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## SINOTRUK (HONG KONG) LIMITED

中國重汽(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 03808)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

AND

### PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ADOPTION OF THE NEW ARTICLES OF ASSOCIATION

#### RESULTS

The Board is pleased to announce the consolidated results of Sinotruk (Hong Kong) Limited for the year ended 31 December 2022 together with the comparative figures for the previous year as follows:

#### Consolidated statement of profit or loss

For the year ended 31 December 2022

(All amounts in RMB thousands unless otherwise stated)

	Notes	2022 Audited	2021 Audited
<b>REVENUE</b>	4	<b>59,290,569</b>	93,357,031
Cost of sales		(49,277,352)	(77,692,927)
<b>Gross profit</b>		<b>10,013,217</b>	15,664,104
Other income and gains		1,293,879	1,258,030
Selling and distribution expenses		(2,860,898)	(4,539,909)
Administrative expenses		(4,773,600)	(6,284,627)
Impairment losses on financial assets, net		(418,631)	(155,980)
Other expenses		(351,025)	(181,722)
<b>Operating profit</b>		<b>2,902,942</b>	5,759,896
Finance income		137,785	119,950
Finance costs		(9,389)	(11,391)
Finance income, net		128,396	108,559
Share of profits and losses of associates		(23,066)	(5,641)
<b>PROFIT BEFORE TAX</b>	5	<b>3,008,272</b>	5,862,814
Income tax expense	6	(957,532)	(1,153,352)
<b>PROFIT FOR THE YEAR</b>		<b>2,050,740</b>	4,709,462

## Consolidated statement of profit or loss (continued)

For the year ended 31 December 2022

(All amounts in RMB thousands unless otherwise stated)

	Notes	2022 Audited	2021 Audited
<b>Attributable to:</b>			
Owners of the Company		1,796,574	4,322,071
Non-controlling interests		<u>254,166</u>	<u>387,391</u>
		<u><b>2,050,740</b></u>	<u><b>4,709,462</b></u>
 <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
	7		
(expressed in RMB per share)			
Basic and diluted		<u><b>0.65</b></u>	<u><b>1.57</b></u>

## Consolidated statement of comprehensive income

For the year ended 31 December 2022

(All amounts in RMB thousands unless otherwise stated)

	<b>2022</b>	<b>2021</b>
	<b>Audited</b>	<b>Audited</b>
<b>PROFIT FOR THE YEAR</b>	<b>2,050,740</b>	4,709,462
<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>(15,107)</b>	6,417
Exchange differences on translation of foreign operations	<b>845</b>	11,639
Share of other comprehensive income/(loss) of associates	<b>2,337</b>	(3,348)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<b>(11,925)</b>	14,708
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>5,157</b>	(6,384)
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties	<b>—</b>	9,643
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<b>5,157</b>	3,259
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<b>(6,768)</b>	17,967
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>2,043,972</b>	4,727,429
<b>Attributable to:</b>		
Owners of the Company	<b>1,790,621</b>	4,333,317
Non-controlling interests	<b>253,351</b>	394,112
	<b>2,043,972</b>	4,727,429

## Consolidated statement of financial position

As at 31 December 2022

(All amounts in RMB thousands unless otherwise stated)

	Notes	2022 Audited	2021 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		15,487,358	14,215,393
Investment properties		840,134	753,520
Right-of-use assets		2,319,622	2,553,656
Goodwill		68,933	121,428
Other intangible assets		232,366	269,512
Investments in associates		1,970,714	1,338,382
Equity investments designated at fair value through other comprehensive income		31,925	31,925
Trade and financing receivables	9	2,274,760	5,007,345
Prepayments, other receivables and other assets		192,798	522,477
Deferred tax assets		2,302,340	2,222,779
Total non-current assets		25,720,950	27,036,417
<b>CURRENT ASSETS</b>			
Inventories		13,496,445	16,667,158
Trade, financing and bills receivables	9	16,145,075	24,063,467
Prepayments, other receivables and other assets		18,452,273	3,911,611
Financial assets at fair value through other comprehensive income	10	7,359,387	4,057,928
Financial assets at fair value through profit or loss		4,500,202	2,976,855
Cash and cash equivalents and restricted cash		19,804,185	28,306,498
Total current assets		79,757,567	79,983,517
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	33,221,359	37,478,557
Other payables and accruals		22,184,285	19,378,305
Borrowings		3,889,799	3,510,514
Lease liabilities		1,917	3,298
Tax payable		480,291	311,397
Provisions		1,536,767	2,206,567
Total current liabilities		61,314,418	62,888,638

## Consolidated statement of financial position (continued)

As at 31 December 2022

(All amounts in RMB thousands unless otherwise stated)

	<b>2022</b>	<b>2021</b>
	<b>Audited</b>	<b>Audited</b>
<b>NET CURRENT ASSETS</b>	<b><u>18,443,149</u></b>	<b><u>17,094,879</u></b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b><u>44,164,099</u></b>	<b><u>44,131,296</u></b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	143	1,078
Deferred tax liabilities	109,755	127,238
Termination and post-employment benefit obligations	525,467	577,844
Deferred income	<u>560,157</u>	<u>657,049</u>
Total non-current liabilities	<u>1,195,522</u>	<u>1,363,209</u>
<b>Net assets</b>	<b><u>42,968,577</u></b>	<b><u>42,768,087</u></b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	16,717,024	16,717,024
Other reserves	3,015,829	2,763,305
Retained earnings	<u>16,176,135</u>	<u>16,190,815</u>
	<b>35,908,988</b>	<b>35,671,144</b>
<b>Non-controlling interests</b>	<u>7,059,589</u>	<u>7,096,943</u>
<b>Total equity</b>	<b><u>42,968,577</u></b>	<b><u>42,768,087</u></b>

## **Notes to the consolidated financial information**

(All amounts in RMB thousands unless otherwise stated)

### **1 General information**

The Company was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation of CNHTC. The address of the Company's registered office is Units 2102-03, 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.

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

#### *Section 436 of the Companies Ordinance*

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of 2022 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 in due course.

The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2022 and 2021. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Companies Ordinance.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Basis of preparation

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

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

### 3. Accounting policies

#### 3.1 New and amended standards adopted by the Group

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 3. Accounting policies (continued)

#### 3.2 Issued but not yet effective Hong Kong financial reporting standards

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

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>1,5</sup>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information</i> <sup>6</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>2,4</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

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

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 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

<sup>6</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information

The chief operating decision-maker has been identified as the board of directors (the “Board”) of the Company while it delegates the executive committee (the “Executive Committee”) of the Company 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, investments in associates, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, trade, financing and bills receivables, prepayments, other receivables and other assets, and operating cash. They exclude deferred tax assets and prepaid income tax.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

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.

The segment results for the year ended 31 December 2022 are as follows:

	Year ended 31 December 2022					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Elimination	
<b>External revenue</b>						
Sales of goods	49,559,485	7,454,541	724,870	—	—	57,738,896
Rendering of services	238,090	—	32,171	—	—	270,261
Provision of financing services	—	—	—	1,281,412	—	1,281,412
<b>Total external revenue</b>	<b>49,797,575</b>	<b>7,454,541</b>	<b>757,041</b>	<b>1,281,412</b>	<b>—</b>	<b>59,290,569</b>
Inter-segment revenue	502,006	951,317	10,667,303	433,438	(12,554,064)	—
<b>Total segment revenue</b>	<b>50,299,581</b>	<b>8,405,858</b>	<b>11,424,344</b>	<b>1,714,850</b>	<b>(12,554,064)</b>	<b>59,290,569</b>
Operating profit/(loss) before unallocated expenses	2,598,875	(550,109)	59,372	685,304	144,817	2,938,259
Unallocated expenses						(35,317)
<b>Operating profit</b>						<b>2,902,942</b>
Finance income, net						128,396
Share of losses of associates						(23,066)
<b>Profit before tax</b>						<b>3,008,272</b>
Income tax expense						(957,532)
<b>Profit for the year</b>						<b>2,050,740</b>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

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

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

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

Other segment items included in profit or loss for the year ended 31 December 2022 are as follows:

	Year ended 31 December 2022					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	
Depreciation of property, plant and equipment	501,884	218,739	628,592	1,629	9	1,350,853
Depreciation of right-of-use assets	33,597	19,257	8,983	2	—	61,839
Amortisation of other intangible assets	<u>24,850</u>	<u>13,529</u>	<u>33,862</u>	<u>812</u>	<u>—</u>	<u>73,053</u>

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

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

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

The segment assets and liabilities as at 31 December 2022 and addition to non-current assets of the segments for the year then ended are as follows:

	At 31 December 2022					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	
Segment assets	67,236,440	9,850,820	23,435,479	50,320,322	2,506,134	153,349,195
Elimination						<u>(47,870,678)</u>
<b>Total assets</b>						<u><b>105,478,517</b></u>
Segment liabilities	42,451,429	10,455,303	10,225,358	40,263,559	599,584	103,995,233
Elimination						<u>(41,485,293)</u>
<b>Total liabilities</b>						<u><b>62,509,940</b></u>
Addition to non-current assets	1,878,616	343,750	1,217,404	7,356	12	<u><u>3,447,138</u></u>

A reconciliation for entity assets and liabilities is as follows:

	At 31 December 2022	
	Assets	Liabilities
<b>Segment assets/liabilities after elimination</b>	<b>102,972,383</b>	<b>61,910,356</b>
Unallocated:		
Deferred tax assets/liabilities	2,302,340	109,755
Prepaid income tax/tax payable	155,357	480,291
Other assets/liabilities	48,437	9,538
	<u>2,506,134</u>	<u>599,584</u>
<b>Total</b>	<u><b>105,478,517</b></u>	<u><b>62,509,940</b></u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

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

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

A reconciliation for entity assets and liabilities is as follows:

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

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

#### Geographical information

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

	2022	2021
Mainland China	38,129,096	81,556,486
Overseas	<u>21,161,473</u>	<u>11,800,545</u>
	<u><u>59,290,569</u></u>	<u><u>93,357,031</u></u>

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

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

	2022	2021
Mainland China	22,441,746	23,862,039
Overseas	<u>976,864</u>	<u>951,599</u>
	<u><u>23,418,610</u></u>	<u><u>24,813,638</u></u>

