



中国重汽
SINOTRUK

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

(Incorporated in Hong Kong with limited liability)

Stock Code : 03808



Interim Report
2021





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FINANCIAL FIGURES

	Six months ended 30 June			
	2021	2020	Increase/(Decrease)	%
Operating results (RMB million)				
Revenue	65,169	42,798	22,371	52.3
Gross profit	10,815	8,575	2,240	26.1
Profit attributable to owners of the Company	3,623	2,941	682	23.2
Profitability and Liquidity				
Gross profit ratio (%)	16.6	20.0	(3.4)	(17.0)
Net profit ratio (%)	6.2	7.3	(1.1)	(15.1)
Current ratio (time)	1.2	1.2	—	—
Trade receivable turnover (days)	39.8	51.4	(11.6)	(22.6)
Trade payable turnover (days)	180.3	177.7	2.6	1.5
Sales volume (units)				
HDTs				
— Domestic	179,442	104,181	75,261	72.2
— Export (including affiliated export)	28,016	13,892	14,124	101.7
Total	207,458	118,073	89,385	75.7
LDTs	82,387	81,704	683	0.8
Trucks sold under auto financing services	56,993	20,528	36,465	177.6
Per share data				
Earnings per share - basic (RMB)	1.31	1.07	0.24	22.4

DEFINITIONS

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

“AGM”	the annual general meeting of the Company or any adjournment thereof
“Articles”	the articles of association of the Company, as amended, supplemented, modified or otherwise adopted from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CAAM”	China Association of Automobile Manufacturers
“China” or “PRC”	the People’s Republic of China, and for the purpose of this report, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“CNHTC Group”	CNHTC and its subsidiaries other than the Group
“CNHTC”	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company” or “Sinotruk”	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange
“Datong Gear”	中國重汽集團大同齒輪有限公司 (Sinotruk Datong Gear Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“ED(s)”	the executive Director(s)
“Euro”	the lawful currency of the European Union
“Executive Committee”	the executive committee of the Company

DEFINITIONS

“FPFPS Group”	FPFPS and its subsidiaries including Volkswagen AG, TRATON SE and MAN SE
“FPFPS”	Ferdinand Porsche Familien-Privatstiftung, an Austrian private foundation (Privatstiftung) (trust), being the beneficiary owner of 25% of the entire issued share capital of the Company plus 1 Share
“GAAP”	generally accepted accounting principles
“GDP”	gross domestic product
“Group” or “We”	the Company and its subsidiaries
“HDT(s)”	heavy duty truck(s) and medium-heavy duty truck(s)
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HoH”	as compared to the period of six months ended 30 June 2020
“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 Truck Company”	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji’nan Truck Co., Ltd.), a joint stock company organized under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
“LDT(s)”	light duty truck(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAN Group”	MAN SE and its subsidiaries
“MAN SE”	MAN SE, a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and the shares of which are listed on the Frankfurt Stock Exchange in Germany (stock code: ISIN DE0005937007, WKN 593700 and symbol MAN). On 31 August 2021, MAN SE merged into TRATON SE via a merger-squeeze-out and ceased to exist. TRATON SE is the legal successor of MAN SE

DEFINITIONS

“NED(s)”	the non-executive Director(s)
“PBOC”	The People’s Bank of China
“Period”	the six-month period ended 30 June 2021
“Products Revenue”	the revenue of sales of goods and rendering of services by the segments of heavy duty trucks, light duty trucks and others as well as engines to external customers
“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)
“Shanghai Stock Exchange”	Shanghai Stock Exchange in the PRC
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy and Investment Committee”	the strategy and investment committee of the Company
“Subsidiary”	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and “Subsidiaries” shall be construed accordingly

DEFINITIONS

“TRATON SE”	a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and the shares of which are listed on the Frankfurt Stock Exchange in Germany and NASDAQ STOCKHOLM (stock code: ISIN DE000TRATON7, WKN TRATON and symbol 8TRA)
“USD”	United States dollars, the lawful currency of the United States of America
“Volkswagen AG”	Volkswagen AG, a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and an intermediate holding company of MAN SE and the shares of which are listed on Frankfurt Stock Exchange in Germany (stock code: ISIN DE0007664005, WKN 766400 and symbol VOW)
“Volkswagen Group”	Volkswagen AG and its subsidiaries, including MAN Group
“Weichai Power”	潍柴動力股份有限公司 (Weichai Power Co., Ltd.), a company organized under the laws of the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 02338) and on the Shenzhen Stock Exchange (stock code: 000338)
“%”	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

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

NON-EXECUTIVE DIRECTORS:

Mr. Jiang Kui
Ms. Annette Danielski
Mr. Matthias Gründler
Dr. h.c. Andreas Tostmann

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Lin Zhijun
Mr. Yang Weicheng
Dr. Wang Dengfeng
Mr. Zhao Hang
Mr. Liang Qing
Mr. Lyu Shousheng

EXECUTIVE COMMITTEE

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

STRATEGY AND INVESTMENT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Lyu Shousheng (*Chairman*)
Dr. Lin Zhijun
Mr. Yang Weicheng
Mr. Liang Qing
Mr. Liu Wei

AUDIT COMMITTEE

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

BOARD SECRETARY

Ms. Wang Li

HEAD QUARTERS

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

REGISTERED OFFICE IN HONG KONG

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

COMPANY SECRETARY

Mr. Kwok Ka Yiu

AUTHORIZED REPRESENTATIVES

Mr. Dai Lixin
Mr. Kwok Ka Yiu

CORPORATE INFORMATION

PRINCIPAL BANKERS

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

LEGAL ADVISERS

HONG KONG

Reed Smith Richards Butler

PRC

Commerce & Finance Law Offices

AUDITOR

Ernst & Young

SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

COMPANY WEBSITE

www.sinotruk.com

SECURITIES CODE

Equity: 03808.hk

INVESTOR RELATIONS

Investment Management and
Securities Department
PRC: Tel (86) 531 5806 2545
Hong Kong: Tel (852) 3102 3808
Fax (852) 3102 3812
Email: securities@sinotrukhk.com

PUBLIC RELATIONS CONSULTANT

Wonderful Sky Financial Group
Tel: (852) 2851 1038
Email: sinotruk@wsfg.hk

THE GROUP

BUSINESS

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

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

OPERATIONS

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

(I) HEAVY DUTY TRUCKS SEGMENT

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

(II) LIGHT DUTY TRUCKS AND OTHERS SEGMENT

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

(III) ENGINES SEGMENT

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

(IV) FINANCE SEGMENT

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

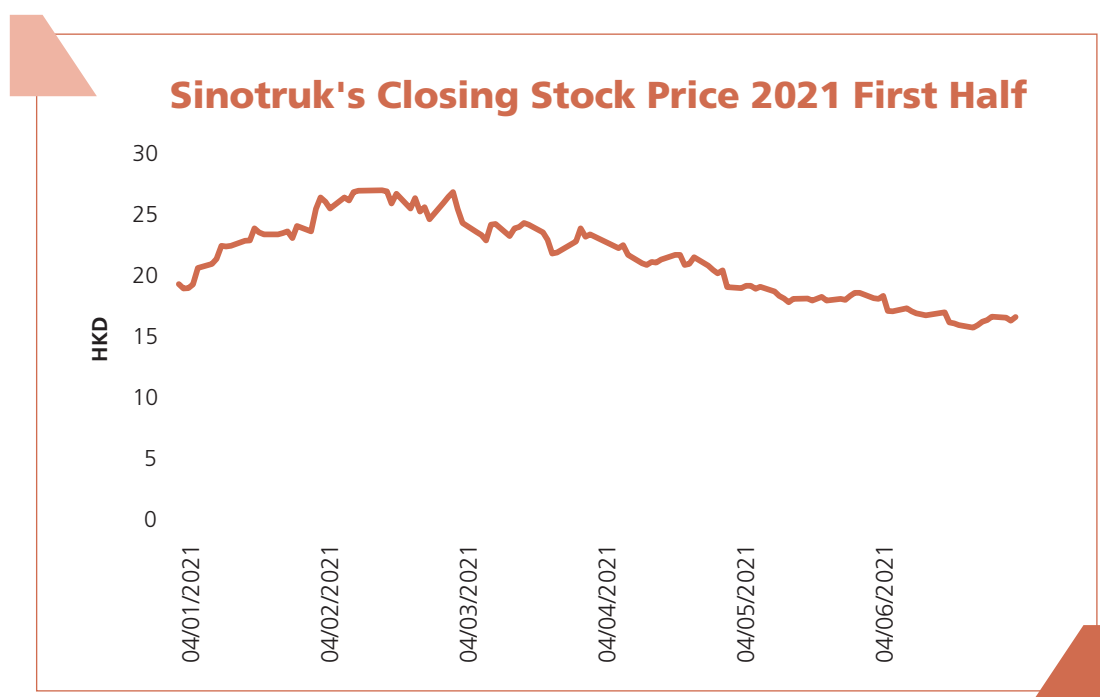
SHAREHOLDER INFORMATION

SHARE INFORMATION

Stock code	03808.hk
Listing as at 30 June 2021	
– Number of issued Shares	2,760,993,339
– Market capitalisation	RMB38,228 million
Board lot size	500 Shares

SHARE PRICES DURING THE PERIOD

Highest price	HKD28.40
Lowest price	HKD15.64
Average closing price	HKD21.41



SHAREHOLDER INFORMATION

SHAREHOLDING DISTRIBUTION AS AT 30 JUNE 2021 (BASED ON THE COMPANY'S REGISTER OF MEMBERS)

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares held	% of no. of Shares issued
1 — 500	6,332	78.3%	3,133,013	0.1%
501 — 1,000	1,149	14.3%	1,149,000	0.1%
1,001 — 2,000	488	6.0%	767,000	0.0%
2,001 — 10,000	94	1.2%	370,000	0.0%
10,001 — 100,000	16	0.2%	444,000	0.0%
100,001 — 500,000	2	0.0%	257,500	0.0%
Above 500,000	3	0.0%	2,754,872,826	99.8%
	8,084	100.0%	2,760,993,339	100.0%

Details about Sinotruk's major Shareholders are disclosed in the section headed "SHAREHOLDING ANALYSIS" in "OTHER INFORMATION" contained in this report.

SINOTRUK'S REGISTRAR - COMPUTERSHARE HONG KONG INVESTOR SERVICES LIMITED

For corporate communications:

By post: 17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

By email: securities@sinotruckhk.com

For transfer of shares:

Address: Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Tel: (852) 2862 8555

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

TRUCKS MARKET

In the first half of the year, faced with the complex and fast-changing domestic and international environment, the Chinese government consolidated the results of pandemic prevention and control and economic and social development, implemented precise macroeconomic policies, maintained a stable recovery of the domestic economy, with main macro indicators within a reasonable range, and economic development showed a steady progress. In the first half of 2021, GDP grew by 12.7% HoH.

During the Period, as the domestic COVID-19 pandemic became more stable and controllable, the steel, cement and express delivery industries recovered rapidly, the total highway freight volume and import and export trade achieved growth, and the economy continued to rebound and improve, laying a solid foundation for the development of the commercial vehicle industry. For the heavy duty truck industry, a series of policies and regulations, such as those in respect of accelerated urbanization construction, comprehensive promotion of rural revitalization, phasing out of the China III Emission Standard vehicles and control of overload and overrun, continued to be promoted, bringing a large demand in the heavy duty truck market. In addition, the large-scale launch of a new round of infrastructure investment projects and the upgrade and switch to the China VI Emission Standards stimulated the release of massive demand in the heavy duty truck market in the first half of the year in advance. According to CAAM, the total sales volume for the domestic heavy duty truck industry in the first half of the year was 1,045,000 units, representing an increase of 28% HoH, and the performance of the heavy duty truck industry exceeded expectations. For the light duty truck industry, the growing demand for courier business and inter-city short-distance transportation, the switch to the China VI Emission Standards, the control of "understating weight for favorable licence application", the control over overloading and other policies and regulations brought new demand to the light duty truck market and continuously drove the upgrade in the remaining market of light duty trucks. In the first half of 2021, according to CAAM, the domestic light duty truck industry achieved a total sales volume of 1,195,000 units, representing an increase of 19.3% HoH.

LOANS MARKET

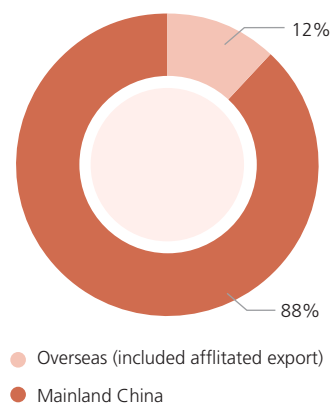
During the Period, one-year loan prime rate (LPR) and five-year LPR were not adjusted. As at 30 June 2021, the one-year LPR was 3.85% and the five-year LPR was 4.65%.

REVIEW OF OPERATIONS

HEAVY DUTY TRUCKS SEGMENT

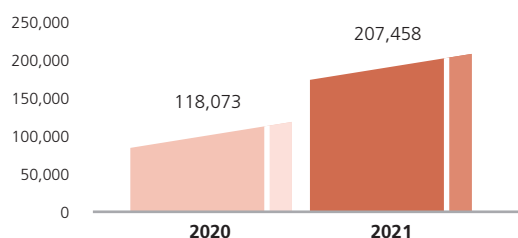
During the Period, total revenue from the HDTs segment (heavy duty truck sales and provision of services to these customers) was RMB58,456 million, representing an increase of 64.1% HoH. The segmental operating profit margin was 7.2%, representing an increase of 0.8 percentage points HoH, mainly due to the significant increase of heavy duty truck sales. The domestic market is still the key market of the sales of HDTs. During the Period, the percentage of geographic market revenue of the segment is as follows:

REVENUE OF HEAVY DUTY TRUCKS SEGMENT BY GEOGRAPHIC MARKETS FOR THE SIX MONTHS ENDED 30 JUNE 2021



During the Period, the sales volume of the Group's HDTs was 207,458 units, representing an increase of 75.7% HoH:

SALES VOLUME OF HEAVY DUTY TRUCKS SEGMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021 (UNITS)



MANAGEMENT DISCUSSION AND ANALYSIS

DOMESTIC BUSINESS

During the Period, the Group sold 179,442 HDTs in the PRC, representing an increase of 72.2% HoH.

