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

Annual Report
2020


中国重汽

CONTENTS

FINANCIAL FIGURES

	2020	2019	Increase/(Decrease)	
				%
Operating results (RMB million)				
Revenue	**98,198**	62,613	35,585	56.8
Gross profit	**19,585**	12,219	7,366	60.3
Profit attributable to owners of the Company	**6,851**	3,474	3,377	97.2
Profitability and Liquidity				
Gross profit ratio (%)	**19.9**	19.5	0.4	2.1
Net profit ratio (%)	**7.6**	6.3	1.3	20.6
Current ratio (time)	**1.1**	1.3	(0.2)	(15.4)
Trade receivable turnover (days)	**41.9**	71.2	(29.3)	(41.2)
Trade payable turnover (days)	**186.1**	174.2	11.9	6.8
Sales volume (units)				
HDTs				
— Domestic	**247,454**	129,424	118,030	91.2
— Export (including affiliated export)	**30,961**	40,009	(9,048)	(22.6)
Total	**278,415**	169,433	108,982	64.3
LDTs	**181,013**	109,280	71,733	65.6
Buses	**228**	1,187	(959)	(80.8)
Trucks sold under auto financing services	**69,300**	34,133	35,167	103.0
Per share data				
Earnings per share - basic (RMB)	**2.48**	1.26	1.22	96.8
2020 final dividend per share				
HKD	**1.04**	0.39	0.65	166.7
or				
RMB	**0.88**	0.36	0.52	144.4

Note: In April 2020, the Group acquired the entire equity interests in Datong Gear from CNHTC. The acquisition of Datong Gear was considered to be a business combination under common control as the Group and Datong Gear are under common control of CNHTC both before and after the acquisition of Datong Gear. Accordingly, the assets and liabilities of Datong Gear should have been accounted for at historical amounts in the consolidated financial statements of the Company as if Datong Gear had always been part of the Group. The comparative figures of the consolidated financial information for the year ended 31 December 2020 have been restated and the above 2019 financial figures have also been restated.

DEFINITIONS

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

"AGM"	the annual general meeting of the Company or any adjournment thereof
"Articles"	the articles of association of the Company, as amended, supplemented, modified or otherwise adopted from time to time
"AsiaInfo Technologies Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 01675)
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"BOCOM International Holdings Company Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 03329)
"CAAM"	China Association of Automobile Manufacturers
"China Everbright Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 00165)
"China" or "PRC"	the People's Republic of China, and for the purpose of this annual report, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"CITIC Dameng Holdings Ltd."	a company listed on the Main Board of the Stock Exchange (stock code: 01091)
"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
"Dali Foods Group Company Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 03799)
"Datong Gear"	中國重汽集團大同齒輪有限公司 (Sinotruk Datong Gear Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company (after the acquisition of its entire equity interest by the Group)
"Director(s)"	the director(s) of the Company
"ED(s)"	the executive Director(s)
"Euro"	the lawful currency of the European Union

DEFINITIONS

"Executive Committee"	the executive committee of the Company
"FPFPS Group"	FPFPS and its subsidiaries including Volkswagen AG and MAN SE
"FPFPS"	Ferdinand Porsche Familien-Privatstiftung, an Austrian private foundation (Privatstifung) (trust), being the beneficiary owner of 25% of the entired 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
"Hainan Drinda Automotive Trim Co., Ltd."	a company listed on the Shenzhen Stock Exchange (stock code: 002865)
"HDT(s)"	heavy duty truck(s) and medium-heavy duty truck(s)
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HOWO Bus"	中國重汽集團濟南豪沃客車有限公司 (Sinotruk Ji'nan HOWO Bus Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"INED(s)"	the independent non-executive Director(s)
"Ji'nan Power Company"	中國重汽集團濟南動力有限公司 (Sinotruk Ji'nan Power Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"Ji'nan Truck Company"	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji'nan Truck Co., Ltd.), a joint stock company organized under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
"Jiangxi Copper Company Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 00358) and on the Shanghai Stock Exchange (stock code: 600362)
"Kingsoft Corporation Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 03888)
"LDT(s)"	light duty truck(s)
"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 liiability, 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)

DEFINITIONS

"Navistar International Corporation"	a company listed on New York Stock Exchange (stock code: NAV)
"NED(s)"	the non-executive Director(s)
"PBOC"	The People's Bank of China
"Period"	the year ended 31 December 2020
"Products Revenue"	the revenue of sales of goods and rendering of services by the segments of heavy duty trucks, light duty trucks and buses as well as engines to external customers
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SG Automotive Group Co., Ltd."	a company listed on the Shanghai Stock Exchange (stock code: 600303)
"Shandong Huatai Paper Co., Ltd."	a company listed on the Shanghai Stock Exchange (stock code: 600308)
"Shanghai Baolong Automotive Corporation"	a company listed on the Shanghai Stock Exchange (stock code: 603197)
"Shanghai Stock Exchange"	Shanghai Stock Exchange in the PRC
"Shantui Construction Machinery Co., Ltd."	a company listed on the Shenzhen Stock Exchange (stock code: 000680)
"Share(s)"	the ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange in the PRC
"SHIG"	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a state-owned enterprise organized under the laws of the PRC with limited liability
"Silver Grant International Industries Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 00171)
"Songz Automobile Air Conditioning Co., Ltd."	a company listed on the Shenzhen Stock Exchange (stock code: 002454)
"Springland International Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 01700)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy and Investment Committee"	the strategy and investment committee of the Company

DEFINITIONS

"Subsidiary"	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and "Subsidiaries" shall be construed accordingly
"Sun.King Power Electronics Group Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 00580)
"TRATON SE"	a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and the shares of which are listed on the Frankfurt Stock Exchange in Germany and NASDAQ STOCKHOLM (stock code: ISIN DE000TRAT0N7, WKN TRAT0N and symbol 8TRA)
"Tsingtao Brewery Company Limited"	a company listed on the Shanghai Stock Exchange, stock code: 600600 and on the Main Board of the Stock Exchange, stock code: 00168
"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 Heavy-duty Machinery Co., Ltd."	a company listed on the Shenzhen Stock Exchange (stock code: 000880)
"Weichai Holdings"	濰柴控股集團有限公司 (Weichai Group Holdings Limited), a company organized under the laws of the PRC with limited liability
"Weichai Power"	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company organized under the laws of the PRC with limited liability which shares are listed on the Main Board of the Stock Exchange (stock code: 02338) and on the Shenzhen Stock Exchange (stock code: 000338)
"YoY"	year-over-year
"Zhejiang Wanfeng Auto Wheel Co., Ltd."	a company listed on the Shenzhen Stock Exchange (stock code: 002085)
"%"	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

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

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
Ms. Qu Hongkun
Mr. Li Shaohua

STRATEGY AND INVESTMENT COMMITTEE

Mr. Cai Dong *(Chairman)*
Mr. Liu Zhengtao
Mr. Richard von Braunschweig
Ms. Qu Hongkun
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

Mr. Dai Lixin

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

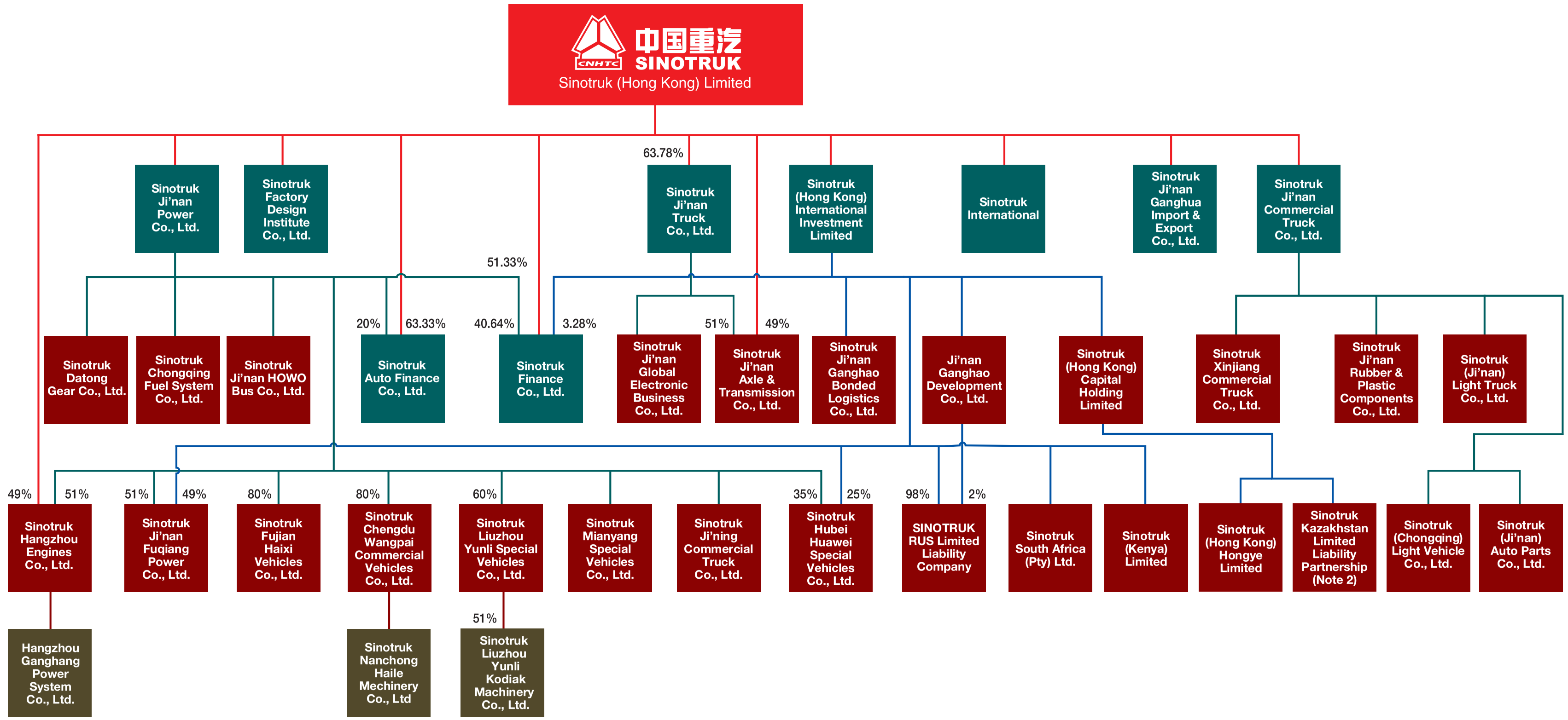
PUBLIC RELATIONS CONSULTANT

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

ORGANISATION STRUCTURE

ORGANISATION STRUCTURE

As at 31 December 2020



Notes:
1) All of the above subsidiaries are direct wholly-owned subsidiaries of their respective immediate holding companies unless otherwise stated.
2) It is a legal commercial organization in the form of a limited liability partnership.
3) Sinotruk Auto Finance Co., Ltd. is formerly known as "ShanDong HOWO Auto Finance Co., Ltd."

THE GROUP

BUSINESS

The Group is one of the leading trucks manufacturers in the PRC which specializes in the research, development and manufacture of HDTs, LDTs, buses 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 independent 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.

OPERATIONS

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

(I) HEAVY DUTY TRUCKS SEGMENT

The major source 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 Group's bus products cover a full range of 6 - 18 meters of medium and large-sized buses, including pure electric power bus, hybrid power bus, hydrogen fuel bus, dual-source trolley bus, diesel bus and natural gas bus, which fully meet different customer needs. Its production base is located in Ji'nan, the PRC. The segment also manufacture and sells pickup trucks and others.

(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 independent third parties. In addition, the Group produces other HDT key assemblies, parts and components, such as gearboxes and various types of casting and forging. The engines production bases are located at Ji'nan and Hangzhou, the PRC.

(IV) FINANCE SEGMENT

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

SHAREHOLDER INFORMATION

Financial Calender 2021

Announce 2020 annual results	31 March
2021 AGM	29 June
Ex-dividend date for 2020 final dividend	5 July
2020 final dividend entitlement date	8 July
Latest time to submit RMB dividend election form	At 4:30 p.m. on 29 July
Announce 2021 interim results	August
Despatch dividend warrants	10 September

2020 Dividends

Proposed 2020 final dividend	HKD1.04 or RMB0.88 per Share
Dividend payout ratio (Note)	35.5%

Share Information

Stock code	03808.hk
Listing as at 31 December 2020	
– Number of issued Shares	2,760,993,339
– Market capitalization	RMB46,010 million
Board lot size	500 Shares

For Shareholders to attend and vote at 2021 AGM

Latest time to lodge transfer documents for registration with Sinotruk's registrar	At 4:30pm on 23 June 2021
Closure of Sinotruk's register of members	24 to 29 June 2021 (both dates inclusive)
Record date	29 June 2021

For Shareholders to be entitled to 2020 final dividend

Latest time to lodge transfer documents for registration with Sinotruk's registrar	At 4:30 p.m. on 6 July 2021
Closure of Sinotruk's register of members	7 to 8 July 2021 (both dates inclusive)
Record date	8 July 2021

Sinotruk's Registrar - Computershare Hong Kong Investor Services Limited

For corporate communications:

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

For transfer of shares:

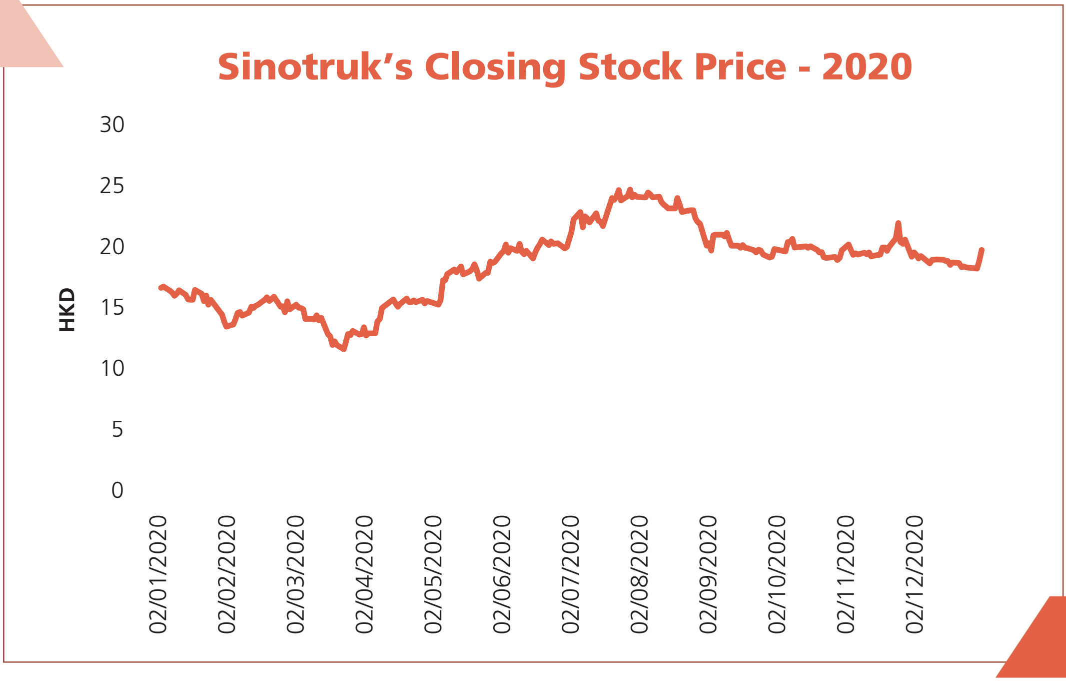
Address:	Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
Telephone:	(852) 2862 8555

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

SHAREHOLDER INFORMATION

Share Prices During the Period

Maximum price	HKD25.55
Minimum price	HKD11.24
Average closing price	HKD18.54



Shareholding Distribution as at 31 December 2020 (based on Sinotruk's Register of Members)

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares held	% of no. of Shares issued
1 — 500	6,647	78.2%	3,290,546	0.1%
501 — 1000	1,212	14.2%	1,212,000	0.1%
1001 — 2000	524	6.2%	825,500	0.0%
2001 — 10000	100	1.2%	395,000	0.0%
10001 — 100000	18	0.2%	518,000	0.0%
100001 — 500000	2	0.0%	257,500	0.0%
Above 500,000	3	0.0%	2,754,494,793	99.8%
	8,506	100%	2,760,993,339	100%

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

CHAIRMAN'S STATEMENT

CAI DONG
CHAIRMAN

I am pleased to present, on behalf of the Board of Directors, a review of the Group's operating results for the year ended 31 December 2020 as well as our prospects.

TRUCKS MARKET

In 2020, faced with the severe and complex domestic and international environment, especially the serious impact of the COVID-19 pandemic, the Chinese government endeavoured to coordinate the pandemic prevention and control as well as economy and social development, and consequently achieved significant strategic results. The epidemic has been brought under control and the economy has shown a steady recovery growth trend. Due to the impact of the COVID-19 pandemic, the production of HDTs decreased sharply in the first quarter. However, as the domestic epidemic has been fully controlled since the second quarter, the resumption of work and production has been progressing smoothly with a series of favourable factors such as the elimination of China III Emission Standard trucks, emission upgrades and control of overload and overrun, which simulated the increasing demand for replacement of HDTs and the market experienced a decline followed by growth within the year. According to statistics from CAAM, the sales volume of HDTs increased by 37.9% YoY to approximately 1,619,000 units. The HDT industry performed beyond expectations. In the LDT market, "new infrastructure" projects launched gradually with the effective prevention and control of the domestic epidemic while the upgrade of environmental protection accelerated the promotion of the scrapping of obsolete diesel trucks, together with the combined effects of short and medium distance cold chain logistics and the rising demand for transportation from the e-commerce express industry, resulting in a market growth when compared to the same period last year. According to statistics from CAAM, the sales volume of LDT increased by 16.8% YoY to approximately 2,199,000 units.

CHAIRMAN'S STATEMENT

OPERATIONS OF THE GROUP

2020 is a milestone year in the development history of the Group. We leveraged the steady growth of China's trucks industry and achieved record results. During the Period, the Group's total sales volume of trucks and buses increased 64.2% YoY to 459,656 units, of which the sales volume of HDTs increased by 64.3% YoY to 278,415 units, and the sales volume of LDTs increased by 65.6% YoY to 181,013 units.

The Group recorded revenue of RMB98,198 million during the Period, representing an increase of 56.8% YoY. Profit attributable to owners of the Company was RMB6,851 million, representing an increase of 97.2% YoY. We are one of the best manufacturers in the domestic trucks industry with respect to profitability and the operating performance.

In this year, we made every effort to overcome the impact of COVID-19 pandemic, took the lead in the industry to resume work and production, actively captured development opportunities and continuously broke the production and sales records. In particular, the sales of HDT products achieved a historic breakthrough, resulting in a surge in market share.

Our product structure adjustment also achieved remarkable results in this year. The release of a new Huanghe truck logistics tractor attracted great attention and enthusiastic responses from the market. Moreover, our flagship products such as TH7 underwent major upgrades, and the entire series of products were optimized continuously, creating higher value for our customers.

In addition, our marketing work reached a new level in this year. Leveraging on a more efficient decision-making mechanism as well as more flexible and precise business policies, our domestic marketing team experienced positive turnarounds in many key regions and niche markets. Despite pressure in the international market, we continued to take up half of the market share and retained our leading position in the industry for 16 consecutive years in terms of total export of heavy duty trucks.

Furthermore, we enhanced our competitiveness for key project construction in this year. On 19 November 2020, Sinotruk intelligent connected HDT (new energy) was formally commence production in a new production base with the characteristics of digitalization, automation, modularization and flexibility, which will provide strong support for enhancement of Sinotruk's manufacturing level.

In this year, we faced four new trends of development in the automobile industry. The Group allocated superior resources to develop intelligence connection and make well preparation for new energy products in order to build a more solid foundation for the sustainable and healthy development in the future.

CHAIRMAN'S STATEMENT

PROSPECTS

In 2021, as the COVID-19 vaccines are available and vaccination campaigns are getting started in various countries, and some economies adopted more economic stimulus policies, it is expected that the global economy will return to the level before the epidemic by the end of 2021. According to the latest IMF report, the global economy is projected to grow by 5.5% this year. Chinese Government has set its goal of GDP growth at above 6% for 2021.

Looking at the domestic truck industry, there will still be opportunities and challenges. In the first half of the year, many favorable factors such as control of overload and overrun, elimination of China III Emission Standard trucks, finalization of new and old infrastructure projects, and the full implementation of China's Phase VI Emission Standards will continue to stimulate truck market demand. However, with the gradual completion of the phase-out of China III Emission Standard vehicles, the demand for truck renewal will decrease. In addition, in recent years, the large amount of trucks has been launched to the market, which caused certain market demand to be overdrawn early. Therefore, it is expected that the truck market scale will return to normal from its peak in 2021, and the industry scale is projected to decline to a certain extent.

The Group still put customer satisfaction as our enterprise core value, and will strive to realize our corporate strategic vision of building a national leading and world-class full range commercial vehicles. With the focus on niche markets, we will continue to strengthen technology research and development and optimize product structure in order to achieve major breakthroughs. We will also improve the marketing service system to enhance customer satisfaction. Moreover, we will promote informatization upgrades and data applications to accelerate digital transformation with a view to achieving a sustainable and healthy development of the Group.

DIVIDENDS

The Board recommends the payment of a final dividend per share of HKD1.04 or RMB0.88 for the financial year ended 31 December 2020.

Cai Dong
Chairman

31 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

TRUCK MARKET

In 2020, faced with the severe and complex domestic and international environment, especially the serious impact of the COVID-19 pandemic, the Chinese government adhered to the keynote of pursuing progress while ensuring stability, and coordinated the efforts on the pandemic prevention and control as well as economic and social development with the help of more countercyclical macroeconomic policies, thereby achieving significant strategic results in both pandemic prevention and control and economic and social development. Both economic and social activities resumed gradually and steadily. Despite a sharp drop at the beginning of the year, the fixed asset investment grew steadily with optimized structure and strengthened recovery momentum. In 2020, the GDP increased by 2.3% YoY.

During the Period, the truck production and sales volumes fell sharply in the first quarter due to the severe impact of the COVID-19. However, the domestic economy recovered rapidly since the second quarter driven by a new development pattern which is "based on domestic macro-circulation, along with international and domestic dual-circulation and mutual promotion". Under the easing financial and monetary policies implemented by the Chinese government, construction projects increased steadily and the domestic market economy remained vibrant, providing strong support for a stable development of the heavy duty truck industry. In addition, policies and regulations had an increasingly significant stimulatory impact on the industry: in light of the three-year "Battle for a Blue Sky" campaign entering its final stage, together with policies such as the accelerated elimination of China III Emission Standard diesel vehicles, the restriction of certain areas on China IV Emission Standard vehicles, as well as the tightening control of overloading and oversize/overweight loads and other environmental protection policies, the HDT market is continuously shifting towards the direction of development based on compliant operation, high efficiency, reliability and environmental friendliness. According to statistics from CAAM, the sales volume for the HDT industry amounted to approximately 1.619 million units in the year, representing an increase of 37.9% YoY, out-performing expectations. In the LDT market, as the pandemic in China was effectively controlled, "new infrastructure" projects were launched one after another and environmental protection upgrades have accelerated the scrapping and upgrade of old diesel trucks. This, coupled with the combined effects of factors such as the increasing demand for transportation of pandemic-prevention materials and in the e-commerce industry and the reduction of expressway tolls, led to the gradual recovery of the LDT industry after experiencing the market downturn caused by the COVID-19 at the beginning of the year. According to CAAM, the sales volume for the LDT industry for the year was 2.199 million units, representing an increase of 16.8% YoY. In the buses market, due to the impact of the pandemic, inter-city passenger transport lines were suspended and the traffic flow in the city was drastically reduced, which suppressed the market demand and led to a slump in purchasing volume. The overall performance of public transport and highway bus companies was unsatisfactory with the sales volume showing a downward trend compared with last year. According to CAAM, the total buses sales volume for the year was 448,000 units, representing a decrease of 5.6% YoY.