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

	2022	2021
<b>Addition to non-current assets</b>		
Mainland China	3,447,126	3,326,048
Overseas	<u>12</u>	<u>—</u>
	<u><u>3,447,138</u></u>	<u><u>3,326,048</u></u>

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

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 4. Operating segment information (continued)

#### (c) Contract liabilities

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

	<b>2022</b>	<b>2021</b>
Heavy duty trucks	<b>4,599,149</b>	4,266,985
Light duty trucks and others	<b>413,355</b>	616,171
Engines	<b>31,071</b>	24,771
	<u><b>5,043,575</b></u>	<u>4,907,927</u>

#### Information about major customers

During the years ended 31 December 2022 and 2021, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 5. Profit before tax

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

	2022	2021
Cost of inventories sold	41,613,858	68,684,880
Warranty expenses	178,687	1,387,131
Depreciation of property, plant and equipment	1,350,853	1,370,920
Depreciation of right-of-use assets	61,839	76,163
Amortisation of other intangible assets	73,053	72,416
Research and development costs*	2,521,832	3,280,256
Transportation charges	942,857	1,216,351
Auditor's remuneration:		
Financial audit services	6,289	6,289
Internal control audit services	468	468
Taxation professional services	83	83
Environmental, social and government report services	159	159
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries, allowances, social security and benefits	3,708,213	4,830,194
Defined contribution pension schemes**	574,983	562,366
Termination benefits	147,676	355,452
Post-employment benefits	22,616	28,489
Housing benefits	426,604	452,841
Other staff benefits	421,837	708,684
Lease payments not included in the measurement of lease liabilities	54,508	44,984
Losses/(gains) on disposal of items of property, plant and equipment	1,706	(17,105)
Gain upon derecognition of leases	—	(248)
Write-down of inventories to net realisable value	622,733	348,403
Impairment/(reversal of impairment) of trade receivables	223,566	(119,684)
Impairment of financing receivables	63,193	265,196
(Reversal of impairment)/impairment of bills receivable	(6,168)	20,138
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets	133,313	(9,670)
Impairment of property, plant and equipment	1,365	9,493
Impairment from the off-balance sheet credit business	4,727	—
Impairment of investment in an associate	124,532	—
Foreign exchange differences, net***	(496,543)	167,912

\* The research and development costs of RMB2,521,832,000 (2021: RMB3,280,256,000) 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.

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

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 6. Income tax expense

	2022	2021
Current tax:		
– Hong Kong		
Charge for the year	112	2,170
Overprovision in prior years	—	(498)
	<u>112</u>	<u>1,672</u>
– Mainland China		
Charge for the year	1,069,316	1,006,104
(Overprovision)/Underprovision in prior years	(40,527)	31,117
	<u>1,028,789</u>	<u>1,037,221</u>
– Elsewhere	<u>1,486</u>	<u>174</u>
Total current tax	1,030,387	1,039,067
Deferred tax	<u>(72,855)</u>	<u>114,285</u>
Total tax charge	<u><u>957,532</u></u>	<u><u>1,153,352</u></u>

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

Sinotruk Ji'nan Power Co., Ltd., Sinotruk Hangzhou Engines Co., Ltd., Sinotruk (Weihai) Commercial Vehicle Co., Ltd. (before disposal of), and Sinotruk Datong Gear Co., Ltd. have been recognised as High New Tech Enterprises in 2020. Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as a High New Tech Enterprise in 2022. These companies are entitled to a reduced corporate income tax rate of 15% (2021:15%) according to the tax incentives of the CIT Law for High New Tech Enterprises.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 6. Income tax expense (continued)

Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., Sinotruk (Chongqing) Light Vehicle Co., Ltd., Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd. and Sinotruk Mianyang Special Vehicles Co., Ltd. (before disposal of) are subject to corporate income tax at a rate of 15% (2021:15%) according to the Western Development tax incentives of the CIT Law.

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax at a rate of 20% (2021: 20%) according to the Tax Code of the Russian Federation.

Sinotruk South Africa (Pty) Ltd. is subject to corporate income tax at a rate of 28% (2021: 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% (2021: 20%) according to the Kazakhstan tax law.

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

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

### 7. Earning per share

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,760,993,339 (2021: 2,760,993,339) in issue during the year.

There are no dilutive potential ordinary shares during the year ended 31 December 2022 (2021: nil).

### 8. Dividend

	2022	2021
Final dividend declared for financial year 2021 (2021: final dividend for financial year 2020)	<u><u>1,555,910</u></u>	<u><u>2,413,171</u></u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 9. Trade, financing and bills receivables

	2022	2021
Trade receivables	7,438,777	7,911,108
Provision for impairment	<u>(1,183,805)</u>	<u>(1,134,084)</u>
Trade receivables, net (a)	6,254,972	6,777,024
Financing receivables	12,499,845	22,319,921
Provision for impairment	<u>(806,913)</u>	<u>(778,442)</u>
Financing receivables, net (b)	11,692,932	21,541,479
Bills receivable	485,901	772,447
Provision for impairment	<u>(13,970)</u>	<u>(20,138)</u>
Bills receivable, net (c)	<u>471,931</u>	<u>752,309</u>
	<u><b>18,419,835</b></u>	<u><b>29,070,812</b></u>
<i>Current portion</i>		
Trade receivables	6,122,756	6,524,402
Financing receivables	9,550,388	16,786,756
Bills receivable	<u>471,931</u>	<u>752,309</u>
	<u><b>16,145,075</b></u>	<u><b>24,063,467</b></u>
<i>Non-current portion</i>		
Trade receivables	132,216	252,622
Financing receivables	<u>2,142,544</u>	<u>4,754,723</u>
	<u><b>2,274,760</b></u>	<u><b>5,007,345</b></u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 9. Trade, financing and bills receivables (continued)

#### (a) Trade receivables

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:

	<b>2022</b>	<b>2021</b>
Less than 3 months	<b>2,285,173</b>	1,632,241
3 months to 6 months	<b>1,622,969</b>	2,715,164
6 months to 12 months	<b>1,176,986</b>	1,127,599
1 year to 2 years	<b>649,735</b>	323,354
2 years to 3 years	<b>120,866</b>	503,988
Over 3 years	<b>399,243</b>	474,678
	<b>6,254,972</b>	6,777,024

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 2022, approximately RMB2,261,309,000 (2021: RMB921,325,000) of the trade receivables are secured by letters of credit issued by certain overseas third parties. As at 31 December 2022, approximately RMB2,321,850,000 (2021: RMB1,666,131,000) of the trade receivables were guaranteed by China Export and Credit Insurance Corporation.

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 9. Trade, financing and bills receivables (continued)

#### (b) Financing receivables

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:

	2022	2021
Less than 3 months	3,326,547	5,451,878
3 months to 6 months	2,839,269	4,499,349
6 months to 12 months	3,384,572	6,835,529
1 year to 2 years	1,925,074	4,468,320
2 years to 3 years	217,470	286,403
	<u>11,692,932</u>	<u>21,541,479</u>

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

#### (c) Bills receivable

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

	2022	2021
Discounted bills	17,015	3,712
Bank acceptance bills	60,714	—
Commercial acceptance bills	408,172	768,735
Provision for impairment of commercial acceptance bills	(13,970)	(20,138)
	<u>471,931</u>	<u>752,309</u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 9. Trade, financing and bills receivables (continued)

#### (c) Bills receivable (continued)

Bills receivable based on transaction dates at the respective dates of the statement of financial position, net of provisions, is as follows:

	2022	2021
Less than 3 months	379,021	672,188
3 months to 6 months	92,910	79,921
6 months to 12 months	—	200
	<u>471,931</u>	<u>752,309</u>

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

	2022	2021
Debt investments		
– bank acceptance bills	<u>7,359,387</u>	<u>4,057,928</u>

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

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

	2022	2021
Less than 3 months	4,148,833	1,635,071
3 months to 6 months	3,118,757	1,748,665
6 months to 12 months	91,797	674,192
	<u>7,359,387</u>	<u>4,057,928</u>

## Notes to the consolidated financial information (continued)

(All amounts in RMB thousands unless otherwise stated)

### 11. Trade and bills payables

	2022	2021
Trade payables	23,192,595	29,015,522
Bills payable	<u>10,028,764</u>	<u>8,463,035</u>
	<u><u>33,221,359</u></u>	<u><u>37,478,557</u></u>

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

	2022	2021
Less than 3 months	20,196,344	29,662,715
3 months to 6 months	10,002,980	6,789,670
6 months to 12 months	2,879,175	945,449
1 year to 2 years	108,693	29,446
2 years to 3 years	11,941	21,785
Over 3 years	<u>22,226</u>	<u>29,492</u>
	<u><u>33,221,359</u></u>	<u><u>37,478,557</u></u>

### 12. Events after the reporting period

No significant subsequent events have taken place after the end of the reporting period.

## PROPOSED DIVIDENDS

The Board recommends to distribute to Shareholders whose names appear on the register of members of the Company on Friday, 7 July 2023 a final dividend of either HKD0.33 or RMB0.29 per Share (converted at the exchange rate of RMB0.87758 to HKD1 as published by the PBOC on Thursday, 30 March 2023) for the year ended 31 December 2022 (the “2022 Final Dividend”) with a sum of approximately HKD911,128,000 or RMB800,688,000 which is subject to the Shareholders’ approval at the forthcoming 2023 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 2022 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 2022 Final Dividend after deducting an enterprise income tax of 10% or other appropriate rates.

Investors who invest in Hong Kong Shares through the Shanghai Stock Exchange or the Shenzhen Stock Exchange (the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect investors), whether natural persons or enterprises, are investors who hold the Shares through HKSCC Nominees Limited, and in accordance with the above requirements, the Company will pay to HKSCC Nominees Limited the amount of the 2022 Final Dividend after withholding for payment the 10% enterprise income tax.

The Company will not withhold and pay the income tax in respect of the 2022 Final Dividend payable to PRC resident enterprise shareholders, exempted entities or any natural person shareholders.

## **CLOSURE OF REGISTER OF MEMBERS**

A notice convening the AGM and containing the book closure dates for determining the entitlement of the Shareholders to attend and vote at the AGM will be despatched to the shareholders in due course.