The Group continued to enhance the core competitiveness of its products, continued to focus on the development of its sub-markets, implemented precise marketing strategies, reserved products in advance, overcame the adverse effects of events such as the “chip shortage” and made significant breakthroughs in various sub-markets such as tractor trucks, tipper trucks, cargo trucks, specialty vehicles, mixer trucks etc.

In the tractor truck sub-market, the Group insisted on a market orientated strategy and continued to reduce fuel consumption and dead weight of tractor truck products in response to customer demand. Through its SITRAK series tractor truck that aim to build the top high-end brand in the logistics industry in China, the Group led the upgrade of equipment in the logistics market and maintained its leading position in the long-haul truck market. The total sales volume of SITRAK series tractor trucks in the first half of year increased by approximately 119% HoH. In the tipper truck sub-market, the Group launched the new competitive TH series tipper truck models and also optimized the product configuration of muck trucks to capture market share, leading to an increase in the market share of tipper trucks of approximately 2.2 percentage points (source: domestic HDT insurance data) in the first half of the year HoH. In the cargo truck market, the Group has been cultivating the sub-markets of the transport of agricultural goods, the transport of perishable goods and express transportation, and has been leading the upgrade of truck customers’ choice of purchase with its competitive advantages in differentiated products, which achieved a massive growth in terms of sales volume of cargo truck market, with an increase of 5.9 percentage points (source: domestic HDT insurance data) in market share. In the mixer truck market, we continuously optimized the performance of our products, won market opportunities and increased our market share by 2.5 percentage points (source: domestic HDT insurance data) with the consistent high reliability of our products.

As at 30 June 2021, the Group had a total of 1,033 HDT dealerships (including 134 4S centers and 179 Sinotruk-brand dealerships), 2,066 service centers providing high-quality after-sales service and 118 refitting companies providing truck-refitting services to HDTs in the PRC.

INTERNATIONAL BUSINESS

In the first half of 2021, with the launch of vaccines and the constant acceleration of vaccination, the pandemic gradually became under control globally, and the large-scale lock-downs gradually shifted to lock-downs in individual countries or localized areas with severe pandemic outbreak. At the same time, the recovery of the global economy accelerated under the combined effect of fiscal stimulus policies in developed countries and a strong economic recovery in China and the United States.

During the Period, the Group’s export volume (including affiliated exports) of HDTs was 28,016 units, representing an increase of 101.7% HoH, and the export revenue (including affiliated exports) was RMB7,176 million, representing an increase of 87.5% HoH.

Reconciliation of overseas revenue to HDTs affiliated export revenue:

	For the six months ended 30 June	
	2021 RMB million	2020 RMB million
Overseas revenue	6,110	3,340
Affiliated exports	1,689	978
Total affiliated export revenue	7,799	4,318
Total non-HDTs export revenue (including the affiliated exports)	(623)	(491)
Total HDTs export revenue (including the affiliated exports)	7,176	3,827

MANAGEMENT DISCUSSION AND ANALYSIS

Affiliated exports are the sales of the Group to Mainland China export dealers who had provided the shipping documents to prove that the relevant products would be directly sold to their overseas customers. The Directors consider that affiliated exports constitute part of the export activities of the Group.

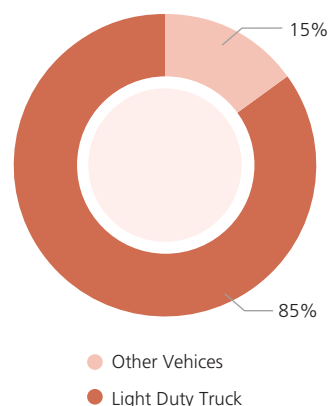
During the Period, the Group seized the market opportunities arising from the global economic recovery and achieved significant HoH growth in order volume in key overseas markets such as Southeast Asia and Africa. The Group further optimized its product structure, explored deeper into the sub-markets and precisely positioned its products to achieve a steady increase in the export volume of mid-to-high-end products. Through direct contracts with large maritime transport companies and tenders for maritime transport agency platforms, we overcame the impact of the shortage in international shipping and freight resources and rapidly rising freight prices, and ensured the normal delivery of vehicles.

During the Period, the Group continued to strengthen the sales of trucks, technical services, parts supply, refitting and overseas KD assembly capabilities and actively expanded its overseas sales and marketing network. As at 30 June 2021, the Group had approximately 268 overseas distributor sales centers, 263 service outlets, 250 spare parts outlets, 12 spare parts central warehouses, 15 overseas affiliated KD production plants and 4 overseas subsidiaries, forming a network that basically covers developing countries and major emerging economies such as Africa, the Middle East, Central and South America, Central and Southeast Asia, as well as some mature markets such as Australia, Ireland, New Zealand and Hong Kong and Taiwan.

LIGHT DUTY TRUCKS AND OTHER SEGMENTS

Light duty truck is the major product in the LTDs and others segment and generated approximately 85% revenue of the segment. Other products in the segment include buses, pickup trucks and other vehicles. During the Period, the percentage of product type revenue of the segment is as follows:

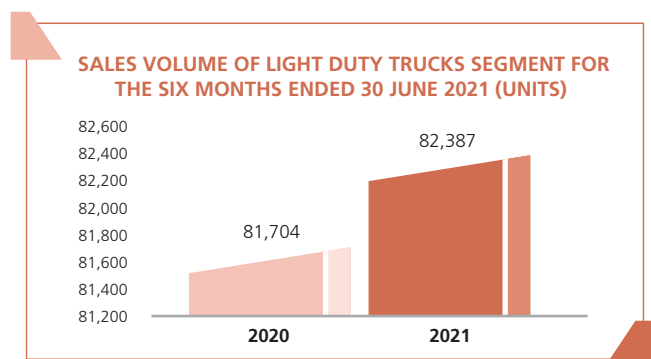
REVENUE OF LIGHT DUTY TRUCKS SEGMENT BY PRODUCT TYPES FOR THE SIX MONTHS ENDED 30 JUNE 2021



During the Period, the LTDs and others segment (light duty truck and other vehicle sales and provision of services to these customers) achieved total revenue of RMB 6,498 million, representing a decrease of 5.6% HoH. The ratio of operating loss to total revenue for the segment was -2.2%, compared to a profit of 5.1% in the same period last year, mainly due to the decrease in the sales of certain high-margin products as a results of regulatory changes, the insufficient initial sales scale of new products, the increase in raw material prices and the fact that the operations of newly acquired business are still being adjusted.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group sold 82,387 units of LDTs, representing an increase of 0.8% HoH:



During the Period, according to requirements of the switch to the China VI Emission Standards, the Group formulated a precise incentive policy for the China VI switchover, supported the promotion of key vehicle models, accelerated the market introduction of China VI standard light duty truck models and achieved a steady increase in sales volume of China VI light duty truck products. In addition, the Group adopted a tiered sales volume incentive policy to encourage key distribution units to achieve sales volume breakthroughs, promote product structure optimization and accelerate the market transformation of the distribution network.

In the first half of the year, in response to the changes in product regulations, the Group continued to improve the lightweighting of products and their adaptability to regulations, highlighting the differentiation of its products in terms of low vehicle weight and strong load-bearing capacity, and continued to develop its 2.0L platform and 2.5L platform products in the light-duty load-bearing vehicle market, completing the smooth transformation of its product structure. Among them, the sales volume of 2.0L platform products increased by about 97.6% HoH and the market share increased by about 3.4 percentage points by virtue of the advantage of high cost-performance ratio; the sales volume of 2.5L platform products increased by about 169.5% HoH and the market share increased by about 2.7 percentage points through a product mix combining high reliability and high load capacity.

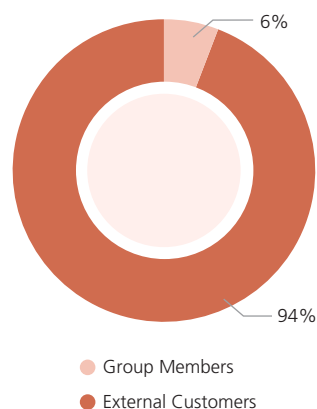
Created through a forward-looking research and development process, the Group's comfortable and all-rounded high-end small light duty truck, HOWO, was officially launched in April 2021. The sales volume of this model, which targeted the high-end cold chain and urban distribution sub-markets, exceeded 1,000 units within two months of its launch and was highly recognized by customers in the market.

As at 30 June 2021, the Group had, in the PRC, a total of 1,054 dealerships (including 138 4S centers and 248 Sinotruk-branded dealerships), 2,851 service centers that provide LDT after-sale services and 41 refitting companies to provide truck refitting services to LDTs.

ENGINES SEGMENT

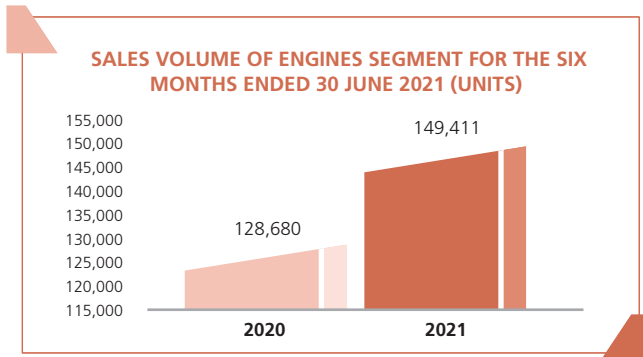
During the Period, total revenue of sales (sales volume of engine) of RMB12,688 million was achieved, representing an increase of 12.3% HoH. External sales of engines accounted for 5.9% of the total revenue of the engines segment, representing an increase of 0.9 percentage points HoH. The segmental operating profit margin was 13.5%, representing a decrease of 2.0 percentage points HoH, which was due to rising raw material prices and product structure adjustments. Most of the engines are used in the Group's own truck production. During the Period, the percentage of customer type revenue of the segment is as follows:

REVENUE OF ENGINES SEGMENT BY CUSTOMER TYPES FOR THE SIX MONTHS ENDED 30 JUNE 2021



MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the sales volume of the engine segment was 149,411 units of engines, representing an increase of 16.1% HoH:



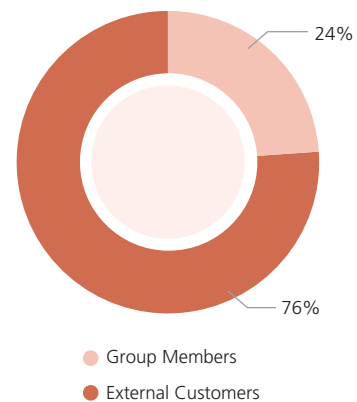
The Group is committed to the research and development of engine technologies, the benchmarking of its engine design in compliance with international standards, strengthening quality controls, expanding the application of MAN engine technology and to provide customers with advanced engine products that are reliable and fuel-efficient. The Group continued to gain customer recognition for its advanced and high-quality MAN technology engines. In addition to supplying engines to satisfy the need of the Group's own vehicle production, the Group sold engines to other HDTs, bus and engineering machinery manufacturers.

During the Period, the Group continued to optimize the power performance and fuel economy of China V engines to maintain its competitiveness in the market. At the same time, the Group focused on optimizing the reliability, economy and market adaptability of the China VI engines, laying a solid foundation for the full implementation of regulations relevant to the China VI Emission Standards. During the Period, the MC series China VI engines, which adopt the high-efficiency SCR technology and have the advantages including high stability and low cost, were introduced to the market and have been widely recognized by users. In addition, the Group has strengthened the research and development, optimization and market introduction of gas engines to enhance the market competitiveness of its whole vehicle products.

FINANCE SEGMENT

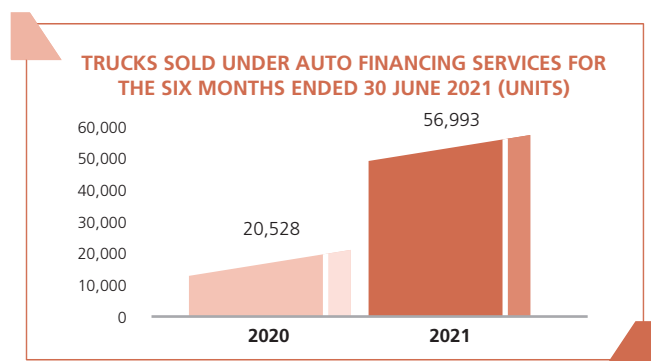
During the Period, the revenue of the Group's finance segment was RMB1,164 million, representing an increase of 42.0% HoH, and revenue from external sources was RMB883 million, representing an increase of 56.8% HoH. The segmental operating profit margin was 31.7%, representing a decrease of 20.3 percentage points HoH, primarily due to the launch of financial products with favorable terms to promote the sales of trucks. In addition to providing internal financial services to the members of the Group, the financial segment is mainly engaged in providing a series of financing services to external customers, suppliers and CNHTC Group. During the Period, the percentage of customer type revenue of the segment is as follows:

REVENUE OF FINANCE SEGMENT BY CUSTOMER TYPES FOR THE SIX MONTHS ENDED 30 JUNE 2021



MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, adhering to the principle of “supporting the excellent, the strong and the big”, the Group formulated the standards for the provision of first-time credit for distributors, the standards for the processing of increased credit and the standards for the collection of order placing deposits, resulting in significantly increase in the credit coverage of distributors and further enhance the financial support for sales. In order to meet the individualized financial needs of the dealers and customers in each region and to broaden financing channels, the Group launched a number of specialized financial solutions, and preliminarily established a diversified structure of financial products and steadily improved its financial support capacity for sales. During the Period, the Group sold 56,993 vehicles through auto financing services, representing an increase of approximately 177.6% HoH:



As at 30 June 2021, the finance segment of the Group had 22 regional offices, extended the geographical coverage of its financing services across China, and further improved its auto financing services.