LOANS MARKET

In 2020, the Chinese government continued to use the loan prime rate (LPR) mechanism. During the Period, the one-year LPR was lowered twice and the five-year LPR was lowered twice too. As at 31 December 2020, 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, the sales volume of the Group's HDTs was 278,415 units, representing an increase of 64.3% YoY. Revenue (sales of HDTs and services provided to its customers) from the HDTs segment was RMB83,140 million, representing an increase of 60.5% YoY. The segment operating profit margin was 6.3%, representing a decrease of 0.6 percentage points YoY, mainly due to increase in research and development expenses, warranty expenses, provision for early retirement and termination plan, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

DOMESTIC BUSINESS

During the Period, the Group sold 247,454 HDTs in the PRC, representing an increase of 91.2% YoY.

The Group is committed to promoting the whole value chain marketing in order to maximize customer operating value and improve the Group's operating quality. For the highway vehicle segment, while retaining existing high-end logistics customers such as express companies, logistics companies, hazardous chemical companies and cold chain companies, the Group achieved breakthroughs in the general cargo transportation and bulk raw material transportation markets. In the long-distance highway truck, express delivery and cold chain transportation markets on which we focused, we enhanced our brand image steadily. In the medium and long-distance dedicated lines and the less-than-truckload and bulk cargo market on which we focused, we seized the market share in the mid-to-high-end segment. In the gas vehicle market on which we focused, leveraging on our advantage in the engines segment, the sales volume of gas vehicles increased significantly YoY. In the general cargo, sand and gravel and other short and medium-distance markets, as well as the coal transportation market on which we focused, we achieved a new breakthrough in truck sales. In the hazardous transportation market on which we focused, with the excellent quality of the SITRAK series of trucks, we continued to maintain our leading position in the domestic high-end heavy duty truck market. During the Period, the sales volume of our tractors increased by approximately 157% YoY and that of our cargo truck increased by approximately 145% YoY (source: domestic heavy duty truck insurance data). For the engineering vehicle segment, we accelerated product transformation with a focus on standard urban construction slag, concrete transportation and road transportation dumping. Meanwhile, we also promoted vehicles which meet regulations and lightweight models in order to maintain our leading position in the industry. During the Period, the sales volume of our tipper truck increased by approximately 24% YoY (source: domestic heavy duty truck insurance data). We also focused on the special vehicles niche market, enhanced our effort in the development and promotion of China VI Emission Standard specialty vehicles, and continued to expand the sales of special vehicles such as sanitation vehicles, pump trucks and fire trucks. During the Period, the sales volume of our special vehicles increased by approximately 21% YoY (source: domestic heavy duty truck insurance data).

During the Period, the Group formally launched a new generation of Huanghe heavy duty truck. The vehicle has a drag coefficient below 0.4, which alone can help users to save fuel by 8%, while the interior is designed to be driver-oriented, creating a more comfortable, convenient and ergonomic environment. The Group also grandly launched HOWO-TH7, which features the most competitive fuel efficiency, gorgeous internal and external design, unique and smooth gear shifting and pleasing front passenger seat, providing customers with an unprecedented driving experience.

As at 31 December 2020, the Group had a total of 1,115 HDT dealerships (including 123 4S centers and 168 Sinotruk-brand dealerships), 1,888 service centers providing high-quality after-sales service and 135 refitting companies to provide truck-refitting services to HDTs in the PRC.

INTERNATIONAL BUSINESS

In 2020, the COVID-19 pandemic swept across the world and countries have adopted measures such as isolation, lockdown and social distancing. Economic development was severely affected, and the international market encountered unprecedented tough challenges. Except China, the world's major economies have experienced different degrees of economic decline. Faced with such difficult economic environment, the Group endeavoured to expand the markets and fight against the COVID-19 simultaneously, and eventually maintained the Group's position in the fierce market competition.

During the Period, the Group's affiliated export volume of HDTs was 30,961 units, representing a decrease of 22.6% YoY, and the total export revenue of HDTs (including the affiliated export, non-GAAP financial measures) was RMB8,260 million (2019: RMB12,167 million), representing a decrease of 32.1% YoY. According to internal exports information, the Group held a market-leading position in the export of HDTs in China for the sixteenth consecutive year.

MANAGEMENT DISCUSSION AND ANALYSIS

Reconciliation of overseas revenue to HDTs affiliated export revenue:

	2020 RMB million	2019 RMB million
Overseas revenue	**6,362**	9,986
Affiliated exports	**2,390**	2,235
Total affiliated export revenue	**8,752**	12,221
Total non-HDTs export revenue (including the affiliated exports)	**(492)**	(54)
Total HDTs export revenue (including the affiliated exports)	**8,260**	12,167

Affiliated exports are the sales of the Group to Mainland China export dealers who had provided the shipping documents to support that these 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 explored overseas niche markets in depth with precise introduction of products, resulting in a significant increase in export sales of SITRAK and Haohan series products. By establishing positive commercial support policies tailored for dealers, sales volume in some export markets such as Africa and Southeast Asia achieved substantial growth. We also seized opportunities in the Central America market, to realize mass sales of natural gas vehicles by making full use of local policies, which became our new export growth point. In the Central Asia market, we accurately analyzed users' needs and organized precise sales promotion. Through cross-border collaboration and specific adjustments, the Group successfully increased its market share in this region and further enhanced the Group's brand image and product awareness.

As at 31 December 2020, the Group had set up approximately 256 distributor sales centers, approximately 277 service outlets and approximately 239 spare parts and accessory stores in over 110 countries, and the Group had 12 overseas KD production plants established through cooperation in 9 countries and regions, forming an international marketing network system that generally covers both developing countries and major emerging economies such as Africa, the Middle East, Central and South America, Central Asia, Russia and Southeast Asia, as well as certain mature markets including Australia, Ireland and New Zealand, Hong Kong and Taiwan.

MANAGEMENT DISCUSSION AND ANALYSIS

LIGHT DUTY TRUCKS AND OTHERS SEGMENT

During the Period, the sales volume of the Group's LDTs increased by 65.6% YoY to 181,013 units. The Group sold 228 buses, representing a decrease of 80.8% YoY. The LDTs and others segment recorded total revenue (sales of LDT and others and services provided to its customers) of RMB14,817 million, representing an increase of 45.1% YoY. The segment's operating profit margin was 3.1%, representing an improvement of 14.0 percentage points YoY when compared with the loss margin of 10.9% last year, mainly due to increase in sales volume and the significant decrease YoY in the provision for impairment of trade receivables.

During the Period, Sinotruk (Ji'nan) Light Truck Co., Ltd. expanded its online live channel when the COVID-19 pandemic was sweeping. After the pandemic had became under control, it continued to promote offline sales and online live activities to effectively enhance the brand awareness of HOWO light duty trucks. We also enhanced the development of various niche markets such as rural, greenway transportation of fresh agricultural products, commerce and express delivery, catered for the needs of users and boosted the sales volume of various vehicles. Meanwhile, on the basis of consolidating our dominant position in traditional markets, we also put more effort on developing light loading market to continuously increase the sales volume in this market.

Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. focused on its boutique flagship models and promptly responded to the market demand. It proactively cultivated high-quality sales channels by formulating standardized channel operation manuals, and establishing strict channel access, exit and quarterly operation evaluation mechanisms to improve the operation standard of marketing channels.

Sinotruk Fujian Haixi Vehicles Co., Ltd. adjusted its product structure according to the regulations and policies and the operational circumstances of the market, and timely developed and introduced lightweight products which catered for the market demand and users' needs. Moreover, it comprehensively improved the capacity of dealers' entire value chain, thereby significantly enhancing network quality at all levels. Through online platforms, it implemented online marketing activities while simultaneously carrying out offline sales promotion to boost the sales. In addition, it focused on niche markets such as inter-city logistics, urban distribution, supermarkets and greenway transportation of fresh agricultural products, and achieved sales breakthroughs by introducing products to these segments.

Sinotruk Ji'nan HOWO Bus Co., Ltd. kept abreast of the main trend in configuration in the industry and differentiated its products with superior components to fully reflect its strengths, such as high reliability, low noise and low maintenance costs, in order to meet the needs of customers in different regions.

On 31 December 2020, the Group acquired Weichai (Chongqing) Automobile Co., Ltd. (now known as "Sinotruk (Chongqing) Light Vehicle Co., Ltd.") which is principally engaged in the manufacture and sales of pickup trucks and others.

As at 31 December 2020, the Group had a total of 1,398 dealerships (including 58 4S centers and 347 Sinotruk-branded dealerships), 2,813 service centers that provide LDT after-sales services and 49 refitting companies to provide truck refitting services to LDTs in the PRC. For buses division, the Group had a total of 11 bus dealerships and 138 service centers for bus products after-sales services.

ENGINES SEGMENT

During the Period, the sales volume of the Group's engines increased by 57.8% YoY to 283,947 units. The engine segment recorded total revenue (sales of engines) of RMB26,966 million, representing an increase of 83.9% YoY. The external engine sales amount accounted for 5.5% of the total engine sales amount, representing a decrease of 2.7 percentage points YoY. The segment's operating profit margin was 15.0%, representing an increase of 1.9 percentage points YoY, mainly due to the significant increase in sales volume, scale expansion for maximization in profit.

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

During the Period, the Group continued the optimization of China V Emission Standard MC series engines in a precise way in accordance with different demands on dynamic and economic features of engines in different niche markets and launched specific hardware and software, leading to better performance of products in niche markets. With stable reliability and extremely low gas consumption, the Group's MT Series gas engines have won favor from users and ranked the top in the industry in terms of market share. The Group also launched the MC full-series high-efficiency SCR technology China VI Emission Standard engines, which have been installed and test-marketed in all types of vehicles of the Group, thus the Group could be well-prepared for the emission standard upgrades of China VI Emission Standard products in 2021.

RESEARCH AND DEVELOPMENT ("R&D")

The Group has comprehensive R&D capabilities for the whole series of commercial vehicles. The ability of R&D in truck is in line with international standards, and key assembly components are close to international standards. An independent and innovative R&D system based on independent research and development and supplemented by the "production-university-research" cooperation has been established.

The Group's Automotive Research Institute is a comprehensive base for new product development and testing. It is among the first batch of nationally recognized enterprise technology centers and national heavy duty truck engineering technology research centers. Through examination and testing of whole trucks and body technology, key assembly and core component technology, and vehicle and assembly component, as well as the research and promotion of new HDTs materials and process development, the Group has formed five industry-leading core advantages in body system, power system, transmission system, electronic control system and high level of compatibility of various components in whole truck, and has established product development platform to provide a relatively complete software and hardware R&D system for technology management, design and development, pilot production and testing, which can simultaneously run multiple projects.

During the Period, the Group's Automotive Research Institute adhered to strategic guidance and innovative development, catered to market demand, accelerated the optimization and upgrade of products and portfolio adjustment, and achieved breakthrough in several critical technologies. In the manufacturing business of the whole vehicles, certain innovative results have been achieved which were well-adapted to the market, among which there were positive progress in reduction of fuel consumption, light-weighting, optimization in power-shift and development of new vehicle types. In the engine business, there was continuous optimization in the China V Emission Standard engines, leading to better performance in the niche market. The high-efficiency China VI Emission Standard full-series engines were launched in preparation of the emission standard upgrades for the China VI Emission Standard products.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group participated in the formulation and amendment of a total of 9 HDT industry standards including 車輛右轉彎提示音要求及試驗方法 (Requirements and Test Methods for Right-turn Warning Tone of Vehicles), 車輛行駛跑偏試驗方法 (Test Methods for Driving Deviation of Vehicles), 汽車爆胎應急安全裝置性能要求和試驗方法 (Requirement and Testing Methods for Function of Emergency Safety Device for Flat Tyre), 危險貨物道路運輸營運車輛安全技術條件 (Technical Requirements for Safety of Road-going Vehicles Transporting and Operating Dangerous Goods) etc. During the Period, the Automotive Research Institute carried out 274 projects, including R&D of vehicles, key assemblies and parts.

FINANCE SEGMENT

During the Period, the revenue (interest and fee income) of the Group's finance segment was RMB1,786 million, representing an increase of 12.5% YoY. External revenue of the segment was RMB1,337 million, representing an increase of 36.4% YoY. The segmental operating profit margin was 42.7%, representing a decrease of 16.2 percentage points YoY, primarily due to the launch of preferential financial products for promoting the sales of trucks.

In 2020, faced with the sudden outbreak of pandemic, the Group specifically launched the deferred loan repayment scheme which was beneficial to the public. With the management system of deferred repayment and the function of non-recording on credit reference during the pandemic, customers could overcome the temporary difficulties in repayment, hence safeguarding customers' loyalty to the Group while implementing effective control over risks of existing business. Moreover, the Group actively led and promoted the sale of vehicles with the help of social financial services, fully utilized its financial leadership as a manufacturer and provided the most competitive interest rates in the industry for customers on the basis of sufficient prevention and control of the financial risks. During the Period, the Group sold 69,300 trucks through auto financing service, representing an increase of 103.0% YoY.

As at 31 December 2020, the Group had 22 business offices for financing services and further improved its auto financing services by extending its financing services business coverage all over China.

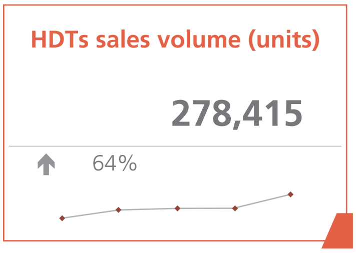
KEY PERFORMANCE INDICATORS ("KPI")

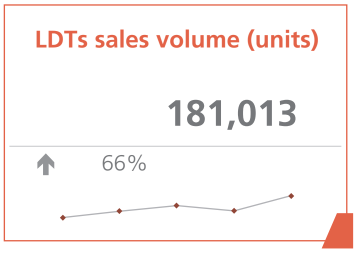
The Directors focus on the continuing development of the Group and interests of the Shareholders. The Directors use financial and non-financial measures as benchmarks in making assessments and decisions. Sales volume of HDTs, LDTs and buses as well as revenue show actual operating results and performance. Cash is essential for survival of the Group and net cash generated from operating activities provides insight into the ability of generating cash from ongoing operating activities. Liabilities to assets ratio (total liabilities divided by total assets) shows the management how to balance the use of equity and debts financing when maintaining the Group's liquidity. Capital expenditure ("CAPEX") provides information for medium to long term development of the Group. Profit attributable to owners of the Company indicates the return to the Shareholders for the current reporting period.

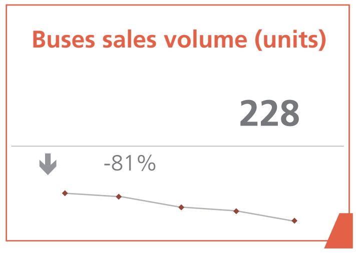
MANAGEMENT DISCUSSION AND ANALYSIS

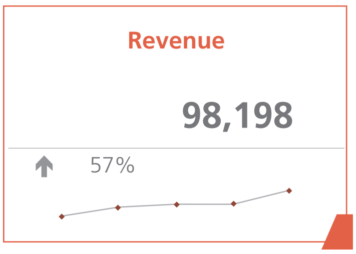
The following charts and table present the Group's KPIs for the year ended 31 December of each of the following years:

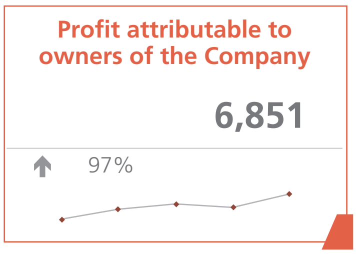
(All amounts of the KPI indicators are in RMB million unless otherwise stated)

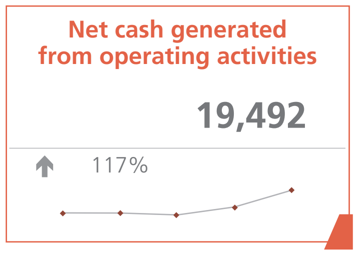


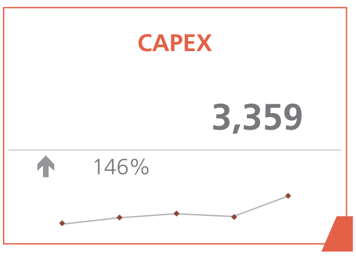


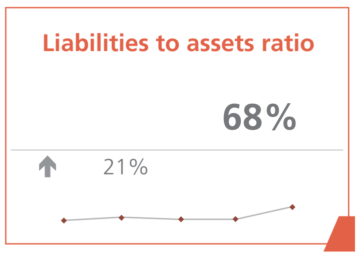












Key performance indicators	2020	2019	2018	2017	2016
HDTs sales volume (units)	278,415	169,433	168,048	156,243	91,511
LDTs sales volume (units)	181,013	109,280	134,046	107,660	77,961
Buses sales volume (units)	228	1,187	1,553	2,507	2,844
Revenue	98,198	62,613	62,728	55,458	32,959
Profit attributable to owners of the Company	6,851	3,474	4,346	3,023	532
Net cash generated from operating activities	19,492	8,979	3,993	5,155	5,238
CAPEX	3,359	1,363	1,621	1,245	641
Liabilities to assets ratio	68%	56%	56%	58%	55%

Note: Due to business combination under common control with Datong Gear in 2020 and HOWO Bus in 2019 respectively, 2019 figures have been restated for figures of Datong Gear, 2018 figures have been restated for figures of HOWO Bus only, and 2016 to 2017 figures have not been restated for any business combination.

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 "Family" service manual 《"親人"服務手冊》. The Group established a three-level service system consisting customer service centers, regional dealers and special service stations. Leveraging on 24-hour 400 service hotline and the Smart Sinotruk app "智慧重汽", the Group conducted a specialized analysis on feedback from both the internal and external customers on regular basis. The Group has launched the integrated hotline for both domestic and international after-services with an aim to satisfy the demand for domestic and international after-services. The Group modified the "Procedures for Testing Satisfaction of Domestic Customers"《國內顧客滿意度測評程式》 to ensure the rating of customer satisfaction could be more scientific and objective. Clear whistleblowing framework and inspection standard have been established so that both the 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. In 2020, the Group received an aggregate of 2,492 replies to its customer satisfaction survey, among which the average customer satisfaction has reached 8.48 points (10 points for maximum).

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 program with the function of identifying, collecting, analyzing, delivering and storing quality issues-related information, and made its due efforts in routine filing and maintenance of both the corporate and product information as mentioned in the "Platform of Integrated Information Management for the Recall of Defective Motor Vehicles"《缺陷汽車產品召回綜合資訊管理平台》. We will proactively recall (or instruct to recall) the defective products and take the corresponding remedial and prevention measures so as to preserve customers' interests.

The Group maintains long-lasting relationship with suppliers on the basis of mutual trust, and procure material and services by adhering to the principle of fairness and openness. By formulating clear rules and regulations regarding the whole-process management on the access, 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 and fosters the high-quality development of supply chain system construction. The Group assesses the first supplier of each subsidiary via its procurement committee office, while the assessment on the remaining suppliers of same product category would be conducted by each subsidiary on its own. Through the "Approval Procedures for Supplier Access and Product Release"《配套產品供方准入和產品釋放批准程序》, 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. The Group insists on the concept of "Strategy and Result-Oriented", and has established its new performance appraisal mechanism based on the newly-developed position map. By utilizing the point mechanism for promotion, employees can be promoted with foreseeable targets. Meanwhile, the dynamic and exceptional promotion mechanism for scientific research and development personnel has been established, which would broaden the promotion channel for those scientific research and development personnel and encourage them to contribute more in aspect of scientific research and development. At the same time, the Group has paved the way for the career development of its employees. For professionals such as managerial and technical personnel, they can be promoted to the experts of management and technology, while for operational staff, they 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 pave the way 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 revised the "Procedures for Training and Management"《培訓管理程序》for the enrichment of the 3-tier employee training and management method. The Group organized 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 optimized 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.

The remuneration packages of the Group's employees include basic salary, allowances, medical scheme, provident fund scheme, commission and discretionary bonuses. The remuneration policies of the Group, including promotion, bonus, salary increment and other benefits, are based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as those benefits comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. During the Period, the remuneration of the Group (including salaries, retirement benefits and other welfare) to all employees including Directors amounted to RMB7,640 million, representing an increase of 54.6% YoY. The Group did not have any share option scheme as at 31 December 2020.

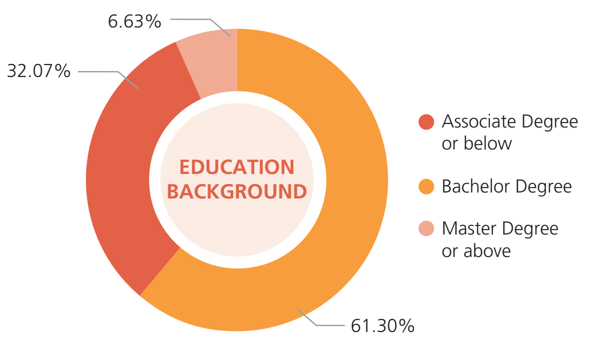
The Group has attached great importance to the growth of personal qualification and professional competency of employees and has formulated the "Measures for Implementation of Employee Training"《員工培訓實施辦法》. With the support of the Group's education and training centers, the Group provides training to its employees in all subsidiaries and departments, and has maintained records for employees' training to improve the overall quality of its workforce. The Group has established a three-level training system and provided trainings to middle and senior management personnel, high-level professionals, engineering technicians, marketing and management personnel, advanced technicians, on-site sub-department heads (sub-department heads directly under the Group), and workshop supervisors. The Group has cooperated with universities and made full use of their faculty and scientific research to train its high-

MANAGEMENT DISCUSSION AND ANALYSIS

level technicians. The Group has also accelerated the construction of internet training institutes with the intent to achieve innovation of remote training mode by taking full advantage of network technology. The Group has also formulated the "Administrative Measures for the Appointment of Fulltime and Part-time Trainers" 《專兼職培訓師聘任管理辦法》, which makes full use of various excellent talents and social training resources within the Group to establish a professional trainer team, aiming to meet the needs of corporate development and employee growth.

As at 31 December 2020, the Group had a total of 25,469 employees, which were classified by function and education background as follows:

	Number of employees	%
Management team	263	1
Technical and engineering staff	2,704	11
Research and development staff	2,158	8
Production staff	14,809	58
Operation and sales staff	2,039	8
Marketing staff	265	1
General and administrative staff	3,231	13
Total	25,469	100



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 completed the quality system optimization and upgrade project to enhance the quality management system standard to IATF16949. The quality management system was planned in accordance with the relevant standards and applied to the whole process of product design and development, manufacturing, sales and after-sales services. As for quality improvement, the Group launched a total of 29 quality improvement projects in 2020, namely, MC13 exhaust manifold quality improvement (optimization of exhaust manifold structure), air-assisted after-treatment system quality improvement (DCU sealing and DCU procedure), suspension quality improvement (optimization of the rubber bearing structure and enhancement of the reliability of the rubber material), and the transmission shaft and support system quality improvement project (switching nylon coating). As at the end of December 2020, all the improvement projects have been completed, and the completion rate of the projects is 100%.

In terms of quality planning, the Group set up 97 indicators in 2020, ranging from R&D, manufacturing process, quality cost and after-sales service, etc., which were monitored and managed on a monthly basis. For under-performed aspects, the Group urged each responsible unit to formulate corrective measures and implemented verification, so as to ensure that each indicator was under control.