In order to determine the entitlement of the Shareholders to the proposed 2022 Final Dividend, the register of members of the Company will be closed from Thursday, 6 July 2023 to Friday, 7 July 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to receive the proposed 2022 Final Dividend to be approved at the AGM, holders of the Shares must lodge their Share certificates together with the relevant Share transfer documents with Computershare Hong Kong Investor Services Limited, the share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 5 July 2023.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET OVERVIEW**

#### **TRUCKS MARKET**

In 2022, amidst the complex and unpredictable international environment, China faced a more complex domestic and international landscape. As the supply of energy, food and raw materials was affected by unstable factors such as geopolitics, the high inflation caused disturbances to the economies of all countries. Under such circumstances, China has withstood the pressure on its economy and maintained overall economic stability through efficiently coordinating with economic and social development and actively responding to internal and external challenges. In 2022, China's GDP grew by 3% YoY, while investment in fixed asset (excluding rural households) and infrastructure increased by 5.1% and 9.4% YoY respectively. The national economy gradually stabilized and rebounded, reflecting the strong resilience, enormous potential and great vitality of China's economy. The fundamentals sustaining long-term growth have remained strong.

During the Period, for commercial vehicles, the external economic environment was still difficult and market was relatively stagnant. For the heavy duty truck industry, influenced by a series of negative factors such as consumption overdraft caused by higher emission standard requirements and high level inventory, the demand of ultimate consumers constantly narrowed, causing the road freight market to suffer a severe impact and a significant decrease in sales. According to CAAM, the annual sales of heavy duty trucks reached approximately 672,000 units, representing a decrease of 51.8% YoY. For the light duty truck industry, affected by various factors including the implementation of new regulations for blue-plate LDT, an excessive number of trucks compared to the volume of cargo and a low freight rate, sales hit a new low as compared to the same period in recent years. The annual sales of light duty trucks reached approximately 1,618,000 units, representing a decrease of 23.4% YoY.

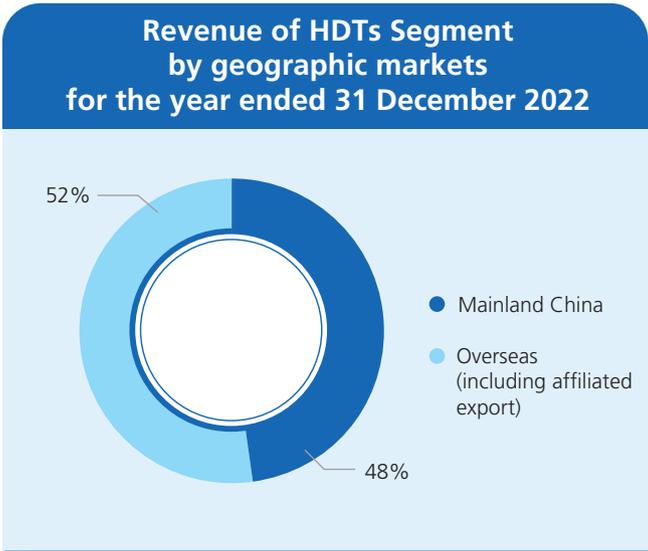
## FINANCING MARKET

During the Period, the Chinese government continued to implement the loan prime rate (LPR) mechanism. One-year LPR was lowered once and the five-year LPR was lowered twice. As at 31 December 2022, one-year LPR was 3.65% while LPR of over five years was 4.30%.

## OPERATION REVIEW

### HDTs SEGMENT

During the Period, total revenue from the HDTs segment (including sales of HDTs and services provided to customers thereof) was RMB50,300 million, representing a decrease of 36.8% YoY; The Operating Profit Margin of HDTs Segment was 5.2%, representing a decrease of 0.2 percentage points YoY. The decrease in the total revenue and the Operating Profit Margin of the HDTs Segment was mainly due to the significant drop in sales volume of HDTs in the PRC.



During the Period, the Group sold 157,756 HDTs, representing a decrease of 44.0% YoY.



**DOMESTIC BUSINESS**

During the Period, the Group sold 69,231 HDTs in the PRC, representing a decrease of 69.6% YoY.

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, and achieved comprehensive breakthroughs in market segments.

The tractor truck market is still the largest segment of the road freight market due to its characteristics such as large load capacity, strong power, and high transportation efficiency. The market is moving towards tractor trucks with high horsepower as the requirements of the logistics industry for transportation efficiency increases. Relying on its advantages in product portfolio and reputation for low fuel consumption and high reliability, the sales of the Group was in a leading position in multiple market segments such as long-distance logistics transportation, express delivery, dangerous goods, and tractor truck with 500 horsepower or above.

In the market of cargo trucks, the Group continued to optimize its product structure, enabling a continuous increase in the cargo truck market share which the Group's market share increased by about 6 percentage points. The Group entered the forefront of the industry for the first time and made great progress.

In the market of mixer trucks, the Group paid close attention to new regulations on mixer trucks and focal cities where strict controls were implemented over speeding and overloading, enriched the product portfolio, constantly deepened the strategic cooperation with refitting factories and strengthened the development of the terminal market. The Group has been the first in the industry in terms of the share of mixer truck for many years.

In the market of special vehicles, the Group's products achieved full coverage of market segments. SITRAK, HOWO TX and HOWO NX helped increase the market share of refrigerated vehicles by approximately 5 percentage points with the combination of high, medium and low-end refrigerated vehicles.

The Group continued to optimize its dealers' network. As at 31 December 2022, in the PRC there were more than 700 dealerships selling the Group's HDT products, with more than 1,200 service centers offering high-quality after-sales services and more than 100 truck-refitting services enterprises offering refitting services.

The above market data source: end sales data, the Company's internal data.

## **INTERNATIONAL BUSINESS**

During the Period, the Group exported 88,525 HDTs (including affiliated export), representing an increase of 63.8% YoY. The export revenue (including affiliated export) amounted to RMB26,114 million, representing an increase of 85.7% YoY.

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

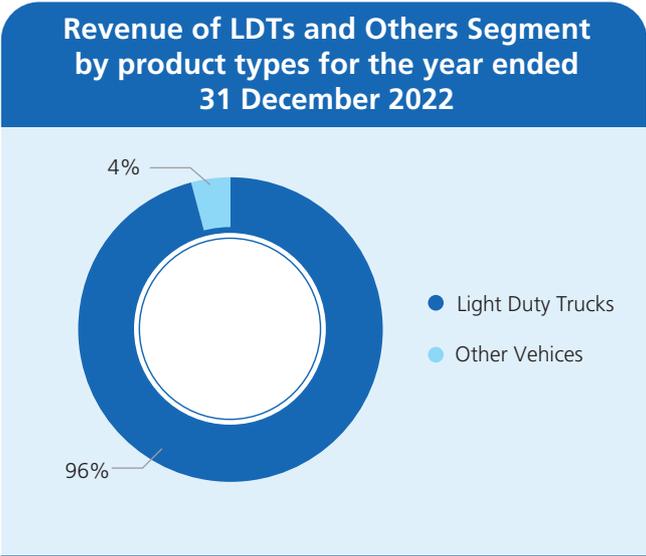
	<b>2022</b>	<b>2021</b>
	<b>RMB million</b>	<b>RMB million</b>
Overseas revenue	<b>21,161</b>	11,801
Affiliated export revenue	<b>6,676</b>	3,334
Total affiliated export revenue	<b><u>27,837</u></b>	<u>15,135</u>
HDTs affiliated export revenue	<b>26,114</b>	14,064
Other affiliated export revenue	<b>1,723</b>	1,071
Total affiliated export revenue	<b><u>27,837</u></b>	<u>15,135</u>

In 2022, turbulence in the world order such as the geopolitics and tensions between superpowers intensified global inflation. Major central banks around the world adopted tight monetary policies, and the global economic recovery remained stagnant. The Group's export business withstood all pressures and maintained high-quality development in the international market to such extent that the sales volume hit a record high and it ranked first in the domestic HDT industry in terms of the export market share, maintaining leading export position in the industry for many years. During the Period, firstly, the Group further consolidated its position in the traditional markets, such as Africa and Southeast Asia, by strengthening marketing management and channel empowerment; secondly, the Group leveraged its advantages in power chain upgrades and new product introduction to enhance our product's differentiation competitiveness and to fill in the gaps in product offering in segmented markets, leading to upgrade for our export product structure in an orderly manner; thirdly, with precise focus on needs and usage scenarios of our high-end market customers, the Group improved our product adaptability and service levels, rapidly tapped into the medium and long-haul logistics tractor and high-end tripper truck submarkets in the Middle East and the America; and fourthly, through deepening marketing reform, deploying network in the lower-tiered cities and supporting strengthened service marketing, the Group vigorously developed dealerships in the Middle East and South America, resulting in a sustained expansion of our market share.

As at 31 December 2022, the Company had developed around 240 dealerships at all levels, around 250 outlets for services and around 220 outlets for spare parts, and 28 overseas cooperative KD plants in more than 90 countries and regions, forming an international marketing network largely covering developing countries and major emerging economies in Africa, the Middle East, Central and South America, Central and Southeast Asia, as well as countries and regions like Australia, Ireland and New Zealand, and mature markets including Hong Kong and Taiwan.

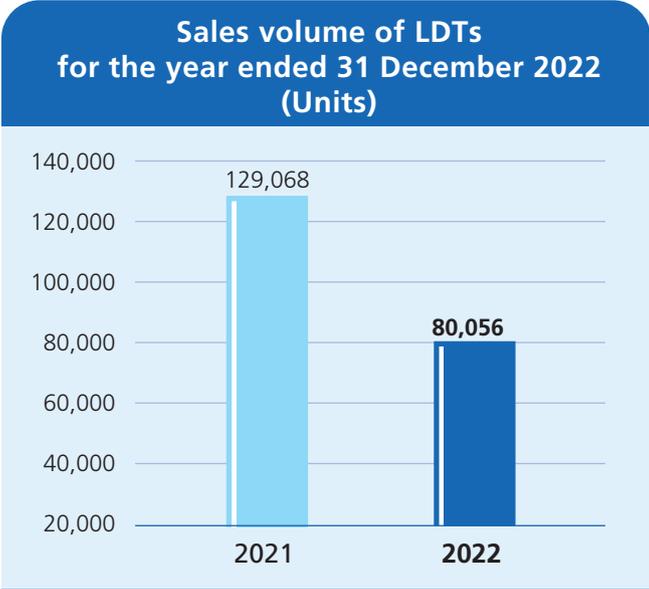
**LDTs AND OTHERS SEGMENT**

Revenue from LDTs, the major products of the LDTs and Others Segment, accounted for approximately 96.4% of total revenue of the segment, while other products of the segment included buses, pickup trucks and other vehicles.