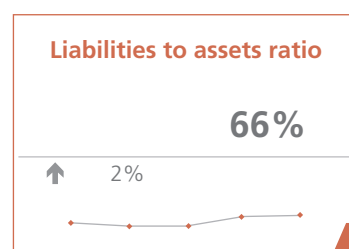
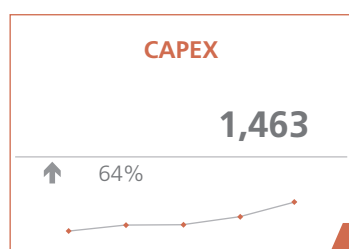
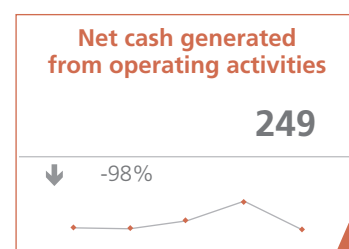
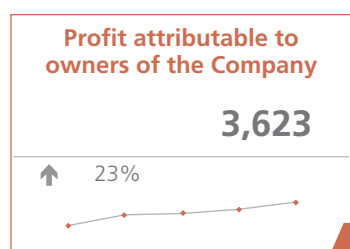
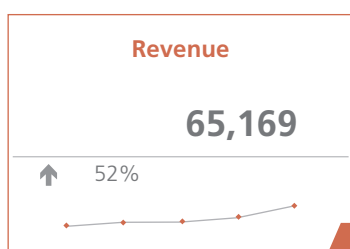
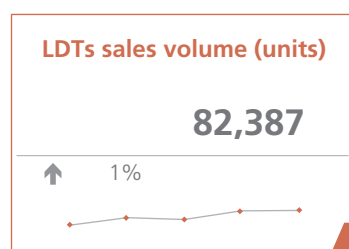
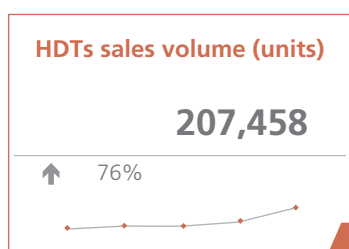
MAJOR KEY PERFORMANCE INDICATORS (“KPI”)

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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



Key performance indicators	2021	2020	2019	2018	2017
HDTs sales volume (units)	207,458	118,073	92,668	93,527	74,792
LDTs sales volume (units)	82,387	81,704	65,401	68,848	54,739
Revenue	65,169	42,798	34,623	34,266	26,626
Profit attributable to owners of the Company	3,623	2,941	2,536	2,419	1,400
Net cash generated from operating activities	249	13,474	4,272	516	964
CAPEX	1,463	892	591	578	350
Liabilities to assets ratio	66%	65%	56%	56%	59%

Note: The Group made business combinations under common control with Datong Gear in 2020 and with HOWO Bus in 2019, respectively. The 2019 data has restated Datong Gear data, the 2018 data has only restated HOWO Bus data and the 2017 data has not restated any business combinations under common control.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND OTHERS

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

The Group strives to provide its customers with comprehensive services and established a service brand "親人" ("Family") on the basis of our Collection of Documents of After-sales Service Management 《售後服務管理文件彙編》. The Group established a four-level service system consisting customer service centers at the Group level, customer service centers of the operating units, regional dealers and special service stations. Leveraging on 24-hour "400" service hotline and the Smart Sinotruk app "智慧重汽" etc., the Group conducted a specialized analysis on feedback from both internal and external customers on a regular basis. The Group has launched the integrated hotline for both domestic and international after-sales services satisfy the demand for international after-sales services. The Group modified the "Procedures for Investigation and Management of Service Satisfaction of Customers" 《客戶服務滿意度調查管理流程》 to ensure the rating of customer satisfaction could be more scientific and objective. A clear whistleblowing framework and inspection standards have been established so that both complaints and suggestions could be handled in a lawful, reasonable and timely manner. The Group has built up a comprehensive monitoring index system for all services for continuous improvement in both the effectiveness of service and efficiency of repair.

Strictly complying with domestic and foreign laws and regulations pertaining to recalls of defective vehicles including the "Administrative Regulation on the Recall of Defective Motor Vehicles" 《缺陷汽車產品召回管理條例》 and the "Measures for Implementation of the Administrative Regulation on the Recall of Defective Motor Vehicles" 《缺陷汽車產品召回管理條例實施辦法》, the Group established a complete product recall procedure, including identifying, collecting, analyzing, delivering

and storing information on quality-related issues. We will proactively recall (or instruct to recall) the defective products and take the corresponding remedial and prevention measures so as to protect customers' interests.

The Group maintains long-lasting relationship with suppliers on the basis of mutual trust, and procure materials and services by adhering to the principle of fairness and openness. By formulating clear rules and regulations regarding the whole-process management of the entry, management and assessment of suppliers as well as actively organizing exchange and training among suppliers on a regular basis, the Group leads the supply chain companies to jointly realize their social responsibility commitments in the fields of environmental protection, safety and health to foster the high-quality development of the construction of the supply chain system. For expansion of new categories of accessories by new suppliers or existing suppliers, the unit that initiates the project should submit the application for initiation approval to the procurement committee. After study and approval by the procurement committee, the relevant project then enters the formal entry and development stage. Through the "Approval Procedures for Supplier Entry and Product Release" 《配套產品供方准入和產品釋放批准程序》, the Group has established a strict supplier screening process to make sure that the products and services provided by suppliers will meet the requirements of the Group. The Group communicates the environmental and quality policies to suppliers through different channels and methods, requiring suppliers to meet the relevant industrial and environmental protection requirements. Through the terms of procurement contracts, suppliers are required to fulfill relevant social responsibilities.

The Group values the growth and development of every employee by providing comprehensive performance appraisal and promotion system. Insisting on the guidance by strategies and performance, and based on the newly-built post hierarchy, the Group has established a new performance appraisal mechanism, using the "Promoted by Earning Credits" method to achieve the dynamic promotion of employees, and simultaneously established a dynamic and exceptional promotion mechanism for technological R&D personnel to expand their promotion channels, and further to motivate them to do more

MANAGEMENT DISCUSSION AND ANALYSIS

contribution in the field. At the same time, the Group has established comprehensive promotion channels for its employees: professionals such as managerial and technical personnel can be promoted to the experts of management and technology, while operational staff can be either promoted to “Skilled Expert” (技能專家) or “Golden Blue-Collar” (金藍領). Through the “Provisional Regulations Concerning the Selection, Appointment and Management of Leaders and Cadres” (《領導幹部選拔任用管理暫行規定》), the Group adapts the selection approach with a combination of open recruitment and organizing inspection so as to establish channels for the promotion of leaders and cadres. The Group values all-round training on employees’ occupational skills, and makes efforts to provide training and learning opportunities and platform for all employees with an aim to set up a high-quality workforce. The Group established the 3-tier employee training and management method in accordance with the “Procedures for Training and Management” (《培訓管理程序》). The Group organizes training and management system such as “Workflow for Management of Internal Trainers” (《內部培訓師管理工作流程》) so as to build a team comprising of efficient and comprehensive internal trainers with various modules. The Group also optimizes the teaching assessment and incentive mechanism, and established a teaching evaluation system, in order to satisfy training requirement of various classes and categories for corporate development and employee’s personal growth and improve the quality of employee training.

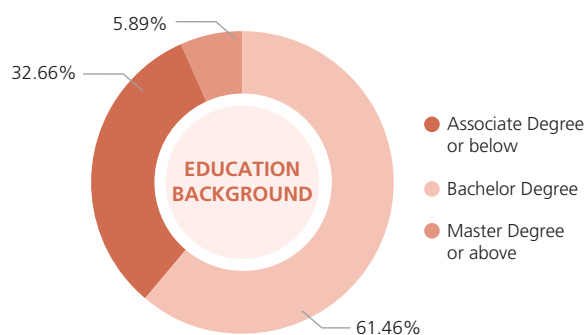
The Group pays the social insurance fees for its employees. According to the “Administrative Measures for Declaration and Payment of Social Insurance Fees” (《社會保險費申報繳納管理辦法》), the Group has centralized the payment of social insurance such as basic retirement insurance premiums, basic medical insurance premiums, unemployment insurance premiums, work-related injury insurance premiums, and maternity insurance premiums for its employees. The Group adheres to the direction of “precaution and treatment, with precaution as priority” regarding the occupational diseases and formulates management system such as the “Administrative Measures for Occupational Health” (《職業衛生管理辦法》) and the “Procedures for Occupational Protection and Prevention and Control of Occupational Diseases” (《職工勞動保護和職

業病防治控制程序》 in compliance with the requirements of laws and regulations such as the Law on the Prevention and Treatment of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》), with an aim to reinforce the management system for occupational health and safety and prevent occupational diseases.

During the Period, the remuneration of the Group (including salaries, retirement benefits, other welfares and post-employment benefits) to all employees including Directors amounted to RMB2,638 million, representing a decrease of 21.2% HoH. The Group did not have any share option scheme in place as at 30 June 2021.

As at 30 June 2021, the Group employed a total of 26,629 employees, broken down by function and education as follows:

	Number of employees	%
Management team	313	1.17
Technical and engineering staff	2,641	9.92
Research and development staff	2,327	8.74
Production staff	15,438	57.97
Operation and sales staff	2,643	9.93
Administrative staff	3,267	12.27
Total	26,629	100.00



MANAGEMENT DISCUSSION AND ANALYSIS

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

During the products and services life cycle, the quality of the products and services designed, produced, sold and provided by the Group face uncertainties which may bring negative effects and impact on the competitiveness and reputation of the Group.

MITIGATION MEASURES:

In respect of quality system management, the Group optimized the quality management system based on the IATF16949 standard with an aim to make it applicable for the whole process of product design and development, manufacturing, sales and after-sales services. By evaluating the maturity of quality system, the areas of possible improvements for the system can be identified and the completeness, adaptability and effectiveness of system operation can be further enhanced.

In respect of quality control for the accessories, the Group formulates the product sampling inspection scheme based on the PPM analysis on after-sales products, conducts inspection on sample products through various laboratories of inspection unit, organizes procurement centers, innovation department and various manufacturing units to convene evaluation meetings on regular basis, and undergoes suspension or evaluation and rectification on ineligible suppliers. The Group introduces third-party organizations to conduct second party review in order to help suppliers improve their ability in quality control.

In respect of management on environmental consistency of products, as the national authorities have imposed a strict supervision on the environmental and regulatory consistency of automobile manufacturers, the Group has established an inspection and management system on environmental consistency of vehicles and engines and conducted investigations on environmental and regulatory consistency of trucks and engines.

2. HEALTH, SAFETY AND ENVIRONMENTAL RISKS

The consistently high production yield in the first half of 2021 led to certain uncertainties in the physical fitness and mentality of our staff and hence brought serious challenges to our production safety. The Group always adheres to the principle of "safety first, prevention oriented and comprehensive management", improves the safety management system continuously, enhances the investigation and treatment of hidden dangers, implements supervision and monitoring, and continuously enhanced the safety management level, in order to ensure the overall production safety.

MITIGATION MEASURES:

A compliance list of safety responsibilities for all levels and all duties was formulated and assessment were conducted on regular basis. During the first half of year, the review of "Management Measures of Safety Production Responsibilities" 《安全生產責任制管理辦法》 for the manufacturing units was completed, which clearly defined the safety responsibilities for all levels, departments and duties, especially the responsibility of investigation and management of hidden dangers, responsibility of safety management and responsibility of emergency response, with an aim to formulate a compliance list of responsibilities which includes the details of responsibilities, compliance measures, compliance frequency, time of compliance and the specific person-in-charge. By review of the "Law on the Safety Production of the PRC" 《中華人民共和國安全生產法》, the performance assessment system for fulfillment of responsibility was optimized and regular assessment for the implementation of safety responsibility were conducted.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has launched an in-depth and large-scale hidden danger identification and rectification to resolutely curb the occurrence of significant incidents of production safety. The Group formulates safety inspection programs on a monthly basis and conducts inspections as scheduled, with detailed and exhaustive self-inspections and self-rectifications on corruption-prone and casualty-prone key points. During the Period, the Group has conducted a total of 184 inspections and treatments of hidden dangers and 837 dangers have been found, all of them have been rectified.

The Group conducted the evaluation of the double prevention system and the amendment and review of contingency plan with an aim to improve the abilities of emergency response of all departments and sections. According to the newly amended "Work Safety Law", the Group has reassessed the double prevention system for 13 manufacturing units in Ji'nan, among which 58 significant risks, 45 major risks, 766 third-level risk points, 1,974 fourth-level risk points and 43 fifth-level risk points were found. The Group has organized and completed the amendment and assessment of the integrated contingency plan, special contingency plan and on-site execution plan, as well as trained and verified the effectiveness of coordinated joint operation mechanism of all departments and all sections in an emergency response through special drills.

The Group has formulated a selection plan for the top performing units in manufacturing system safety and environmental-friendliness for the year 2021. To further implement the spirit regarding "the combination of both reward and punishment mechanisms to initiate safety management" in order to prevent and stop any accidents related to production safety, environmental pollution and fire safety, the Group has formulated the "Selection Plan for the Top Performing Units in Manufacturing System Safety and Environmental-friendliness for the year 2021", which was launched among the manufacturing units and as a result, all employees actively participated in safety production management and hence enhanced the safe production management level.

The Group conducted various centralized emergency drills in order to improve its abilities of catastrophe prevention and relief. According to features of the summer climate, during the first half of year, the Group has organized all units to commence drills mainly on aspects of fire safety, heat stroke, occupational diseases, public health, contingency plan for natural disasters and on-site disposal plan in accordance with the annual emergency drill plan, and a total of more than 210 drills were organized at all levels. Through the commencement of various drills, the staffs' capability to handle emergency situation was enhanced while the suitability and effectiveness of the contingency plans and on-site execution plans were verified.

The development of the Group's first "Massive Risk Warning and Intelligent Prevention and Control System" for fire safety was completed and has been promoted for wider application. During the first half of year, the Group took Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd. as the pilot company to launch the specific plan for massive fire safety risk warning and intelligent prevention and control system. The system can be applied in early warning and auto-extinguishment of fire in major sites, and can also achieve inspection of early services facilities through QR code scanning, thereby solving the disadvantages of traditional fire rescue and ensuring the fire safety of major fire prevention locations. After the smooth implementation of the system in pilot units for a period of time without any abnormalities, the system will be progressively promoted to other units.

The Group has commenced an innovative safety production month program to enhance the promotion of safety production. June 2021 was the 20th "Safety Production Month" in China. To further implement President Xi Jinping's important expositions on production safety, the Group focused on the promotion of the 3-year plan of special rectification of production safety, and the identification and rectification of major issues of production safety. Adhered to the main theme of "Implementation of Safety Responsibilities and Promotion of Safety Development", the Group has launched the 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Safety Production Month Campaign, with main focus on “6 Series of activities”, namely a series of learning, promotion and implementation, a series of system amendment, a series of risk identification and governance, a series of warning and education, a series of emergency drills and a series of skill competitions. The campaign was divided into four stages and gradually launched on a weekly basis, and achieved the expected results.