For the product consistency management, we organized the verification of the consistency of vehicle filing parameters to reduce the risk of non-compliance by the Company. We compiled and published the "Inspection Management Process of the Vehicle and Engine Environmental Consistency"《車輛及發動機環保一致性檢驗管理流程》, and completed the PEMS inspection of the whole vehicle, engine environmental consistency bench test and in-use vehicle environmental compliance inspection according to the process, effectively ensuring consistency of environmental compliance standard of vehicles and meeting the requirements of relevant national emission regulations.

2. HEALTH, SAFETY AND ENVIRONMENTAL RISKS

In the Period, the production and operation of the Group continued at a high level, which, coupled with the impact of the COVID-19 pandemic and substantial changes in workforce, brought serious challenges to our safe production. With tightening national standards in environmental protection, the corresponding management requirements were also raised. The Group is exposed to risks of production limitation, production suspension, penalties and credit investigation which may result from the non-compliance with occupational health, production safety control and environmental protection laws and regulations.

MITIGATION MEASURES:

Adhered to the principle of "safety first, prevention-oriented and comprehensive management", improved the safety management system continuously, enhanced the investigation and treatment of hidden dangers, implemented supervision and monitoring, and continuously enhanced the safety management level, in order to ensure the overall production safety.

Revised and improved 17 safety management systems and comprehensively standardized management in various aspects taking into consideration requirements of the safety task book, achieved the certification of occupational health and safety management system and passed the annual assessment of safety production standardization.

Conducted check-ups of safety responsibility system based on the production schedule and arrangement by making monthly inspection plans in advance, regularly examining the performance of management staff and front line workers regarding safety knowledge and measures. We aim at improving safety awareness of all staff and eliminating injuries by carrying out such a strict safety assessment.

Environmental policies and performance are very important to the sustainable development of enterprises. With the "Environmental Protection Management Regulations"《環境保護管理辦法》 formulated and implemented internally, the generation and discharge of the "three wastes" in the daily production process are strictly managed, the treatment of which is required to be completed before the discharge of the wastes, so as to further reduce the negative impact of our production and operation, protect the ecology, and realize the ideas and strategies of safe production, environmental protection and energy-saving.

Aroused safety awareness among all workers by utilizing the online training platform in launching promotion campaigns of safety and environmental protection and the online course regarding "Safety Manual of Sinotruk"《重汽安全手冊全員學習》. The training program of the "Manual of Safe Production Knowledge"《安全生產知識手冊》 was formulated and conducted in phases for all workers.

Strictly implemented the "Occupational Health Management Regulations"《職業衛生管理辦法》, established a comprehensive "Specific Emergency Plan for Occupational Disease Hazards"《職業病危害事故專項應急預案》, carried out tests and assessments of occupational disease hazards, strengthened occupational health supervision, and organized regular health checkups. Controlled different kinds of occupational hazards from their sources through realizing the "Three Simultaneities" of facilities for the prevention and control of occupational diseases in new, renovation and expansion projects, improving production techniques, and replacing highly toxic substances with low-toxic or non-toxic substances.

3. FOREIGN EXCHANGE RISKS

The Group's international trades are currently transacted in USD or Euro. If there are any significant exchange rate fluctuations of RMB against these currencies, the Group may face uncertainty that does not exist for trades with fixed exchange rates. The Group could be exposed to potential risks such as foreign exchange losses and decreasing investment gains.

MITIGATION MEASURES:

Given that certain regional markets, i.e. the Southeastern Asia and Russia, 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 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 in drawing up 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 period upcoming 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:

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 introduce the international environmental management system ISO14001, encourage members of the Group 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.

Strengthen the "one post, two responsibilities" system for safety and environmental protection, efficiently implement various safety and environmental protection work, in order to create a safe, stable, environmentally friendly and sustainable development model.

MANAGEMENT DISCUSSION AND ANALYSIS

Formulate the "Management Measures for Major Environmental Protection Project"《重大環保項目管理辦法》, conduct hidden danger investigation in accordance with the environmental protection laws and regulations, and identify environmental protection risk items. Set up projects, implement, follow up and monitor hidden dangers identified according to their urgencies based on regulatory requirements, execution standards, status quo, and corrective measures.

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 affiliated units to ensure their compliance with emission limits.

In 2020, the Group's safety and environmental protection department launched a special treatment campaign for volatile organic compounds generated during spraying. We attempted to map the existing production processes, raw and auxiliary materials usage, waste volume, destination and VOC content, and promoted their replacement with low VOC raw and auxiliary materials at the beginning in every production unit by paint verification and equipment replacement. In addition, we arranged the installation, inspection, networking and filing of VOCs continuous monitoring system in each unit to reduce the risk of environmental non-compliance caused by testing equipment.

To arouse the safety and environmental protection awareness of all our staff, we educate them by innovative means via our e-platform, with abundant training materials uploaded to the "Safety and Environmental Protection System" corner of our platform, including videos and photos of casualties in past years, our monthly newsletter regarding safety and environmental protection and safety tips, etc.

During the Period, as far as the Group is aware, the Group was not in material breach or non-compliance with applicable laws and regulations which had a significant impact on the business and operations of the Group, including the Environmental Protection Law of the PRC

MANAGEMENT DISCUSSION AND ANALYSIS

《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》, etc.

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

2021 is the first year of China's 14th Five-Year Plan. The PRC government will, from a strategic perspective, accelerate the establishment of new development pattern when domestic economic cycle playing a leading role while domestic and international dual circulation complementing each other, with an aim to stimulate economic growth. With various uncertainties regarding the global COVID-19 pandemic and external environment persisting, the pressure of economic downturn still exists.

From the view of the truck industry, the replacement and upgrade of China III Emission Standard trucks, construction of key city clusters, development plan for new energy vehicles, as well as the acceleration of new and old infrastructure projects have brought new market opportunities for the development of the truck industry. However, in recent years, there is a large quantity of new vehicles in the truck market, leading to over-draft of certain demand in advance and a massive increase in inventories in the society. Faced with the fierce competition, we insist customer satisfaction as our core value, aim to become the leader in terms of all series of commercial vehicles in China and achieve our strategic vision as a world-class enterprise.

In 2021, the Group will strive to perform well in the following areas:

Continue to increase R&D investment and promote implementation of a proactive R&D system. The Group will continue to focus on high-end, intelligent and lightweight products to consolidate our domestic leading position in technology in areas including energy saving and new technology, intelligent driving and vehicle connected network.

Achieve breakthroughs in terms of sales volume in niche markets. The Group will continue to increase the market share of our natural gas tractor trucks in areas with advantages to maintain the strong growth momentum in tractor trucks market. We will also continue to improve and promote lightweight products to strengthen our superior advantages in mixer trucks market. In tipper trucks market, the Group will consolidate our dominant position by making full use of the traditional advantages of our tipper truck in terms of sales service network, refitting resources and customer reputation. Moreover, measures will be implemented to continuously increase the market share of our cargo trucks in order to achieve breakthroughs in major niche markets of specialty vehicles such as refridgerator trucks and garbage trucks.

Optimize the sales service network. With focus on major regions in the market, the Group will deploy superior resources to high-quality and high efficiency network. By enhancing the operation quality of channels and networks, we can provide greater policy support for major customers and refitting companies. Service network will be optimized by improving our spare parts supply channels, service efficiency and service policies in order to enhance the value of full life-cycle service as well as the market competitiveness of our products.

Promote informationization upgrades and data applications. The Group will comprehensively strengthen data applications in the whole value chain to improve operational efficiency. We will also provide support on market exploration, product upgrade, operation analysis, management and decision marking by expanding the uses of big data.

FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period was RMB98,198 million, representing an increase of RMB35,585 million or 56.8% YoY. The increase in the revenue was due to the significant increase in the sales volume of HDTs and LDTs. The Group's gross profit for the Period was RMB19,585 million, representing an increase of RMB7,366 million or 60.3% YoY. The increase in gross profit was due to lower average fixed cost per unit resulted by the increase in sales volume, the lower procurement costs and optimization of the sales mix.

Gross profit margin for the Period was 19.9% (gross profit divided by revenue), representing an increase of 0.4 percentage points YoY.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Period was RMB4,983 million, representing an increase of RMB1,495 million or 42.9% YoY due to the increase in volume of truck sold and higher warranty expenses. During the Period, selling and distribution expenses to Products Revenue ratio was 5.1%, representing a decrease of 0.6 percentage points YoY. Warranty expenses accounted for 1.9% of Products Revenue for the Period, representing an increase of 0.3 percentage points YoY. The increase was mainly due to an expected increase in warranty services.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB5,671 million, representing an increase of RMB2,089 million or 58.3% YoY. During the Period, administrative expenses to revenue ratio was 5.8%, representing an increase of 0.1 percentage points YoY. The increase in the ratio was mainly due to the continuous increase in research and development expenses which was part of the long-term strategic planning of the Group and the increase in the provision for termination and post employment benefits because of streamlining of the human resources structure.

NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

Net impairment losses of financial assets for the Period was RMB127 million, representing a decrease of RMB700 million or 84.6% YoY. The impairment losses of trade and financing receivables was RMB164 million, accounting for 0.2% of total revenue for the Period. Further details of the trade and financing receivables are set out in the section headed "TRADE AND FINANCING RECEIVABLES" in this report.

OTHER INCOME AND GAINS - NET AND OTHER EXPENSES

The net amount of net other income and gains as well as other expenses for the Period was RMB667 million, representing a decrease of RMB5 million or 0.7% YoY. During the Period, the Group faced significant foreign exchange fluctuation and suffered from foreign exchange losses at RMB253 million in year 2020 compared to the gain at RMB85 million last year, with a total drop by RMB338 million and the decrease in rental income at RMB14 million. Such drop, however, was mostly offset by the increase in proceeds from disposal of scraps at RMB151 million, the increase in sales proceeds from disposal and in fair value of financial assets at RMB108 million, the increase in penalty income at RMB68 million and the gain on disposal of investment properties at RMB42 million.

FINANCE INCOME - NET

Net finance income for the Period was RMB26 million, representing an increase of finance income of RMB120 million as compared to the net finance expenses of RMB94 million in the corresponding period last year. The increase in finance income was due to the increase in interest income by RMB11 million and significant reduction in interest expenses by RMB109 million as a result of a smaller average borrowing scale during the Period.

SHARE OF PROFITS LESS LOSSES OF A JOINT VENTURE AND ASSOCIATES

Share of profits less losses of joint venture and associates for the Period was profit at RMB55 million, representing a decrease of RMB6 million or 9.8% YoY. The decrease was mainly due to the share of losses from newly acquired associates which are still in business development stage.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME TAX EXPENSE

Income tax expense for the Period was RMB2,127 million, representing an increase of RMB1,082 million or 103.5% YoY. The increase was due to the increase in profit before tax. The effective tax rate (profit before income tax but excluding share of profits less losses of joint venture and associates) for the Period was 22.4%, representing an increase of 1.1 percentage points YoY.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the Period was RMB7,424 million, representing an increase of RMB3,508 million or 89.6% YoY. Net profit ratio (profit for the Period divided by revenue) was 7.6% (2019: 6.3%). Profit attributable to owners of the Company for the Period was RMB6,851 million, representing an increase of RMB3,377 million or 97.2% YoY. The basic earnings per share attributable to owners of the Company for the Period was RMB2.48, representing an increase of RMB1.22 or 96.8% YoY.

TRADE AND FINANCING RECEIVABLES

In addition to normal credit period granted to certain privileged customers, the Group receives acceptance bills for settlement of trade receivables. As at 31 December 2020, 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 (collectively referred to "Aggregate Trade Balance") amounted to RMB11,390 million, representing an increase of RMB610 million or 5.7 % when compared to the balance as at 31 December 2019. 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 366 days) for the Period was 41.9 days.

As at 31 December 2020, the Aggregate Trade Balances aged not more than twelve months amounted to RMB9,646 million or 84.7% of Aggregate Trade Balances.

As at 31 December 2020, the financing receivables was RMB20,395 million, representing an increase of RMB10,879 million or 114.3% when compared to the balance as at 31 December 2019.

As at 31 December 2020, the financing receivables aged not more than twelve months amounted to RMB13,455 million or 66.0% 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 these applicants of financing services.

The finance segment also carries out bills discounting services. As at 31 December 2020, bills receivable from bills discounting services amounted to RMB17 million and aged not more than twelve months.

The Group reviews the repayment progress of key customers or customers with higher risk of default in repayment on a monthly basis and assesses impairment loss by reference to their business, actual repayment information, etc. During the Period, the Group reversed impairment loss allowance for trade receivables at the amount of approximately RMB99 million while made impairment loss allowance for financing receivables at the amount of approximately RMB263 million.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE PAYABLES

As at 31 December 2020, the trade payables amounted to RMB54,695 million, representing an increase of RMB29,510 million or 117.2% when compared to the balance as at 31 December 2019.

The trade payables turnover (average trade payables balances divided by costs of Products Revenue multiplied by 366 days) for the Period was 186.1 days, representing an increase of 11.9 days YoY.

CASH FLOWS

Net cash inflow generated from operating activities for the Period was RMB19,492 million. Due to substantial increase in sales, policies implemented to encourage faster cash collection, and longer suppliers' financing, operating activities for the Period generated additional cash of RMB10,513 million as compared to the corresponding period last year.

Net cash outflow used in investing activities for the Period was RMB5,903 million. Due to a huge amount of cash generated from operating activities, the Group spent more in purchasing wealth management products during the Period with the idle cash at the amount of RMB4,097 million as compared with the corresponding period last year. The Group further invested in production facility to enlarge production capacity and develop new products and acquired certain subsidiaries and associated companies during the Period. Cash outflow used in investing activities increased by RMB5,798 million as compared to the cash outflow in the corresponding period last year.

Net cash outflow used in financing activities for the Period was RMB3,308 million. The repayment of borrowings was RMB700 million during the Period while it was RMB3,686 million in same period last year. Such decrease in cash outflow was partially offset by the increase in the payment of consideration for the business combination under common control during the Period. As a result, cash outflow used in financing activities decreased by RMB2,645 million as compared to the cash outflow in the corresponding period last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2020, the Group had cash and cash equivalents of RMB26,049 million, representing an increase of RMB10,125 million or 63.6% when compared to the balance as at 31 December 2019. The Group's total borrowings were about RMB1,712 million as at 31 December 2020. Its gearing ratio (total borrowings divided by total assets) and debt-to-equity ratio (total borrowings divided by equity) as at 31 December 2020 were 1.5% and 4.8% respectively (31 December 2019: 1.5% and 3.4% respectively). As at 31 December 2020, current ratio (total current assets divided by total current liabilities) was 1.1 (31 December 2019: 1.3).

As at 31 December 2020, all borrowings were denominated in RMB (31 December 2019: all in RMB) and all borrowings are charged with reference to bank's preferential fixed rates. The maturity profile of all borrowings was as follows:

	As at 31 December 2020 RMB million	As at 31 December 2019 RMB million
Repayable within one year	**1,474**	1,000
In the second year	**158**	—
Three to five years	**80**	—
	1,712	1,000

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020, total consolidated equity of the Company was RMB35,679 million, representing an increase of RMB6,153 million or 20.8% when compared with the balance as at 31 December 2019.

As at 31 December 2020, the Company's market capitalization was RMB46,010 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD19.80 per Share and at the exchange rate of 1: 0.84164 between HKD and RMB).

As at 31 December 2020, the unutilized credit facilities of the Group from the banks amounted to RMB18,049 million (31 December 2019: RMB21,227 million). An aggregate amount of RMB876 million (31 December 2019: RMB278 million) of security deposits and restricted bank deposits were pledged to secure various credit facilities. In addition, the finance segment has made mandatory deposits of RMB3,652 million (31 December 2019: RMB2,133 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, utilization of banking facilities and issuance of bills such as short-term commercial acceptance bills and bank acceptance bills.

INVESTMENTS

INVESTMENTS IN SUBSIDIARIES

In April 2020, the Group purchased the entire equity interest in Datong Gear from CNHTC at the actual consideration of approximately RMB1,393 million. For details of the acquisition, please refer to the Company's announcement dated 31 March 2020.

During the Period, the Group incorporated two new wholly owned subsidiaries, namely Sinotruk (Ji'nan) Auto Parts Co., Ltd. and Sinotruk (Ji'nan) Light Truck Co., Ltd. In addition, the Group acquired 100% equity interest in Weichai (Chongqing) Automotive Co., Ltd. (now known as "Sinotruk (Chongqing) Light Vehicle Co., Ltd.") at the consideration of RMB790 million.

DISPOSAL OF A SUBSIDIARY

In February 2020, the Group disposed of Chengdu Sinotruk Wangpai Automobile Testing Co., Ltd. at consideration of RMB4.9 million.

EQUITY INVESTMENTS FORMING PART OF THE GROUP'S OPERATIONS

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

a) **Interests in associates**

In addition to Chongqing Yunyang Automotive Manufacturing Co., Ltd., being the associate of newly acquired subsidiary, Sinotruk (Chongqing) Light Vehicle Co., Ltd., the Group acquired 20% equity of Shengrui Transmission Co., Ltd. at the consideration of approximately RMB400 million and contributed approximately RMB83 million to Tianjin Tsintel Co., Ltd. for its 7.7% equity.

As at 31 December 2020, the amount of interest in associates was RMB1,028 million, representing 0.9% of the total assets of the Group. Performance and details of investments accounted for using the equity method are disclosed in the section headed "SHARE OF PROFITS LESS LOSSES OF A JOINT VENTURE AND ASSOCIATES".

b) **Other long term equity investments**

As at 31 December 2020, the Group's unlisted equity investments for long term strategic investment purpose amounted to RMB33 million, representing approximately 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 fund 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 PRC. As at 31 December 2020, the Group had short term equity investment at RMB59 million, representing less than 0.1% of its total assets. Such equity investment is accounted for as equity investment included in financial assets at fair value through profit or loss. Their fair values keep changing from time to time depending on but not limit to their operation results, economic situations and stock markets sentiments.

CAPITAL COMMITMENT

As at 31 December 2020, the Group had committed the capital expenditure in respect of property, plant and equipment as well as other intangible assets amounted to RMB2,099 million which will be funded by internal resources and borrowing facilities.

CHARGES ON GROUP ASSETS

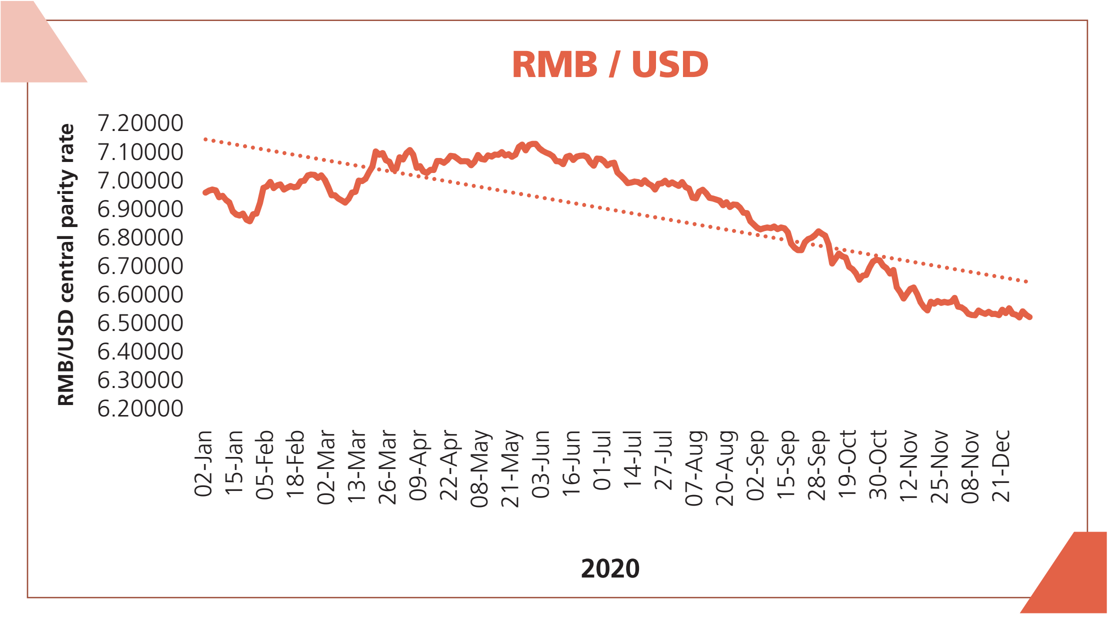
Save as disclosed in the section headed "LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE" and the mortgage of buildings and land use right at carrying value of RMB555 million for banking credit facilities, as at 31 December 2020, there were no assets of the Group being pledged.

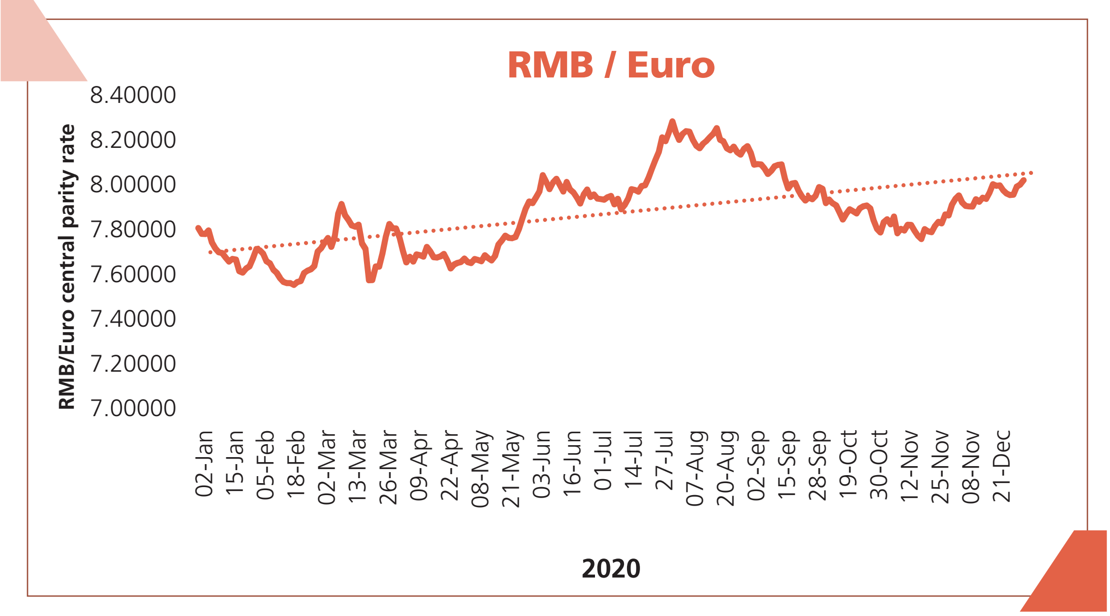
FINANCIAL MANAGEMENT AND POLICY

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 risk 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):





The RMB/USD central parity rate in the PRC as at 31 December 2020 was 6.52490, representing an appreciation of RMB by 6.47% when compared to the rate of 6.97620 as at 31 December 2019. The RMB/Euro central parity rate in the PRC as at 31 December 2020 was 8.02500, representing a depreciation of RMB by 2.68% when compared the rate of 7.81550 as at 31 December 2019. RMB against USD central parity rates recorded high fluctuation during year 2020 and showed a trend of significant appreciation in second half of 2020. RMB against Euro central parity rates recorded some fluctuation during year 2020 and showed a trend of gradual depreciation at the end of 2020.

As at 31 December 2020, the Group's monetary assets and liabilities were denominated in RMB, except for cash and bank balances which in total were equivalent to approximately RMB3,421 million, financial assets at fair value through profit or loss of approximately RMB9 million, accounts receivable and other receivable of approximately RMB1,335 million, accounts and other payables of approximately RMB209 million, all of which were denominated in currencies other than RMB. At as 31 December 2020, all borrowings were in RMB.