During the Period, the total revenue from the LDTs and Others Segment (including sales of LDTs and other vehicles and services provided to customers thereof) was RMB8,406 million, representing a decrease of 35.8% YoY. The Operating Loss Margin of the LDTs and Others Segment was 6.5%, representing an increase of 2.2 percentage points as compared to the corresponding period of last year. The decrease in the total revenue and the increase in the Operating Loss Margin of the LDTs Segment was mainly attributable to the decrease in sales volume of LDTs which resulted in a relatively large drop in sales revenue and the decline in the outcome of economies of scale in production.

The Group sold 80,056 LDTs, representing a decrease of 38.0% YoY.

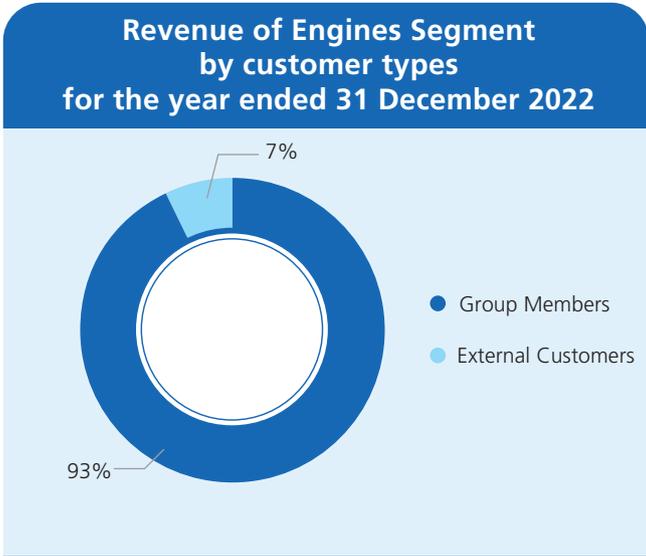


During the Period, the Group continuously optimized its product structure and achieved breakthroughs in key market segments. Firstly, the sales volume and market shares of vehicles of 2.0L, 2.3L, 2.5L were significantly improved, with vehicles of 2.0L and 2.5L gradually forming sales support; secondly, the Group achieved continuous breakthroughs in featured products, steadily increased sales volume of special vehicles and new energy products, and made strong efforts in promoting products such as refrigerated trucks, wreckers, environmental sanitation vehicles and hazardous chemical transport vehicles, resulting in continuous growth of their market shares; and thirdly, the products' ranking in regional markets kept rising, and their regional competitiveness has significantly strengthened.

As at 31 December 2022, the Group had, in the PRC, a total of approximately 1,100 dealerships of LDTs, approximately 2,300 service centers offering after-sales services and approximately 120 modification enterprises offering tuning services.

**ENGINES SEGMENT**

During the Period, the segment recorded total revenue (sales of engines) of RMB11,424 million, representing a decrease of 41.4% YoY, of which external sales accounted for 6.6%, representing an increase of 0.3 percentage points YoY. The Operating Profit Margin of the Engines Segment was 0.5%, representing a decrease of 8.4 percentage points YoY. The decrease in the total revenue and the Operating Profit Margin of the Engines Segment was mainly due to the decrease in sales volume leading the drop in sales revenue while the drop in sales volume resulted higher fixed costs shared by each engine, resulting the increase of average costs and the decrease of the Operating Profit Margin.



During the Period, the engines segment sold 132,309 engines, representing a decrease of 39.3% 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. The Group keeps enhancing the competitiveness of existing engine products, increasing investment in new energy technologies, and constructing various advanced power parts and components platforms, to satisfy the needs of different products of finished vehicles including HDTs, LDTs and construction machine.

During the Period, firstly, the Group continuously improved the introduction efficiency of products complying with China VI Vehicle Emission Standards, obtaining market recognition by virtue of its MC series engines complying with China VI Vehicle Emission Standards with good economy, strong power and high reliability; secondly, the Group constantly optimized the fuel consumption of engines, increased the fuel thermal efficiency and decreased the fuel consumption per hundred kilometers through measures such as combustion system optimization and accessory electrification, striving to enhance the market competitiveness of finished vehicle products.

## **R&D STRENGTH**

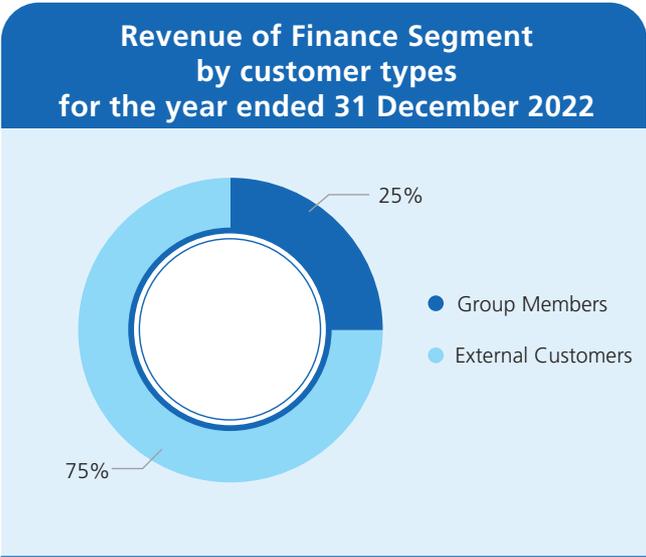
The Group has comprehensive R&D capabilities for the whole series of commercial vehicles, complying with international standards in R&D of finished vehicles, and getting close to international levels at components and parts of key vehicle assembly. An independent innovation and R&D system mainly based 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 and promotion 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, the Group achieved certain innovative results, accomplished the light-weighting and modularization of original vehicle models, and completed the development of industry-leading new vehicle models. In terms of engines, fuel consumption reduction achieved positive progress, and the MC13H engine with thermal efficiency of 48% has been put into production, further reducing the fuel consumption. In addition, in terms of new energy and unmanned driving, the unmanned intelligent mine-duty trucks newly developed were used for pilot application in closed mining areas. The development and verification of electric drive axles of first generation were completed, and part of the products has been under the stage of delivery and pilot within a small scale.

## FINANCE SEGMENT

During the Period, revenue from the Finance Segment (including interest income and finance lease income) was RMB1,715 million, representing a decrease of 27.5% YoY. Revenue from external customers amounted to RMB1,281 million, representing a decrease of 28.0% YoY. The Operating Profit Margin of the Finance Segment was 39.9%, increased by 3.3 percentage points YoY. The decrease in the revenue of the Finance Segment was mainly due to the decrease in trucks sold under Auto-finance Services while the better Operating Profit Margin was due to the decrease in the required additional impairment provision for financing receivables.



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

As at 31 December 2022, the Finance Segment of the Group had established 22 business offices, with its business covering mainland China, and having further improved its automotive consumer credit services.

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

- (i) commercial lending (“**Commercial Lending**”) which involves the provision of loans to the Borrowers, bill discounting services for bank bills presented by the Borrowers and issue of bills (off-balance sheet credit business), and
- (ii) auto-finance services (“**Auto-finance Services**”), which involves the provision of financing to the Borrowers, being end-users and dealers of the Group’s products for the purpose of purchasing the Group’s vehicles.

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

The below figures disclosed in the section headed the “Finance Segment” have been offset with intragroup transactions.

### **Commercial Lending**

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

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

During the Period, the interest revenue from the Commercial Lending services was RMB147 million, representing a decrease of RMB97 million or 39.8% YoY. As at 31 December 2022, the outstanding net amounts and interest receivable of the loans and bills discounted was RMB2,581 million and RMB4 million, (31 December 2021: RMB2,096 million and RMB104 million) respectively.

As at 31 December 2022, there were around 100 of such Borrowers who had outstanding balances with the Group in respect of such provision of loan services and bill discounting services. As at 31 December 2022, the Commercial Loans granted to the largest Borrower (being the CNHTC Group) and the top five Borrowers constituted approximately 44.4% and 62.5% (31 December 2021: 50.4% (being the CNHTC Group) and 72.4%) of the Group's relevant net financing receivables and discounting bills balance.

### **Auto-finance Services**

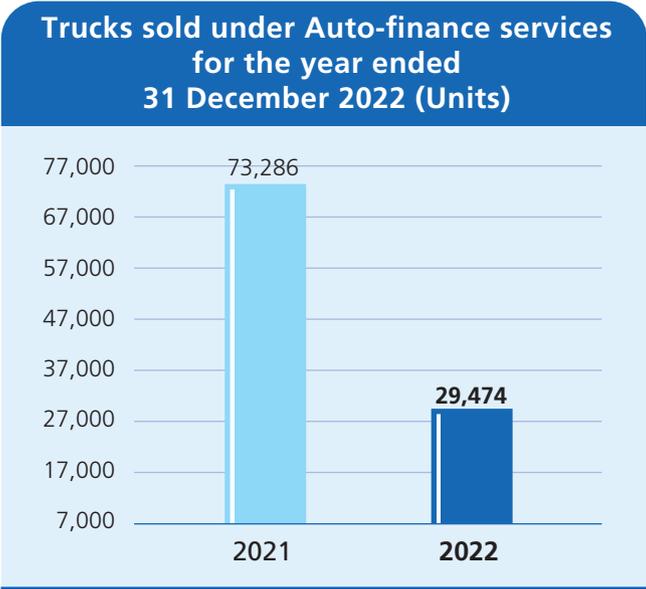
In respect of the provision of the Auto-finance Services by the Group, the Borrowers comprise individuals and entities that purchase commercial vehicles of the Group from dealers and were either end-users of the Group's commercial vehicles or car dealers of commercial vehicles. Such Borrowers were either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

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

During the Period, the interest revenue from the Auto-finance Services was RMB606 million, representing a decrease of RMB410 million or 40.4% YoY. As at 31 December 2022, the outstanding net amounts and interest receivable of the loans and finance leases was RMB9,112 million and RMB13 million (31 December 2021: RMB19,321 million and RMB25 million), respectively. As at 31 December 2022, the net finance leases balance to the net loans and finance leases balance was approximately 10.2% (31 December 2021: approximately 11.0%).