The Group has organized activities for the “Promotion Week of the Prevention and Treatment of Occupational Disease”. From 25 April to 1 May 2021 was China’s 19th promotion week of the “Law on the Prevention and Treatment of Occupational Disease”. To further promote and implement the “Law on the Prevention and Treatment of Occupational Disease”, further confirm the major responsibilities entities, promote the construction of the occupational health treatment system and governance capability, and protect employees’ rights, the Group organized and launched promotion campaigns. By actively cooperating with the National Health Commission, the Group has launched the scientific popularization of health knowledge, launched the occupational health trainings, organized the employees to listen and watch the themed occupational disease promotional activities, filtered factors of occupational hazards exhaustively, and minimized risks of occupational diseases so as to build up atmosphere of full participation and rich of contents during the promotion week. The promotion week of the Prevention and Treatment of Occupational Disease has achieved a good result.

3. FOREIGN EXCHANGE RISKS

The Group’s international trades are currently transacted in international currencies such as USD and Euro. If there are any significant exchange rate fluctuations of RMB against these currencies, the Group may face uncertainty that it has not faced under the original fixed exchange rates. The Group could be exposed to potential risks such as foreign exchange losses and decrease in investment gains.

MITIGATION MEASURES:

Given that certain regional markets, such as Southeast Asia, own abundant RMB deposits, cross-border RMB is more commonly used as contract settlement currency when doing businesses with these regions.

For long-term forward letter of credit, forfeiting is adopted to accelerate collection of receivables to avoid adverse effects of forward exchange rate fluctuations.

Closely monitor exchange rate fluctuations and choose opportunities to settle foreign exchange transactions based on funding needs and market exchange rates.

Consider measures such as fixing forward exchange rates and locking in profit from contracts when negotiating foreign trade contracts. Forward exchange rates are adopted in the settlement of contracts.

Predict the monthly amount of collection of receivables and lock the forward exchange rate of certain portion of receivables from export sales in a certain upcoming period based on the export sales and collection schedule.

ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

The Group has strictly complied with various applicable national, provincial and local laws and regulations, including the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》, the Energy Conservation Law of the PRC 《中華人民共和國節約能源法》, the Atmospheric Pollution Prevention and Control Law of the PRC 《中華人民共和國大氣污染防治法》, the Water Pollution Prevention and Control Law of the PRC 《中華人民共和國水污染防治法》 and the Law of Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC 《中華人民共和國固體廢棄物污染環境防治法》, and maintain control over the entire process of operation and services that might cause environmental impact as well as occupational safety risks. Specific measures are as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

Insist on the concept of green development, adhere to a strong sense of social responsibility, and actively assume our environmental responsibility. Continue to establish a comprehensive environmental management system in accordance with the concept “our environment is a precious gift”. To strengthen our environmental and energy resources management, actively promote the improvement of international environmental management system ISO14001, encourage all units to build their own environmental management system accordingly and obtain relevant certification, which could effectively enhance environmental management and energy resources utilization, and realize continuous improvement of environmental performance indicators.

Identify and determine emissions of air pollutants generated during production and operation, adopt special treatment and regularly invite qualified third-party organizations to examine emissions of sulfur dioxide, nitric oxides, smoke and dust, and volatile organic compounds from the Group’s production and operation units to ensure their compliance with emission limits.

The Group actively launched a special treatment campaign for volatile organic compounds (VOC) generated during spraying. We attempted to map the existing production processes, raw and auxiliary materials usage, waste volume and destination and VOC content, and promoted substitution with low VOC raw and auxiliary materials from the source in every production unit by paint verification and equipment replacement. In addition, we actively arranged for the installation, inspection, networking and filing of continuous monitoring system of VOCs in each unit to reduce the risk of environmental non-compliance.

To raise the safety and environmental protection awareness of all our staff, the Group fully utilized its automated office platform and educate the staff by innovative means, with abundant training materials uploaded to the “Safety and Environmental Protection System” module of our platform, including videos and photos of casualties in past years, our monthly newsletter regarding safety and environmental protection and safety tips, etc, which would greatly enrich the dissemination form of relevant knowledge, create a strong atmosphere of publicity and education, and promote the continuous improvement of the safety awareness among all employees.

During the Period, as far as the Group is aware, the Group was not in material breach or non-compliance with laws and regulations applicable to the Group and that had a significant 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.

BUSINESS STRATEGIES AND PROSPECTS

Looking ahead to the second half of 2021, although the fundamentals of global economic recovery remain unchanged, uncertainties remain in the global economic recovery process due to the impact of the global spread of the “Delta” mutated virus and the recurrence of overseas outbreaks. In addition, the international political and economic situation is complex and volatile, bringing uncertainty to the global economic development. From the perspective of the domestic economic, China’s economy will shift to a normal growth stage, and the government has adopted a series of fiscal and monetary policies to maintain the momentum for economic growth in the second half of the year.

From the perspective of the commercial vehicle industry, the early purchases made by customers in the first half of the year has overdrawn part of the future market demand due to the switch to the China VI Emission Standards. However, as economic development continues to improve, the fundamental demand for commercial vehicles remains stable. Meanwhile, the elimination of old vehicles, the continuation of the traffic restriction policy, and the continuous tightening of highway regulations in respect of control of overload and overrun will play a certain role in boosting the release of demand due to the phasing out and renewal of existing vehicle stock on the market. Overall, the sales volume of heavy duty truck industry and light duty truck industry in 2021 will show a “high at the beginning and low thereafter” trend, and the annual sales volume will remain high.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group upholds “Aiming for Clients’ Satisfaction” as its core value, with a corporate vision of “Building a worldclass full range commercial vehicle group”. In the second half of 2021, the Group will focus on the following areas:

1. to work on the introduction of China VI Emission Standard products to achieve market leading position. For the full of China VI Emission Standard products, the quality of products should be guaranteed and comfort should be improved to ensure the competitive advantages of the products. The Group will organize and plan from aspects including marketing and advertising, commercial strategies and after-services to ensure that China VI Emission Standard products can win the support from customers;
2. to further strengthen the optimization of its sales network, initiate the certification of standardized operation and training on sales network, manage the sales network by levels and clarify the sales target for each store in the sales network; and
3. to boost the speed of upgrade and iteration in technology in order to create a new point of growth. The development of new energy assembly and vehicle products will be accelerated, and such products will be first introduced into markets such as muck truck, urban logistics vehicles and specialty vehicles.

FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group’s revenue for the Period was RMB65,169 million, representing an increase of RMB22,371 million or 52.3% HoH. The increase in the revenue was due to the significant increase in the sales volume of HDTs. The Group’s gross profit for the Period was RMB10,815 million, representing an increase of RMB2,240 million or 26.1% HoH. The increase in gross profit was mainly due to the significant increase in sales, particularly, in sales of heavy duty trucks.

Gross profit margin for the Period was 16.6% (gross profit divided by revenue), representing a decrease of 3.4 percentage points HoH. The decrease in gross profit margin was mainly due to the increase in raw material prices and the drop in gross profit margin in sales of products of the LDTs and others segment.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Period was RMB3,222 million, representing an increase of RMB1,357 million or 72.8% HoH and such increase was due to the increase in the volume of trucks sold and the warranty expenses. During the Period, selling and distribution expenses to Products Revenue ratio was 5.0%, representing an increase of 0.6 percentage points HoH. Warranty expenses accounted for 2.2% of Products Revenue for the Period, representing an increase of 0.6 percentage points HoH. The increase was mainly due to an expected increase in warranty services.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB2,540 million, representing a decrease of RMB222 million or 8.0% HoH. During the Period, administrative expenses to revenue ratio was 3.9%, representing a decrease of 2.6 percentage points HoH. The decrease in the ratio was mainly due to the significant decrease in the provision for termination and retirement benefits. A significant one-off termination and retirement benefits in the corresponding period last year were made due to the streamling of the human resources structure.

NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

Net impairment losses of financial assets for the Period was RMB275 million, representing a decrease of RMB59 million or 17.7% HoH. The impairment losses of trade and financing receivables was RMB285 million, accounting for 0.4% of the total revenue for the Period. Further details of the trade and financing receivables are set out in the section headed “TRADE AND FINANCING RECEIVABLES”.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME AND GAINS AND OTHER EXPENSES

The net amount of other income and gains as well as other expenses for the Period was RMB461 million, representing an increase of RMB66 million or 16.7% HoH. During the Period, the increase in income of disposal of scraps was at RMB40 million, the increase in government grants was at RMB30 million and, the increase in penalty income was at RMB25 million, and certain long term payables were written off. However, most of such increases were offset by exchange losses. The Group faced significant foreign exchange fluctuation and suffered from foreign exchange losses at RMB57 million during the Period compared to the gains at RMB47 million in the corresponding period last year.

FINANCE INCOME - NET

Net finance income for the Period was RMB65 million, representing an increase of RMB24 million or 58.5% HoH. The increase in finance income was due to the increase in interest income by RMB8 million and the significant reduction in interest expenses by RMB16 million as a result of a smaller average scale of borrowing during the Period.

SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Share of profits less losses of associates for the Period was profit at RMB5 million, representing a decrease of RMB24 million or 82.8% HoH. The decrease was mainly due to the share of losses from associates acquired in 2020 which are still in business development stage.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB1,271 million, representing an increase of RMB311 million or 32.4% HoH. The increase was due to the increase in profit before tax. The effective tax rate (profit before income tax but excluding share of profits less losses of associates) for the Period was 24.0%, representing an increase of 0.3 percentage points HoH.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the Period was RMB4,037 million, representing an increase of RMB918 million or 29.4% HoH. Net profit ratio (profit for the Period divided by revenue) was 6.2%, representing a decrease of 1.1 percentage points. Profit attributable to owners of the Company for the Period was RMB3,623 million, representing an increase of RMB682 million or 23.2% HoH. The basic earnings per share attributable to owners of the Company for the Period was RMB1.31, representing an increase of RMB0.24 or 22.4% HoH.

TRADE AND FINANCING RECEIVABLES

In addition to the normal credit period granted to certain privileged customers, the Group receives acceptance bills for settlement of trade receivables. As at 30 June 2021, the total balances of the trade receivables and acceptance bills which are classified as financial assets at fair value through other comprehensive income and as bills receivable but excluding discounted bills of the finance segment (collectively referred to "Aggregate Trade Balance") amounted to RMB16,890 million, representing an increase of RMB5,483 million or 48.1% when compared to the balance as at 31 December 2020. The main reasons for the increase in Aggregate Trade Balances were the significant increase in sales during the Period and that the Group strengthened marketing and seized the domestic market.

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

The trade receivables turnover (average Aggregate Trade Balances divided by Products Revenue multiplied by 181 days (2020: 182 days)) for the Period was 39.8 days (2020: 51.4 days), representing a decrease of 11.6 days.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the Aggregate Trade Balances aged not more than twelve months amounted to RMB15,047 million or 89.1% of Aggregate Trade Balances.

As at 30 June 2021, the financing receivables was RMB27,073 million, representing an increase of RMB6,678 million or 32.7% when compared to the balance as at 31 December 2020.

As at 30 June 2021, the financing receivables aged not more than twelve months amounted to RMB18,230 million or 67.3% of the total financing receivables.

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

The Group reviews the repayment progress of key customers or customers with higher risk of default in repayment on a monthly basis and assesses impairment loss by reference to their business, actual repayment information, etc. During the Period, the Group made impairment loss allowance for trade receivables at the amount of approximately RMB84 million and impairment loss allowance for financing receivables at the amount of approximately RMB201 million.

TRADE PAYABLES

As at 30 June 2021, the trade and bills payables amounted to RMB53,483 million, representing a decrease of RMB1,212 million or 2.2% when compared to the balance as at 31 December 2020.

The trade payables turnover (average trade and bills payables balances divided by costs of Products Revenue multiplied by 181 days (2020: 182 days)) for the Period was 180.3 days, representing an increase of 2.6 days HoH.

CASH FLOWS

Net cash inflow generated from operating activities for the Period was RMB249 million. Although the revenue for the Period increased 52.3% but the effect of the increase in cash inflow from operating activities from revenue was mostly offset by the increase in trade, financing and bills receivables, the increase in bank acceptance bills and the payment of large amount of income tax. The significant increase in trade and bills payables at RMB20,293 million in the corresponding period last year reduced the payment of operating expenses in such period while trade and bills payables during the Period were reduced by RMB1,212 million. As a result, the cash inflow from operating activities for the Period reduced by RMB13,225 million as compared to the corresponding period last year.

Net cash outflow used in investing activities for the Period was RMB2,420 million. During the Period, the Group significantly reduced the purchase of wealth management products by RMB4,267 million as compared with the corresponding period last year. However, the Group further invested in production facility to enlarge production capacity and develop new products by extra spending approximately RMB1,579 million more during the Period which offset the above savings. Cash outflow used in investing activities decreased by RMB2,719 million as compared to the cash outflow in the corresponding period last year.

Net cash outflow generated from financing activities for the Period was RMB4,805 million. During the Period, Ji'nan Truck Company made private placement in return of proceeds of RMB5,001 million and Sinotruk (Chongqing) Light Vehicle Co., Ltd. issued 40% enlarged equity at approximately RMB527 million. The repayment of borrowings was reduced by RMB288 million during the Period HoH. In addition, there was no payment of consideration for the business combination under common control during the Period while it was paid at the amount of RMB1,393 million in the corresponding period last year. As a result, cash inflow from financing activities increased by RMB7,127 million as compared to the cash outflow in the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group had cash and cash equivalents of RMB28,652 million, representing an increase of RMB2,603 million or 10.0% when compared to the balance as at 31 December 2020. The Group's total borrowings were about RMB2,900 million as at 30 June 2021. Its gearing ratio (total borrowings divided by total assets) and debt-to-equity ratio (total borrowings divided by equity) as at 30 June 2021 were 2.3% and 6.8% respectively (31 December 2020: 1.5% and 4.8% respectively). As at 30 June 2021, current ratio (total current assets divided by total current liabilities) was 1.2 (31 December 2020: 1.1 and 30 June 2020: 1.2).

As at 30 June 2021, all borrowings were denominated in RMB (31 December 2020: all in RMB) and all borrowings were charged with reference to bank's preferential fixed rates. The maturity profile of all borrowings was as follows:

	As at 30 June 2021 RMB million	As at 31 December 2020 RMB million
Within one year	2,900	1,474
In the second year	—	158
Three to five years	—	80
	2,900	1,712

As at 30 June 2021, total consolidated equity of the Company was RMB42,527 million, representing an increase of RMB6,848 million or 19.2% when compared with the balance as at 31 December 2020.

