,253,695

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 40. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Trading, servicing and other transactions with related parties (Continued)

	2021	2020
(ii) FPFPS Group Sale of spare parts	<b>32,428</b>	104,452
(iii) Prinx Cayman Group Purchases of spare parts	<b>232,164</b>	546,658
(iv) Changjiu Sinotruk Purchases of general services	<b>134,842</b>	96,214
(v) Shengrui Transmission Purchases of spare parts	<b>26,420</b>	—
Interest income for loan services	<b>1,586</b>	—
	<b>28,006</b>	—
(vi) Suzhou Tsintel Purchases of spare parts	<b>53,222</b>	—
(vii) Chongyou Gaoke Sale of spare parts	<b>1,848</b>	—
Purchases of spare parts	<b>69,467</b>	—
	<b>71,315</b>	—

The related party transactions with CNHTC Group and FPFPS Group also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 40. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) BALANCES WITH RELATED PARTIES

	2021	2020
Amounts due from related parties		
(i) CNHTC Group		
Financing receivables	1,090,000	1,250,000
Trade receivables	144,738	486
Prepayments	4,600	—
Other receivables	4	—
	<b>1,239,342</b>	1,250,486
(ii) Chongyou Gaoke		
Other receivables	64,809	—
Trade receivables	1,390	—
	<b>66,199</b>	—
(iii) Shengrui Transmission		
Loans	75,000	—
Prepayments	9	—
	<b>75,009</b>	—

The interest rate of financing receivables to related parties is 3.69% (2020: 3.69%) per annum. The interest rate of loans to an associate is 4.30% (2020: nil) per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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### 40. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) BALANCES WITH RELATED PARTIES (CONTINUED)

	2021	2020
Amounts due to related parties		
(i) CNHTC Group		
Deposit taking	2,816,577	1,183,699
Trade payables	168,151	176,592
Other payables	20,534	18,649
Contract liabilities	17,522	56,155
Borrowings	—	16,000
Lease liabilities	—	15,954
	<b>3,022,784</b>	<b>1,467,049</b>
(ii) Prinx Cayman Group		
Trade payables	51,324	—
Other payables	2,000	—
	<b>53,324</b>	<b>—</b>
(iii) Suzhou Tsintel		
Trade payables	15,840	—
Other payables	100	—
	<b>15,940</b>	<b>—</b>
(iv) Chongyou Gaoke		
Trade payables	7,617	—
(v) FPFPS Group		
Contract liabilities	74,349	—
(vi) Panzhihua Mining Truck		
Contract liabilities	33	—
(vii) Shengrui Transmission		
Contract liabilities	1,152	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
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### 40. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) BALANCES WITH RELATED PARTIES (CONTINUED)

As at 31 December 2021, except for deposit taking, financing receivables and loans, amounts due from/to related parties were all unsecured and due within one year. As at 31 December 2021, deposit taking from related parties, financing receivables and loans to related parties were unsecured, bearing interest at rates mutually agreed and due within one year.

As at 31 December 2021, trade receivables due from related parties were not past due or impaired.

Balances with other state-owned enterprises:

As at 31 December 2021, the majority of the Group's bank balances and borrowings were with state-owned banks.

#### (c) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP:

	2021	2020
Short term employee benefits	18,203	15,379
Pension scheme contributions	264	218
	<b>18,467</b>	15,597

Further details of directors' and chief executive's remuneration are included in note 8 to the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**2021**

#### FINANCIAL ASSETS

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
		Debt investments	Equity investments		
Equity investments designated at fair value through other comprehensive income	—	—	31,925	—	31,925
Financial assets included in prepayments, other receivables and other assets	—	—	—	987,533	987,533
Contingent consideration included in prepayments, other receivables and other assets	15,796	—	—	—	15,796
Financial assets at fair value through profit or loss	2,976,855	—	—	—	2,976,855
Trade, financing and bills receivables	—	—	—	29,070,812	29,070,812
Financial assets at fair value through other comprehensive income	—	4,057,928	—	—	4,057,928
Cash and cash equivalents and restricted cash	—	—	—	28,306,498	28,306,498
	<b>2,992,651</b>	<b>4,057,928</b>	<b>31,925</b>	<b>58,364,843</b>	<b>65,447,347</b>

#### FINANCIAL LIABILITIES

	Financial liabilities at amortised cost
Trade and bills payables	37,478,557
Financial liabilities included in other payables and accruals	9,883,331
Borrowings	3,510,514
Lease liabilities	4,376
	<b>50,876,778</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2020