As at 31 December 2022, the Borrowers who obtained financing via the Group's Auto-finance Services were less than 70,000 (31 December 2021: more than 90,000). As at 31 December 2022, the loans and leases granted under Auto-finance Services to the largest Borrower and the top five Borrowers constituted approximately 0.2% and 0.7% (31 December 2021: approximately 0.3% and 0.8%) of the Group's relevant loans and leases balance.

During the Period, the Group sold 29,474 vehicles through Auto-finance Services, representing a decrease of 59.8% YoY.



### Impairments and Write-offs

The Finance Segment considers the provision for impairment based on the Borrowers' repayment situations, current and forecast economic conditions and legal and regulations which are consistent with market practices. In compliance with the requirements set out in the Guidance on Provisioning for Loan Losses (《銀行貸款損失準備計提指引》) promulgated by the People's Bank of China, in assessing the relevant risks of loss in respect of the relevant loans and financing receivables, the Finance Segment shall, on at least a quarterly basis, assess and classify the relevant outstanding balances into five categories depending on the credit risk. Depending on the relevant category, provisions for impairment in respect of the outstanding financing receivables will be made by the Finance Segment in accordance with the Group's internal policy, based on a provision rate ranging from 1% to 100%.

During the Period, the increase in the provision for impairment of financing receivables amounted to RMB63 million (2021: RMB265 million) and impairment losses of off-balance sheet credit business at RMB4 million (2021: nil). As at 31 December 2022, the total provision of impairment of financing receivables including discounting bills amounted to RMB807 million (31 December 2021: RMB778 million) which were made after the consideration of the Borrowers' repayment history and market situations, in particular, the impacts of COVID-19 and provision for impairment losses of off-balance sheet credit business amounted to RMB4 million (2021: nil). During the Period, RMB35 million (2021: nil) of the financing receivables had been written-off.

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

## **Key Internal Control Measures**

### ***Credit risk assessment***

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

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

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

### ***Monitoring of loan collection and recovery***

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

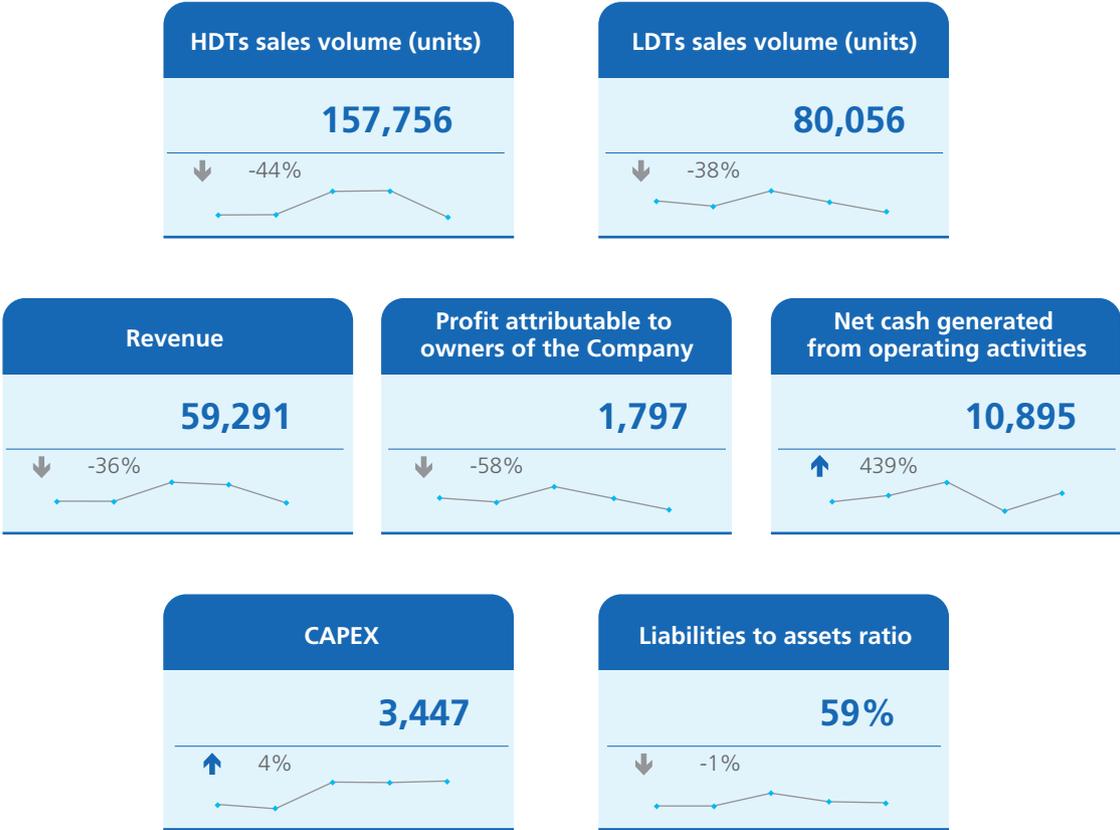
The Group has also adopted a policy for loan collection/recovery, pursuant to which, depending on the status of the overdue payment, the Business Units will continuously contact the Borrower via different means including by phone and on-site interviews, issue overdue payment reminder to the Borrower,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

## MAJOR KEY PERFORMANCE INDICATORS (“KPI”)

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

The following charts present the key KPIs for the year ended 31 December of each of the following years.

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



<b>Key performance indicators</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
HDTs sales volume (units)	157,756	281,825	278,415	169,433	168,048
LDTs sales volume (units)	80,056	129,068	181,013	109,280	134,046
Revenue	59,291	93,357	98,198	62,613	62,728
Profit attributable to owners of the Company	1,797	4,322	6,851	3,474	4,346
Net cash generated from operating activities	10,895	(3,211)	19,492	8,979	3,993
CAPEX	3,447	3,326	3,359	1,363	1,621
Liabilities to assets ratio	59%	60%	68%	56%	56%

Note: The Group entered into business combinations under common control with Datong Gear in 2020 and HOWO Bus in 2019 respectively. 2019 figures have been adjusted with those of Datong Gear but 2018 figures have been adjusted with those of HOWO Bus only.

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

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

The Group upholds the concept of “customer satisfaction as our top priority” and implemented the service brand “親人” (“Family”) with an aim to make customers enjoy the whole process of service. The Group established a comprehensive after-sales management system to proactively communicate with customers, protect customers’ privacy and improve customer service quality. In accordance with internal management documents such as the Sinotruk Settlement Standards of Automotive Product Warranty Service Fees, the Sinotruk Policy of Product Quality Warranty, the Customer Maintenance and Fund Management Process, the Supervision and Management of Service Process, and the Management Process of After-sales Service Technical Support, we established an integral after-sales service management system to ensure the after-service quality comprehensively. We attach high importance to customers’ feedback and proactively deal with complaints on our service or products by establishing and optimizing complaint process. For frequent problems in products and service, we conduct review in time and set up improvement plan to further enhance reliability of our products and service and maintain the brand’s image of the Group.

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

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

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

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

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

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

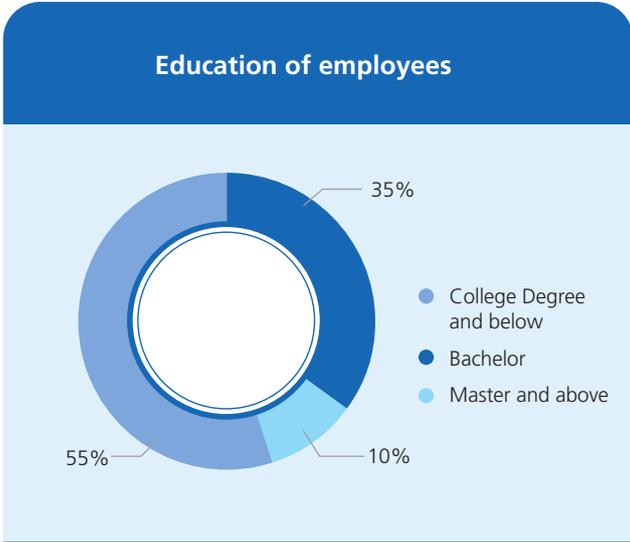
Considering business characteristics and development needs, the Group has established and improved the training system with respect to multiple fields such as corporate culture, digital transformation, going global, and smart growth, and formulated a highly timely, practical and scientific training plan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

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

During the Period, the remuneration of the Group (including salaries, retirement benefits, other welfares and post-employment benefits) to all employees including Directors amounted to RMB5,302 million, representing a decrease of 23.6% YoY. The decrease was mainly due to the sharp decline in production and sales causing the decrease in average salary level of employees and, hence, reducing employee remuneration during the Period. The Group did not have any share scheme in place as at 31 December 2022.

As at 31 December 2022, the Group employed a total of 27,080 employees, broken down by function and education as follows:

	<b>Number of employees</b>	<b>%</b>
Management team	268	1
Technical and engineering staff	3,359	12
Research and development staff	3,262	12
Production staff	14,680	54
Operation and sales staff	2,361	9
Administrative staff	3,150	12
<b>Total</b>	<b>27,080</b>	<b>100</b>



## **ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE**

“Lucid waters and lush mountains are invaluable assets.” and sustainability drives corporate development. The Group unswervingly supports the national “carbon peaking and carbon neutrality” goals, continues to track the climate-related policies and operational risks, actively responds to the climate-related risks and opportunities brought, and adheres to green and low-carbon operations, making unremitting efforts to build a clean, environmentally friendly, and sustainable green society.