During the Period, the Group recorded foreign exchange losses of RMB253 million in operating profit. The potential foreign exchange impacts to the USD and Euro denominated net assets of the Group as at 31 December 2020 are:

	USD denominated net assets	Euro denominated net assets
5% appreciation/ depreciation in RMB	Loss/Gain before tax of RMB216 million	Loss/Gain before tax of RMB8 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 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 the trucks. As at 31 December 2020, the Group has committed such guarantees at maximum aggregate amount of RMB30,000,000 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 condition and results of operations. The total amount of claims of all lawsuits is approximately RMB214 million and provision for legal claims at approximately RMB4 million was made as at 31 December 2020.

DISCLAIMER

NON GAAP FINANCIAL MEASURES

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

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

Mr. Liu Zhengtao (劉正濤先生), born in October 1970, has been an executive Director since 9 March 2020 and the president of the Company since 15 June 2020. In addition, Mr. Liu is currently a director of certain subsidiaries of the Company. He is an engineer and holds a bachelor's degree. Mr. Liu joined Ji'nan Auto Manufacturing Factory (濟南汽車製造總廠, one of the predecessors of CNHTC) in July 1992. From January 2001 to December 2009, Mr. Liu held the positions of the deputy division head, the division head and the departmental head of the quality control department of Ji'nan Truck Company. From December 2009 to April 2015, he held the positions of the deputy general manager and the general manager of the sales department, and the executive general manager of Sinotruk Ji'nan Commercial Truck Co., Ltd. (中國重汽集團濟南商用車有限公司, a wholly-owned subsidiary of the Company). From April 2015 to May 2020, Mr. Liu held various positions in CNHTC Group including the general manager of the marketing department, the chairman of the procurement center, and the head of procurement of CNHTC. From November 2015 to July 2020, Mr. Liu was a director of CNHTC-Hiab (Shandong) Equipment Company Limited (中國重汽集團希爾博 (山東) 裝備有限公司). Since October 2019, Mr. Liu has been the deputy general manager of CNHTC.

Mr. Liu Wei (劉偉先生), born in April 1970, has been an executive Director of the Company since 9 December 2014. In addition, Mr. Liu is currently a director of certain subsidiaries of the Company. He has extensive experience in the commercial vehicle industry. Mr. Liu graduated from the Wuhan Institute of Technology (武漢工學院) (now known as the "Wuhan University of Technology (武漢理工大學)"), the PRC and received a bachelor's degree in engineering majoring in automotive internal combustion engineering in July 1991. In June 2009, he received a master's degree in business administration from the School of Management of the Shandong University (山東大學管理學院), the PRC. Since January 2010, Mr. Liu serves as the head of the international sales division of the Company. Prior to joining the Company, Mr. Liu served in various technical and management positions of CNHTC including the chief of the products testing division, head of the vehicles inspection center, deputy head and head of the technology center from July 1991 to January 2010. He was a director of Ji'nan Truck Company from August 2003 to June 2006 and a director of CNHTC from December 2012 to October 2014. He was a vice president of the Company from December 2014 to May 2020.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Dai Lixin (戴立新先生), born in July 1967, has been an executive Director, a vice president, a board secretary and an authorized representative of the Company since 30 October 2018. In addition, Mr. Dai is currently a director of certain subsidiaries of the Company. Mr. Dai has vast experience in IPOs, financing operations, cross border acquisition and corporate governance for listed companies. He is a committee member of the board secretaries committee for The Listed Company Association of Shandong (山東上市公司協會), as well as an affiliate member of The Hong Kong Institute of Chartered Secretaries. Mr. Dai is a senior economist with a university degree. Mr. Dai joined Weifang Diesel Engine Factory (濰坊柴油機廠) in 1987 and held various managerial positions and previously was the deputy departmental head of the capital operations department of Weifang Diesel Engine Factory. From April 2003 to May 2015, Mr. Dai was the departmental head of the securities department of Weichai Power. Mr. Dai was the board secretary of Weichai Power from September 2003 to October 2018, and the vice president and departmental head of the capital operation department of Weichai Power from May 2015 to October 2018. Since 16 October 2018, Mr. Dai has been the chief investment officer of CNHTC.

Mr. Richard von Braunschweig, born in February 1973, has been an executive Director since 30 November 2019. Mr. von Braunschweig obtained his law degree at the Universities of Heidelberg and Dresden, Germany, and successfully passed his second state exam in 2000 in Düsseldorf, Germany. Mr. von Braunschweig has more than 18 years of experience in consulting and mergers and acquisitions in global companies. From 2001 to 2005, Mr. von Braunschweig served as a senior consultant at PricewaterhouseCoopers corporate finance advisory in Frankfurt. In 2006, Mr. von Braunschweig joined MAN SE and built up the mergers & acquisition department within MAN SE and its subsidiaries. Mr. von Braunschweig was responsible for the management and implementation of multiple mergers and acquisitions transactions, both nationally and internationally. From 2010 to 2014, Mr. von Braunschweig held management positions within MAN SE as the head of international finance cooperations and within MAN Finance International GmbH (the holding company of the former captive of the MAN Group) as the head of strategy & corporate development. Since 2015, Mr. von Braunschweig has been head of cooperations, M&A in MAN Truck & Bus SE.

Ms. Qu Hongkun (曲洪坤女士), born in August 1980, has been an executive Director and the financial controller of the Group since 9 March 2020. In addition, Ms. Qu is currently a director of certain subsidiaries of the Company. She is a senior accountant and a certified public accountant in the PRC. She graduated from Harbin Institute of Technology (哈爾濱工業大學), the PRC and received a bachelor's degree in management majoring in accounting in July 2005. In the same year, Ms. Qu joined Weifang Diesel Engine Works (濰坊柴油機廠) (the predecessor of Weichai Holdings). From June 2010 to April 2016, she held various positions at Weichai Holdings, including the division chief and the assistant to the departmental head of the finance department. From April 2016 to February 2017, Ms. Qu was the financial controller and the departmental head of the finance department of Weichai Heavy-duty Machinery Co., Ltd. (濰柴重機股份有限公司). From February 2017 to March 2018, she held the position of the departmental head of the finance department of Weichai Holdings. From May 2017 to March 2018, Ms. Qu served as a supervisor of Weichai (Weifang) After-sales Market Services Co., Ltd. (濰柴 (濰坊) 後市場服務有限公司) and a supervisor of Baudouin (Weifang) Power Co., Ltd. (博杜安 (濰坊) 動力有限公司). She was also a supervisor and the chairman of the supervisory committee of Weichai (Yangzhou) Yaxing

DIRECTORS AND SENIOR MANAGEMENT

Motor Company Limited (濰柴 (揚州) 亞星汽車有限公司) from August 2017 to March 2018. From March 2018 to February 2020, Ms. Qu served as the departmental head of the financial management department of Shandong Heavy Industry Group Co., Ltd. (山東重工集團有限公司), and a supervisor and the chairman of the supervisory committee of Shandong Shantui Machinery Co., Ltd. (山東山推機械有限公司). Since April 2018, Ms. Qu has also been a supervisor of Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司). From February 2020 to September 2020, Ms. Qu was the departmental head of the finance department of the Group. Ms. Qu has been the financial controller of CNHTC since September 2020 and has been the head of the value engineering department of the Group concurrently since November 2020.

Mr. Li Shaohua (李紹華), born in October 1965, has been an executive Director since 19 March 2021. Mr. Li is a senior engineer. He graduated from Xi'an Jiaotong University (西安交通大學) in the PRC in July 1987 with a bachelor's degree in engineering majoring in internal combustion engines. From July 1987 to October 2004, Mr. Li served various positions at Hangzhou Engine Factory (杭州汽車發動機廠) (now known as "Sinotruk Hangzhou Engine Co., Ltd.", a subsidiary of the Company) including the assistant engineer, engineer, chief engineer and the manager of its sales company. From November 2004 to August 2011, Mr. Li held various positions at Weichai Power including the deputy director and director of the marketing department, the director of application engineering department, the deputy general manager of the sales and marketing company of Weichai Power, and assistant to the general manager and assistant to the president of Weichai Power. From September 2011 to August 2020, Mr. Li held various positions including the vice president of Weichai Power, the general manager of Weichai (Weifang) After-sales Market Services Co., Ltd. (濰柴 (濰坊) 後市場服務有限公司), the director of Weichai Power (Weifang) Reconstruction Co., Ltd. (濰柴動力 (濰坊) 再製造有限公司) and Weichai Power Freshen Air Technology Co., Ltd. (濰柴動力空氣淨化科技有限公司). From May 2020 to August 2020, he acted as the vice president of the Company, concurrently as the head of the marketing department of the Company and CNHTC. Since September 2020, Mr. Li served as the deputy general manager of CNHTC and various senior positions in the subsidiaries of the Company, including the chairman of the board of Sinotruk Ji'nan Fuqiang Power Co., Ltd. and Sinotruk Ji'nan Global Electronic Business Co., Ltd. as well as the director of Shandong HOWO Auto Finance Co., Ltd. Since February 2021, Mr. Li has been serving as the head of the product planning and market management department (formerly known as the "marketing department") of the Company and CNHTC.

NON-EXECUTIVE DIRECTORS

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

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Ms. Annette Danielski, born in May 1965, has been a non-executive Director since 5 March 2019. Ms. Danielski graduated from the University of Fulda in Germany with a Diploma in Business Administration in Finance and Controlling in 1988. She has more than 30 years of experience in finance and controlling in global companies, and possesses advanced knowledge in general management along with the ability to combine strategy with operational tasks and projects. From 1988 to 1999, Ms. Danielski served as an analyst and senior specialist at Daimler-Benz AG. From 1999 to 2004, she held various management positions at various subsidiaries of DaimlerChrysler AG, including senior manager for Controlling Engines and Powertrain, and senior specialist for Business/Profit & Loss planning and reporting. From 2005 to 2011, Ms. Danielski acted as a senior manager of reporting and controlling department of Business Unit Daimler Trucks, a division of Daimler AG. From January 2012 to August 2017, she was then appointed as a director of costs and funding controlling for Powertrain Plants & Supply Chain MBC of Daimler AG. From June 2016 to August 2017, she also concurrently held an interim position as director of cost and funding controlling at the Mercedes Benz Car Group. From September 2017 to September 2018, Ms. Danielski worked as the head of corporate controlling in Audi AG. Ms. Danielski has been the head of group finance within TRATON SE since October 2018. Since November 2018, Ms. Danielski has also been a member of the supervisory board of MAN SE as well as MAN Truck & Bus SE and since June 2019, a member of the supervisory board of Volkswagen Original Teile Logistik Beteiligungs-GmbH. Furthermore, she has been a member of the advisory board of MAN Latin America Indústria e Comércio de Veículos Ltda. since June 2019.

Mr. Matthias Gründler, born in September 1965, has been a non-executive Director since 23 October 2020. Mr. Gründler holds a diploma in economics from the Institute for Knowledge Transfer (IfW) in cooperation with the Daimler Academy in October 1999. Mr. Gründler has over 20 years of experience in the vehicle industry. He began his career with Daimler Benz AG in Stuttgart, Germany, in August 1986 and subsequently became a project team leader within the Supply Chain Management for Eastern Europe at DaimlerChrysler AG and the team manager of Sales Planning and Controlling at Mercedes-Benz Passenger Cars. In August 1999, Mr. Gründler was appointed the divisional manager of Sales and Marketing/Group Controlling at DaimlerChrysler South Africa (Pty) Ltd. (now known as "Mercedes-Benz South Africa (Pty) Ltd.") in Pretoria, South Africa. In March 2003, Mr. Gründler was appointed the chief financial officer of Finance Controlling and Human Resources at DaimlerChrysler (Thailand) Ltd. in Bangkok, Thailand, and then became the chief financial officer and director of Corporate Strategy/Human Resources at DaimlerChrysler South East Asia Pte. Ltd. in Singapore in January 2004. In February 2005, Mr. Gründler returned to Pretoria, South Africa as a member of the management board, director and chief financial officer at DaimlerChrysler South Africa (Pty) Ltd., until he moved to Tokyo, Japan in February 2008 where he became a member of the management board, vice president, chief financial officer and representative director of Daimler Trucks Asia at Mitsubishi Fuso Trucks & Bus Corporation. In January 2011, Mr. Gründler was appointed the Head of Procurement of Trucks and Buses and Business Development Powertrain at Daimler AG in Stuttgart, Germany, and took the position of Head of Product Platforms, Sales & Quality Powertrain in October 2011. In March 2012, Mr. Gründler became the chief financial officer of Finance and Controlling, Business

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and Product Planning of Daimler Trucks & Buses at Daimler AG in Stuttgart, Germany, and in October 2013, he was appointed the chief financial officer and a member of the divisional board of Daimler Trucks & Buses at Daimler AG. From September 2015 to May 2018, Mr. Gründler was a member of the board and the chief financial officer at Volkswagen Truck & Bus GmbH (now known as "TRATON SE") in Braunschweig, Germany, where he was responsible for finance and business development. From February 2017 to May 2018, he was a member of the board of directors of Navistar International Corporation. FPFPS (a substantial shareholder of the Company) and its subsidiaries hold approximately 16.7% of the issued share capital of Navistar International Corporation. From 1 July 2016 to 31 May 2018, Mr. Gründler was a non-executive Director of the Company. From June 2018 to July 2020, Mr. Gründler focused on private business. Since 16 July 2020, Mr. Gründler has been the chief executive officer of TRATON SE. In July 2020, Mr. Gründler was appointed as the chairman of the supervisory board of MAN SE and MAN Truck and Bus SE. Further, Mr. Gründler was appointed as the chairman of the board of Scania AB and Scania CV AB in August 2020. Since November 2020, he has been a member of the supervisory board of VW Financial Services AG.

Dr. h.c. Andreas Tostmann, born in March 1962, has been a non-executive Director since 23 October 2020. Mr. Tostmann holds a diploma degree in mechanical engineering and a diploma degree in economics, both granted by Technical University of Braunschweig, Germany. In 2007, he obtained an honorary doctorate ("Dr. h.c.") granted by the Nelson Mandela Metropolitan University, South Africa. In 1990, Dr. Tostmann joined the group product planning division of Volkswagen AG. In 1994, Dr. Tostmann was responsible for product planning powertrain at Volkswagen de México, S.A. de C.V. He assumed responsibility for technical project planning and project management powertrain for the Volkswagen Group from 1995 to 1997. In 1998, Dr. Tostmann held the position as production manager for the Volkswagen plant in Salzgitter, Germany, until 2000. From 2001 to 2003, Dr. Tostmann was responsible for and served as the manager of the Volkswagen plant in Salzgitter, Germany. From 2004 to 2006, Dr. Tostmann held the position of the managing director of Volkswagen of South Africa (Pty) Ltd. He was appointed as the chairman of the board of Volkswagen Slovakia, a.s. in 2007 and also assumed responsibility for production of that company until November 2011. From 2012 to 2018, he held the position of the Executive Vice President for Production of SEAT, S.A. From February 2018 to July 2020, Dr. Tostmann was a member of the board of management at Volkswagen Passenger Cars, responsible for production and logistics. Since 16 July 2020, Dr. Tostmann has been a member of the executive board of TRATON SE as well as the chief executive officer of MAN SE and MAN Truck & Bus SE.

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INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lin Zhijun (林志軍博士), born in January 1955, has been an independent non-executive Director since 26 July 2007. Dr. Lin is an experienced accounting educator and researcher. Dr. Lin graduated from Xiamen University (廈門大學), the PRC in 1982 with a master's degree in economics and later received a Ph.D. degree in Economics (Accounting) from Xiamen University in 1985. Dr. Lin also received a master's degree (MSc in Accounting) from University of Saskatchewan, Canada in 1991. He is a member of the American Institute of Certified Public Accountants (AICPA), the Chinese Institute of Certified Public Accountants (CICPA) and the Certified Management Accountants of Australia (CMA). He is a member of various educational accounting associations, including the American Accounting Association and the International Association for Accounting Education and Research. He is currently the Vice President of Macau University of Science and Technology. Dr. Lin was previously an auditing staff at an international accounting firm (Touche Ross International, now known as "Deloitte Touche Tohmatsu") in Toronto, Canada. He has been teaching at Xiamen University in China, the University Lethbridge in Canada, the University of Hong Kong and Hong Kong Baptist University and Macau University of Science and Technology since 1983. Dr. Lin is also an author of a series of professional articles and books. Dr. Lin currently is also an independent non-executive director of four companies which securities are listed on the Main Board of the Stock Exchange, including China Everbright Limited, CITIC Dameng Holdings Ltd., BOCOM International Holdings Company Limited and Dali Foods Group Company Limited. Dr. Lin was the dean of School of Business of Macau University of Science and Technology till August 2020 and an independent director of Springland International Limited which has delisted.

Mr. Yang Weicheng (楊偉程先生), born in November 1946, has been an independent non-executive Director since 6 November 2013. Mr. Yang is an experienced lawyer in the PRC. Mr. Yang graduated from Shandong University, the PRC in 1982, majored in history. He is a qualified lawyer in the PRC and is currently the managing partner of Shandong Qindao Law Firm (山東琴島律師事務所) in Shandong, the PRC, and the counselor of Shandong Provincial People's Government. He was a deputy director of the general office of Qingdao Municipal Justice Bureau (青島市司法局) from August 1991 to February 1994. From April 1999 to June 2008, he was the vice president of All China Lawyers Association (中華全國律師協會). During January 2005 to April 2011, he was the president of the Shandong Lawyers Association (山東省律師協會). He was awarded "Ten Best Lawyers of China" (全國十佳律師) by the Ministry of Justice of the PRC in 1999. He was a member of the 10th, 11th and 12th National People's Congress of the PRC. Mr. Yang previously served as an independent director of Songz Automobile Air Conditioning Co., Ltd., an independent director of Shandong Huatai Paper Co., Ltd. and a supervisor of Tsingtao Brewery Company Limited.

Dr. Wang Dengfeng (王登峰博士), born in March 1963, has been an independent non-executive Director since 9 March 2016. Dr. Wang is currently a professor and doctoral tutor of the Department of Automobiles at the School of Automotive Engineering of Jilin University (吉林大學), the PRC. Dr. Wang is also the chairman of the panelist committee of the China Automotive Lightweight Technology Innovation Strategic Alliance (中國汽車輕量化技術創新戰略聯盟), a member and a council member of the executive committee of the Society of Automotive

DIRECTORS AND SENIOR MANAGEMENT

Engineers of China (中國汽車工程學會), the deputy chairman of the Safety Technology Committee of the Society of Automotive Engineers of China (中國汽車工程學會汽車安全技術分會) and the deputy chairman of the Vehicle Noise and Vibration Committee of the Society of Automotive Engineers of China (中國汽車工程學會汽車振動噪聲分會). Dr. Wang completed his bachelor, master and doctorate degrees in engineering at Jilin University of Technology (吉林工業大學), the PRC. After his graduation from Jilin University of Technology in 1990, he remained at Jilin University of Technology as a lecturer, where he was subsequently promoted to the positions of associate professor, professor, deputy head and then head of the Automotive and Tractor Faculty. Between August 1997 and July 1998, Dr. Wang attended at the University of Birmingham, the United Kingdom as a visiting professor, after which he returned to Jilin University of Technology and continued to serve as a professor, doctoral tutor and head of the Faculty of Automotive and Tractor until May 2000. In June 2000, Jilin University of Technology merged with Jilin University and from December 2000 to December 2008, Dr. Wang served as a professor, doctoral tutor and associate dean of the School of Automotive Engineering of Jilin University. Since January 2009, he has been serving as a professor and doctoral tutor of the Department of Automobiles at the School of Automotive Engineering of Jilin University. Dr. Wang leads several National Research Programs, National Key Technology R&D Program, National High-tech R&D Program (863 Program) and projects supported by the National Natural Science Foundation of China. Dr. Wang was conferred with the title of "Excellent National Teacher" by the Ministry of Education of the PRC in 2007. Among other awards he has received in the past, Dr. Wang was awarded the "Outstanding Contribution Award" of the 50th Anniversary of the Establishment of the Society of Automotive Engineers of China (中國汽車工程學會建會50周年「突出貢獻獎」) in 2012, second class reward of Jilin Province S&T Progress Awards in 2015, first class reward of China Automotive S&T Award in 2016, second class of Ministry of Education of China Science and Technology Award in 2017 and special class of Science and Technology Progress Award of China General Chamber of Commerce in 2017. In 2018, he was honored with the "Outstanding Person" Award in the Chinese Automobile Industry for the 40th anniversary of the reform and opening up. Dr. Wang was conferred with the title of "Innovation Pioneer of Jilin Province" in December 2018.

Mr. Zhao Hang (趙航先生), born in July 1955, has been an independent non-executive Director since 11 April 2016. Mr. Zhao is a research-grade senior engineer and obtained his bachelor degree in engineering from Jilin University of Technology (吉林工業大學), the PRC in July 1982. In October 2003, he obtained a degree in executive master of business administration from China Europe International Business School (中歐國際工商學院). Mr. Zhao is also a doctoral tutor at Wuhan University of Technology (武漢理工大學), the PRC and an instructor and adjunct professor at Tongji University (同濟大學), the PRC, Jilin University (吉林大學), the PRC, Jiangsu University (江蘇大學), the PRC and Chongqing Jiaotong University 重慶交通大學), the PRC (which is previously known as "Chongqing Vocational College of Transportation (重慶交通學院)"). In addition, Mr. Zhao was the deputy chairman and chief secretary of the National Technical Committee of Auto Standardization (全國汽車標準化技術委員會), the president of the China Automobile Human Resources Association (中國汽車人力資源協會), the deputy chairman of the Society of Automotive Engineers of China (中國汽車工程學會), the vice president of the China Association of Automobile Manufacturers (中國汽車工業協會), the deputy chairman of the China Intelligent Transportation Systems Association (中國智能交通協會), the council member of the China Machinery Industry Federation (中國機械工業聯合會), a member of the steering committee of the National 863 Electric Vehicle Key Project (國家863電動汽車重大專項領導小組), a member of the steering committee of the National Clean Energy Automotive Action (國家清潔汽車行動領導小組) and a member of the steering committee of the Tianjin Clean Energy Automotive Action (天津市清潔汽

DIRECTORS AND SENIOR MANAGEMENT

車行動領導小組). After his graduation from Jilin University of Technology in 1982, Mr. Zhao joined the Transportation Engineering Institute of the Chinese People's Liberation Army (中國人民解放軍運輸工程學院) as an instructor until October 1987. After that, he was employed by the China Automotive Technology & Research Center (中國汽車技術研究中心), and had since then until November 2015 held various positions therewith including the center deputy chairman, center deputy secretary of the party committee and center secretary of the party committee and center chairman. Among the awards and recognitions he has received in the past, Mr. Zhao was conferred with the title of Young Technology Specialist in the Machinery Industry (中國機械工業青年科技專家) in the PRC in 1995 and received the 2004 China Automobile Manufacturing Outstanding Technology Talent Award (2004年中國汽車工業優秀科技人才獎). Mr. Zhao is an independent director of Shanghai Baolong Automotive Corporation since 30 December 2016, a chairman of Zhongfalian Investment Co., Ltd. (中發聯投資有限公司) (an unlisted company) since 16 May 2017, an independent non-executive director of Sun.King Power Electronics Group Limited, since 4 December 2017, an independent director of Hainan Drinda Automotive Trim Co., Ltd. (海南鈞達汽車飾件股份有限公司) since 26 October 2018 and an independent director of SG Automotive Group Co., Ltd. (遼寧曙光汽車集團股份有限公司) since 29 October 2018. Mr. Zhao was a director of Zhejiang Wanfeng Auto Wheel Co., Ltd. from 29 November 2013 to 26 February 2017 and was a director of China Yiqi Co., Ltd. (中國一汽股份有限公司) (an unlisted company).