## FINANCIAL ASSETS

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
		Debt investments	Equity investments		
Equity investments designated at fair value through other comprehensive income	—	—	33,125	—	33,125
Financial assets included in prepayments, other receivables and other assets	—	—	—	342,002	342,002
Contingent consideration included in prepayments, other receivables and other assets	17,125	—	—	—	17,125
Financial assets at fair value through profit or loss	5,440,261	—	—	—	5,440,261
Trade, financing and bills receivables	—	—	—	27,417,787	27,417,787
Financial assets at fair value through other comprehensive income	—	4,384,164	—	—	4,384,164
Cash and cash equivalents and restricted cash	—	—	—	30,606,858	30,606,858
	<u>5,457,386</u>	<u>4,384,164</u>	<u>33,125</u>	<u>58,366,647</u>	<u>68,241,322</u>

## FINANCIAL LIABILITIES

	Financial liabilities at amortised cost
Trade and bills payables	54,694,963
Financial liabilities included in other payables and accruals	5,364,189
Borrowings	1,711,840
Lease liabilities	23,241
	<u>61,794,233</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's non-current financial instruments are as follows:

	Carrying amounts		Fair values	
	2021	2020	2021	2020
<b>Financial assets</b>				
Equity investments designated at fair value through other comprehensive income	31,925	33,125	31,925	33,125
Contingent consideration	15,796	17,125	15,796	17,125
Trade and financing receivables	5,007,345	7,195,586	5,007,345	7,195,586
	<b>5,055,066</b>	<b>7,245,836</b>	<b>5,055,066</b>	<b>7,245,836</b>
<b>Financial liabilities</b>				
Borrowings	—	237,930	—	237,930
	<b>—</b>	<b>237,930</b>	<b>—</b>	<b>237,930</b>

Management has determined that the carrying amounts of cash and cash equivalents and restricted cash, the current portion of trade, financing and bills receivables, financial assets at fair value through other comprehensive income, financial assets included in prepayments and other receivables, trade and bills payables, the current portion of borrowings and financial liabilities included in other payables and accruals based on their notional amounts reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The Group invests in financial products issued by banks in Mainland China which are included in financial assets at fair value through profit or loss. The Group has estimated the fair value of the unlisted investments by using a discounted cash flow valuation model based on the market interest rate of instruments with similar terms and risks.

The fair values of the non-current portion of trade and financing receivables, contingent consideration and borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

##### As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	
Financial assets at fair value through profit or loss	87,014	17,762	2,872,079	2,976,855
Financial assets at fair value through other comprehensive income	—	4,057,928	31,925	4,089,853
Contingent consideration	—	—	15,796	15,796
	<u>87,014</u>	<u>4,075,690</u>	<u>2,919,800</u>	<u>7,082,504</u>

##### As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	
Financial assets at fair value through profit or loss	58,933	—	5,381,328	5,440,261
Financial assets at fair value through other comprehensive income	—	4,384,164	33,125	4,417,289
Contingent consideration	—	—	17,125	17,125
	<u>58,933</u>	<u>4,384,164</u>	<u>5,431,578</u>	<u>9,874,675</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### FAIR VALUE HIERARCHY (CONTINUED)

##### Assets measured at fair value: (Continued)

The movements in fair value measurement within Level 3 during the year are as follows:

	2021	2020
Financial assets at fair value through profit or loss and other comprehensive income and contingent consideration:		
At 1 January	5,431,578	3,985,573
Total gains recognised in the statement of profit or loss included in other income	250,778	47,868
Total losses recognised in the statement of profit or loss included in other expense	(1,330)	—
Purchases	24,977,673	43,590,869
Disposal	(27,738,899)	(42,192,732)
At 31 December	2,919,800	5,431,578

During the year ended 31 December 2021, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

Level 1 financial assets at fair value through profit or loss comprise equity investments traded on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange. Their fair values are based on closing prices.

Level 2 financial assets at fair value through other comprehensive income comprise bank and commercial acceptance bills that are held for collection of contractual cash flows and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned banks.

Level 3 financial assets at fair value through profit or loss include wealth management products acquired from a trust company with a principal of RMB192 million, with the principal and interest rates non-guaranteed, and from banks at aggregate principal of RMB2,680 million, with the principals and interest rates non-guaranteed. Their fair values are estimated by using a discounted cash flow approach and main inputs used by the Group are estimated yield rates written in contracts by the counterparties.