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

The Group strictly abides by the Environmental Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on Environmental Impact Assessment and other laws and regulations and the industry-related emission standards during its operations, and makes efforts to establish and improve its management system. In accordance with the ISO 14001:2015 Environmental Management System (EMS), we have formulated the procedure documents, standards, and evaluation specifications for the environmental management system. And we actively promote the ISO 14001 EMS certification in all production and operation sites. In addition, EMS external audits are conducted for our subsidiaries every year. In 2022, Sinotruk and all its 19 manufacturing units passed the ISO 14001 EMS certification, with 100% coverage and the coverage of ISO 14001 external audit also reached 100%.

The Safety, Environmental Protection and Epidemic Prevention and Control Department is responsible for the strategies and performance of environmental management, and all departments and subsidiaries of the Group are responsible for the environmental management operation, environmental objectives setting and setting of performance review requirements. We incorporate the EMS objectives into the annual individual performance objectives of relevant functions and levels to ensure that the EMS objectives can be achieved by the Group.

The Group keeps improving the long-term mechanism of pollution prevention and control, striving to develop a sound emission management system and disposal process to standardize the management and prevention of pollutants such as wastewater, waste gas, solid waste, and noise in production, in a bid to reduce the negative impact on the environment. During the Period, a compliance rate of 100% was achieved by the Group for wastewater and waste gas emissions, and 100% of the hazardous wastes were disposed in compliance with the regulations. No major environmental complaints or penalties were received.

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

### **Compliance Matters**

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

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

## **PRINCIPAL RISKS AND SOLUTIONS**

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

### **1. QUALITY RISKS**

The Group continued to strengthen quality process control through quality research, quality system, quality planning, quality supervision and quality improvement, with a view to strictly controlling quality risks.

#### ***MITIGATION MEASURES:***

In terms of quality system management, in accordance with the IATF 16949 quality management system certification, we have established a strict internal quality management system, which has been applied to the whole process of product design and development, manufacturing, as well as sales and after-sales services of the Group and our subsidiaries. Meanwhile, we identify and control technical risks and quality risks in our quality systems.

In terms of quality planning, we have comprehensively improved the construction of quality index system. We set quality indicators and evaluation standards from R&D, technology, manufacturing process, after-sales and other dimensions, and report the completion of indicators on a monthly basis, so as to deeply analyze the causes of substandard projects, timely adjust strategies and improve product quality guided by objectives. A quality information management platform is built based on the quality cloud, which covers manufacturing quality, incoming materials inspection, quality traceability, quality improvement and other modules, with a view to improving the structure of quality analysis system and realize the standardization, integration and informatization of quality data management.

In terms of quality supervision, firstly, we carried out two-level product review. We reviewed the finished vehicle and components to rectify and solve nearly a thousand problems in 2022. Secondly, we completed the sampling and sample delivery of 357 products according to the after-sales failure, zero-kilometer feedback, customer complaints and other targeted sampling plans, and held a special review meeting for the unqualified products in accordance with the Control Procedure for Nonconforming Products (《不合格品控制程序》).

In terms of quality improvement, for the key products with high failure PPM, high failure times and high claim cost, we identified 25 research projects and 36 group-level quality improvement projects in 2022. We checked and implemented the progress of quality improvement projects in some manufacturing units on site every month, and made special arrangements for projects with bottlenecks, slow progress and unsatisfactory improvement results. As of the end of the Period, all improvement projects have been completed, with a project completion rate of 100%.

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

In terms of safety production, occupational health, environmental risks, fire protection, etc., the Group has continuously improved its safety management system, implemented supervision, and continuously improved its safety management level, so that the overall safety production work runs smoothly.

### ***MITIGATION MEASURES:***

In terms of safety production, the Group comprehensively standardized various management by combining the certification of occupational health and safety management system and the annual assessment of safety production standardization in 2022. The Group sorted out the operating procedures of more than 3,600 production posts, carried out top-down risk management and control, and established a system for investigation and handling of hidden hazards, to pass the certification of environmental and occupational health and safety management system. Starting from system of responsibility in safe production, the Group formulated outlines of inspection plan on a monthly basis, regularly checked the degree of proficiency of management personnels from various level on safe work responsibility and employees on safe operation procedures. By a way of “handsome reward and severe punishment”, the Group increased the safety awareness of whole staff and prevented incidences of personal injury. The Group’s safety production situation has been effectively stabilized through the comprehensive implementation of a series of safety management measures.

In terms of occupational health, the Group is committed to the simultaneous design, construction and operation commencement of the occupational disease protection facilities for its new, renovation and expansion projects, improving its technology and controlling various occupational hazards from the source. The Group regularly conducts annual occupational disease hazard factor detection and status evaluation, grasps the types and degrees of occupational disease hazard factors in the workplace, and takes targeted prevention and control measures to protect workers’ occupational health. The Group strengthens occupational health monitoring, and regularly organizes occupational hazard workers to carry out pre-post, in-service and off-post occupational health examinations to effectively control the risk of occupational diseases.

In terms of environmental risks, the Group formulated the Comprehensive Management Regime for Environmental Protection (《環境保護綜合管理制度》), strictly conducted management and control in accordance with relevant laws and regulations and related system requirements of the Group. The Group formulated management and control measures with focus on the environmental risk points, and firmly carried out various risks prevention and control measures, strengthening the control on environmental risks. The Group regularly identified laws and regulations related to environmental management and implemented compliance evaluation, to find out problems and rectify in time, thus wiping out risk of administrative punishment by environmental department.

In terms of fire risk, the Group promoted the construction of massive risk warning and intelligent prevention and control system projects. With the formulation of control measures for all major fire risk points within the Group, the Group has strengthened the control of fire risk. The Group formulated the Sinotruk Fire Safety Evaluation Standard for Painting Operation, thus strengthening the inspection of key fire safety parts to avoid fire safety accidents. The Group established a new energy safety management system and formulated safety management measures for new energy vehicles, which improved the fire safety management level of new energy vehicles.

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

The Group's heavy duty truck export has been the first in the domestic industry for 18 consecutive years. The Group once again reached a historic high in terms of heavy duty truck export in 2022, and international business has become an important part of the Group. In order to avoid or reduce potential risks such as exchange losses in international trade, various financial means were used and various preventive measures were taken in advance.

### ***MITIGATION MEASURES:***

The Group adopted cross-border Renminbi as settlement currency for business transactions in areas with sufficient Renminbi. The Group further reduced currency exchange risk by purchasing forward financial products from banks to hedge exchange rate fluctuations. For long-term letters of credit, the Group took the initiative to adopt forfaiting, accelerating the collection of trade receivables, thus avoiding the adverse impact of forward exchange rate fluctuations.

Research on exchange rate fluctuations was strengthened and close attention was paid to changes in market exchange rates. The Group improved the timeliness and frequency of quotation in US dollars for front-line business personnel. The Group continued to conduct exchange settlements in batches at favorable time according to funding needs and changes in market exchange rates. When signing foreign trade contracts, where there is a possibility of exchange rate inversion, the Group adopted forward exchange rate hedging 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 including foreign exchange derivatives with locked forward exchange rates to hedge the exchange losses that may be caused by exchange rate fluctuations.

### **BUSINESS STRATEGIES AND PROSPECTS**

For the year of 2023, from the perspective of the international situation, high inflation caused by geopolitical tensions, energy and food shortages will continue, and the tightening of monetary policy is expected to slow down the pace of world economic recovery; from the perspective of the domestic economy, 2023 is the first year of the new era and new journey, China will adhere to the general principle of seeking progress while maintaining stability, and stabilize growth, employment and commodity prices and promote high quality development of the national economy.

From the perspective of the commercial vehicle industry, as the social economy gradually returns to normal, the implementation of various national economic policies, the recovery of consumer confidence and the accelerated growth of fixed asset investment will drive stable economic growth. At the same time, the natural renewal needs brought by the huge vehicle ownership, the increase in demand arising from the stable growth of the macro economy, the rebound in demand after the market being oversold, and increased proportion of China VI Emission Standard vehicles and new energy vehicle ownership in terms of policies, etc. will bring new increments to industry demand. In general, it is expected that the industry will experience resilient growth and gradually get out of the trough.

The Group insists on “customer satisfaction” as our core value, and aims to achieve our enterprise vision as a worldclass enterprise in terms of all series of commercial vehicles. In 2023, the Group will strive to perform well in the following four areas:

1. Follow the trend towards high-end products and continue to increase sales of high-end products. The Group will focus on strategic customers and fleet customers, continuously optimize the HOWO-T series and the Huanghe product portfolio, increase the promotion of SITRAK, and enhance brand influence.
2. Strengthen promotion of market segment and continue to increase market share. Taking scenario-based application as the starting point, we will create a highly versatile and relatively stable product system, quickly respond to market changes, and maintain market competitiveness.
3. Consolidate the advantages of the export market and continue to develop overseas markets. Firstly, the Group will further focus on the main countries of sales and maintain the dominant position in the main market; secondly, the Group will promote the implementation of the marketing cloud system, improve transportation efficiency, and ensure that orders are delivered on time.

4. Accelerate the promotion of new energy products and achieve leapfrog development. Firstly, the Group will focus on cities that are among the first to implement new policies, such as Beijing, Chengdu, Guangzhou, and Shenzhen, and accelerate the introduction of central drive products and electric drive axle products into the market; secondly, the Group will explore new energy vehicle sales model by focusing on application scenarios such as ports, steel plants, muck trucks, and sanitation vehicles, and to promote sales growth through pilot leasing, battery charging and replacing integrated solutions and other methods.