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

Mr. Lyu Shousheng (呂守升先生), born in May 1971, has been an independent non-executive Director since 16 May 2019. He graduated from the University of Illinois, the United States with an MBA in 2003. Mr. Lyu possesses extensive experience and knowledge in the areas of human resource management and organizational changes. Mr. Lyu has served as the chairman of Human Resource Association for Chinese & Foreign Enterprises (HRA) since September 2016. Since April 2017 to October 2019, he has served as the senior vice president, chief human resources officer and an executive committee member of AsiaInfo Technologies Limited (亞信科技控股有限公司), in which he was responsible for, among other things, the human resources, administration and brand management of the company. From May 2012 to April 2017, he served as the deputy

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manager of Weichai Holdings, where he was responsible for the optimization of the human resources system and organizational changes. From October 2008 to June 2011, he held the positions of senior vice president and a member of the executive committee of Kingsoft Corporation Limited (金山軟件有限公司), in which he was responsible for the company's human resource management. From December 2003 to October 2008, Mr. Lyu served as the chief consulting officer and the national capability director of the China Region of Hay Group, a U.S. consulting firm, where he provided management consulting services to PRC enterprises. From May 1997 to July 2000, he held positions such as the human resource manager of Bausch & Lomb (美國博士倫公司). From July 1991 to August 1995, he was a principal staff member of the Labor and Personnel Department of Sinohydro Bureau 2 Co., Ltd. (中國水電二局勞動人事主任科員). Mr. Lyu is a member of the National Science and Technology Expert Database and a professional instructor in business administration of National School of Development. Mr. Lyu was honored with the "Best Organizational Change Practice Award" issued by HRA, "Human Resources Management Academy Award" issued by the Business School of Remin University, the PRC, "Annual Character Awards" issued by Human Resources Development of China and "Outstanding Advisor" issued by HayGroup.

COMPANY SECRETARY

Mr. Kwok Ka Yiu (郭家耀先生), aged 56, has been our company secretary and financial controller since 12 November 2007. Mr. Kwok holds an MBA degree from the University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Kwok has nearly seven years of audit experience in one of the prestigious international audit firms, KPMG and approximately twenty years of financial and accounting experiences with companies listed on the Stock Exchange.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board and senior management of the Company commit to maintain a high standard of corporate governance, formulate good corporate governance practice for improvement of accountability and transparency in operations, and strengthen the internal control system from time to time so as ensure to meet with the expectations of the Shareholders. The Company has adopted the corporate governance codes as set out in Appendix 14 "Corporate Governance Code and Corporate Governance Report" (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.2.1, A.5.1, A.5.2, A.6.7 and E.1.5 of the CG Code.

In respect of code provision A.2.1 of the CG Code, the positions of the chairman of the Board and the president ("President") of the Company were held by the same individual, namely, Mr. Cai Dong until his resignation as the President from 15 June 2020 and the appointment of Mr. Liu Zhengtao as the President on 15 June 2020.

In respect of code provisions A.5.1 and A.5.2 of the CG Code, the Company did not establish 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.

In respect of code provision A.6.7 of the CG Code which requires that NEDs and INEDs should attend general meetings and develop a balanced understanding of the views of the Shareholders. Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees, Mr. Jiang Kui, Ms. Annette Danielski, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing were unable to join the 2020 AGM due to business commitments.

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

BOARD OF DIRECTORS

OVERALL ACCOUNTABILITY

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

BOARD RESPONSIBILITIES AND DELEGATION

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

The Board has delegated some of its functions to the board committees, details of which are set out below. Matters specifically reserved to the Board include assessment on the nomination of new Directors, determination of remuneration of Directors and senior management, establishment of an effective risk management and internal control system, assessment on the effectiveness of the

CORPORATE GOVERNANCE REPORT

processes for financial reporting and of compliance of the Listing Rules, approval of financial statements, and review and approval of dividend policy, significant accounting policies, material contracts, significant appointments such as company secretary and external auditors, terms of reference of board committees, as well as major corporate policies such as code of conduct.

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

COMPOSITION OF THE BOARD

As at 31 December 2020, the Board had a total number of seventeen Directors including seven EDs, four NEDs and six INEDs. Biographies of each existing Director are set out in the section headed "Directors and Senior Management". A list of the Directors identifying their roles and functions are available on the websites of the Company and the Stock Exchange.

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

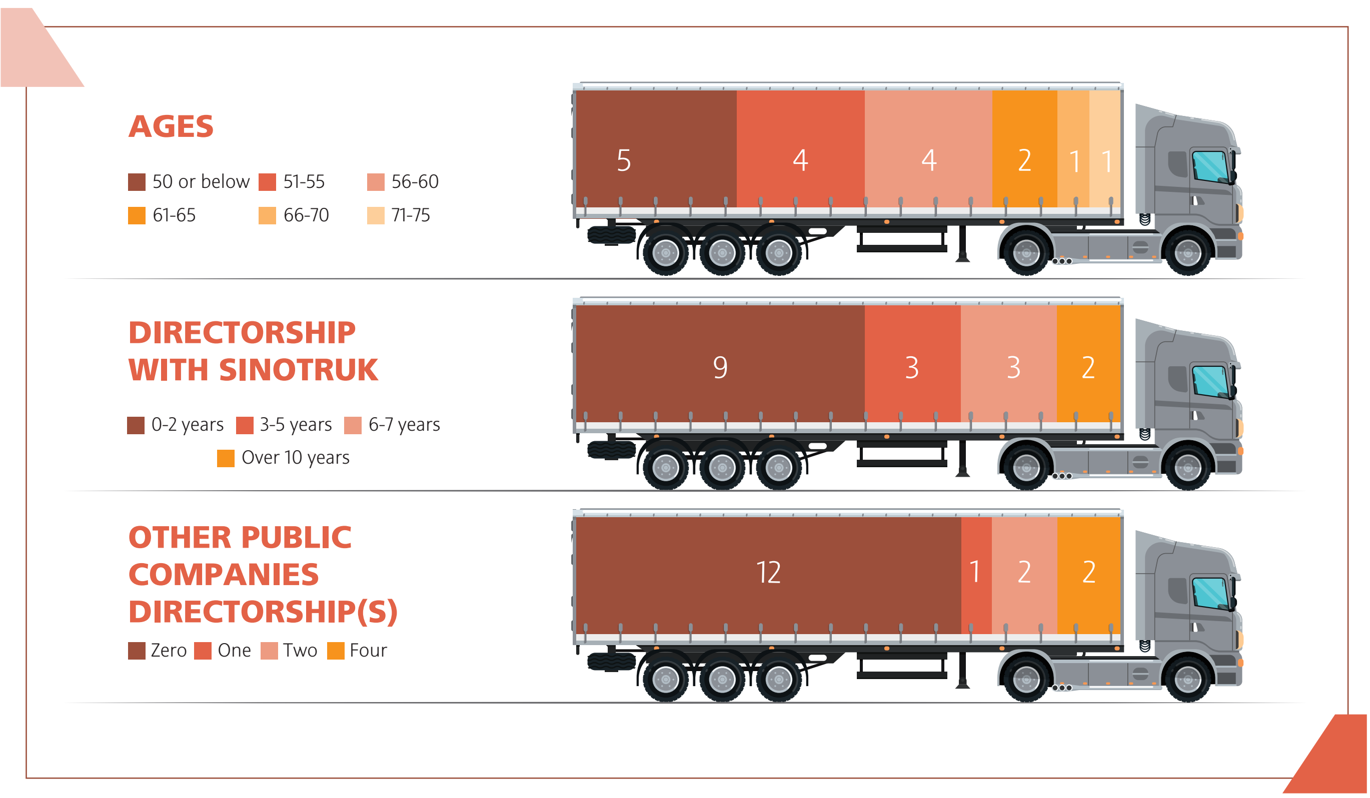
EXECUTIVE DIRECTORS

As at 31 December 2020, there were seven EDs including Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Mr. Richard von Braunschweig and Ms. Qu Hongkun.

NON-EXECUTIVE DIRECTORS

As at 31 December 2020, there were four NEDs including Mr. Jiang Kui, Ms. Annette Danielski, Mr. Matthias Gründler and Dr. h.c. Andreas Tostmann.

Each of Mr. Jiang Kui, Ms. Annette Danielski, Mr. Matthias Gründler and Dr. h.c. Andreas Tostmann as NED has entered into a service contract with the Company for a



term of three years commenced from 30 October 2018, 5 March 2019, 23 October 2020 and 23 October 2020, respectively. Each of the service contracts of the NEDs can be terminated by either party giving not less than three months' prior written notice.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND THEIR INDEPENDENCE

As at 31 December 2020, there were six INEDs including Dr. Lin Zhijun, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing and Mr. Lyu Shousheng.

Each of Dr. Lin Zhijun, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing and Mr. Lyu Shousheng has entered into a service contract with the Company for a term of three years commenced from 26 July 2019, 6 November 2019, 9 March 2019, 11 April 2019, 1 September 2019 and 16 May 2019, respectively. Each of the service contracts of the INEDs can be terminated by either party giving not less than three months' prior written notice.

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

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

CORPORATE GOVERNANCE REPORT

ATTENDANCE OF BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

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

	Numbers of meetings attended/entitled to attend (Note)					
Directors	Board meetings	Executive Committee meetings	Strategy and Investment Committee meetings	Remuneration Committee meetings	Audit Committee meetings	2020 annual general meeting
Executive Directors						
Mr. Cai Dong	5/5	3/3	1/1			1/1
Mr. Liu Zhengtao	4/5	3/3	1/1			0/1
Mr. Liu Wei	5/5	3/3		1/1		0/1
Mr. Liu Peimin	5/5	3/3				0/1
Mr. Dai Lixin	5/5	3/3				1/1
Mr. Richard von Braunschweig	5/5	0/3	1/1			0/1
Ms. Qu Hongku	5/5	3/3	1/1			1/1
Non-executive Directors						
Mr. Jiang Kui	5/5					0/1
Ms. Annette Danielski	4/5					0/1
Mr. Matthias Gründler	2/3					0/0
Dr. h.c. Andreas Tostmann	2/3					0/0
Inedpendent Non-executive Directors						
Dr. Lin Zhijun	4/5			1/1	4/4	1/1
Mr. Yang Weicheng	5/5			1/1		0/1
Mr. Wang Dengfeng	5/5				4/4	0/1
Dr. Zhao Hang	5/5		1/1			0/1
Mr. Liang Qing	5/5			1/1		0/1
Mr. Lyu Shousheng	5/5			1/1	4/4	1/1
Former Directors						
Mr. Wang Shanpo	0/0	0/0				0/0
Mr. Sun Chenglong	0/0	0/0				0/0
Mr. Andreas Hermann Renschler	1/1					0/1
Mr. Joachim Gerhard Drees	1/1					0/1

Note: Certain Directors resigned or were appointed during the Period and the numbers of the relevant meetings entitled to attend were adjusted accordingly.

BOARD MEETINGS

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

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

(1) the 2019 annual report of the Company and related results announcements, circulars and documents, the 2019 ESG Report, the call for the 2020 AGM of the Company and the closures of register of members;

(2) the annual review of the effectiveness and adequacy of the Group's risk management and internal control systems;

(3) the non-competition undertaking of CNHTC;

(4) the 2020 interim report of the Company and related results announcements and documents;

(5) the connected transactions for the year 2019;

(6) the recommendation of the appointment of new Company's auditors and the re-election of the retiring Directors in the 2020 AGM;

(7) the recommendation of the payment of the final dividend for the year 2019;

(8) the operational and financial reports of the Group;

(9) the operational plan, financial budget and capital expenditure budgets of the Group;

(10) matters raised by the Audit Committee including the assessment of internal control report, the risk management report and ESG Report;

(11) the acquisition of 中國重汽集團大同齒輪有限公司 (China National Heavy Duty Truck Group Datong Gear Co., Ltd.) from CNHTC;

(12) the deemed disposal of equity interest in Ji'nan Truck Company; and

(13) the 2021 MTB Parts Sales Agreement.

BOARD COMMITTEES

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

EXECUTIVE COMMITTEE

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

As at 31 December 2020, the Executive Committee comprised seven members, namely, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Mr. Richard von Braunschweig and Ms. Qu Hongkun. Mr. Cai Dong is the chairman of the Executive Committee.

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

(1) the operation and financial reports of the Group;

(2) 2020 business plan and targets; and

(3) determination of employee reward amount and allocation.

STRATEGY AND INVESTMENT COMMITTEE

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

CORPORATE GOVERNANCE REPORT

As at 31 December 2020, the Strategy and Investment Committee comprised five members, namely, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Richard von Braunschweig, Ms. Qu Hongkun and Mr. Zhao Hang. Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Richard von Braunschweig and Ms. Qu Hongkun are EDs while Mr. Zhao Hang is an INED. Mr. Cai Dong is the chairman of the Strategy and Investment Committee.

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

(1) progress report of 2020 fixed assets investment; and

(2) budget of 2021 new fixed assets investment projects.

REMUNERATION COMMITTEE

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

As at 31 December 2020, 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. The most up-to-date version of the terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

During the Period, the Remuneration Committee convened one meeting and had reviewed the draft service contracts for newly appointed EDs, draft appointment letter for newly appointed NED and INED and draft renewal appointment letters for existing INEDs and recommended those agreements and letters to the Board for approval.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

As at 31 December 2020, the Audit Committee comprised three members, namely, Dr. Lin Zhijun, Dr. Wang Dengfeng and Mr. Lyu Shousheng who are all INEDs. Dr. Lin Zhijun is the chairman of the Audit Committee.

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

(1) the 2020 annual audit plan of the Group;

(2) the auditor's reports to the Audit Committee in respect of the 2019 annual audit and the 2020 interim review of the Group;

(3) the 2019 annual report, the 2020 interim report and their related preliminary results announcements;

(4) the recommendation of appointment of auditors of the Company and the retirement of PricewaterhouseCoopers as the auditor of the Company;

(5) the assessment of the financial reporting system of the Group;

(6) the self-assessment of internal controls and the internal control system of the Group;

(7) the half-year and annual internal audit report, internal control reports and the risk management report of the Group; and

(8) review on corporate governance report

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

NOMINATION, APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for reviewing its structure, size, composition (including the skills, knowledge and experience) and diversity regularly and making any changes to complement the Company's corporate strategy, including the selection of individuals nominated for directorships, the appointment or re-appointment of Directors, succession planning for Directors and accessing the independence of independent non-executive Directors. During the Period, the Board has reviewed and concluded that its existing structure, size, composition and diversity are appropriate. The Board currently does not have a formal nomination policy in place.

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

DIVERSITY POLICY AND NOMINATION PROCEDURES

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

CORPORATE GOVERNANCE REPORT

Without the establishment of nomination committee, the Board has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the diversity policy in selection of board candidates. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard to the benefits of diversity on the Board.

DIVIDEND POLICY

As at 31 December 2020, the Company did not have a dividend policy in place.

DIRECTORS'SECURITIES TRANSACTIONS

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

CHANGES IN DIRECTORS' INFORMATION

In June 2020, Mr. Liu Zhengtao did not concurrently act as the head of procurement and the chairman of procurement center of CNHTC and, in August 2020, he retired as a director of CNHTC-Hiab (Shandong) Equipment Company Limited (中國重汽集團希爾博(山東)裝備有限公司). In June 2020, Mr. Liu Wei retired as a vice president of the Company. Since September 2020, Ms. Qu Hongkun has been appointed as the CFO of CNHTC and not concurrently acted as the departmental head of the finance department of the Group since September 2020 as well as has been the head of value engineering department of the Group since November 2020.

During the Period, Mr. Jiang Kui retired as directors of all the subsidiaries of the Company and a director of the U.S.-based PSI Inc. In July 2020, Mr. Matthias Gründler was appointed as the chairman of the supervisory board of MAN SE and MAN Truck and Bus SE. Further, Mr. Gründler was appointed as the chairman of the board of Scania AB and Scania CV AB in August 2020. Since November 2020 he has been a member of the supervisory board of VW Financial Services AG.

In September 2020, Dr. Lin Zhijun did not concurrently act as the dean of School of Business of Macau University of Science and Technology. During the Period, Mr. Zhao Hang retired as a director of a director of China Yiqi Co., Ltd. (中國一汽股份有限公司, an unlisted company).

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

In December 2020, the Company provided "Director's Duties and Responsibilities" training materials prepared by Reed Smith Richards Butler, legal advisers to the Company Hong Kong laws, to all Directors. Each of Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Mr. Richard von Braunschweig, Ms. Qu Hongkun, Mr. Jiang Kui, Ms. Annette Danielski, Mr. Matthias Gründler, Dr. h.c. Andreas Tostmann, Dr. Lin Zhijun, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing and Mr. Lyu Shousheng has confirmed in writing that he/she had participated in continuous professional developments to develop and refresh their knowledge and skills as directors during the Period by way of reading the above training materials. In addition, each of Mr. Liu Zhengtao, Ms. Qu Hongkun, Mr. Matthias Gründler and Dr. h.c. Andreas Tostmann had attended a training on director's responsibilities provided by Reed Smith Richards Butler in relation to his/her appointment as a Director during the Period.

REMUNERATION OF AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

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

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

	Emolument bands (in RMB)
500,000 or below	12
500,001 - 1,000,000	2
1,000,001 or above	6

Two Directors waived their remuneration during the Period.

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

ACCOUNTABILITY AND AUDITING

The Directors are responsible for preparing the financial statements for the financial year ended 31 December 2020 to reflect a true and fair view of the Company's and the Group's financial positions and results and cash flows during the year.

In preparing the financial statements for the year ended 31 December 2020, the GAAP in Hong Kong, Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards are adopted, with consistent use of appropriate accounting policies, for making reasonable and prudent judgments and estimates. The financial statements for the year ended 31 December 2020 were prepared on a going concern basis.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

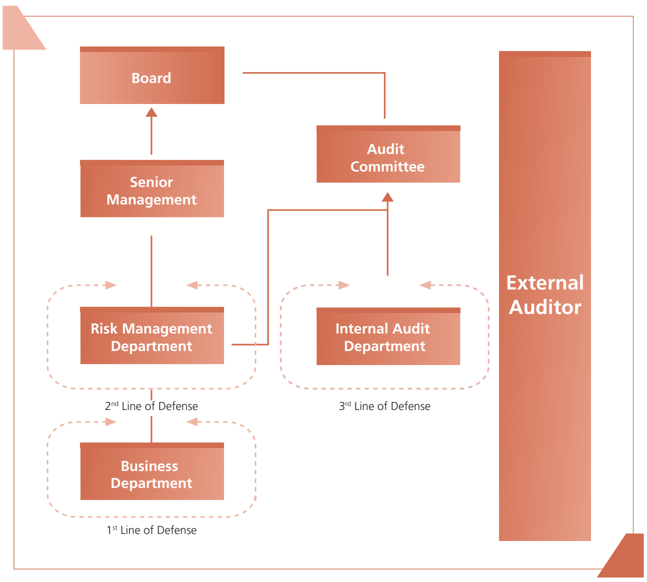
The Board is responsible for the maintenance of a stable and effective risk management and internal control systems for the Group and also responsible for reviewing their effectiveness. The Board, with the assistance from the Audit Committee, conducted annual review on the effectiveness of the Group's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

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

CORPORATE GOVERNANCE REPORT

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

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



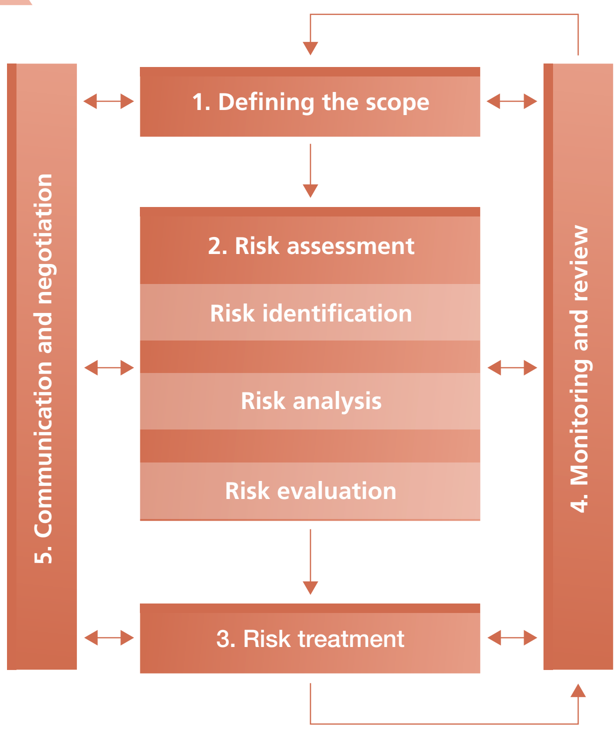
Senior management is responsible for reviewing the establishment of the overall risk management organization and the definition of the responsibilities, approving the annual risk management work plan and supervising its implementation, reviewing the development, implementation and adjustment of significant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

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

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

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

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



1 Group risk management department establishes common risk terminology, risk definition, risk assessment criteria and risk classification.

2 Business units carry out internal and external information and risk areas collection to form risk information database, conduct risk assessment based on the standard and develop response action plans. Through the comprehensive evaluation of significant risks, pre-event, during the event and after-event plans and crisis management plans are formulated.

3 Business units, based on established procedures, carry out risk assessment and execute significant risk management programs and regularly report to the group risk management department about the progress.

4 and 5 Group risk management department monitors the risk management status of the business units and reports the relevant information to the Audit Committee on a regular basis.

Group risk management department is responsible for negotiation and coordination of risk management tasks over different departments and business units, and reporting risk information.

Group internal audit department reviews the effectiveness of risk management, and the assessment and management of significant risks.

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

In addition, Ji'nan Truck Company appointed Ernst & Young Hua Ming LLP to express audit opinion on the effectiveness of internal controls in its financial reports. Ernst & Young Hua Ming LLP opined that Ji'nan Truck Company had maintained the effective internal controls in its financial reports in all material aspects under "Basic Standard for Enterprise Internal Control" and the relevant regulations as at 31 December 2020.

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

NON-COMPETITION UNDERTAKING

In order to protect the Group's interests, CNHTC entered into a non-competition undertaking (the "Non- competition Undertaking") with the Group in November 2007. The Board has received an annual confirmation from CNHTC for its compliance with the Non-competition Undertaking for the year ended 31 December 2020. After conducting the review, the Directors, including all INEDs, are of the view that the Non-competition Undertaking have been complied with by all parties.

REMUNERATION OF AUDITORS

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

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

COMPANY SECRETARY

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

SHAREHOLDERS AND INVESTOR RELATIONS

COMMUNICATION POLICY

The Board considers that active communications with investors are important and provides reports with transparency and clarity in disclosures. Any significant events of the Group fall to be disclosed will be published in a timely, accurate and complete manner through the websites of the Company and the Stock Exchange, so as to safeguard Shareholders' rights of information and participation. Ji'nan Truck Company publishes its announcements in the designed website as required by the regulations of the Shenzhen Stock Exchange while the Company announces the latest financial information of Ji'nan Truck Company from time to time on the websites of the Company and the Stock Exchange.

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

Sinotruk's website (www. sinotruk.com) has been adopted as the designated company website for publication of the Company's announcements, notices and other corporate communications. As at 31 December 2020, about 8.9 per cent of registered Shareholders in Sinotruk's register of the members opted to receive corporate communications via print version.