Level 3 financial assets at fair value through other comprehensive income include equity investments that are not publicly traded, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. In connection with the investments in shares, the Group adopts a combination of income and market approaches. The income approach adopts a discounted cash flow method to assess the fair value of these financial assets. Under this methodology, fair value is determined by discounting the projected cash flow of the investee company to present value based on profit and cash flow forecast and other relevant information provided by the investee company. The market approach adopts various sales/income multiples to assess the fair value of these financial assets. Under this methodology, fair value is determined by multiplying various sales/income of the investee company to multipliers with regard to the risks and nature of the business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### FAIR VALUE HIERARCHY (CONTINUED)

Liabilities for which fair values are disclosed:

#### As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	
Borrowings	—	3,510,514	—	3,510,514

#### As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	
Borrowings	—	1,711,840	—	1,711,840

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise funding for the Group's operations. The Group has various financial assets and liabilities such as trade, financing and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### FOREIGN CURRENCY RISK

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The major foreign exchange risk exposure arises from its exporting and importing activities as well as financing activities in Hong Kong. Accordingly the Group has certain trade and other receivables, cash and cash equivalents and restricted cash, and trade and other payables denominated in foreign currencies, mainly the USD, EURO and HKD, which are exposed to foreign currency translation risk.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts to reduce foreign exchange risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD/EURO/HKD and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in exchange rates %	Increase/(decrease) in profit before tax	
		2021	2020
If RMB weakens against USD	(5)	242,490	216,178
If RMB strengthens against USD	5	(242,490)	(216,178)
If RMB weakens against EURO	(5)	29,302	8,153
If RMB strengthens against EURO	5	(29,302)	(8,153)
If RMB weakens against HKD	(5)	(41)	1,058
If RMB strengthens against HKD	5	41	(1,058)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### CREDIT RISK

The carrying amounts of cash and cash equivalents and restricted cash, trade, financing and bills receivables, and financial assets included in prepayments, other receivables and other assets represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents and restricted cash are held in major financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

#### As at 31 December 2021

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
Trade, financing and bills receivable*	22,053,827	99,643	166,451	8,683,555	31,003,476
Financial assets at fair value through other comprehensive income	—	—	—	4,080,447	4,080,447
Financial assets included in prepayments, other receivables and other assets – Normal**	1,019,310	—	—	—	1,019,310
Cash and cash equivalents and restricted cash	28,306,498	—	—	—	28,306,498
	<b>51,379,635</b>	<b>99,643</b>	<b>166,451</b>	<b>12,764,002</b>	<b>64,409,731</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### CREDIT RISK (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
Trade, financing and bills receivable*	20,674,993	47,119	186,207	8,259,170	29,167,489
Financial assets included in prepayments, other receivables and other assets					
– Normal**	374,357	—	—	—	374,357
Cash and cash equivalents and restricted cash	30,606,858	—	—	—	30,606,858
	<u>51,656,208</u>	<u>47,119</u>	<u>186,207</u>	<u>8,259,170</u>	<u>60,148,704</u>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to consolidated the financial statements.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Further details about credit risks on trade, financing and bills receivables, and other receivables are disclosed in notes 19 and 20 to the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Trade and bills payables	37,478,557	—	—	—	37,478,557
Financial liabilities included in other payables and accruals	9,883,331	—	—	—	9,883,331
Borrowings	3,558,513	—	—	—	3,558,513
Lease liabilities	3,370	1,313	—	—	4,683
	<u>50,923,771</u>	<u>1,313</u>	<u>—</u>	<u>—</u>	<u>50,925,084</u>

	2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Trade and bills payables	54,694,963	—	—	—	54,694,963
Financial liabilities included in other payables and accruals	5,364,189	—	—	—	5,364,189
Borrowings	1,514,178	165,987	81,784	—	1,761,949
Lease liabilities	21,646	2,543	59	—	24,248
	<u>61,594,976</u>	<u>168,530</u>	<u>81,843</u>	<u>—</u>	<u>61,845,349</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2021.

Similar to the others in the industry, the Group monitors capital using the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as at the end of the reporting periods were as follows:

	2021	2020
Borrowings	<b>3,510,514</b>	1,711,840
Less: Cash and cash equivalents	<b>(24,692,404)</b>	(26,049,064)
Net debt	<b>(21,181,890)</b>	(24,337,224)
Total equity	<b>42,768,087</b>	35,679,407
Total capital	<b>21,586,197</b>	11,342,183
Gearing ratio	<b>Not Applicable</b>	Not Applicable

### 44. EVENTS AFTER THE REPORTING PERIOD

On 28 February 2022, the Company announced that Shandong Heavy Industry Group Co., Ltd. ("SHIG") had completed the registration of holding of a 65% of equity interest in CNHTC and, thereafter, became the ultimate holding company of the Company.