## **FINANCIAL REVIEW**

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

The Group's revenue for the Period was RMB59,291 million, representing a decrease of RMB34,066 million or 36.5% YoY. The decrease in the revenue was due to the economic slowdown and the disrupted logistics due to the complicated and fluctuating Covid-19 pandemic situations, which together resulted in a significant year-on-year drop in truck demand in the PRC and, in turn, resulted in a significant drop in the sales volume of all kinds of trucks and Products Revenue. However, the market demand gradually stabilised in second half of the year and together with the significant increase in export sales under the strong international market resulted a lower drop in sales volume and Products Revenue for the year than in the first half of the year. The Group's gross profit for the Period was RMB10,013 million, representing a decrease of RMB5,651 million or 36.1% YoY. The decrease in gross profit was mainly due to the significant decrease in sales in trucks and reduction of production scale. Gross profit margin (gross profit divided by revenue) for the Period was 16.9%, representing an increase of 0.1 percentage points YoY. The increase in gross profit margin was mainly due to more contribution from the Financial Segment which had higher gross profit margin.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses for the Period was RMB2,861 million, representing a decrease of RMB1,679 million or 37.0% YoY and such decrease was due to the decrease in the sales volume of trucks resulting the decrease in transportation costs and the decrease in warranty expenses. During the Period, the ratio of selling and distribution expenses to Products Revenue was 4.9%, representing a decrease of 0.1 percentage points YoY. Warranty expenses accounted for 0.3% of Products Revenue for the Period, representing a decrease of 1.2 percentage points YoY. The decrease was mainly due to the decrease in HDTs sales and that the Group shortened the timeline of quality claims of heavy duty trucks during the Period and, hence, reduced the Group's warranty expenses.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses for the Period was RMB4,774 million, representing a decrease of RMB1,511 million or 24.0% YoY. During the Period, administrative expenses to revenue ratio was 8.1%, representing an increase of 1.4 percentage points YoY. Although administrative expenses dropped due to the decrease in the overall operating scale, the ratio of administrative expenses to revenue increased because the decline in administrative expenses was lower than the decline in revenue. Among them, research and development expenses accounted for 52.8% of administrative expenses representing an increase by 0.6 percentage points YoY.

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

Net impairment losses of financial assets for the Period was RMB414 million, representing an increase of RMB258 million or 165.4% YoY. The impairment losses of trade, financing and bills receivables was RMB281 million, accounting for 0.5% of the total revenue for the Period. When the Group assesses the impairment of trade, financing and bills receivables, the Group will use 12-months, whole life and simplified expected credit loss models and consider historical observed default rates, forecast economic conditions and public credit information of each debtor or borrower. Further details of the trade and financing receivables are set out in the sections headed "FINANCE SEGMENT" and "RECEIVABLES FROM TRADE AND FINANCING ACTIVITIES". In addition, net impairment losses of off-balance sheet credit business for the Period was RMB4 million (2021: nil).

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

The net income of other income and gains as well as other expenses for the Period was RMB943 million, representing a decrease of RMB133 million or 12.4% YoY. The decrease was mainly due to a drop in various other incomes, including income on disposal of scraps, government grants and penalties income totaling RMB171 million, decrease in gain on disposal of financial assets at fair value through profit or loss at RMB172 million and the increase in various expenses including impairment loss in an investment in an associate at RMB125 million and losses on foreign exchange forward contracts at RMB175 million, which was significantly offset by gains from foreign exchange differences at RMB497 million.

## **FINANCE INCOME - NET**

Net finance income for the Period was RMB128 million, representing an increase of RMB19 million or 17.4% YoY. The increase in finance income was mainly due to the increase in average amounts of fixed deposits.

## **SHARE OF LOSSES OF ASSOCIATES**

Share of losses of associates for the Period was loss at RMB23 million, representing an increase of losses shared by RMB17 million or 283.3% YoY. The increase in share of losses of associates was mainly due to the share of losses from associates engaged in innovation and new technologies which are still in research and development stage.

## **INCOME TAX EXPENSE**

Income tax expense for the Period was RMB958 million, representing a decrease of RMB195 million or 16.9% YoY. The decrease was due to the decrease in profit before tax. The effective tax rate (profit before income tax but excluding share of losses of associates) for the Period was 31.6%, representing an increase of 12.0 percentage points YoY due to significant increase in tax losses not recognised.

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

Profit for the Period was RMB2,051 million, representing a decrease of RMB2,658 million or 56.4% YoY. Net profit ratio (profit for the Period divided by revenue) was 3.5%, representing a decrease of 1.5 percentage points YoY. Profit attributable to owners of the Company for the Period was RMB1,797 million, representing a decrease of RMB2,525 million or 58.4% YoY. The basic earnings per share attributable to owners of the Company for the Period was RMB0.65, representing a decrease of RMB0.92 or 58.6% YoY.

## **RECEIVABLES FROM TRADE AND FINANCING ACTIVITIES**

In addition to granting standard credit period to certain privileged customers, the Group received acceptance bills for settlement of trade receivables. As at 31 December 2022, the Aggregate Trade Balance amounted to RMB14,069 million, representing an increase of RMB2,486 million or 21.5% when compared to the balance as at 31 December 2021. The main reason for the increase in Aggregate Trade Balances was due to increase in export sales of trucks during the Period, in particularly, in the second half of 2022.

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

The trade receivables turnover (average Aggregate Trade Balances divided by Products Revenue multiplied by 365 days (2021: 365 days)) for the Period was 80.7 days (2021: 45.8 days), representing an increase of 34.9 days.

As at 31 December 2022, the Aggregate Trade Balances aged not more than twelve months amounted to RMB12,899 million or 91.7% of the Aggregate Trade Balances.

The Group reviewed the repayment progress of key customers or customers with higher risk of default in repayment on a monthly basis and assessed impairment loss by reference to their businesses, actual repayment information, etc. During the Period, the Group made impairment loss allowance for Aggregate Trade Balance at the amount of RMB218 million.

As at 31 December 2022, the net financing receivables was RMB11,693 million, representing a decrease of RMB9,848 million or 45.7% when compared to the balance as at 31 December 2021.

As at 31 December 2022, the net financing receivables aged not more than twelve months amounted to RMB9,550 million or 81.7% of the net financing receivables.

During the Period, the Group made impairment loss allowance for financing receivables at the amount of RMB63 million. Further details of the financing receivables and discounting bills are set out in the section headed “FINANCE SEGMENT”.

## **TRADE PAYABLES**

As at 31 December 2022, the trade and bills payables amounted to RMB33,221 million, representing a decrease of RMB4,258 million or 11.4% when compared to the balance as at 31 December 2021. The trade payables turnover (average trade and bills payables balances divided by costs of Products Revenue multiplied by 365 days (2021: 365 days)) for the Period was 262.7 days (2021: 217.0 days), representing an increase of 45.7 days YoY.

## **CASH FLOWS**

Net cash inflow generated from operating activities for the Period was RMB10,895 million. Compared with the Previous Period, the Group had increase in net cash inflow from the Aggregate Trade Balances and the financing receivable at total amount of RMB8,417 million and significantly reduced the payment of income tax by RMB1,983 million. Compared with the net cash outflow in the Previous Period, the net cash inflow increased by RMB14,106 million.

Net cash outflow used in investing activities for the Period was RMB18,606 million. During the Period, the Group significantly increased the purchase of wealth management and finance products, as compared with the Previous Period, the net cash outflow increased by RMB19,030 million as well as net payment in the acquisition and disposal of associates and capital injection to an associate at total of RMB728 million. Such cash outflow was partly offset by the decrease in payment of purchase of property, plant and equipment, investment properties and right-of-use assets at total of RMB1,063 million and proceeds from disposal of subsidiaries at RMB209 million. Cash outflow in investing activities increased by RMB18,569 million as compared to the cash outflow in the Previous Period.

Net cash outflow used in financing activities for the Period was RMB1,847 million. Although the Group did not further repay the borrowings and reduced the payment of dividends to the owners of the Company and the non-controlling interests of subsidiaries during the Period which totally reduced cash outflow at RMB1,395 million, Ji'nan Truck Company carried out share repurchase during the Period (for the purpose of a share scheme to be adopted) which spent RMB75 million and significant drop in cash received from non-controlling interests (while netting off the payment of acquisition of non-controlling interests, net cash at RMB5,086 million was received in the Previous Period). As a result, net cash outflow used in financing activities increased by RMB3,805 million as compared to the cash inflow in the Previous Period.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2022, the Group had cash and cash equivalents of RMB15,262 million, representing a decrease of RMB9,430 million or 38.2% when compared to the balance as at 31 December 2021. The Group's total borrowings were about RMB3,890 million as at 31 December 2022. Its gearing ratio (total borrowings divided by total assets) and debt-to-equity ratio (total borrowings divided by equity) as at 31 December 2022 were 3.7% and 9.1% respectively (31 December 2021: 3.3% and 8.2% respectively). As at 31 December 2022, current ratio (total current assets divided by total current liabilities) was 1.3 (31 December 2021: 1.3).

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

	<b>As at 31 December 2022 RMB million</b>	<b>As at 31 December 2021 RMB million</b>
Within one year	<u><b>3,890</b></u>	<u><b>3,511</b></u>

As at 31 December 2022, total consolidated equity of the Company was RMB42,969 million, representing an increase of RMB201 million or 0.5% when compared with the balance as at 31 December 2021.

As at 31 December 2022, the Company's market capitalization was RMB26,833 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD10.88 per Share and at the exchange rate of 1:0.89327 between HKD and RMB).

As at 31 December 2022, the unutilized credit facilities of the Group from the banks amounted to RMB37,552 million (31 December 2021: RMB27,728 million). An aggregate amount of RMB2,655 million (31 December 2021: RMB991 million) of security deposits and restricted bank deposits were pledged to secure various credit facilities. In addition, the finance segment mandatorily placed deposits of RMB1,883 million (31 December 2021: RMB2,594 million) to the PBOC for its financial operations. The Group meets its daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, sufficient banking facilities and issuance of bills such as short-term commercial acceptance bills and bank acceptance bills.

## **INVESTMENTS**

The Group continued to pay attention to potential strategic investment opportunities in the market, and timely acquired or invested in those meet the Group's strategic development requirements.

## **INVESTMENTS IN SUBSIDIARIES**

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

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

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

In December 2022, the Group acquired totaling 0.5164% interest of Sinotruk Finance Co., Ltd. at the total consideration of RMB32 million.

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

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

### ***a) Investments in associates***

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

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

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

In November 2022, the Group acquired 30% equity interest in Weichai Power Freshen Air Technology Co., Ltd. at the consideration of RMB506 million. Details of the acquisition was disclosed in the Company's announcement dated 30 October 2022.

In December 2022, the Group exercised the terms of the contingent consideration and obtained 1.4% equity interest of Suzhou Tsintel Co., Ltd.

As at 31 December 2022, the amount of investments in associates was RMB1,971 million, representing 1.9% 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 LOSSES OF ASSOCIATES".

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

As at 31 December 2022, the Group's unlisted equity investments for long term strategic investment purpose amounted to RMB32 million, representing less than 0.1% of the total assets of the Group. These investments were classified as financial assets at fair value through other comprehensive income.