As at 30 June 2021, the Company's market capitalization was RMB38,228 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD16.64 per Share and at the exchange rate of 1: 0.83208 between HKD and RMB).

As at 30 June 2021, the unutilized credit facilities of the Group from the banks amounted to RMB23,076 million (31 December 2020: RMB18,049 million). An aggregate amount of RMB1,821 million (31 December 2020: RMB876 million) of security deposits and restricted bank deposits were pledged to secure various credit facilities. In addition, the finance segment made mandatory deposits of RMB4,213 million (31 December 2020: RMB3,652 million) to the PBOC for its financial operations. The Group meets its daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, sufficient banking facilities and issuance of bills such as short-term commercial acceptance bills and bank acceptance bills.

INVESTMENTS

INVESTMENT IN A SUBSIDIARY

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

DILUTION IN OWNERSHIP IN SUBSIDIARIES

In January 2021, Weichai Power contributed approximately RMB527 million in cash to Sinotruk (Chongqing) Light Vehicle Co., Ltd. for its 40% enlarged equity. In addition, Ji'nan Truck Company made private placement in return of proceeds of RMB5,001 million which resulted in the Group's ownership in equity of Ji'nan Truck Company being diluted to 51%.

MANAGEMENT DISCUSSION AND ANALYSIS

EQUITY INVESTMENTS FORMING PART OF THE GROUP'S OPERATIONS

The Group has invested in long-term equity investments for the purpose of forming part of its business operations:

a) Interests in associates

The Group acquired 30.77% equity in Shandong Guochuang Fuel Cell Technological Innovation Co., Ltd. at the consideration of RMB20 million and disposed of all its 25% equity in Shandong Changjiu Intelligence Logistics Co., Ltd. at the consideration of RMB21 million.

As at 30 June 2021, the amount of interest in associates was RMB1,026 million, representing 0.8% of the total assets of the Group. Performance and details of investments accounted for using the equity method are disclosed in the section headed "SHARE OF PROFITS LESS LOSSES OF ASSOCIATES".

b) Other long term equity investments

As at 30 June 2021, the Group's unlisted equity investments for long term strategic investment purpose amounted to RMB33 million, representing less than 0.1% of the total assets of the Group. These investments were classified as financial assets at fair value through other comprehensive income.

OTHER SECURITIES INVESTMENTS

For the purposes of increasing profitability of short term funds and managing the liquidity of the Group, the Group invests in short-term equity investments which consists of listed securities in Hong Kong and the Mainland. As at 30 June 2021, the Group had short term equity investment at RMB85 million, representing less than 0.1% of its total assets. Such equity investments are accounted for as equity investments in financial assets at fair value through profit or loss. Their fair values keep changing from time to time depending on factors including but are not limited to their operation results, economic situations and stock markets sentiments.

CAPITAL COMMITMENT

As at 30 June 2021, the Group committed capital expenditure in respect of property, plant and equipment as well as other intangible assets amounting to RMB2,322 million which will be funded by internal resources and borrowing facilities.

CHARGES ON GROUP ASSETS

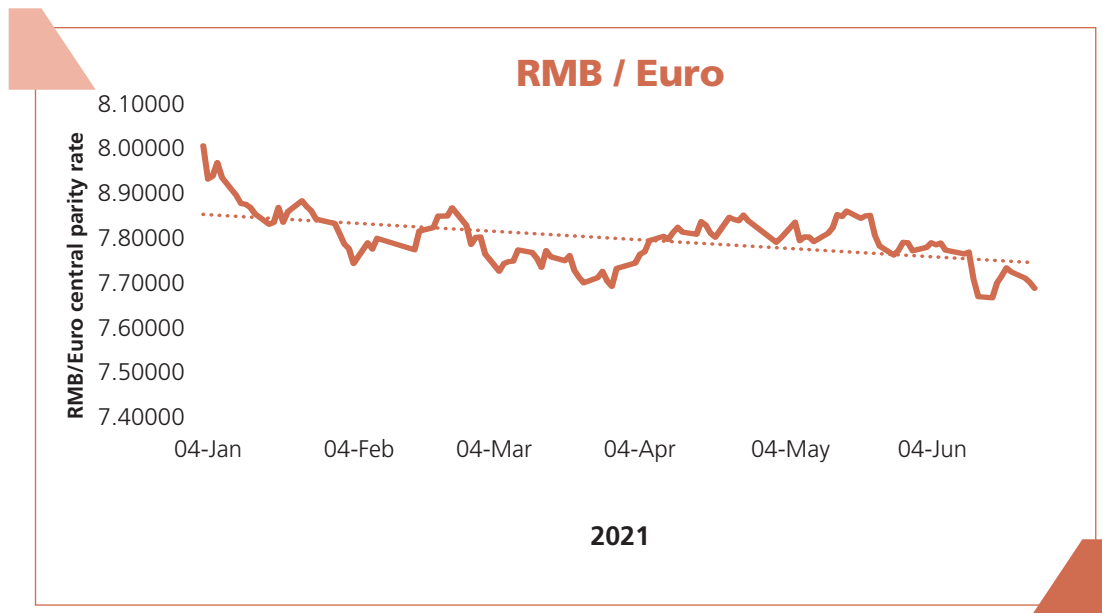
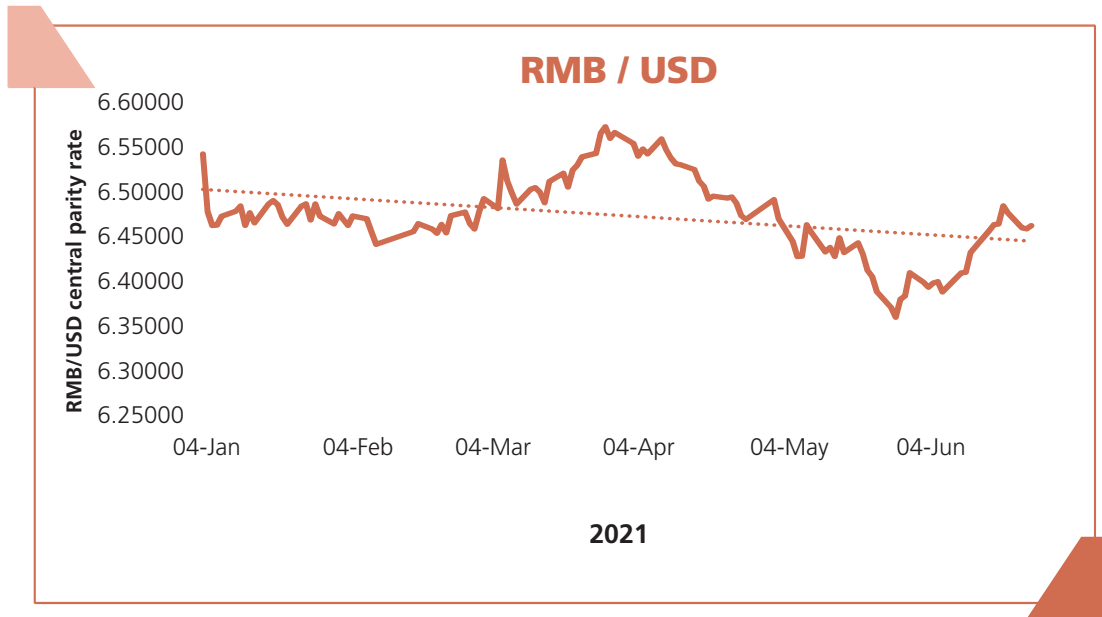
Save as disclosed in the section headed "LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE" and the mortgage of buildings and land use rights at carrying value of RMB11 million for banking credit facilities, as at 30 June 2021, there were no assets of the Group being pledged.

FINANCIAL MANAGEMENT AND POLICY

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

MANAGEMENT DISCUSSION AND ANALYSIS

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



MANAGEMENT DISCUSSION AND ANALYSIS

The RMB/USD central parity rate in the PRC as at 30 June 2021 was 6.46010, representing an appreciation of RMB by 0.99% when compared to the rate of 6.52490 as at 31 December 2020. RMB against USD central parity rates recorded a high of 6.57130 and a low of 6.35720 with volatility at 4.57% as well as gradual appreciation trend during the Period.

The RMB/Euro central parity rate in the PRC as at 30 June 2021 was 7.68620, representing an appreciation of RMB by 4.22% when compared the rate of 8.02500 as at 31 December 2020. RMB against Euro central parity rates recorded a high of 8.00950 and a low of 7.66470 with volatility at 6.21% as well as gradual appreciation trend during the Period.

As at 30 June 2021, the Group's monetary assets and liabilities were denominated in RMB, except for cash and bank balances which in total were equivalent to approximately RMB3,650 million, financial assets at fair value through profit or loss of approximately RMB6 million, accounts receivable and other receivables of approximately RMB2,770 million, accounts and other payables of approximately RMB61 million, all of which were denominated in currencies other than RMB. At as 30 June 2021, all borrowings were in RMB. The Group's major net foreign currency assets is dominated in USD and Euro. At as 30 June 2021, RMB equivalents of USD and Euro in cash and cash equivalent and restricted cash were RMB3,309 million and RMB265 million, respectively.

During the Period, the Group recorded foreign exchange losses of RMB57 million in operating profit. The potential foreign exchange impacts to the USD and Euro denominated net assets of the Group as at 30 June 2021 are:

	USD denominated net assets	Euro denominated net assets
5% appreciation/ depreciation in RMB	Loss/gain before tax of RMB287 million	Loss/gain before tax of RMB25 million

GOING CONCERN

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

CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

Certain subsidiaries of the Company refer designated customers to other finance leasing companies to finance their sales of trucks and guarantee the repayment obligation by these customers to the finance leasing companies by way of buyback of the trucks. As at 30 June 2021, the Group has committed such guarantees at a maximum aggregate amount of RMB40 million a 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 RMB170 million and provision for legal claims of approximately RMB2 million was made as at 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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” (the “**CG Code**”) to the Listing Rules as its own code of corporate governance.

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

In respect of code provisions A.5.1 and A.5.2 of the CG Code, the Company has not established a nomination committee and does not have a nomination policy as the Board takes up all functions of a nomination committee as required under the Listing Rules.

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

In respect of code provision E.1.5 of the CG Code, the Company should have a policy on payment of dividends. The Company has not established a dividend policy as the

Company will consider various factors such as the current operating results, distributable reserves, financial position, expected financial performance, expected working capital requirements, sustainable development to determine the dividend, which is to the best interest of the Company and its Shareholders as a whole.

BOARD

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

As at 30 June 2021, the Board had a total number of seventeen Directors including seven EDs, four NEDs and six INEDs. Seven EDs included Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Dai Lixin, Mr. Richard von Braunschweig, Mr. Li Shaohua and Ms. Li Xia. Four NEDs included Mr. Jiang Kui, Ms. Annette Danielski, Mr. Matthias Gründler and Dr. h.c. Andreas Tostmann. Six INEDs included Dr. Lin Zhijun, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing and Mr. Lyu Shousheng.

Mr. Liu Peimin and Ms. Qu Hongkun resigned as the EDs on 19 March 2021 and 11 May 2021, respectively. Each of Mr. Liu Peimin and Ms. Qu Hongkun has confirmed that he/she has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders.

OTHER INFORMATION

EXECUTIVE COMMITTEE

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

As at 30 June 2021, the Executive Committee comprised seven members, namely, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Dai Lixin, Mr. Richard von Braunschweig, Mr. Li Shaohua and Ms Li Xia. Mr. Cai Dong is the chairman of the Executive Committee.

STRATEGY AND INVESTMENT COMMITTEE

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

As at 30 June 2021, the Strategy and Investment Committee comprised five members, namely, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Richard von Braunschweig, Ms. Li Xia and Mr. Zhao Hang. Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Richard von Braunschweig and Ms. Li Xia are EDs while Mr. Zhao Hang is an INED. Mr. Cai Dong is the chairman of the Strategy and Investment Committee.

REMUNERATION COMMITTEE

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

As at 30 June 2021, the Remuneration Committee comprised five members, namely, Mr. Lyu Shousheng, Dr. Lin Zhijun, Mr. Yang Weicheng, Mr. Liang Qing and Mr. Liu Wei. Mr. Lyu Shousheng, Dr. Lin Zhijun, Mr. Yang Weicheng and Mr. Liang Qing are INEDs while Mr. Liu Wei is an ED. Mr. Lyu Shousheng is the chairman of the Remuneration Committee.

AUDIT COMMITTEE

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

OTHER INFORMATION

As at 30 June 2021, the Audit Committee comprised three members, namely, Dr. Lin Zhijun, Dr. Wang Dengfeng and Mr. Lyu Shousheng who are all INEDs. Dr. Lin Zhijun is the chairman of the Audit Committee.

DIRECTORS' SECURITIES TRANSACTIONS

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

CHANGES IN DIRECTORS' INFORMATION

Mr. Richard von Braunschweig was appointed as the managing director for Human Resources and Legal Affairs of MAN Truck & Bus Österreich GesmbH since 1 April 2021. Mr. Dai Lixin no longer acted as the board secretary of the Company and the chief investment officer of CNHTC since 15 August 2021.

DIVIDENDS

The Board resolved not to declare any interim dividends for the six months ended 30 June 2021.

DIVIDEND POLICY

As at 30 June 2021, the Company did not have a dividend policy in place.

REVIEW OF INTERIM RESULTS

This unaudited interim condensed consolidated financial information of the Company for the six months ended 30 June 2021 has been reviewed by the Audit Committee and by Ernst and Young, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

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

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

PUBLIC FLOAT

Based on publicly available information and within the Directors' knowledge, as at 13 September 2021, being the latest practicable date prior to the issue of the report, approximately 24% of the Shares were held by the public.

SHAREHOLDING ANALYSIS

As at 30 June 2021, the major shareholders of the Company were CNHTC and FPFPS. CNHTC is a PRC state-owned commercial vehicles manufacturing enterprise and indirectly holds 51% of the entire issued capital of the Company. FPFPS indirectly holds 25% of the entire issued share capital of the Company plus one Share. The FPFPS Group, comprising Volkswagen Group, is one of the world's leading automobile manufacturers in commercial vehicles and passenger cars. Volkswagen Group comprises of twelve brands from seven European countries: Volkswagen Passenger Cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN.