On 31 March 2022, the Group disposed of a 66% equity in Sinotruk Mianyang Special Vehicles Co., Ltd. which was originally a wholly-owned subsidiary of the Company at cash consideration of RMB 12 million. Thereafter, Sinotruk Mianyang Special Vehicles Co., Ltd. became an associated company of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021  
(All amounts in RMB thousands unless otherwise stated)

### 45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2021	2020
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		25	33
Investment properties	(a)	43,454	16,483
Investments in subsidiaries		19,978,124	18,858,207
Deferred income tax assets		6,931	13,847
Total non-current assets		20,028,534	18,888,570
<b>CURRENT ASSETS</b>			
Dividend receivable		987,008	1,986,008
Prepayments, other receivables and other assets		1,070	1,779
Cash and cash equivalents		111,648	103,502
Total current assets		1,099,726	2,091,289
<b>CURRENT LIABILITIES</b>			
Trade and bills payables		178	90
Borrowings		900,000	300,000
Other payables and accruals		24,996	12,315
Total current liabilities		925,174	312,405
<b>NET CURRENT ASSETS</b>		<b>174,552</b>	<b>1,778,884</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>20,203,086</b>	<b>20,667,454</b>
<b>Net assets</b>		<b>20,203,086</b>	<b>20,667,454</b>
<b>EQUITY</b>			
Share capital		16,717,024	16,717,024
Other reserve	(b)	9,643	—
Retained earnings	(b)	3,476,419	3,950,430
<b>Total equity</b>		<b>20,203,086</b>	<b>20,667,454</b>

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2022 and was signed on its behalf by:

**Cai Dong**  
Director

**Li Xia**  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

### 45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

- (a) The fair value of the Company's investment properties as at 31 December 2021 was RMB43,454,000 which was valued by the independent surveyor, PRUDENTIAL Property Surveyors (Hong Kong) Limited (31 December 2020: RMB30,935,000 valued by directors).
- (b) A summary of the Company's reserves is as follows:

	Revaluation reserve	Retained earnings
At 1 January 2020	—	2,327,924
Profit for the year	—	2,614,036
Dividend for 2019	—	(991,530)
At 31 December 2020 and 1 January 2021	—	<b>3,950,430</b>
Profit for the year	—	<b>1,939,160</b>
Revaluation gains	<b>9,643</b>	—
Dividend for 2020	—	<b>(2,413,171)</b>
<b>At 31 December 2021</b>	<b>9,643</b>	<b>3,476,419</b>

### 46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2022.

## FIVE YEARS FINANCIAL SUMMARY

### OPERATING RESULTS

	For the year ended 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Revenue	55,457,928	62,727,504	62,613,499	98,197,985	<b>93,357,031</b>
Profit before income tax	4,055,433	5,732,710	4,960,601	9,550,730	<b>5,862,814</b>
Income tax expense	(719,538)	(1,005,719)	(1,044,542)	(2,127,080)	<b>(1,153,352)</b>
Profit for the year	3,335,895	4,726,991	3,916,059	7,423,650	<b>4,709,462</b>
Attributed to:					
Owners of the Company	3,023,023	4,345,891	3,474,186	6,850,524	<b>4,322,071</b>
Non-controlling interests	312,872	381,100	441,873	573,126	<b>387,391</b>
Profit for the year	3,335,895	4,726,991	3,916,059	7,423,650	<b>4,709,462</b>

### ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Total assets	61,183,016	64,468,769	67,102,872	111,008,261	<b>107,019,934</b>
Total liabilities	35,752,305	36,127,917	37,576,429	75,328,854	<b>64,251,847</b>
Total equity:					
Owners of the Company	22,757,463	25,488,545	26,359,642	32,115,008	<b>35,671,144</b>
Non-controlling interests	2,673,248	2,852,307	3,166,801	3,564,399	<b>7,096,943</b>
	25,430,711	28,340,852	29,526,443	35,679,407	<b>42,768,087</b>

## FIVE YEARS FINANCIAL SUMMARY

In April 2020 and April 2019, the Group acquired the entire equity interests in Datong Gear and HOWO Bus from CNHTC, respectively. Each of the acquisitions of Datong Gear and HOWO Bus was considered to be a business combination under common control as the Group and Datong Gear as well as HOWO Bus are under common control of CNHTC both before and after their acquisitions. Accordingly, the results, assets and liabilities of Datong Gear and HOWO Bus should have been accounted for at historical amounts in the consolidated financial statements of the Company as if Datong Gear and HOWO Bus had always been part of the Group. The status of the adjustments of financial figures of Datong Gear and HOWO Bus into the above figures of the Company for the above years are:

	Inclusion of the relevant financial figures of	
	Datong Gear	HOWO Bus
2019 and 2020	Yes	Yes
2018	No	Yes
2017	No	No





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