SHAREHOLDING ANALYSIS

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

As at 31 December 2020, the major shareholders of the Company were CNHTC and FPFPS. CNHTC is a PRC state-owned commercial vehicles manufacturing enterprise and indirectly holds 51% of the entire issued capital of the Company. FPFPS indirectly holds 25% of the entire issued share capital of the Company plus one Share. The FPFPS Group, including Volkswagen Group, is one of the world's leading automobile manufacturers in commercial vehicles and passenger cars. Volkswagen Group owns twelve brands from seven European countries: Volkswagen Passenger Cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN.

CORPORATE GOVERNANCE REPORT

The Company's market capitalization and shareholding distribution as at 31 December 2020 are set out in the section headed "SHAREHOLDER INFORMATION" of this annual 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 cultivate good relationship with Shareholders and potential investors, the Company has participated in a number of one-on-one meetings, investors' conferences, road shows and site visits during the Period. Analysts and fund managers may gain better knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company at www.sinotruk.com for the latest information available in respect of the Group including information on the financial conditions and the latest business developments of the Group.

ANNUAL GENERAL MEETING

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all the Shareholders and improving the Shareholders' returns. The Board considers that the AGM is an important opportunity for direct communication with the Shareholders. The 2020 AGM was successfully held on 29 June 2020 at Rooms 1-5, 27/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong. Certain members of the Board and external auditors of Company attended the 2020 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 2020.

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

SHAREHOLDERS' RIGHTS

(1) Procedures for Shareholders to convene a general meeting

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

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

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

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

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

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

(ii) at least 50 Shareholders who have a right to vote at the general meeting to which the Request relates.

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

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

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

(3) Shareholders' enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

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

DISCLAIMER

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

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL BUSINESS

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

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

OPERATING RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income.

PROPOSED DIVIDENDS

The Board recommends to distribute to Shareholders whose names appear on the register of members of the Company on Thursday, 8 July 2021 a final dividend of either HKD1.04 or RMB0.88 per Share (converted at the exchange rate of RMB0.84518 to HKD1 as published by the PBOC on Wednesday, 31 March 2021) for the year ended 31 December 2020 (the "**2020 Final Dividend**") with a sum of approximately HKD2,871,433,000 or RMB2,429,674,000, which is subject to Shareholders' approval at the forthcoming 2021 AGM.

The Company has been determined as a Chinese-resident enterprise. Pursuant to the "Enterprise Income Tax Law of the PRC"《中華人民共和國企業所得稅法》and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the PRC"《中華人民共和國企業所得稅法實施條例》, a Chinese-controlled offshore incorporated enterprise shall withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders. As the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders to whom the Company pays the 2020 Final Dividend.

In respect of all the Shareholders whose names are not registered as natural persons (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organizations, which are all considered as non-PRC resident enterprise shareholders), the Company will distribute the 2020 Final Dividend after deducting an enterprise income tax of 10% or other appropriate rates.

The Company will not withhold and pay the income tax in respect of the 2020 Final Dividend payable to PRC resident enterprise shareholders, exempted entities or any natural person shareholders.

PRINCIPAL PROPERTIES

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

SHARE ISSUED DURING THE PERIOD

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserves as at 31 December 2020, calculated under Part 6 of the Companies Ordinance, were approximately RMB3,950,430,000 (2019: approximately RMB2,327,924,000).

CHARITABLE DONATIONS

The Group's total charitable and other donations for the Period amounted to approximately RMB273,740 (2019: RMB40,000).

BORROWINGS

Details of the Group's borrowings as at 31 December 2020 are set out in note 27 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results, the assets and liabilities of the Group for the past five financial years is set out on pages 203 to 204.

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.

SHARE OPTIONS

The Company did not have any share option scheme as at 31 December 2020.

DIRECTORS

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

EXECUTIVE DIRECTORS:

Mr. Cai Dong *(Chairman)*
Mr. Liu Zhengtao (*President* and appointed as director and the president on 9 March 2020 and 15 June 2020 respectively)
Mr. Liu Wei
Mr. Dai Lixin
Mr. Richard von Braunschweig
Ms. Qu Hongkun (appointed on 9 March 2020)
Mr. Li Shaohua (appointed on 19 March 2021)

NON-EXECUTIVE DIRECTORS:

Mr. Jiang Kui
Ms. Annette Danielski
Mr. Matthias Gründler (appointed on 23 October 2020)
Dr. h.c. Andreas Tostmann (appointed on 23 October 2020)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

RESIGNED DIRECTORS:

Mr. Liu Peimin (resigned on 19 March 2021)
Mr. Wang Shanpo (resigned on 9 March 2020)
Mr. Sun Chenglong (resigned on 9 March 2020)
Mr. Andreas Hermann Renschler (resigned on 16 July 2020)
Mr. Joachim Gerhard Drees (resigned on 16 July 2020)

REPORT OF THE DIRECTORS

Each of Mr. Liu Peimin, Mr. Wang Shanpo, Mr. Sun Chenglong, Mr. Andreas Hermann Renschler and Mr. Joachim Gerhard Drees has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders.

Pursuant to article 82 of the Articles, Mr. Li Shaohua, Mr. Matthias Gründler and Dr. h.c. Andreas Tostmann will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election as Director. Pursuant to article 83 (1) of the Articles, Mr. Dai Lixin, Dr. Wang Dengfeng and Mr. Zhao Hang will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election as Directors.

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

During the Period, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Ms Qu Hongkun, Mr. Jiang Kui and, former EDs, Mr. Wang Shanpo and Mr. Sun Chenglong are/were also directors in certain subsidiaries of the Company.

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

PERMITTED INDEMNITY

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

During the Period, Mr. Cai Dong is the general manager of CNHTC; Mr. Liu Zhengtao is the deputy general manager of CNHTC; Mr. Dai Lixin is the chief investment officer of CNHTC; Mr. Richard von Braunschweig is the head of cooperations, M&A in MAN Truck & Bus SE; Ms. Qu Hongkun is the financial controller of CNHTC; Mr. Jiang Kui is a non-executive director of Weichai Power and the general manager of SHIG; Ms. Annette Danielski is the head of group finance within TRATON SE; Mr. Matthias Gründler is the chief executive officer of TRATON SE, the chairman of the supervisory board of MAN SE and MAN Truck and Bus SE, the chairman of the board of Scania AB and Scania CV AB and a member of the supervisory board of VW Financial Services AG; Dr. h.c. Andreas Tostmann is a member of the executive board of TRATON SE as well as the chief executive officer of MAN SE and MAN Truck & Bus SE; Ms. Wan Chunling is a director of CNHTC and was the chief accountant of CNHTC; Mr. Andreas Hermann Renschler was a member of the board of management of Volkswagen AG, responsible for the brand group "Truck & Bus", chief executive officer of TRATON SE and a member of the board of directors of the Navistar International Corporation; and Mr. Joachim Gerhard Drees was the chief executive officer and a member of the executive board of MAN Truck & Bus SE, a member of the executive board of TRATON SE, the chief executive officer and chairman of executive board of MAN SE. Volkswagen AG, TRATON SE, MAN SE, MAN Truck & Bus SE are non-wholly owned subsidiaries of FPFPS. The FPFPS Group held 16.7% of the issued share capital of Navistar International Corporation.

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

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current Directors and senior management of the Company as at the date of this report are set out on pages 38 to 46.

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

As at 31 December 2020, none of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 31 December 2020, 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)	690,248,336	25%
MAN Finance and Holding S.A.	Beneficial owner		690,248,336	25%

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 31 December 2020, Famille Porsche Beteiligung GmbH held a 27.73% interest in the capital of Porsche Automobil Holding SE and had a voting interest of 55.46% in this entity.

(m) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 31 December 2020, 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.

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
CNHTC	Beneficial owner	ShanDong HOWO Auto Finance Co., Ltd. (now known as "Sinotruk Auto Finance Co., Ltd.")	6.7%
Shandong International Trust Co., Ltd.	Beneficial owner	ShanDong HOWO Auto Finance Co., Ltd. (now known as "Sinotruk Auto Finance Co., Ltd.")	10%
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%
Liuzhou Yunli Investment Co., Ltd.	Beneficial owner	Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd.	40%
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%

Save as disclosed above, as at 31 December 2020, no other persons had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales

– the largest customer	2.79%
– the five largest customers	7.38%

Purchases

– the largest supplier	3.66%
– the five largest suppliers	7.79%

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

CONNECTED TRANSACTIONS

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

A. CONNECTED TRANSACTION(S) SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

1) The Equity Transfer Agreement

Date of agreement	:	31 March 2020
Parties	:	CNHTC (seller) Ji'nan Power Company (purchaser)
Objective	:	To acquire the entire equity interests in Datong Gear (which is principally engaged in the research and development of gearbox technologies, and the manufacture and sale of gearboxes and gears) from CNHTC so as to enhance the level of resource-sharing and reduce the amount of connected transactions between the Group and the CNHTC Group as well as to enhance the Group's technological capabilities, and improve the Group's competitiveness and operational results as a whole
Consideration	:	RMB1,393 million

Details of the transactions contemplated under the equity transfer agreement were disclosed in the Company's announcement dated 31 March 2020. The acquisition was completed in April 2020.

REPORT OF THE DIRECTORS

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

1) 2021 General Services Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group has agreed to provide services such as property management, transportation, staff training, medical services and products testing and improvement services, etc. to the Group
Consideration	:	the consideration was determined on the basis of: (a) government guidance price; (b) market price; or (c) if there is no market price, the cost with a reasonable margin
Annual cap for the year ended 31 December 2020	:	RMB136,000,000
Actual consideration for the year ended 31 December 2020	:	RMB57,609,086

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

2) 2021 Property Leasing In Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group has agreed to provide leasing services to the Group including lease of land, office buildings and factory premises
Consideration	:	the consideration was determined on the basis of the market price approach
Annual cap for the year ended 31 December 2020	:	RMB40,000,000
Actual consideration for the year ended 31 December 2020	:	RMB36,426,597

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

3) 2021 Property Rent Out Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the Group has agreed to provide leasing services to the CNHTC Group including lease of land, office buildings and factory premises
Consideration	:	the consideration was determined on the basis of the market price approach
Annual cap for the year ended 31 December 2020	:	RMB33,000,000
Actual consideration for the year ended 31 December 2020	:	RMB11,269,125

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

REPORT OF THE DIRECTORS

4) 2021 Construction and Project Management Services Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group has agreed to provide construction and project management services to the Group
Consideration	:	the consideration was determined on the basis of: (a) the price stipulated or guidance price by the PRC government; or (b) market price
Annual cap for the year ended 31 December 2020	:	RMB443,000,000
Actual consideration for the year ended 31 December 2020	:	RMB1,503,084

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

5) 2021 Technology Development Service Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group agreed to provide technology development services for the production and operation of gearbox including but not limited to providing new technology, production procedures and supply new products and materials in relation to gearbox technologies to the Group
Consideration	:	the consideration was determined on the basis of a cost plus profit margin approach with margin between 5% and 25%
Annual cap for the year ended 31 December 2020	:	RMB30,000,000
Actual consideration for the year ended 31 December 2020	:	nil

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

REPORT OF THE DIRECTORS

6) 2021 Technology Support and Services Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the Group has agreed to provide the CNHTC Group the technology support and services such as technology research and development, technology consultancy and support services
Consideration	:	the consideration was determined on the basis of: (a) guidance price; or (b) a cost plus profit margin approach with margin between 5% to 25%
Annual cap for the year ended 31 December 2020	:	RMB58,000,000
Actual consideration for the year ended 31 December 2020	:	RMB894,906

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

7) 2021 CNHTC Guarantee Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) (as grantor of the credit guarantee) the Company (for itself and on behalf of its subsidiaries) (as beneficiary of the credit guarantee)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	members of the CNHTC Group agreed to provide credit guarantee to the Group in respect of the payment obligations of loans to customers of the CNHTC Group
Consideration	:	nil
Annual cap for the year ended 31 December 2020	:	maximum day-end guarantee balance: RMB300,000,000
Actual consideration for the year ended 31 December 2020	:	maximum day-end guarantee balance: RMB1,463,639

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

REPORT OF THE DIRECTORS

8) 2020 MTB Parts Sales Agreement

Date of agreement	:	7 December 2017
Parties	:	MAN Truck & Bus AG (now known as "MAN Truck & Bus SE") (for itself and on behalf of its subsidiaries ("MTB Group")), a non-wholly owned subsidiary of FPFPS the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2018 to 31 December 2020
Objective	:	the Group has agreed to supply raw materials, auxiliary materials, parts and spare parts, semi-finished products and moulds for the production of these spare parts, etc. to the MTB Group
Consideration	:	the consideration was determined on the basis of: (a) off-the-shelf products: market price approach; or (b) unique and proprietary products: a cost plus profit margin approach with margin between 5% to 25%
Annual cap for the year ended 31 December 2020	:	RMB765,000,000
Actual consideration for the year ended 31 December 2020	:	RMB104,451,537

Details of the transactions contemplated under the 2020 MTB Parts Sales Agreement were disclosed in the Company's announcement dated 7 December 2017.

9) 2021 Deposits Taking Services Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the eligible members of the Group to provide the deposits taking services to the CNHTC Group
Consideration	:	the consideration was determined on the basis of the market price approach
Annual cap for the year ended 31 December 2020	:	(i) maximum day end balance: RMB2,600,000,000 and (ii) interest expenses: RMB90,000,000
Actual consideration for the year ended 31 December 2020	:	(i) maximum day end balance: RMB1,741,918,285 and (ii) interest expenses: RMB14,523,897

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

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

1) 2021 Products Sales Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the Group has agreed to supply products including trucks, chassis and semi-tractor trucks to the CNHTC Group
Consideration	:	the consideration was determined on the basis of the market price approach with reference to same price list to independent third parties and the CNHTC Group
Annual cap for the year ended 31 December 2020	:	RMB1,076,000,000
Actual consideration for the year ended 31 December 2020	:	RMB388,257,852

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

REPORT OF THE DIRECTORS

2) 2021 Products Purchase Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group has agreed to sell products including refitted trucks to the Group
Consideration	:	the consideration was determined on the basis of: (a) refitted products: market price approach or, at the case may be, prices mutually agreed between the Group's customers and the CNHTC Group (b) products only available from the CNHTC Group: prices as quoted in the price lists of the CNHTC Group for all its customers
Annual cap for the year ended 31 December 2020	:	RMB3,386,000,000
Actual consideration for the year ended 31 December 2020	:	RMB1,892,245,484

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

3) 2021 Parts Sales Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the Group has agreed to supply raw materials, parts and components and semi-finished products to the CNHTC Group
Consideration	:	the consideration was determined on the basis of the market price approach with reference to the same price list both to independent third parties and the CNHTC Group
Annual cap for the year ended 31 December 2020	:	RMB1,233,000,000
Actual consideration for the year ended 31 December 2020	:	RMB803,271,118

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

REPORT OF THE DIRECTORS

4) 2021 Parts Purchase Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the CNHTC Group has agreed to supply raw materials, parts and components and semi-finished products to the Group
Consideration	:	the consideration was determined on the basis of the market price approach with reference to the prices as quoted in the price lists of the CNHTC Group for all its customers including the Group
Annual cap for the year ended 31 December 2020	:	RMB1,986,000,000
Actual consideration for the year ended 31 December 2020	:	RMB320,451,099

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

5) 2021 Financial Services Agreement

Date of agreement	:	26 March 2018
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2019 to 31 December 2021
Objective	:	the Group will provide a wide range of financial services to the CNHTC Group
Consideration	:	(a) bills discounting services, (b) unsecured loan services, (c) issue of bills and (d) entrustment loan arrangements: market price approach
Annual cap for the year ended 31 December 2020	:	(a) bills discounting services: (i) maximum day end balance: RMB200,000,000 and (ii) interest income: RMB11,600,000 (b) unsecured loan services: (i) maximum day end balance: RMB1,300,000,000 and (ii) interest income: RMB75,200,000 (c) issue of bills: (i) maximum day end balance: RMB500,000,000, (ii) fee income: RMB500,000 and (iii) interest expense for surety: RMB5,190,000 (d) entrustment loan arrangements' fee income: RMB1,800,000
Actual consideration for the year ended 31 December 2020	:	(a) bills discounting services: (i) maximum day end balance: nil and (ii) interest income: nil (b) unsecured loan services: (i) maximum day end balance: RMB1,250,000,000 and (ii) interest income: RMB23,987,569 (c) issue of bills: (i) maximun day and balance: nil, (ii) fee income: nil and (iii) interest expense for surety: nil (d) entrustment loan arrangements' fee income: RMB39,226

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

Reference is made to the announcement of the Company dated 16 December 2019 in respect of possible continuing connected transactions. Since SHIG was not the controlling shareholder (as defined in the Listing Rules) of the Company during the Period, Weichai Holdings and its subsidiaries ("**Weichai Holdings Group**") were not connected parties of the Company. Accordingly, the transactions between the Group and Weichai Holdings Group during the Period were not connected transactions. In order to determine the Parts Sales Price List under 2020 Parts For Sale Agreement (as both defined in the above mentioned announcement), the Group will obtain one to two comparable transactions from its competitors for similar products. As long as the highest selling price of the transactions among the aforementioned samples taken is higher than the cost of the relevant Parts for Sales, the Group will then compile the Parts Sales Price List based on such highest selling price of the transactions. In addition, the Group would review and update the Parts Sales Price List on an annual basis or when there is a material changes in the market conditions.

REPORT OF THE DIRECTORS

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

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

i. in the ordinary and usual course of business of the Group;

ii. on normal commercial terms or better; and

iii. in accordance with the relevant agreements governing these transactions on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.

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

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

i. have not been approved by the Board;

ii. were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provisions of goods or services by the Group;

iii. were not entered into, in all material respects, in accordance with the relevant agreements governing these continuing connected transactions; and

iv. have exceeded the relevant annual caps.

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

RELATED PARTY TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The 2020 Environmental, Social and Governance Report of the Company will be disclosed separately at the websites of the Company and the Stock Exchange.

AUDITORS

PricewaterhouseCoopers retired as the auditors of the Company upon expiration of its term of office at the conclusion of the 2020 AGM on 29 June 2020. The Company appointed Ernst & Young as its auditors with effect from 29 June 2020 until the conclusion of the forthcoming AGM.

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

SUBSEQUENT EVENTS

In January 2021, Weichai Power contributed approximately RMB527 million in cash to Sinotruk (Chongqing) Light Vehicle Co., Ltd. for its 40% enlarged equity and, thereafter, the Group's interests in Sinotruk (Chongqing) Light Vehicle Co., Ltd. has been diluted from 100% to 60% and Sinotruk (Chongqing) Light Vehicle Co., Ltd. continues to be accounted for as a subsidiary of the Company.

Ji'nan Truck Company had completed its private placement by issue of 168,111,600 new shares which gross proceeds of approximately RMB5,013 million in March 2021. Thereafter, the Company's interest in Ji'nan Truck Company has been diluted from approximately 63.78% to 51.00% and Ji'nan Truck Company continues to be accounted for as a subsidiary of the Company. Details of the private placement were disclosed in the Company's announcements dated 29 October 2020 and 11 March 2021.

On 31 March 2021, Sinotruk Ji'nan Commercial Truck Co., Ltd., a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with CNHTC to acquire all equity in Sinotruk (Weihai) Commercial Vehicle Co., Ltd. at the preliminary consideration of approximately RMB245 million. The acquisition is still in progress at the bulk printing date of this report. Details of the acquisition were disclosed in the Company's announcement dated 31 March 2021.

By Order of the Board
Cai Dong
Chairman

Ji'nan, PRC, 31 March 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Sinotruk (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 202, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Recoverability of Trade and Financing Receivables As at 31 December 2020, the gross carrying amount of trade and financing receivables in the consolidated financial statements was RMB28,981 million, and the provision for impairment of trade receivables and financing receivables amounted to RMB1,750 million. The Group, applying the simplified approach for trade receivables and the general approach for financing receivables to measure the lifetime expected credit losses ("ECLs") according to HKFRS 9, has taken into account reasonable and supportable information relating to historical events, prevailing conditions and forecasts of future economic conditions. Other than trade and financing receivables for which provision for impairment has been recognized individually, ECLs of trade and financing receivables have been assessed by management based on the expected loss rate of identical or similar group in prior years with similar distinctive credit risk characteristics. We focused on this area because the calculation of the ECLs in respect of trade and financing receivables requires management's judgements and estimates. Relevant disclosures are included in note 2.4, 3 and 19 to the consolidated financial statements.	Our procedures in relation to this as part of our audit included: For the provision for impairment of trade and financing receivables, we understood and tested the internal control processes; We examined management's calculation of ECLs in respect of trade and financing receivables: For trade and financing receivables assessed individually, we reviewed the bases upon which management arrived at the credit risks and the amount of ECLs, including management's assessment of the credit risks of customers taking into account the business operation of the respective customers, market conditions and historical payment and so forth; For trade and financing receivables assessed by group, we reviewed management's determination of the groups with similar distinctive credit risk characteristics and reviewed, on a sampling basis, key information including the aging of each group, credit history and overdue aging. Based on grouping with similar distinctive credit risk characteristics, we also reviewed the bases upon which management arrived at the credit risks and the amount of ECLs, including management's assessment of the credit risks of customers taking into account the business operation of the respective customers, market conditions and historical payment and so forth; We reviewed the disclosures of the provision for impairment of trade and financing receivables made in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
The Recognition of Warranty Provisions	
As at 31 December 2020, the Group had warranty provisions amounted to RMB2,136 million. Provisions for warranties granted by the Group to customers are recognized based on sales volume and past experience of the cost of repair. The key judgement adopted by management as part of the process includes determining the time of the expected repair occurred and the estimated labour costs and parts costs of warranty claims on products sold. We focused on this area due to the magnitude of the amount of warranty provisions and the significant involvement of management's judgement and assumptions applied in estimating of costs in respect of future warranty claims. Relevant disclosures are included in note 2.4, 3 and 28 to the consolidated financial statements.	Our procedures in relation to this as part of our audit included: We understood and tested the key controls over the estimation of the warranty provisions. In addition, we tested the information technology environments of the Group's system and the maintenance of data which was used to calculate the warranty provisions. We reviewed the reasonableness of the model for the warranty provisions. We also tested the mathematical accuracy of calculations therein by re-performing the calculations. We compared the current year actual claims results with the year 2020 figures included in the prior year forecast to consider whether there is a bias in the management's estimation. In addition, we confirmed with the management and performed analysis on actual claims during the year and subsequent to the year end to identify any indicators of significant quality defect, changes of labour and parts costs, and changes of expected occurrence of repair that would significantly affect the estimates of the year end warranty provisions. We reviewed the disclosures of the warranty provisions made in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

	Notes	2020	2019 (Restated)
REVENUE	5	98,197,985	62,613,499
Cost of sales		(78,612,778)	(50,394,161)
Gross profit		19,585,207	12,219,338
Other income and gains	5	962,401	683,956
Selling and distribution expenses		(4,983,205)	(3,488,254)
Administrative expenses		(5,670,709)	(3,582,198)
Impairment losses on financial assets, net		(127,419)	(827,191)
Other expenses		(295,627)	(12,244)
Operating profit		9,470,648	4,993,407
Finance income		57,897	47,023
Finance costs		(32,385)	(141,294)
Finance income/(costs), net	7	25,512	(94,271)
Share of profits and losses of a joint venture and associates		54,570	61,465
PROFIT BEFORE TAX	6	9,550,730	4,960,601
Income tax expense	10	(2,127,080)	(1,044,542)
PROFIT FOR THE YEAR		7,423,650	3,916,059
Attributable to:			
– Owners of the Company		6,850,524	3,474,186
– Non-controlling interests		573,126	441,873
		7,423,650	3,916,059
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
(expressed in RMB per share)			
Basic and diluted		2.48	1.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

	2020	2019 (Restated)
PROFIT FOR THE YEAR	**7,423,650**	3,916,059
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at fair value through other comprehensive income	**(23,500)**	—
Exchange differences on translation of foreign operations	**(30,960)**	(3,370)
Share of other comprehensive income realized due to step acquisition as a subsidiary	**—**	(7,281)
Share of other comprehensive income of a joint venture and associates	**(1,702)**	2,903
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(56,162)**	(7,748)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Remeasurements of termination and post-employment benefit obligations	**(6,525)**	420
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties	**2,750**	—
Net other comprehensive (loss)/income that may not be reclassified to profit or loss in subsequent periods	**(3,775)**	420
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(59,937)**	(7,328)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,363,713**	3,908,731
Attributable to:		
– Owners of the Company	**6,800,608**	3,466,860
– Non-controlling interests	**563,105**	441,871
	7,363,713	3,908,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

	Notes	2020	2019 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	12,438,433	10,527,256
Investment properties	14	724,075	797,513
Right-of-use assets	15	2,453,470	1,680,069
Goodwill		68,933	17,478
Other intangible assets	16	314,921	318,407
Interests in associates	17	1,028,215	496,521
Equity investments designated at fair value through other comprehensive income	21	33,125	33,125
Trade and financing receivables	19	7,195,586	2,853,310
Prepayments, other receivables and other assets	20	349,834	57,706
Deferred tax assets	29	2,327,101	1,688,157
Total non-current assets		26,933,693	18,469,542
CURRENT ASSETS			
Inventories	18	20,810,994	9,811,219
Trade, financing and bills receivables	19	20,222,201	15,190,327
Prepayments, other receivables and other assets	20	2,610,090	1,273,392
Financial assets at fair value through other comprehensive income	22	4,384,164	2,262,313
Financial assets at fair value through profit or loss	23	5,440,261	1,715,101
Cash and cash equivalents and restricted cash	24	30,606,858	18,380,978
Total current assets		84,074,568	48,633,330
CURRENT LIABILITIES			
Trade and bills payables	25	54,694,963	25,185,389
Other payables and accruals	26	14,224,620	9,090,490
Borrowings	27	1,473,910	1,000,000
Lease liabilities	15	21,646	31,215
Tax payable		1,312,086	385,240
Provisions	28	2,140,405	1,244,261
Total current liabilities		73,867,630	36,936,595
NET CURRENT ASSETS		10,206,938	11,696,735
TOTAL ASSETS LESS CURRENT LIABILITIES		37,140,631	30,166,277

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

	Notes	2020	2019 (Restated)
NON-CURRENT LIABILITIES			
Borrowings	27	237,930	—
Lease liabilities	15	1,595	26,164
Deferred tax liabilities	29	96,772	33,891
Termination and post-employment benefit obligations	30	598,461	34,548
Deferred income	31	504,895	535,231
Tax payable		21,571	—
Other non-current liabilities		—	10,000
Total non-current liabilities		1,461,224	639,834
Net assets		35,679,407	29,526,443
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	16,717,024	16,717,024
Other reserves	33	480,257	(499,601)
Retained earnings		14,917,727	10,142,219
		32,115,008	26,359,642
Non-controlling interests		3,564,399	3,166,801
Total equity		35,679,407	29,526,443

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

The consolidated financial statements on pages 89 to 202 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf.