OTHER INFORMATION

The Company's market capitalisation and shareholding distribution as at 30 June 2021 are set out in the section headed "Shareholder Information" of this report.

INVESTOR RELATIONS

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

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

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

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

As at 30 June 2021, none of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 June 2021, other than the interests of the Directors and chief executives of the Company as disclosed above, the Company has been notified of the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO:

A) THE COMPANY

Long position

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

OTHER INFORMATION

Notes:

- (a) For the purpose of Part XV of the SFO, SHIG has interest in a total of 65% of the voting rights in CNHTC, and therefore, is deemed to have interest in all the Shares held (or deemed to be held) by CNHTC under the SFO.
- (b) CNHTC holds the entire issued share capital of Sinotruk (BVI) Limited. CNHTC is deemed to have interest in all the Shares held (or deemed to be held) by Sinotruk (BVI) Limited under the SFO.
- (c) FPFPS holds 90% interest in Ferdinand Porsche Familien-Holding GmbH. FPFPS is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Porsche Familien-Holding GmbH under the SFO.
- (d) Ferdinand Porsche Familien-Holding GmbH holds 73.85% interest in Ferdinand Alexander Porsche GmbH. Ferdinand Porsche Familien-Holding GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Alexander Porsche GmbH under the SFO.
- (e) Ferdinand Alexander Porsche GmbH holds 100% interest in Familie Porsche Beteiligung GmbH. Ferdinand Alexander Porsche GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Familie Porsche Beteiligung GmbH under the SFO.
- (f) Familie Porsche Beteiligung GmbH holds 51.69% interests in Porsche Automobil Holding SE. Familie Porsche Beteiligung GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Porsche Automobil Holding SE under the SFO.
- (g) Porsche Automobil Holding SE holds 50.73% interest in Volkswagen AG. Porsche Automobil Holding SE is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen AG under the SFO.
- (h) Volkswagen AG holds 100% interest in Volkswagen Finance Luxemburg S.A. Volkswagen AG is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen Finance Luxemburg S.A. under the SFO.
- (i) Volkswagen Finance Luxemburg S.A. holds 89.72% voting interest in TRATON SE. Volkswagen Finance Luxemburg S.A. is deemed to have interest in all the Shares held (or deemed to be held) by TRATON SE under the SFO.
- (j) TRATON SE holds 94.68% voting interest in MAN SE. TRATON SE is deemed to have interest in all the Shares held (or deemed to be held) by MAN SE under the SFO.
- (k) MAN SE holds 100% voting interest in MAN Finance and Holding S.A. MAN SE is deemed to have interest in all the Shares held (or deemed to be held) by MAN Finance and Holding S.A. under the SFO.
- (l) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 30 June 2021, Familie Porsche Beteiligung GmbH held a 27.73% interest in the capital of Porsche Automobil Holding SE and had a voting interest of 55.46% in this entity.
- (m) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 30 June 2021, Porsche Automobil Holding SE held a 31.42% interest in the capital of Volkswagen AG and had a voting interest of 53.35% in this entity.
- (n) For information purposes, the Company has been informed that, on 31 August 2021, MAN SE merged into TRATON SE via a merger-squeeze-out and ceased to exist. TRATON SE is the legal successor of MAN SE.

OTHER INFORMATION

B) MEMBERS OF THE GROUP

Long position

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

Save as disclosed above, as at 30 June 2021, no other persons had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

OTHER INFORMATION

CONSTITUTIONAL DOCUMENTS

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

SUBSEQUENT EVENTS

INVESTMENT IN A SUBSIDIARY

The Group completed the acquisition of 重汽(威海)商用車有限公司 (Sinotruk (Weihai) Commercial Vehicle Co., Ltd.) at the consideration of approximately RMB250 million in July 2021. For details of the acquisition, please refer to the Company's announcement dated 31 March 2021.

DISPOSAL OF SUBSIDIARIES

The Group agreed to dispose of 60% equity of a wholly-owned subsidiary, Sinotruk Chongqing Fuel System Co., Ltd. to Weichai Power at the consideration of approximately RMB477 million in July 2021. After the completion of the disposal, Sinotruk Chongqing Fuel System Co., Ltd. will change from a subsidiary of the Company to an associate of the Company.

The Group agreed to dispose of a non-wholly owned subsidiary, Sinotruk Hubei Huawei Special Vehicles Co., Ltd. to CNHTC at the total consideration of approximately RMB104 million in August 2021. Details of the disposal were disclosed in the Company's announcement dated 27 August 2021.

By order of the Board

Mr. Cai Dong

Chairman of the Board

Ji'nan, PRC, 27 August 2021

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the board of directors of Sinotruk (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 42 to 80, which comprises the condensed consolidated statement of financial position of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong
27 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	2021 Unaudited	2020 Unaudited
REVENUE	5	65,169,107	42,798,400
Cost of sales		(54,353,863)	(34,223,075)
Gross profit		10,815,244	8,575,325
Other income and gains		560,338	442,756
Selling and distribution expenses		(3,222,191)	(1,865,332)
Administrative expenses		(2,539,900)	(2,762,343)
Impairment losses on financial assets, net		(275,448)	(334,448)
Other expenses		(99,782)	(47,395)
Operating profit		5,238,261	4,008,563
Finance income		71,150	62,766
Finance costs		(6,402)	(21,773)
Finance income, net		64,748	40,993
Share of profits and losses of associates		5,359	29,061
PROFIT BEFORE TAX	6	5,308,368	4,078,617
Income tax expense	7	(1,271,486)	(960,109)
PROFIT FOR THE PERIOD		4,036,882	3,118,508
Attributable to:			
Owners of the Company		3,623,069	2,941,154
Non-controlling interests		413,813	177,354
		4,036,882	3,118,508
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
(expressed in RMB per share)			
basic and diluted	9	1.31	1.07

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021
(All amounts in RMB thousands unless otherwise stated)

	2021 Unaudited	2020 Unaudited
PROFIT FOR THE PERIOD	4,036,882	3,118,508
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	(13,954)	—
Share of other comprehensive income of associates	(1,067)	148
Exchange differences on translation of foreign operations	(2,033)	(2,152)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(17,054)	(2,004)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurements of termination and post-employment benefit obligations	(382)	(157)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(17,436)	(2,161)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,019,446	3,116,347
Attributable to:		
Owners of the Company	3,615,533	2,938,993
Non-controlling interests	403,913	177,354
	4,019,446	3,116,347

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	30 June 2021 Unaudited	31 December 2020 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	10	13,000,732	12,438,433
Investment properties		709,690	724,075
Right-of-use assets		2,489,510	2,453,470
Goodwill		68,933	68,933
Other intangible assets	11	415,517	314,921
Interests in associates		1,026,422	1,028,215
Equity investments designated at fair value through other comprehensive income	12	33,125	33,125
Trade and financing receivables	13	9,040,366	7,195,586
Prepayments and other assets	14	436,048	349,834
Deferred tax assets		2,359,536	2,327,101
Total non-current assets		29,579,879	26,933,693
CURRENT ASSETS			
Inventories	15	15,868,862	20,810,994
Trade, financing and bills receivables	13	27,615,237	20,222,201
Prepayments, other receivables and other assets	14	2,821,174	2,610,090
Financial assets at fair value through other comprehensive income	16	7,306,591	4,384,164
Financial assets at fair value through profit or loss		6,459,431	5,440,261
Cash and cash equivalents and restricted cash	17	34,725,319	30,606,858
Total current assets		94,796,614	84,074,568
CURRENT LIABILITIES			
Trade and bills payables	18	53,483,330	54,694,963
Other payables and accruals	19	20,750,381	14,224,620
Borrowings	20	2,900,000	1,473,910
Lease liabilities		13,180	21,646
Tax payable		875,469	1,312,086
Provisions	21	2,589,624	2,140,405
Total current liabilities		80,611,984	73,867,630
NET CURRENT ASSETS		14,184,630	10,206,938
TOTAL ASSETS LESS CURRENT LIABILITIES		43,764,509	37,140,631

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	30 June 2021 Unaudited	31 December 2020 Audited
NON-CURRENT LIABILITIES			
Borrowings	20	—	237,930
Lease liabilities		4,658	1,595
Deferred tax liabilities		118,081	96,772
Termination and post-employment benefit obligations	22	543,788	598,461
Deferred income		554,320	504,895
Tax payable		16,178	21,571
Total non-current liabilities		1,237,025	1,461,224
Net assets		42,527,484	35,679,407
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	16,717,024	16,717,024
Other reserves		2,243,262	480,257
Retained earnings		16,056,779	14,917,727
		35,017,065	32,115,008
Non-controlling interests		7,510,419	3,564,399
Total equity		42,527,484	35,679,407

The interim condensed consolidated financial information on pages 42 to 80 was approved by the board of directors on 27 August 2021 and was signed on its behalf.

Cai Dong
Director

Li Xia
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(All amounts in RMB thousands unless otherwise stated)

	Unaudited										Non-controlling interests	Total equity
	Attributable to owners of the Company											
	Share capital	Capital reserve	Revaluation reserve	Statutory reserve	Discretionary reserve	Merger reserve	Translation and other reserves	Retained earnings	Total			
At 1 January 2020	16,717,024	(3,612,554)	41,732	2,471,832	104,294	480,081	15,014	10,142,219	26,359,642	3,166,801	29,526,443	
Profit for the period	—	—	—	—	—	—	—	2,941,154	2,941,154	177,354	3,118,508	
Other comprehensive income:												
Share of other comprehensive income of associates	—	—	—	—	—	—	148	—	148	—	148	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(2,152)	—	(2,152)	—	(2,152)	
Remeasurements of termination and post-employment benefit obligations	—	—	(157)	—	—	—	—	—	(157)	—	(157)	
Total comprehensive income for the period	—	—	(157)	—	—	—	(2,004)	2,941,154	2,938,993	177,354	3,116,347	
Transactions with owners in their capacity as owners:												
Dividends of the Company relating to 2019	8	—	—	—	—	—	—	(991,530)	(991,530)	—	(991,530)	
Dividends of subsidiaries distributed to non-controlling interests	8	—	—	—	—	—	—	—	—	(133,686)	(133,686)	
Dividends paid to the then holding company of a subsidiary	—	—	—	—	—	—	—	(53,712)	(53,712)	—	(53,712)	
Total transactions with owners in their capacity as owners	—	—	—	—	—	—	—	(1,045,242)	(1,045,242)	(133,686)	(1,178,928)	
Appropriation to reserves	—	—	—	143,163	—	—	—	(143,163)	—	—	—	
At 30 June 2020	16,717,024	(3,612,554)	41,575	2,614,995	104,294	480,081	13,010	11,894,968	28,253,393	3,210,469	31,463,862	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021
(All amounts in RMB thousands unless otherwise stated)

Note	Unaudited											Non-controlling interests	Total equity
	Attributable to owners of the Company												
	Share capital	Capital reserve	Revaluation reserve	Comprehensive income	Fair value reserve of financial assets at fair value through other	Statutory reserve	Discretionary reserve	Merger reserve	Translation and other reserves	Retained earnings	Total		
At 1 January 2021	16,717,024	(3,612,554)	41,743	(17,265)	3,501,666	104,294	480,081	(17,648)	14,917,727	32,115,008	3,564,399	35,679,407	
Profit for the period	—	—	—	—	—	—	—	—	3,623,069	3,623,069	413,813	4,036,882	
Other comprehensive income:													
Changes in fair value of financial assets at fair value through other comprehensive income	—	—	—	(4,072)	—	—	—	—	—	(4,072)	(9,882)	(13,954)	
Share of other comprehensive income of associates	—	—	—	—	—	—	—	(1,067)	—	(1,067)	—	(1,067)	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(2,033)	—	(2,033)	—	(2,033)	
Remeasurements of termination and post-employment benefit obligations	—	—	(364)	—	—	—	—	—	—	(364)	(18)	(382)	
Total comprehensive income for the period	—	—	(364)	(4,072)	—	—	—	(3,100)	3,623,069	3,615,533	403,913	4,019,446	
Transactions with owners in their capacity as owners:													
Dividends of the Company relating to 2020	8	—	—	—	—	—	—	—	(2,413,171)	(2,413,171)	—	(2,413,171)	
Capital injection from non-controlling interests	—	1,698,788	—	—	—	—	—	—	—	1,698,788	3,829,299	5,528,087	
Changes in ownership interests in a subsidiary without change of control	—	907	—	—	—	—	—	—	—	907	(7,573)	(6,666)	
Dividends of subsidiaries distributed to non-controlling interests	8	—	—	—	—	—	—	—	—	—	(279,619)	(279,619)	
Total transactions with owners in their capacity as owners	—	1,699,695	—	—	—	—	—	—	(2,413,171)	(713,476)	3,542,107	2,828,631	
Appropriation to reserves	—	—	—	—	70,846	—	—	—	(70,846)	—	—	—	
At 30 June 2021	16,717,024	(1,912,859)	41,379	(21,337)	3,572,452	104,294	480,081	(20,748)	16,056,779	35,017,065	7,510,419	42,527,484	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(All amounts in RMB thousands unless otherwise stated)

	Notes	2021 Unaudited	2020 Unaudited
Cash flows from operating activities			
Cash generated from operations		2,060,347	14,310,382
Interest paid		(2,831)	(21,047)
Income tax paid		(1,808,424)	(815,117)
Net cash flows from operating activities		249,092	13,474,218
Cash flows from investing activities			
Interest received		75,538	62,896
Dividends received from an associate		9,326	10,499
Dividends income received from financial assets at fair value through profit or loss		162	1,552
Purchase of items of property, plant and equipment		(1,674,364)	(95,149)
Proceeds from disposal of items of property, plant and equipment		16,324	27,225
Proceeds from government grants		67,505	5,336
Purchase of other intangible assets		(60,782)	(28,226)
Proceeds from disposal of a subsidiary		—	4,885
Purchase of financial assets at fair value through profit or loss		(19,391,731)	(20,600,266)
Proceeds from disposal of financial assets at fair value through profit or loss		18,530,997	15,472,516
Acquisition of an associate		(20,000)	—
Disposal of associates		26,564	—
Net cash used in investing activities		(2,420,461)	(5,138,732)
Cash flows from financing activities			
Repayments of borrowings		(411,840)	(700,000)
Principal elements of lease payment		(24,857)	(42,036)
Purchase of a subsidiary under common control		—	(1,392,708)
Dividends paid to the non-controlling interests of subsidiaries	8	(279,619)	(133,686)
Dividends paid to the then holding company of a subsidiary		—	(53,712)
Acquisition of non-controlling interests		(6,666)	—
Capital injection from new non-controlling interests		5,528,087	—
Net cash from/(used in) financing activities		4,805,105	(2,322,142)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		26,049,064	15,923,639
Exchange (losses)/gains on cash and cash equivalents		(30,572)	21,161
Cash and cash equivalents at end of period	17	28,652,228	21,958,144