**OTHER SECURITIES INVESTMENTS**

For the purposes of increasing profitability of short term funds and managing the liquidity of the Group, the Group invested in short-term equity investments which consisted of listed securities in Hong Kong and China. As at 31 December 2022, the Group had short term equity investment at RMB5 million, representing less than 0.1% of its total assets. Such equity investments are accounted for as equity investments in financial assets at fair value through profit or loss. Their fair values keep changing from time to time depending on factors including but are not limited to their operation results, economic situations and stock markets sentiments.

**CAPITAL COMMITMENT**

As at 31 December 2022, the Group committed capital expenditure in respect of property, plant and equipment as well as other intangible assets amounting to RMB2,234 million which would be funded by internal resources and borrowing facilities.

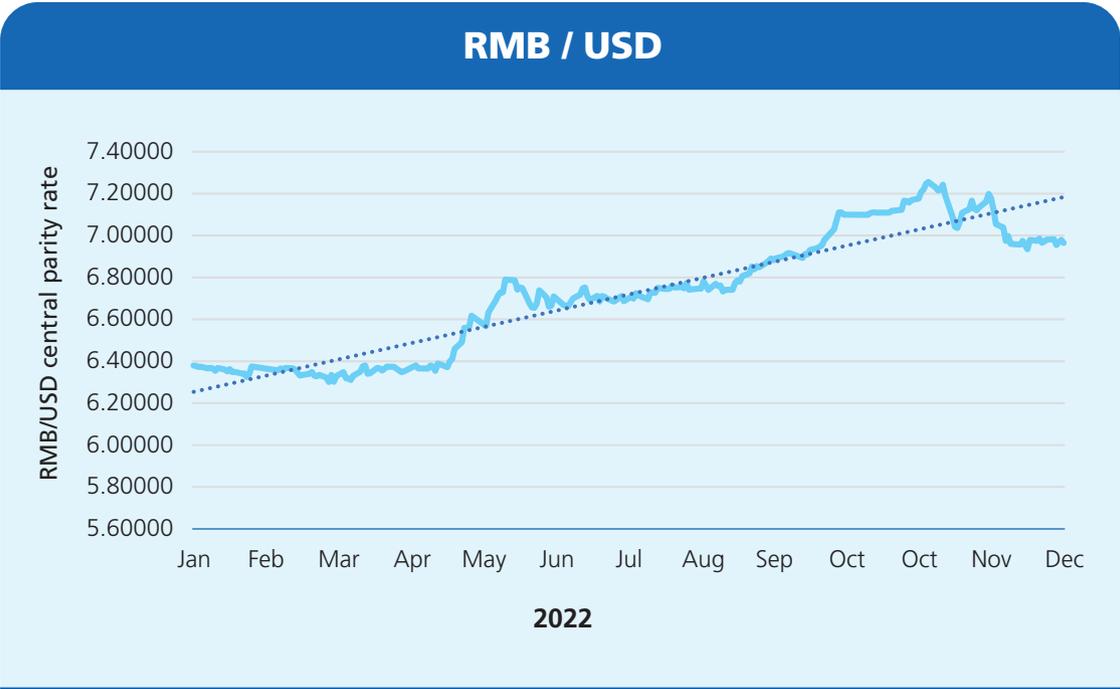
## CHARGES ON GROUP ASSETS

Save as disclosed in the section headed “LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE”, as at 31 December 2022, there were no assets of the Group being pledged.

## FINANCIAL MANAGEMENT AND POLICY

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

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



The RMB/USD central parity rate in the PRC as at 30 December 2022 was 6.9646, representing a depreciation of RMB by 9.24% when compared to the rate of 6.3757 as at 31 December 2021. RMB against USD central parity rates recorded a high of 7.2555 and a low rate of 6.3014 with volatility at 28.7% and showed a trend of gradual depreciation during the Period.



The RMB/Euro central parity rate in the PRC as at 30 December 2022 was 7.4229, representing a depreciation of RMB by 2.81% when compared the rate of 7.21970 as at 31 December 2021. RMB against Euro central parity rates recorded a high of 7.4461 and a low of 6.86340 with volatility at 2.93% and showed trend of gradual depreciation during the Period.

As at 31 December 2022, most of the Group’s monetary assets and liabilities were denominated in RMB. As at 31 December 2022, the major non-RMB denominated net monetary assets were in USD and EURO. During the Period, the Group recorded foreign

exchange gains of RMB497 million in operating profit and losses of RMB175 million on forward foreign exchange contracts for the purpose to reduce foreign exchange fluctuations. The material potential foreign exchange impacts to net monetary assets and liabilities of the Group as at 31 December 2022 are:

	<b>USD</b> <b>denominated</b> <b>net assets</b>	<b>EURO</b> <b>denominated</b> <b>net assets</b>
5% appreciation/depreciation in RMB	Loss/gain before tax of RMB174 million/ RMB221 million	Loss/gain before tax of RMB18 million

## **GOING CONCERN**

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

## **CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION**

Certain subsidiaries of the Company refer designated customers to other finance leasing companies to finance their customers to buy their trucks and guarantee the repayment obligation by these customers to the finance leasing companies by way of buyback of the trucks. As at 31 December 2022, the Group has commitment for providing such guarantees at a maximum aggregate amount of RMB40 million per year.

During the Period, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on the Group's financial conditions and results of operations. The total amount of claims of all lawsuits was approximately RMB227 million and provision for legal claims of approximately RMB65 million was made as at 31 December 2022.

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

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

## **OTHER INFORMATION**

### **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 D.2.6 and F.1.1 of the CG Code.

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

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

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

### **DIRECTORS' SECURITIES TRANSACTIONS**

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

### **DIVIDEND POLICY**

As at 31 December 2022, the Company did not have a dividend policy in place.

### **REVIEW OF FINANCIAL STATEMENTS**

The Company's consolidated financial statements for the year ended 31 December 2022 have been reviewed by the Audit Committee.

### **SCOPE OF WORK OF ERNST & YOUNG**

The financial figures in this announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's external auditor, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by EY on this announcement.

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

The Company has not redeemed any of its Shares, nor any of its subsidiaries have redeemed any of their respective listed securities during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any Shares during the Period.

## **INVESTOR RELATIONS**

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

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all the Shareholders and improving the Shareholders' returns. The Board considers that the AGM is an important opportunity for direct communication with the Shareholders. The 2022 AGM was successfully held on 28 June 2022 at Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong. Certain members of the Board and external auditors of Company attended the 2022 AGM and communicated with the Shareholders via video conferencing system. Details of the voting particulars were disclosed in the Company's announcement dated 28 June 2022.

## **CONSTITUTIONAL DOCUMENTS**

There has been no changes to the Articles during the Period. For the proposed amendments to the existing Articles, please refer to the section “PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND ADOPTION OF NEW ARTICLES OF ASSOCIATION” below.

## **PUBLICATION OF THE 2022 ANNUAL RESULTS AND THE ANNUAL REPORT**

The annual results announcement for the year ended 31 December 2022 is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.sinotruk.com](http://www.sinotruk.com)). The annual report of the Company for the year ended 31 December 2022 will be despatched to Shareholders and published on the above websites in due course.

## **PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND ADOPTION OF NEW ARTICLES OF ASSOCIATION**

The Board announces that it proposed to amend the existing Articles and to adopt the New Articles of Association incorporating the proposed amendments for the purpose of, among others, (i) allowing greater flexibility for the Company to hold a general meeting in the physical, hybrid or full virtual form; (ii) reflecting and aligning with the latest requirements under the Listing Rules; and (iii) making certain housekeeping changes.

The proposed amendments and the adoption of the New Articles of Association are subject to the approval of the Shareholders by way of a special resolution at the forthcoming AGM of the Company. A circular containing, among other things, particulars relating to the proposed amendments to the existing Articles brought about by the adoption of the New Articles of Association together with a notice convening the AGM will be despatched to the Shareholders in due course.

## DEFINITIONS

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

“Aggregate Trade Balance”	the total balances of the net trade receivables and acceptance bills which are classified as financial assets at fair value through other comprehensive income and as net bills receivable but excluding discounted bills of the Finance Segment
“AGM”	the annual general meeting of the Company or any adjournment thereof
“Articles”	the articles of association of the Company, as amended, supplemented, modified or otherwise adopted from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“Board Office”	the board office of the Company
“CAAM”	China Association of Automobile Manufacturers
“China” or “PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“CNHTC Group”	CNHTC and its subsidiaries other than the Group
“CNHTC”	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), state-owned enterprise organized under the laws of the PRC with limited liability, being the intermediate holding company of the Company as at 31 December 2022

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company” or “Sinotruk”	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange
“Datong Gear”	中國重汽集團大同齒輪有限公司 (Sinotruk Datong Gear Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“ED(s)”	the executive Director(s)
“Engines Segment”	the engines segment of the Group which engages in manufacture and sale of engines and related parts
“EURO”	the lawful currency of the European Union
“Executive Committee”	the executive committee of the Company
“Finance Segment”	the finance segment of the Group which engages in provision of deposit taking, borrowings, bills discounting, issue of bills and entrustment loans to the members of the Group and members of CNHTC Group as well as the provision of auto and supply chain financing services to the public
“GAAP”	Generally accepted accounting principles

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

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NED(s)”	the non-executive Director(s)
“New Articles of Association”	the new articles of association of the Company incorporating the proposed amendments to the existing Articles
“Nomination Committee”	the nomination committee of the Company
“Operating Profit (Loss) Margin”	the ratio of operating profit (loss) to revenue of the segment of the Group
“PBOC”	the People’s Bank of China
“Period”	the year ended 31 December 2022
“Previous 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)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange in the PRC

“SHIG”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a state-owned enterprise organized under the laws of the PRC with limited liability being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company upon the registration as a holder of 65% equity in CNHTC on 25 February 2022
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and “Subsidiaries” shall be construed accordingly
“USD”	United States dollars, the lawful currency of the United States of America
“YoY”	year-over-year
“%”	per cent

By order of the Board  
**Sinotruk (Hong Kong) Limited**  
**Wang Zhijian**  
*Chairman of the Board*

Ji’nan, the PRC, 30 March 2023

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