Cai Dong	**Qu Hongkun**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

	Note	Attributable to owners of the Company									Non-controlling interests	Total equity
		Share capital	Capital reserve	Revaluation reserve	Statutory reserves	Discretionary reserve	Merger reserve	Translation and other reserves	Retained earnings	Total		
At 31 December 2018		16,717,024	(3,613,302)	41,310	1,966,283	104,294	1,417,970	22,762	8,832,204	25,488,545	2,852,307	28,340,852
Effect of business combination under common control		—	—	—	—	—	(937,889)	—	141,069	(796,820)	—	(796,820)
At 1 January 2019, as restated		16,717,024	(3,613,302)	41,310	1,966,283	104,294	480,081	22,762	8,973,273	24,691,725	2,852,307	27,544,032
Profit for the year		—	—	—	—	—	—	—	3,474,186	3,474,186	441,873	3,916,059
Other comprehensive income for the year:												
Share of other comprehensive income realised due to step acquisition as a subsidiary		—	—	—	—	—	—	(7,281)	—	(7,281)	—	(7,281)
Exchange differences on translation of foreign operations		—	—	—	—	—	—	(3,370)	—	(3,370)	—	(3,370)
Share of other comprehensive income of a joint venture and associates		—	—	—	—	—	—	2,903	—	2,903	—	2,903
Remeasurements of termination and post-employment benefit obligations		—	—	422	—	—	—	—	—	422	(2)	420
Total comprehensive income for the year		—	—	422	—	—	—	(7,748)	3,474,186	3,466,860	441,871	3,908,731
Transactions with owners in their capacity as owners:												
Dividends of the Company relating to 2018		—	—	—	—	—	—	—	(1,554,691)	(1,554,691)	—	(1,554,691)
Dividends of subsidiaries distributed to non-controlling interests	11	—	—	—	—	—	—	—	—	—	(120,630)	(120,630)
Dividends paid to the then holding company of a subsidiary	11	—	—	—	—	—	—	—	(245,000)	(245,000)	—	(245,000)
Changes in ownership interests in a subsidiary without change of control		—	748	—	—	—	—	—	—	748	(6,747)	(5,999)
Total transactions with owners in their capacity as owners		—	748	—	—	—	—	—	(1,799,691)	(1,798,943)	(127,377)	(1,926,320)
Appropriation to reserves		—	—	—	505,549	—	—	—	(505,549)	—	—	—
At 31 December 2019, as restated		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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

	Note	Attributable to owners of the Company										Non-controlling interests	Total equity
		Share capital	Capital reserve	Revaluation reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory reserve	Discretionary reserve	Merger reserve	Translation and other reserves	Retained earnings	Total		
At 31 December 2019		16,717,024	(3,612,554)	41,732	–	2,471,832	104,294	1,417,970	15,014	10,105,758	27,261,070	3,166,801	30,427,871
Effect of business combination under common control		–	–	–	–	–	–	(937,889)	–	36,461	(901,428)	–	(901,428)
At 1 January 2020, as restated		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 year		–	–	–	–	–	–	–	–	6,850,524	6,850,524	573,126	7,423,650
Other comprehensive income for the year:													
Changes in fair value of financial assets at fair value through other comprehensive income		–	–	–	(17,265)	–	–	–	–	–	(17,265)	(6,235)	(23,500)
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property		–	–	2,750	–	–	–	–	–	–	2,750	–	2,750
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(30,960)	–	(30,960)	–	(30,960)
Share of other comprehensive income of associates		–	–	–	–	–	–	–	(1,702)	–	(1,702)	–	(1,702)
Remeasurements of termination and post-employment benefit obligations		–	–	(2,739)	–	–	–	–	–	–	(2,739)	(3,786)	(6,525)
Total comprehensive income for the year		–	–	11	(17,265)	–	–	–	(32,662)	6,850,524	6,800,608	563,105	7,363,713
Transactions with owners in their capacity as owners:													
Dividends of the Company relating to 2019		–	–	–	–	–	–	–	–	(991,530)	(991,530)	–	(991,530)
Dividends of subsidiaries distributed to non-controlling interests	11	–	–	–	–	–	–	–	–	–	–	(142,551)	(142,551)
Dividends paid to the then holding company of a subsidiary	11	–	–	–	–	–	–	–	–	(53,712)	(53,712)	–	(53,712)
Changes in ownership interests in a subsidiary without change of control		–	–	–	–	–	–	–	–	–	–	(22,956)	(22,956)
Total transactions with owners in their capacity as owners		–	–	–	–	–	–	–	–	(1,045,242)	(1,045,242)	(165,507)	(1,210,749)
Appropriation to reserves		–	–	–	–	1,029,774	–	–	–	(1,029,774)	–	–	–
At 31 December 2020		16,717,024	(3,612,554)	41,743	(17,265)	3,501,606	104,294	480,081	(17,648)	14,917,727	32,115,008	3,564,399	35,679,407

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

	Notes	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,550,730**	4,960,601
Adjustments for:			
Finance costs	7	**32,385**	141,294
Share of profits and losses of a joint venture and associates		**(54,570)**	(61,465)
Interest income	7	**(57,897)**	(47,023)
Dividend income received from financial assets at fair value through profit or loss	5	**(1,684)**	(521)
Losses/(gains) on disposal of items of property, plant and equipment	6	**3,501**	(6,888)
Gains upon derecognition of leases	5	**(574)**	—
Gains on disposal of investment properties	5	**(42,123)**	—
Gains on disposal of a subsidiary	5	**(3,479)**	—
Gains on disposal of financial assets at fair value through profit or loss	5	**(259,461)**	(186,208)
Gains on disposal of financial assets at fair value through other comprehensive income		**—**	(251)
Fair value losses/(gains) on investment properties	14	**8,561**	(16,970)
Fair value gains on financial assets at fair value through profit or loss	5	**(47,531)**	(11,811)
Fair value losses on listed equity investments		**17,427**	11,013
Depreciation of right-of-use assets	15	**73,823**	69,016
Depreciation of property, plant and equipment	13	**1,551,282**	1,597,849
Amortization of other intangible assets	16	**61,548**	72,249
Impairment of property, plant and equipment	13	**2,368**	59,912
(Reverse of impairment)/impairment of trade receivables	19	**(98,815)**	751,694
Impairment of financing receivables	19	**262,718**	70,156
(Reverse of impairment)/impairment of other receivables	20	**(36,484)**	5,341
Impairment of goodwill		**13,610**	—
Provision for inventories		**256,751**	255,471
Recognition of deferred income	31	**(116,116)**	(90,090)
Foreign exchange differences, net		**155,103**	(28,535)
		11,271,073	7,544,834

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

	Notes	2020	2019 (Restated)
(Increase)/decrease in inventories		**(11,165,325)**	1,712,733
Increase in trade, financing and bills receivables		**(9,609,839)**	(1,267,927)
Increase in prepayments and other receivables		**(4,594,755)**	(1,067,602)
(Increase)/decrease in restricted cash		**(2,008,990)**	16,484
Increase in trade and bills payables		**29,255,663**	2,494,802
Increase in other payables and accruals		**5,461,436**	797,241
Increase in provisions		**896,144**	265,466
Increase in termination and post-employment benefit obligations		**786,199**	25,661
Increase in government grants		**6,022**	43,562
Decrease in other non-current liabilities		**(5,000)**	—
Increase/(decrease) in operating fund of finance segment		**1,000,000**	(200,000)
Increase in interest receivable of finance segment		**(4,347)**	(20,796)
Cash generated from operations		**21,288,281**	10,344,458
Interest paid		**(31,296)**	(145,293)
Income tax paid		**(1,765,291)**	(1,220,541)
Net cash flows from operating activities		**19,491,694**	8,978,624
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**62,244**	50,623
Dividends received from an associate and joint venture		**10,499**	31,331
Dividends income received from financial assets at fair value through profit or loss		**1,684**	521
Purchases of items of property, plant and equipment		**(1,037,429)**	(888,044)
Proceeds from disposal of items of property, plant and equipment		**30,069**	66,231
Purchase of acquisition of land use rights		**(576,056)**	—
Proceeds from disposal of investment properties		**108,968**	433
Proceeds from government grants		**79,758**	15,622
Purchase of other intangible assets		**(37,693)**	(40,344)
Acquisition of a subsidiary	35	**(676,298)**	16,100
Acquisition of associates		**(482,897)**	(86,342)
Contingent consideration for acquisition of an associate		**(17,125)**	—
Disposal of a subsidiary	36	**4,875**	—
Purchases of financial assets at fair value through profit or loss		**(47,840,957)**	(34,250,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**44,467,522**	34,973,773
Proceeds from disposal of financial assets at fair value through other comprehensive income		**—**	5,051
Net cash flows used in investing activities		**(5,902,836)**	(105,045)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

	Notes	2020	2019 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		16,000	—
Repayment of borrowings	37	(700,000)	(3,686,000)
Principle elements of lease payment	15(b)	(20,873)	(27,608)
Acquisition of non-controlling interests		(22,956)	(12,792)
Purchase of a subsidiary under common control		(1,392,708)	(306,612)
Dividends paid to the owners of the Company		(991,530)	(1,554,691)
Dividends paid to the non-controlling interests of subsidiaries		(142,551)	(120,630)
Dividends paid to the then holding company of a subsidiary		(53,712)	(245,000)
Net cash flows used in financing activities		(3,308,330)	(5,953,333)
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,280,528	2,920,246
Cash and cash equivalents at beginning of year	24	15,923,639	12,974,858
Effect of foreign exchange rate changes, net		(155,103)	28,535
CASH AND CASH EQUIVALENTS AT END OF YEAR		26,049,064	15,923,639
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	23,349,064	11,423,639
Time deposits	24	2,700,000	4,500,000
Cash and cash equivalents as stated in the statement of cash flows		26,049,064	15,923,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

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

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

The financial information relating to the year ended 31 December 2019 that is included in the consolidated statement of financial position ended 31 December 2020 as comparative information does not constitute the Company's statutory annual consolidated financial statements for the year but is derived from those financial statements and combined with the financial statements of China National Heavy Duty Truck Group Datong Gear Co., LTD. ("Datong Gear") for the year ended 31 December 2019 under merger accounting (note 2.1). Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap 662) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under Section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap 622).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES

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

Name	Place of incorporation/ registration and business/ kind of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinotruk Ji'nan Truck Co., Ltd.* 中國重汽集團濟南卡車股份有限公司	PRC/Mainland China/Joint stock company with limited liability	RMB671.08	63.78	—	Manufacture and sale of trucks and spare parts
Sinotruk Ji'nan Power Co., Ltd.* 中國重汽集團濟南動力有限公司	PRC/Mainland China/Limited liability company	RMB6,713.08	100.00	—	Manufacture and reproduction of engines
Sinotruk Ji'nan Commercial Truck Co., Ltd.* 中國重汽集團濟南商用車有限公司	PRC/Mainland China/Limited liability company	RMB1,871.29	100.00	—	Manufacture and sale of trucks and spare parts
Sinotruk International 中國重汽集團國際有限公司	PRC/Mainland China/Limited liability company	RMB1,500.00	100.00	—	Import and export of trucks and spare parts
Sinotruk (Hong Kong) International Investment Limited 中國重汽(香港)國際資本有限公司	Hong Kong/ Limited liability company	HKD1,518.27	100.00	—	Consultations and strategic planning in respect of automobile market, the import and export trading, asset operations and investment holdings
Sinotruk Finance Co., Ltd.* 中國重汽財務有限公司	PRC/Mainland China/Limited liability company	RMB3,050.00	51.33	43.92	Taking deposits, facilitating borrowings, discounting bills, and providing entrusted loans, entrusted and investment and customer credit
Sinotruk Ji'nan Axle & Transmission Co., Ltd. * 中國重汽集團濟南橋箱有限公司	PRC/Mainland China/Limited liability company	RMB646.74	49.00	32.53	Manufacture and sale of trucks and axle and transmission parts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

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

Name	Place of incorporation/ registration and business/ kind of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sinotruk Auto Finance Co., Ltd. 重汽汽車金融有限公司 (formerly known as "ShanDong HOWO Auto Finance Co., Ltd.*", 「山東豪沃汽車金融有限公司」)	PRC/Mainland China/Limited liability company	RMB1,500.00	63.33	20.00	Taking deposits, facilitating borrowings and financing leases, providing loans and customer credit
Sinotruk Hangzhou Engines Co., Ltd.* 中國重汽集團杭州發動機有限公司	PRC/Mainland China/Limited liability company	RMB1,931.00	49.00	51.00	Manufacture and reproduction of engines
Sinotruk Ji'ning Commercial Truck Co., Ltd.* 中國重汽集團濟寧商用車有限公司	PRC/Mainland China/Limited liability company	RMB300.00	—	100.00	Manufacture and sale of trucks and spare parts
Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd.* 中國重汽集團成都王牌商用車有限公司	PRC/Mainland China/Limited liability company	RMB800.00	—	80.00	Research, development, manufacture and sale of commercial vehicles

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

During the year, the Group acquired Sinotruk (Chongqing) Light Vehicle Co., Ltd. from a third party. Further details of this acquisition are included in note 35 to the consolidated financial statements.

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

2.1 BASIS OF PREPARATION

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

MERGER ACCOUNTING FOR BUSINESS COMBINATIONS UNDER COMMON CONTROL

In April 2020, Sinotruk Ji'nan Power Co., Ltd. ("Ji'nan Power"), a wholly-owned subsidiary of the Company, acquired from CNHTC the entire equity interest of Datong Gear. The consideration was satisfied by cash, amounting to approximately RMB1,392,708,000.

Since Ji'nan Power and Datong Gear are ultimately controlled by CNHTC both before and after the above mentioned acquisition, the acquisition is regarded as a "common control combination". Accordingly, the Group has applied merger accounting to account for the acquisition of Datong Gear in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

For this business combination under common control, the financial statements of the Group and that of Datong Gear has been combined, by using the merger accounting, as if the Group had acquired Datong Gear from the beginning of the earliest financial period presented. The net assets of the Group and Datong Gear are combined using the existing book values from the perspective of CNHTC, the controlling party. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of Datong Gear's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. Accordingly, the comparative figures of this consolidated financial statements have been restated.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous date of consolidated statement of financial position unless they first came under common control at a later date.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, included in relation to the common control combination that are to be accounted for by using merger accounting are recognised as expense in the year in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

2.1 BASIS OF PREPARATION (CONTINUED)

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

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

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

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

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

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

Amendments to HKFRS 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 RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount 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 amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

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

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

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

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

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

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

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

BUSINESS COMBINATIONS AND GOODWILL

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

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

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

RELATED PARTIES

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT PROPERTIES

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

Proprietary technology

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

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 5 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (OTHER THAN GOODWILL) (CONTINUED)

Research and development costs

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

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

LEASES

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

Group as a lessee (Continued)

(b) Lease liabilities

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

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

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

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

Group as a lessor

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

General approach

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

General approach (Continued)

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

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

Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES (CONTINUED)

Financial liabilities at amortised cost (borrowings)

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

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

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

INVENTORIES

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

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

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

PROVISIONS

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

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

INCOME TAX

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX (CONTINUED)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

GOVERNMENT GRANTS

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

REVENUE RECOGNITION

Revenue from contracts with customers

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (Continued)

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

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

(a) Sale of goods

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

Dealers

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

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

End use customers

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (Continued)

(a) Sale of goods (Continued)

Volume rebates

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

(b) Rendering of services

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

Revenue from other sources

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

Other income

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

CONTRACT LIABILITIES

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS

Pension schemes

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

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

Termination and post-employment benefits

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

Housing funds

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

BORROWINGS COSTS

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

DIVIDENDS

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES

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

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

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

The functional currencies of certain subsidiaries not established in the PRC are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

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

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

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3. SIGNIFICANT ACCOUNTING ESTIMATES

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

ESTIMATION UNCERTAINTY

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

Provision for expected credit losses on trade and financing receivables

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

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

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

Provision for inventories

A write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgements and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed. The Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realisable value and makes reserves for slow-moving items and obsolescence by using the lower of cost and net realisable value rule. The Group re-estimates the allowance to reduce the valuation of inventories to net realisable value item by item at the end of each reporting period. At 31 December 2020, the amount of write-down of inventories was RMB305,747,000 (2019: RMB355,513,000 (restated)).

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

ESTIMATION UNCERTAINTY (CONTINUED)

Estimation of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. The carrying amount of investment properties at 31 December 2020 was RMB724,075,000 (2019: RMB797,513,000 (restated)). Details of the judgement and assumptions have been disclosed in note 14 to the consolidated financial statements.

Termination and post-employment benefit obligations

The Group has recognized the early retirement plan and the supplementary pension insurance plans and other comprehensive retirement benefit plans. The estimated amounts of such benefits expenses and liabilities are calculated on the basis of various assumption conditions, including discount rate, growth rate of related benefits and others. The difference between the actual results and actuarial assumption may affect the accuracy of accounting estimations. The changes in the above assumptions will affect the amount of liabilities for early retirement and supplementary pension benefits and other comprehensive benefits plan liabilities, even though management considers that the assumptions are reasonable. At 31 December 2020, termination and post-employment benefit obligations amounted to RMB835,225,000 (2019: RMB34,548,000 (restated)). Further details are included in note 30 to the consolidated financial statements.

Product warranty provisions

The group generally offers warranties with periods from 6 months to 96 months for its trucks, buses and engines. The assessment of the provision amount involves management's judgements and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying amount of the product warranty provisions and the provision amount charged/reversed in the period in which such estimate has been changed. At 31 December 2020, the provision for product warranty amounted to RMB2,136,024,000 (2019: RMB1,222,036,000 (restated)). Further details are included in note 28 to the consolidated financial statements.

Useful lives of items of property, plant and equipment

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

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

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3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2020 was RMB2,327,101,000 (2019: RMB1,688,157,000 (restated)). Further details are contained in note 29 to the consolidated financial statements.

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, buses, etc. and related components;

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

(iv) Finance – Provision for deposits 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 provision for auto and supply chain financing services to the public.

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, prepayment, 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.

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

(All amounts in RMB thousands unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2019 are as follows:

	Year ended 31 December 2019 (Restated)					
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Elimination	Total
External revenue						
Sales of goods	50,023,235	9,693,140	1,159,358	—	—	60,875,733
Rendering of services	714,780	6,404	36,921	—	—	758,105
Provision of financing services	—	—	—	979,661	—	979,661
Total external revenue	50,738,015	9,699,544	1,196,279	979,661	—	62,613,499
Inter-segment revenue	1,046,948	511,779	13,466,111	607,074	(15,631,912)	—
Total segment revenue	51,784,963	10,211,323	14,662,390	1,586,735	(15,631,912)	62,613,499
Operating profit/(loss) before unallocated expenses	3,548,530	(1,112,145)	1,921,583	934,565	(288,750)	5,003,783
Unallocated expenses						(10,376)
Operating profit						4,993,407
Finance costs, net						(94,271)
Share of profits and losses of a joint venture and associates						61,465
Profit before income tax						4,960,601
Income tax expense						(1,044,542)
Profit for the year						3,916,059

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(All amounts in RMB thousands unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

Other segment items included in profit or loss for the year ended 31 December 2019 are as follows:

	Year ended 31 December 2019 (Restated)					
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	Total
Depreciation of property, plant and equipment	542,613	166,789	886,624	1,780	43	1,597,849
Depreciation of right-of-use assets	39,817	20,692	8,187	301	19	69,016
Amortisation of other intangible assets	29,664	2,365	39,698	522	—	72,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
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4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

	At 31 December 2020					
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	Total
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
Addition to non-current assets	2,738,390	153,087	466,713	1,034	34	3,359,258

A reconciliation for entity assets and liabilities is as follows:

	At 31 December 2020	
	Assets	Liabilities
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
	2,492,132	1,850,062
Total	111,008,261	75,328,854

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 31 December 2019 and addition to non-current assets of the segments for the year then ended are as follows:

	At 31 December 2019 (Restated)					
	Heavy duty trucks	Light duty trucks and others	Engines	Finance	Unallocated	Total
Segment assets	49,769,709	7,579,797	19,628,442	43,331,497	1,786,061	122,095,506
Elimination						(54,992,634)
Total assets						67,102,872
Segment liabilities	31,049,994	7,966,168	8,165,991	36,023,474	2,520,265	85,725,892
Elimination						(48,149,463)
Total liabilities						37,576,429
Addition to non-current assets	597,007	186,072	578,382	1,644	—	1,363,105

A reconciliation for entity assets and liabilities is as follows:

	At 31 December 2019 (Restated)	
	Assets	Liabilities
Segment assets/liabilities after elimination	65,316,811	35,056,164
Unallocated:		
Deferred tax assets/liabilities	1,688,157	33,891
Prepaid income tax/tax payable	69,400	385,240
Current borrowings	—	700,000
Other assets/liabilities	28,504	1,401,134
	1,786,061	2,520,265
Total	67,102,872	37,576,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2020	2019 (Restated)
Mainland China	91,836,126	52,627,281
Overseas	6,361,859	9,986,218
	98,197,985	62,613,499

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

(b) Non-current asset

	2020	2019 (Restated)
Mainland China	23,780,251	15,999,399
Overseas	826,341	781,986
	24,606,592	16,781,385

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION (CONTINUED)

(b) Non-current asset (Continued)

	2020	2019 (Restated)
Addition to non-current assets		
Mainland China	3,359,194	1,362,694
Overseas	64	411
	3,359,258	1,363,105

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

(c) Contract liabilities

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

	2020	2019 (Restated)
Heavy duty trucks	3,629,451	1,173,796
Light duty trucks and others	623,943	568,761
Engines	44,665	21,693
	4,298,059	1,764,250

All contract liabilities as at 31 December 2019 have been recognised as revenue during the year ended 31 December 2020.