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

(All amounts in RMB thousands unless otherwise stated)

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to 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 gearboxes, and the provision of financial services.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

The financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

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

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company’s auditors have reported on the financial statements for the year ended 31 December 2020. The auditor’s report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

(All amounts in RMB thousands unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

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

The nature and impact of the revised HKFRSs that are relevant to the preparation of the Company's interim condensed consolidated financial information are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in RMB based on the Loan Prime Rate ("LPR") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

(All amounts in RMB thousands unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

Since the Group did not receive any rent concessions during the period ended 30 June 2021, the amendment did not have any impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors (the "Board") of the Company while it delegates the executive committee of the Company (the "Executive Committee") to execute. The Executive Committee reviews the 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, other vehicles, etc. and related components;
- (iii) Engines – Manufacture and sale of engines and related parts; and
- (iv) Finance – Provision for deposit taking, borrowings, bills discounting, issue of bills and entrustment loans to the members of the Group and members of CNHTC and its subsidiaries excluding the Group ("CNHTC Group") as well as the provision for auto and supply chain financing services to the public.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

(All amounts in RMB thousands unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

(All amounts in RMB thousands unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

(All amounts in RMB thousands unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2020 are as follows:

	Unaudited					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Elimination	
External revenue						
Sales of goods	34,559,695	6,715,556	555,975	—	—	41,831,226
Rendering of services	394,553	—	9,599	—	—	404,152
Provision of financial services	—	—	—	563,022	—	563,022
Total external revenue	34,954,248	6,715,556	565,574	563,022	—	42,798,400
Inter-segment revenue	660,179	168,955	10,733,436	257,032	(11,819,602)	—
Total segment revenue	35,614,427	6,884,511	11,299,010	820,054	(11,819,602)	42,798,400
Operating profit before unallocated expenses	2,276,854	348,448	1,748,853	425,902	(786,400)	4,013,657
Unallocated expenses						(5,094)
Operating profit						4,008,563
Finance income, net						40,993
Share of profits less losses of associates						29,061
Profit before tax						4,078,617
Income tax expense						(960,109)
Profit for the period						3,118,508

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

(All amounts in RMB thousands unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 30 June 2021 are as follows:

	Unaudited					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	
Segment assets	85,552,932	8,688,141	29,355,281	76,143,204	2,687,937	202,427,495
Elimination						(78,051,002)
Total assets						124,376,493
Segment liabilities	58,206,075	7,993,899	15,134,529	66,932,046	3,434,076	151,700,625
Elimination						(69,851,616)
Total liabilities						81,849,009

Reconciled to entity assets and liabilities as at 30 June 2021 as follows:

	Unaudited	
	Assets	Liabilities
Segment assets/liabilities after elimination	121,688,556	78,414,933
Unallocated:		
Deferred tax assets/liabilities	2,359,536	118,081
Non-current tax payable	—	16,178
Prepaid income tax/tax payable	165,229	875,469
Other assets/liabilities	163,172	2,424,348
Unallocated assets/liabilities	2,687,937	3,434,076
Total	124,376,493	81,849,009

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 31 December 2020 are as follows:

	Audited					Total
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	
Segment assets	77,966,206	8,994,871	25,154,053	61,245,720	2,492,132	175,852,982
Elimination						(64,844,721)
Total assets						111,008,261
Segment liabilities	56,359,984	8,084,006	12,132,867	53,360,230	1,850,062	131,787,149
Elimination						(56,458,295)
Total liabilities						75,328,854

Reconciled to entity assets and liabilities as at 31 December 2020 as follows:

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

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5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Revenue from contracts with customers	64,286,023	42,235,378
Revenue from other sources		
Provision of financial services	883,084	563,022
	<u>65,169,107</u>	<u>42,798,400</u>

DISAGGREGATED REVENUE INFORMATION FOR REVENUE FROM CONTRACTS WITH CUSTOMERS

Timing of revenue recognition

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Transferred at a point in time	64,027,385	42,235,378
Transferred over time	258,638	—
Total revenue from contracts with customers	<u>64,286,023</u>	<u>42,235,378</u>

Geographical markets

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Mainland China	58,176,180	38,895,179
Overseas	6,109,843	3,340,199
Total	<u>64,286,023</u>	<u>42,235,378</u>

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6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Cost of inventories sold	49,707,065	30,426,556
Employee benefit expenses	2,638,360	3,345,876
Warranty expenses, net	1,441,446	660,416
Write-down of inventories to net realisable value	138,324	163,907
Impairment of trade receivables, net (note 13)	83,981	215,102
Impairment of financing receivables, net (note 13)	200,582	91,598
(Reversal of impairment)/impairment of financial assets included in prepayments, other receivables and other assets, net	(9,115)	27,748
Depreciation of right-of-use assets	38,066	36,672
Depreciation of property, plant and equipment (note 10)	674,840	819,463
Amortisation of other intangible assets (note 11)	36,679	30,044
Gains on disposal of items of property, plant and equipment	(4,617)	(282)
Foreign exchange differences, net	57,364	(46,914)
Government grants	(126,571)	(96,409)
Income on disposal of scraps	(111,444)	(71,497)

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Current income tax		
Hong Kong profits tax	336	4,374
PRC corporate income tax	1,254,706	1,529,931
	1,255,042	1,534,305
Deferred income tax	16,444	(574,196)
	1,271,486	960,109

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(All amounts in RMB thousands unless otherwise stated)

7. INCOME TAX EXPENSE (CONTINUED)

Taxation on profits has been calculated on the estimated assessable profits during the six months ended 30 June 2021 at the rates of taxation prevailing in the countries/districts in which the Group operates.

The Company, Sinotruk (Hong Kong) Capital Holding Limited and Sinotruk (Hong Kong) Hongye Limited are subject to Hong Kong profits tax at the rate of 16.5% (2020: 16.5%) on their estimated assessable profits for the period. The Company is determined as a Chinese-resident enterprise and, is subject to corporate income tax at a rate of 25% (2020: 25%) according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"). Sinotruk (Hong Kong) International Investment Limited is a qualifying entity under the two-tiered profits tax rates regime in Hong Kong. Its first HKD2 million assessable profits is taxed at a rate of 8.25% and the rest at 16.5% (2020: first HKD2 million assessable profits taxed at a rate of 8.25% and the rest at 16.5%).

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

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., Sinotruk (Chongqing) Light Vehicle Co., Ltd. and Sinotruk Mianyang Special Vehicles Co., Ltd. are subject to corporate income tax at a rate of 15% (2020:15%) according to the Western Development tax incentives of the CIT Law.

SINOTRUK RUS Limited Liability Company is subject to corporate income tax at a rate of 20% (2020: 20%) according to Tax Code of the Russian Federation.

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

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

Sinotruk (Kenya) Limited is subject to a corporate income tax rate of 30% (2020: 30%) according to Kenya Tax Law.

The remaining subsidiaries in the PRC are subject to corporate income tax at a rate of 25% (2020: 25%) according to the CIT Law.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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8. DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil). The final dividend of the Company for the year ended 31 December 2020 was either HKD1.04 or RMB0.88 (year 2019 final dividend: either HKD0.39 or RMB0.36) per share of the Company with total amount of approximately RMB2,413,171,000 (year 2019 final dividend: approximately RMB991,530,000). The 2020 final dividend and the corresponding withholding dividend tax will be paid in September 2021.

During the six months ended 30 June 2021, certain non-wholly owned subsidiaries of the Company have approved the dividends to non-controlling interests amounting to approximately RMB279,619,000 (six months ended 30 June 2020: approximately RMB133,686,000).

9. EARNINGS PER SHARE

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Profit attributable to owners of the Company	3,623,069	2,941,154
Weighted average number of ordinary shares in issue (in thousand shares)	2,760,993	2,760,993
Basic earnings per share (RMB per share)	1.31	1.07

Diluted earnings per share equals basic earnings per share as the Company had no dilutive potential ordinary shares for the six months ended 30 June 2021 and 30 June 2020.

10. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
At 1 January	12,438,433	10,527,256
Additions	1,251,619	885,669
Transfers	(2,773)	17,610
Disposals	(11,707)	(26,943)
Depreciation (note 6)	(674,840)	(819,463)
At 30 June	13,000,732	10,584,129

As at 30 June 2021, the Group's aggregate carrying value of the buildings without ownership certificates was approximately RMB977,589,000 (31 December 2020: approximately RMB285,985,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and/or use these buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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11. OTHER INTANGIBLE ASSETS

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
At 1 January	314,921	318,407
Additions	137,275	6,168
Transfers	—	2,004
Amortisation (note 6)	(36,679)	(30,044)
At 30 June	415,517	296,535

12. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2021 Unaudited	31 December 2020 Audited
Equity investments	33,125	33,125

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

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(All amounts in RMB thousands unless otherwise stated)

13. TRADE, FINANCING AND BILLS RECEIVABLES

	30 June 2021 Unaudited	31 December 2020 Audited
Trade receivables	10,369,632	8,073,123
Provision for impairment	(1,292,566)	(1,236,456)
Trade receivables, net (a)	9,077,066	6,836,667
Financing receivables	27,786,357	20,908,319
Provision for impairment	(713,828)	(513,246)
Financing receivables, net (b)	27,072,529	20,395,073
Bills receivable (c)	506,008	186,047
	36,655,603	27,417,787
<i>Current portion</i>		
Trade receivables	8,878,646	6,580,431
Financing receivables	18,230,583	13,455,723
Bills receivable	506,008	186,047
	27,615,237	20,222,201
<i>Non-current portion</i>		
Trade receivables	198,420	256,236
Financing receivables	8,841,946	6,939,350
	9,040,366	7,195,586

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(All amounts in RMB thousands unless otherwise stated)

13. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

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

As at 30 June 2021, approximately RMB1,463,180,000 (31 December 2020: approximately RMB755,732,000) of the Group's trade receivables are secured by letters of credit issued by certain overseas third parties. As at 30 June 2021, approximately RMB2,279,618,000 (31 December 2020: RMB1,829,077,000) were guaranteed by China Export and Credit Insurance Corporation.

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

	30 June 2021 Unaudited	31 December 2020 Audited
Less than 3 months	4,115,445	3,839,205
3 months to 6 months	2,404,578	714,816
6 months to 12 months	714,519	538,684
1 year to 2 years	810,622	844,299
2 years to 3 years	455,886	410,917
Over 3 years	576,016	488,746
	<u>9,077,066</u>	<u>6,836,667</u>

The movements in provision for impairment of trade receivables are as follows:

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
At 1 January	1,236,456	1,966,983
Impairment losses, net (note 6)	83,981	215,102
Amounts written off as uncollectible	(27,871)	(415,121)
At 30 June	<u>1,292,566</u>	<u>1,766,964</u>

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(All amounts in RMB thousands unless otherwise stated)

13. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

- (b) An ageing analysis of the financing receivables, based on the maturity date at the respective dates of the statement of financial position, net of the provision for impairment, is as follows:

	30 June 2021 Unaudited	31 December 2020 Audited
Less than 3 months	5,249,682	3,795,722
3 months to 6 months	4,338,434	4,099,756
6 months to 12 months	8,641,480	5,559,896
1 year to 2 years	8,214,840	6,254,312
2 years to 3 years	627,510	678,831
Over 3 years	583	6,556
	<u>27,072,529</u>	<u>20,395,073</u>

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

The movements in provision for impairment of financing receivables are as follows:

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
At 1 January	513,246	250,528
Impairment losses, net (note 6)	200,582	91,598
At 30 June	<u>713,828</u>	<u>342,126</u>

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(All amounts in RMB thousands unless otherwise stated)

13. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2021 Unaudited	31 December 2020 Audited
Discounted bills	7,208	17,083
Commercial acceptance bills	498,800	168,964
	506,008	186,047

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

	30 June 2021 Unaudited	31 December 2020 Audited
Less than 3 months	391,968	167,188
3 months to 6 months	114,040	16,989
6 months to 12 months	—	1,870
	506,008	186,047

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(All amounts in RMB thousands unless otherwise stated)

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 Unaudited	31 December 2020 Audited
<i>Current portion</i>		
Prepayments	668,093	851,872
Deposits	669,276	374,357
Others	1,507,045	1,416,216
	2,844,414	2,642,445
Provision for impairment	(23,240)	(32,355)
	2,821,174	2,610,090
<i>Non-current portion</i>		
Long-term prepayments	418,923	332,709
Contingent consideration	17,125	17,125
	436,048	349,834
	3,257,222	2,959,924

15. INVENTORIES

	30 June 2021 Unaudited	31 December 2020 Audited
Raw materials	3,006,138	2,855,138
Work in progress	2,031,879	2,556,693
Finished goods - engines, parts and components	760,539	304,928
Finished goods - trucks and others	10,340,801	15,399,982
	16,139,357	21,116,741
Less: write-down of inventories to net realisable value	(270,495)	(305,747)
	15,868,862	20,810,994

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16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2021 Unaudited	31 December 2020 Audited
Bank acceptance bills	7,306,591	4,384,164

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

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

	30 June 2021 Unaudited	31 December 2020 Audited
Less than 3 months	4,992,094	3,425,854
3 months to 6 months	2,193,049	898,473
6 months to 12 months	121,448	59,837
	7,306,591	4,384,164

17. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2021 Unaudited	31 December 2020 Audited
Cash and bank balances	27,861,389	23,349,064
Time deposits	790,839	2,700,000
Cash and cash equivalents	28,652,228	26,049,064
Restricted cash	6,073,091	4,557,794
	34,725,319	30,606,858

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(All amounts in RMB thousands unless otherwise stated)

18. TRADE AND BILLS PAYABLES

	30 June 2021 Unaudited	31 December 2020 Audited
Trade payables	40,531,356	41,808,190
Bills payable	12,951,974	12,886,773
	53,483,330	54,694,963

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

	30 June 2021 Unaudited	31 December 2020 Audited
Less than 3 months	45,292,046	42,560,649
3 months to 6 months	4,750,130	11,088,282
6 months to 12 months	3,321,657	880,321
1 year to 2 years	49,723	118,741
2 years to 3 years	24,057	32,223
Over 3 years	45,717	14,747
	53,483,330	54,694,963

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19. OTHER PAYABLES AND ACCRUALS

	30 June 2021 Unaudited	31 December 2020 Audited
Other payables	7,619,830	4,506,782
Dividend payable	2,424,585	—
Volume rebate	2,277,502	1,233,776
Contract liabilities	4,693,690	4,298,059
Accruals	833,789	857,407
Staff salaries and welfare	1,567,540	1,682,203
Termination and post-employment benefits due less than one year (note 22)	262,439	236,764
Other taxes and surcharge payables	1,071,006	1,409,629
	20,750,381	14,224,620

20. BORROWINGS

	30 June 2021 Unaudited	31 December 2020 Audited
Unsecured		
Current	2,900,000	1,316,000
Secured		
Non-current	—	237,930
Current	—	157,910
	2,900,000	1,711,840
Analysed into:		
Borrowings repayable:		
Within one year	2,900,000	1,473,910
In the second year	—	157,910
In the third to fifth years, inclusive	—	80,020
	2,900,000	1,711,840

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20. BORROWINGS (CONTINUED)

Movements in borrowings are analysed as follows:

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
At 1 January	1,711,840	1,000,000
Proceeds from borrowings	2,400,000	1,400,000
Repayments of borrowings	(1,211,840)	(1,000,000)
At 30 June	2,900,000	1,400,000

21. PROVISIONS

	For the six months ended 30 June 2021		
	Products warranties Unaudited	Legal claims Unaudited	Total Unaudited
At 1 January	2,136,024	4,381	2,140,405
Additional provisions	1,861,569	1,558	1,863,127
Amounts utilised during the period	(1,409,851)	(4,057)	(1,413,908)
At 30 June	2,587,742	1,882	2,589,624

	For the six months ended 30 June 2020		
	Products warranties Unaudited	Legal claims Unaudited	Total Unaudited
At 1 January	1,222,036	22,225	1,244,261
Additional provisions	660,416	1,280	661,696
Amounts utilised during the period	(224,679)	(7,915)	(232,594)
At 30 June	1,657,773	15,590	1,673,363

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22. TERMINATION AND POST-EMPLOYMENT BENEFIT OBLIGATIONS

	30 June 2021 Unaudited	31 December 2020 Audited
Termination benefits	427,800	454,599
Post-employment benefits	378,427	380,626
	806,227	835,225
Less: current portion (note 19)	262,439	236,764
Non-current portion	543,788	598,461

The Group engaged an independent actuary, Towers Watson Consulting Co., Ltd., to estimate the present value of the obligations of its above termination benefits and post-employment benefits. These two plans estimate future cash outflows based on average salary increase rate and mortality rate assumptions and determines its present value at a discount rate.

23. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Unaudited	
	Number of shares	Share capital
At 1 January 2021 and at 30 June 2021	2,760,993,339	16,717,024
	Unaudited	
	Number of shares	Share capital
At 1 January 2020 and at 30 June 2020	2,760,993,339	16,717,024

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24. CONTINGENT LIABILITIES

(a) REPAYMENT OBLIGATION

Certain subsidiaries refer designated customers to other finance leasing companies to finance their sales of trucks and undertakes repurchase obligations to these finance leasing companies in the event of customer's default in repayment or under certain specific conditions stipulated in the contract. As at 30 June 2021, the Group's maximum exposure to these obligations was RMB40,000,000 a year.

(b) OTHERS

The directors are of opinion that except for the provision for legal claims already made as disclosed in note 21, there is no other material contingent liability in respect of legal claims. The provision for guarantees of products warranties has been disclosed in note 21.

25. CAPITAL COMMITMENTS

Capital expenditure contracted for at the date of the statement of financial position but not yet incurred is as follows:

	30 June 2021 Unaudited	31 December 2020 Audited
Purchase of property, plant and equipment and other intangible assets	2,322,202	2,098,586

26. RELATED PARTY TRANSACTIONS

The immediate holding company of the Company is Sinotruk (BVI) Limited, a company incorporated in the British Virgin Islands. The ultimate holding company of the Group is CNHTC, which is a state-owned company established in the PRC and is controlled by the PRC Government.

The Company is an associated company of MAN Finance and Holding S.A., a non-wholly owned subsidiary of Ferdinand Porsche Familien – Privatstiftung ("FPFPS"). FPFPS and its subsidiaries are referred to as the FPFPS Group.

Prinx (Cayman) Holding Limited and its subsidiaries (referred to as "Prinx Cayman Group"), Sinotruk Panzhihua Mining Truck Co., Ltd. (referred to as "Panzhihua Mining Truck"), Shandong Changjiu Intelligence Logistics Co., Ltd. (referred to as "Changjiu Logistics", before the Group's disposal of all its equity interest held therein), UZ TRUCK AND BUS MOTORS Limited Liability Company, Tianjin Tsintel Co., Ltd., Shengrui Transmission Co., Ltd., Chongqing Yunyang Automotive Manufacturing Co., Ltd. and Shandong Guochuang Fuel Cell Technological Innovation Co., Ltd. are/were associated companies of the Group.

The directors consider that the major related parties are the CNHTC Group, the FPFPS Group, all associated companies of the Group, the key management personnel of the Company and the CNHTC Group as well as their close family members, and other PRC government-related entities ("Other State-owned Enterprises").

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26. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) SIGNIFICANT RELATED PARTY TRANSACTIONS

Financing activities with related parties

(i) CNHTC Group

	Highest balance during the six months ended 30 June 2021 Unaudited	Balance at 30 June 2021 Unaudited	Highest balance during the six months ended 30 June 2020 Unaudited	Balance at 30 June 2020 Unaudited
Assets				
Loans	1,450,000	1,330,000	430,000	430,000
Liabilities				
Deposit taking	2,334,713	1,602,208	945,223	410,681
Borrowings	16,000	—	16,000	16,000
	2,350,713	1,602,208	961,223	426,681

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26. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Trading, servicing and other transactions with related parties

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
(i) CNHTC Group		
Fee income	16	33
Sale of raw materials	—	513
Provision for construction supervisions design services	—	1,203
Interest expense for deposits taking services	24,279	3,799
Supply of auxiliary production services	5,113	4,302
Aggregate of interest income for loan services	22,568	5,434
Rental income	5,626	5,681
Interest expense for leases	93	76
Purchases of spare parts	5,479	53,943
Purchases of general services	1,019	37,273
Sale of trucks	248,425	160,401
Sale of spare parts	390,928	363,739
Purchases of trucks	1,010,244	876,057
Interest expenses for accepting loan services	151	—
	1,713,941	1,512,454
(ii) FPFPS Group		
Sale of trucks	—	204
Purchases of trucks	—	1,529
Sale of spare parts	21,841	—
	21,841	1,733
(iii) Prinx Cayman Group		
Purchases of spare parts	28,468	87,892
(iv) Changjiu Logistics		
Purchase of transportation services	134,842	91,846
(v) Key management compensation		
Short-term employee benefits	4,927	5,222
Pension scheme contributions	96	103
	5,023	5,325

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30 June 2021

(All amounts in RMB thousands unless otherwise stated)

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED PARTIES

	30 June 2021 Unaudited	31 December 2020 Audited
Amounts due from related parties		
(i) CNHTC Group		
Loans	1,330,000	1,250,000
Trade receivables	84,912	486
Prepayments	4,903	—
	1,419,815	1,250,486

The interest rate of loans to related parties is 3.80% (2020: 3.70%) per annum.

	30 June 2021 Unaudited	31 December 2020 Audited
Amounts due to related parties		
(i) CNHTC Group		
Contract liabilities	23,992	56,155
Other payables	21,477	18,649
Trade payables	133,408	176,592
Borrowings	—	16,000
Deposit taking	1,602,208	1,183,699
Lease liabilities	14,011	15,954
	1,795,096	1,467,049
(ii) FPFPS Group		
Contract liabilities	31,115	—
(iii) Prinx Cayman Group		
Trade payables	16,791	—
(iv) Panzhihua Mining Truck		
Contract liabilities	33	—

As at 30 June 2021 and 31 December 2020, except for deposits taking, loans and borrowings, amounts due from/to related parties were all unsecured and due within one year. As at 30 June 2021 and 31 December 2020, deposit taking from related parties, loans to related parties and borrowings were unsecured, bearing interest at rates mutually agreed and due within one year.

As at 30 June 2021 and 31 December 2020, trade receivables due from related parties were not past due or impaired.

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(All amounts in RMB thousands unless otherwise stated)

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED PARTIES (CONTINUED)

Balances with other state-owned enterprises

As at 30 June 2021 and 31 December 2020, majority of the Group's bank balances and borrowings were with state-owned banks.

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's non-current financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June 2021 Unaudited	31 December 2020 Audited	30 June 2021 Unaudited	31 December 2020 Audited
Financial assets				
Equity investments designated at fair value through other comprehensive income	33,125	33,125	33,125	33,125
Contingent consideration	17,125	17,125	17,125	17,125
Trade and financing receivables	9,040,366	7,195,586	9,040,366	7,195,586
	<u>9,090,616</u>	<u>7,245,836</u>	<u>9,090,616</u>	<u>7,245,836</u>
Financial liabilities				
Borrowings	—	237,930	—	237,930

Management has determined that the carrying amounts of cash and cash equivalents and restricted cash, the current portion of trade, financing and bills receivables, financial assets at fair value through other comprehensive income, financial assets included in prepayments and other receivables, trade and bills payables, the current portion of borrowings and financial liabilities included in other payables and accruals based on their notional amounts reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The Group invests in financial products issued by banks in Mainland China which are included in financial assets at fair value through profit or loss. The Group has estimated the fair value of the unlisted investments by using a discounted cash flow valuation model based on the market interest rate of instruments with similar terms and risks.

The fair values of the non-current portion of trade and financing receivables and borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

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(All amounts in RMB thousands unless otherwise stated)

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021

	Fair value measurement using			Total Unaudited
	Quoted prices in active markets (Level 1) Unaudited	Significant observable inputs (Level 2) Unaudited	Significant unobservable inputs (Level 3) Unaudited	
Financial assets at fair value through profit or loss	85,223	659,124	5,715,084	6,459,431
Financial assets at fair value through other comprehensive income	—	7,306,591	33,125	7,339,716
Contingent consideration	—	—	17,125	17,125
	<u>85,223</u>	<u>7,965,715</u>	<u>5,765,334</u>	<u>13,816,272</u>

As at 31 December 2020

	Fair value measurement using			Total Audited
	Quoted prices in active markets (Level 1) Audited	Significant observable inputs (Level 2) Audited	Significant unobservable inputs (Level 3) Audited	
Financial assets at fair value through profit or loss	58,933	—	5,381,328	5,440,261
Financial assets at fair value through other comprehensive income	—	4,384,164	33,125	4,417,289
Contingent consideration	—	—	17,125	17,125
	<u>58,933</u>	<u>4,384,164</u>	<u>5,431,578</u>	<u>9,874,675</u>

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(All amounts in RMB thousands unless otherwise stated)

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Assets measured at fair value: (Continued)

The movements in fair value measurement within Level 3 during the period are as follows:

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Financial assets at fair value through profit or loss and other comprehensive income:		
At 1 January	5,431,578	3,985,573
Total gains recognised in the statement of profit or loss included in other income	10,305	20,262
Purchases	18,541,731	16,900,000
Disposal	(18,218,280)	(16,962,313)
At 30 June	5,765,334	3,943,522

During the six months ended 30 June 2021, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

During the six months ended 30 June 2021, there were no reclassifications of financial assets, no transfers among different levels and no other changes in valuation techniques.

Level 1 financial assets at fair value through profit or loss comprise equity investment traded on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange. Their fair values are based on closing prices.

Level 2 financial assets at fair value through other comprehensive income comprise bank acceptance bills that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned banks.

Level 3 financial assets at fair value through profit or loss include wealth management products acquired from a trust company with a principal of RMB189 million, with the principal and interest rates non-guaranteed, and from banks at aggregate principal of RMB5,526 million, with the principals and interest rates non-guaranteed. Their fair values are estimated by using a discounted cash flow approach and main inputs used by the Group are estimated yield rates written in contracts by the counterparties.

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(All amounts in RMB thousands unless otherwise stated)

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Assets measured at fair value: (Continued)

Level 3 financial assets at fair value through other comprehensive income include equity investments that are not publicly traded, the Group uses its judgement to select a variety of valuation methods and make assumptions that are the mainly based on market conditions existing at each date of the statement of financial position. In connection with the investments in shares, the Group adopts a combination of income and market approaches. The income approach adopts a discounted cash flow method to assess the fair value of these financial assets. Under this methodology, fair value is determined by discounting the projected cash flow of the investee company to present worth based on profit and cash flow forecast and other relevant information provided by the investee company. The market approach adopts various sales/income multiples to assess the fair value of these financial assets. Under this methodology, fair value is determined by multiplying various sales/income of the investee company to multipliers with regard to the risks and nature of the business.

Liabilities for which fair values are disclosed:

As at 30 June 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	
Borrowings	—	2,900,000	—	2,900,000

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27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Liabilities for which fair values are disclosed: (Continued)

As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	
Borrowings	—	1,711,840	—	1,711,840

28. EVENTS AFTER THE REPORTING PERIOD

The Group completed the acquisition of 重汽(威海)商用車有限公司 (Sinotruk (Weihai) Commercial Vehicle Co., Ltd.) at the consideration of approximately RMB250 million in July 2021.

The Group agreed to dispose of 60% equity of a wholly-owned subsidiary, Sinotruk Chongqing Fuel System Co., Ltd. to Weichai Power at the consideration of approximately RMB477 million in July 2021. The Group received the consideration in August 2021. After the completion of the disposal, Sinotruk Chongqing Fuel System Co., Ltd. will change from a subsidiary of the Company to an associate of the Company.

The Group agreed to dispose of all equity interest it held in a non-wholly owned subsidiary, Sinotruk Hubei Huawei Special Vehicles Co., Ltd., to CNHTC at the total consideration of approximately RMB104 million in August 2021.



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