Information about major customers

During the years ended 31 December 2020 and 2019, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue.

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For the year ended 31 December 2020
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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019 (Restated)
Revenue from contracts with customers	**96,861,069**	61,633,838
Revenue from other sources		
Provision of financing services	**1,336,916**	979,661
	98,197,985	62,613,499

REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue information

	2020	2019 (Restated)
Types of goods or services		
Sale of goods	**95,253,922**	60,875,733
Rendering of services	**1,607,147**	758,105
Total revenue from contracts with customers	**96,861,069**	61,633,838
Geographical markets		
Mainland China	**90,499,210**	51,647,620
Overseas	**6,361,859**	9,986,218
Total revenue from contracts with customers	**96,861,069**	61,633,838
Timing of revenue recognition		
Transferred at a point in time	**96,599,079**	61,223,210
Transferred over time	**261,990**	410,628
Total revenue from contracts with customers	**96,861,069**	61,633,838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
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5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(a) Disaggregated revenue information (Continued)

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

	2020	2019 (Restated)
Revenue recognised that was included in contract liabilities at the begining of the reporting period:		
Sale of goods	**1,744,364**	2,307,305
Rendering of services	**19,886**	43,514
	1,764,250	2,350,819

(b) Performance obligations

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

Sale of goods

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

Rendering of services

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

(All amounts in RMB thousands unless otherwise stated)

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	Note	2020	2019 (Restated)
Other income			
Income on disposal of scraps		211,610	61,013
Government grants		209,313	209,334
Penalties income		87,688	19,966
Rental income from leases		23,878	37,537
Income from utilities		2,834	1,969
Dividends income received from financial assets at fair value through profit or loss		1,684	521
Others		27,699	—
		564,706	330,340
Gains			
Gain on disposal of financial assets at fair value through profit or loss		259,461	186,208
Fair value gains on financial assets at fair value through profit or loss		47,531	11,811
Gain on disposal of investment properties		42,123	—
Gain on disposal of a subsidiary	36	3,479	—
Gain upon derecognition of leases		574	—
Gain on disposal of items of property, plant and equipment		—	6,888
Fair value gains on investment properties	14	—	16,970
Foreign exchange differences, net		—	85,160
Others		44,527	46,579
		397,695	353,616
		962,401	683,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

6. PROFIT BEFORE TAX

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

	Notes	2020	2019 (Restated)
Cost of inventories sold		68,913,396	45,621,198
Warranty expenses		1,792,204	989,651
Depreciation of property, plant and equipment	13	1,551,282	1,597,849
Depreciation of right-of-use assets	15	73,823	69,016
Amortisation of other intangible assets	16	61,548	72,249
Research and development costs*		2,622,693	1,780,989
Transportation charges		1,491,251	1,140,472
Auditor's remuneration:			
Financial audit services		6,289	7,612
Internal control audit services		468	500
Taxation professional services		83	300
Environmental, social and government report services		159	214
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages, salaries, allowances, social security and benefits		4,994,233	3,713,666
Defined contribution pension schemes		371,753	392,066
Termination benefits		572,995	(337)
Post-employment benefits		331,800	27,892
Housing benefits		422,982	275,164
Other staff benefits		946,047	534,928
Impairment of goodwill**		13,610	—
Lease payments not included in the measurement of lease liabilities	15	21,240	34,746
Losses/ (gains) on disposal of items of property, plant and equipment		3,501	(6,888)
Gains upon derecognition of leases	5	(574)	—
Write-down of inventories to net realisable value		256,751	255,471
(Reverse of impairment)/impairment of trade receivables	19	(98,815)	751,694
Impairment of financing receivables	19	262,718	70,156
(Reverse of impairment)/impairment of financial assets included in prepayments, other receivables and other assets	20	(36,484)	5,341
Impairment of property, plant and equipment	13	2,368	59,912
Foreign exchange differences, net***		252,867	(85,160)

* The research and development costs charges of RMB2,622,693,000 (2019: RMB1,780,989,000), which are included in "Administrative expenses" in the consolidated statement of profit or loss.

** The impairment of goodwill is included in "Other expenses" in the consolidated statement of profit or loss.

*** Foreign exchange differences, net is included in "Other expenses" and "Other income and gains" as in the consolidated statement of profit or loss, respectively, during the year ended 31 December 2020 and 2019.

(All amounts in RMB thousands unless otherwise stated)

7. FINANCE INCOME/(COSTS)

An analysis of finance income/(costs) is as follows:

	2020	2019 (Restated)
Finance costs:		
– Borrowings	(30,867)	(139,523)
– Interest on lease liabilities (note 15)	(2,482)	(3,424)
	(33,349)	(142,947)
Less: Interest capitalised in construction in progress	964	1,653
	(32,385)	(141,294)
Finance income:		
– Interest income from bank deposits	57,897	47,023
Finance income/(costs), net	25,512	(94,271)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2020	2019
Fees	1,488	1,588
Other emoluments:		
Salaries, allowances and benefits in kind	12,712	4,633
Discretionary bonuses	—	—
Defined contribution pension schemes	159	203
	14,359	6,424

Except for director fee, there were no other emoluments payable to the independent non-executive directors during the year (2019: nil).

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

The details of directors' remuneration during the year are as follows:

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

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For the year ended 31 December 2020
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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

2019	Notes	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Employer's contribution to retirement benefit schemes	Total
Executive director:						
Mr. Cai Dong		—	756	—	34	790
Mr. Liu Wei		—	684	—	34	718
Mr. Liu Peimin		—	712	—	33	745
Mr. Dai Lixin		—	684	—	34	718
Mr. Richard von Braunschweig		—	92	—	—	92
Non-executive directors:						
Mr. Jiang Kui	(iii)	—	—	—	—	—
Mr. Annette Danielski		148	—	—	—	148
Independent non-executive directors:						
Dr. Lin Zhijun		180	—	—	—	180
Mr. Yang Weicheng		180	—	—	—	180
Dr. Wang Dengfeng		180	—	—	—	180
Mr. Zhao Hang		180	—	—	—	180
Mr. Liang Qing		180	—	—	—	180
Mr. Lyu Shousheng		113	—	—	—	113
Former directors:						
Ms. Wang Chunling	(x)	—	—	—	—	—
Mr. Jörg Mommertz	(xi)	—	459	—	—	459
Mr. Wang Shanpo	(vi)	—	684	—	34	718
Mr. Sun Chenglong	(vii)	—	562	—	34	596
Mr. Andreas Hermann Renscheler	(viii)	180	—	—	—	180
Mr. Joachim Gerhard Drees	(ix)	180	—	—	—	180
Mr. Chen Zheng	(xii)	67	—	—	—	67
Total		1,588	4,633	—	203	6,424

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For the year ended 31 December 2020
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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

Notes:

(i) Mr. Liu Zhengtao was appointed as executive director on 9 March 2020.

(ii) Ms. Qu Hongkun was appointed as executive director on 9 March 2020.

(iii) Mr. Jiang Kui waived all his emoluments during his tenure.

(iv) Mr. Matthias Gründler was appointed as non-executive director on 23 October 2020. He waived all his emoluments during his tenure.

(v) Dr. h.c. Andreas Tostmann was appointed as non-executive director on 23 October 2020.

(vi) Mr. Wang Shanpo resigned as executive director with effect from 9 March 2020.

(vii) Mr. Sun Chenglong resigned as executive director with effect from 9 March 2020.

(viii) Mr. Andreas Hermann Renschler resigned as non-executive director with effect from 16 July 2020.

(ix) Mr. Joachim Gerhard Drees resigned as non-executive director with effect from 16 July 2020.

(x) Ms. Wan Chunling resigned as executive director with effect from on 29 January 2019. She waived all her emoluments during her tenure.

(xi) Mr. Jörg Mommertz resigned as executive director with effect from 30 November 2019.

(xii) Mr. Chen Zheng resigned as independent non executive director with effect from 15 May 2019.

(All amounts in RMB thousands unless otherwise stated)

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included five directors (2019: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year 2019 of the remaining one highest paid individual who is neither a director nor chief executive of the Company are as follows:

	2019
Salaries, allowances and benefits in kind	1,159
Discretionary bonus	—
Defined contribution pension scheme	58
	1,217

The number of non-director highest paid individual whose remuneration fell within the following band is as follows:

	Number of employees 2019
HKD1,000,001 to HKD1,500,000	1

There was no amount paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year 2019.

10. INCOME TAX

The Company, Sinotruk (Hong Kong) Capital Holding Limited and Sinotruk (Hong Kong) Hongye limited are subject to Hong Kong profits tax at the rate of 16.5% (2019: 16.5%) on their estimated assessable profits during the year. The Company is also determined as a Chinese-resident enterprise and, is subject to corporate income tax at a rate of 25% (2019: 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% (2019: first HKD2 million assessable profits taxed at a rate of 8.25% and the rest at 16.5%).

Ji'nan Power, Sinotruk Hangzhou Engines Co., Ltd. and Datong Gear have been recognised as the High New Tech Enterprises in 2017. Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprise in 2019. These companies are entitled to a reduced corporate income tax rate of 15% (2019:15%) according to the tax incentives of the CIT Law for High New Tech Enterprises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. INCOME TAX (CONTINUED)

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% (2019:15%) according to the Western Development tax incentives of the CIT Law.

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax at a rate of 20% (2019: 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% (2019: 28%) according to South Africa Tax Law.

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax at a rate of 20% (2019: 20%) according to Kazakhstan Tax Law.

Sinotruk (Kenya) Limited is subject to a corporate income tax rate of 30% (2019: 30%) according to Kenya Tax Law.

The remaining subsidiaries in the PRC are subject to corporate income tax at a rate of 25% (2019: 25%) according to the CIT Law.

	2020	2019 (Restated)
Current tax:		
– Hong Kong		
Charge for the year	31	7,925
Over provision in prior years	(4,724)	—
	(4,693)	7,925
– Mainland China	2,741,043	1,236,524
– Elsewhere	29	1,323
Total current tax	2,736,379	1,245,772
Deferred (note 29)	(609,299)	(201,230)
Total tax charge	2,127,080	1,044,542

(All amounts in RMB thousands unless otherwise stated)

10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2020	2019 (Restated)
Profit before tax	**9,550,730**	4,960,601
Tax at the statutory tax rate	**2,380,100**	1,228,659
Lower tax rates enacted by local authorities	**(283,844)**	(171,593)
Additional deduction for research and development expenditure	**(278,251)**	(149,028)
Adjustments in respect of current tax of previous periods	**13,092**	(28,670)
Income not subject to tax	**(301)**	(5,667)
Expenses not deductible for tax	**70,118**	4,423
Utilisation of unrecognised tax losses from previous periods	**(7,249)**	(8,325)
Tax losses and deductible temporary differences not recognised	**233,415**	174,743
Tax charge at the Group's effective rate	**2,127,080**	1,044,542

11. DIVIDENDS

At a meeting held on 31 March 2021, the Board proposed a final dividend in respect of the year ended 31 December 2020 of either HKD1.04 or RMB0.88 (2019: HKD0.39 or RMB0.36) per ordinary share, representing total dividend at approximately HKD2,871,433,000 (2019: approximately HKD1,076,787,000) or approximately RMB2,429,674,000 (2019: approximately RMB993,958,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company. The consolidated financial statement does not reflect this dividend payable.

During the year ended 31 December 2020, certain non-wholly-owned subsidiaries of the Company have approved the dividends to non-controlling interests amounted to approximately RMB142,551,000 (2019: approximately RMB120,630,000).

During the year ended 31 December 2020, Datong Gear paid an interim dividend to CNHTC in respect of the year ended 31 December 2019, which amounting to approximately RMB53,712,000 (2019: RMB245,000,000), before the completion of the acquisition of Datong Gear by the Group.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,760,993,339 (2019: 2,760,993,339) in issue during the year.

There are no dilutive potential ordinary shares during the years ended 31 December 2020 and 2019.

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(All amounts in RMB thousands unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
For the year ended 31 December 2020						
At 1 January 2020 (Restated):						
Cost	7,448,442	14,067,911	506,672	307,260	593,920	22,924,205
Accumulated depreciation and impairment	(2,094,079)	(9,801,723)	(304,808)	(176,828)	(19,511)	(12,396,949)
Net carrying amount	5,354,363	4,266,188	201,864	130,432	574,409	10,527,256
At 1 January 2020, net of accumulated depreciation and impairment	5,354,363	4,266,188	201,864	130,432	574,409	10,527,256
Additions	3,178	45,702	31,002	15,674	2,650,350	2,745,906
Acquisition of a subsidiary (note 35)	482,392	251,087	2,497	1,635	8,774	746,385
Transfers	35,983	563,830	9,481	5,689	(614,983)	—
Transfer from investment properties	19,036	—	—	—	—	19,036
Transfer to investment properties	(8,880)	—	—	—	—	(8,880)
Transfer to other intangible assets	—	—	—	—	(2,049)	(2,049)
Disposal of a subsidiary (note 36)	—	(922)	(646)	—	(433)	(2,001)
Disposals	(2,077)	(26,883)	(1,421)	(3,189)	—	(33,570)
Depreciation	(259,249)	(1,228,350)	(41,679)	(22,004)	—	(1,551,282)
Impairment	—	—	(6)	—	(2,362)	(2,368)
At 31 December 2020, net of accumulated depreciation and impairment	5,624,746	3,870,652	201,092	128,237	2,613,706	12,438,433
At 31 December 2020:						
Cost	8,057,321	14,736,781	539,803	318,504	2,631,793	26,284,202
Accumulated depreciation and impairment	(2,432,575)	(10,866,129)	(338,711)	(190,267)	(18,087)	(13,845,769)
Net carrying amount	5,624,746	3,870,652	201,092	128,237	2,613,706	12,438,433

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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
For the year ended 31 December 2019 (Restated):						
At 1 January 2019:						
Cost	7,247,955	12,524,391	471,179	314,091	1,699,834	22,257,450
Accumulated depreciation	(1,847,665)	(8,875,987)	(296,359)	(171,731)	—	(11,191,742)
Net carrying amount	5,400,290	3,648,404	174,820	142,360	1,699,834	11,065,708
At 1 January 2019, net of accumulated depreciation	5,400,290	3,648,404	174,820	142,360	1,699,834	11,065,708
Additions	51,863	138,733	27,242	6,392	999,822	1,224,052
Transfers	163,909	1,833,723	36,739	10,379	(2,044,750)	—
Transfer to investment properties	(10,275)	—	—	—	(57,751)	(68,026)
Transfer to other intangible assets	—	—	—	—	(3,235)	(3,235)
Disposals	(1,292)	(25,674)	(1,300)	(5,216)	—	(33,482)
Depreciation	(249,500)	(1,291,880)	(33,177)	(23,292)	—	(1,597,849)
Impairment	(632)	(37,118)	(2,460)	(191)	(19,511)	(59,912)
At 31 December 2019, net of accumulated depreciation and impairment	5,354,363	4,266,188	201,864	130,432	574,409	10,527,256
At 31 December 2019:						
Cost	7,448,442	14,067,911	506,672	307,260	593,920	22,924,205
Accumulated depreciation and impairment	(2,094,079)	(9,801,723)	(304,808)	(176,828)	(19,511)	(12,396,949)
Net carrying amount	5,354,363	4,266,188	201,864	130,432	574,409	10,527,256

As at 31 December 2020, the Group's aggregate carrying value of the buildings without ownership certificates was approximately RMB285,985,000 (2019: approximately RMB146,055,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and/or use the buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

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14. INVESTMENT PROPERTIES

	2020	2019 (Restated)
Carrying amount at 1 January	797,513	713,142
Transfer from property, plant and equipment	8,880	68,026
Transfer to property, plant and equipment	(19,036)	—
Addition	9,626	—
Disposal	(66,845)	(433)
Transfer to right-of-use assets	(737)	(192)
Revaluation gains recognised in other comprehensive income	3,235	—
Revaluation (losses)/gains recognised in other expenses/other income and gains	(8,561)	16,970
Carrying amount at 31 December	724,075	797,513

Investment properties are located in the Hong Kong, Shandong province, Shanxi province and Guangxi province, the PRC and revalued as at 31 December 2020 on an open market value. Investment properties in Hong Kong are held on leases terms of over 50 years. Investment properties in Mainland China are held on leases terms between 35 to 50 years.

An independent valuation of the Group's investment properties was performed by the surveyors, PRUDENTIAL Property Surveyors (Hong Kong) Limited and Shandong Pan-China Assets Appraisal Co., Ltd. to determine the fair value of the investment properties as at 31 December 2020 (2019: PRUDENTIAL Property Surveyors (Hong Kong) Limited and Shandong Pan-China Assets Appraisal Co., Ltd.). The revaluation gains or losses are included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss.

As at 31 December 2020, the Group's aggregate carrying value of the buildings without ownership certificates was approximately RMB81,427,000 (2019: approximately RMB152,383,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and/or use the buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

(All amounts in RMB thousands unless otherwise stated)

14. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE HIERARCHY

The Group's policy is to recognize transfer into and out of the fair value hierarchy levels as of the date of the event or change in circumstance that caused the transfer. There were no transfers among level 1, 2 and 3 during the year (2019: nil).

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
– Warehouses	—	—	65,331	65,331
– Factories	—	—	332,017	332,017
– Office units	—	302,103	24,624	326,727
	—	302,103	421,972	724,075

	Fair value measurement as at 31 December 2019 using (restated)			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
– Warehouses	—	—	63,058	63,058
– Factories	—	—	345,977	345,977
– Office units	—	304,841	83,637	388,478
	—	304,841	492,672	797,513

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14. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Level 2 fair values of the investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation is selling price per square foot or per square meter.

Level 3 fair values of the investment properties are based on income capitalisation approach (term and reversionary method), direct comparison method or replacement cost approach. The income capitalisation approach largely used unobservable inputs (rental value and capitalisation rate) and took into account the significant adjustment on term yield to account for the risk upon the reversionary and estimation in vacancy rate after expiry of current lease.

Information about fair value measurement of investment properties using significant unobservable inputs (Level 3):

Fair value as at 31 December 2020	Valuation technique	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
336,217	Income capitalisation approach	Rental value	RMB0.19-2.6 per day per square meter	The higher the rental value, the higher the fair value
		Capitalisation rate	6.8%-7.65%	The higher the capitalisation rate, the lower the fair value
45,052	Direct comparison method	Unit price	RMB825.09-900.13 per day per square meter	The higher the unit price, the higher the fair value
40,703	Replacement cost approach	Integrated depreciation rate	52%-92%	The higher the integrated depreciation rate, the lower the fair value

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15. LEASES

THE GROUP AS A LESSEE

The Group has lease contracts for various items of leasehold land, buildings and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the owners with lease periods over 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 5 years. Motor vehicles and other equipment generally have lease terms between 1 and 5 years and/or are individually of low value. There are several lease contracts that include extension options, which are further discussed below.

(a) RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Land use rights	Buildings	Motor vehicles	Total
As at 1 January 2019 (restated)	1,663,843	9,981	—	1,673,824
Additions	—	74,918	203	75,121
Transfer from investment properties	192	—	—	192
Disposals	(52)	—	—	(52)
Depreciation charge	(40,133)	(28,824)	(59)	(69,016)
As at 31 December 2019 (restated) and 1 January 2020	**1,623,850**	**56,075**	**144**	**1,680,069**
Additions	**579,076**	**8,164**	**—**	**587,240**
Transfer from investment properties	**737**	**—**	**—**	**737**
Additions as a result of acquisition of a subsidiary (note 35)	**273,765**	**3,016**	**—**	**276,781**
Disposals	**—**	**(17,534)**	**—**	**(17,534)**
Depreciation charge	**(46,539)**	**(27,225)**	**(59)**	**(73,823)**
As at 31 December 2020	**2,430,889**	**22,496**	**85**	**2,453,470**

As at 31 December 2020, certain parcels of the Group's land use rights with an aggregate carrying amount of approximately RMB14,977,000 (2019: RMB15,337,000) did not have land use right certificates registered under the names of the respective subsidiaries of the Company.

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15. LEASES (CONTINUED)

(b) LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020	2019 (Restated)
Carrying amount at 1 January	57,379	9,918
New leases	1,876	71,645
Additions as a result of acquisition of a subsidiary (note 35)	2,967	—
Accretion of interest recognised during the year (note 7)	2,482	3,424
Derecognition of leases	(18,108)	—
Payments	(23,355)	(27,608)
Carrying amount at 31 December	23,241	57,379
Analysed into:		
Current portion	21,646	31,215
Non-current portion	1,595	26,164
	23,241	57,379

The maturity analysis of lease liabilities is disclosed in note 43 to the consolidated financial statements.

(c) THE AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS IN RELATION TO LEASES ARE AS FOLLOWS:

	2020	2019 (Restated)
Interest on lease liabilities	2,482	3,424
Depreciation charge of right-of-use assets	73,823	69,016
Expense relating to short-term and low-value leases	21,240	34,746
Total amount recognised in profit or loss	97,545	107,186

(All amounts in RMB thousands unless otherwise stated)

15. LEASES (CONTINUED)

(d) EXTENSION OPTIONS

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. These extension options are expected to be exercised.

(e) The total cash outflow for leases is disclosed in notes 37(c) to the consolidated financial statements.

THE GROUP AS A LESSOR

The Group leases its investment properties (note 14) consisting of thirteen (2019: twelve) commercial properties in Mainland China and Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB45,837,000 (2019: RMB41,813,000).

At 31 December 2020, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020	2019 (Restated)
Within one year	21,275	27,391
After one year but within five years	65,689	55,003
After five years	9,706	31,737
	96,670	114,131

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16. OTHER INTANGIBLE ASSETS

	Development Costs	Proprietary technology	Software	Total
For the year ended 31 December 2020				
Cost at 1 January 2020, net of accumulated amortisation (as restated)	**33,613**	**236,530**	**48,264**	**318,407**
Additions	**—**	**1,952**	**14,534**	**16,486**
Acquisition of a subsidiary (note 35)	**34,661**	**37,669**	**810**	**73,140**
Disposals	**(33,613)**	**—**	**—**	**(33,613)**
Transfer from property, plant and equipment	**—**	**—**	**2,049**	**2,049**
Amortisation	**—**	**(50,223)**	**(11,325)**	**(61,548)**
At 31 December 2020	**34,661**	**225,928**	**54,332**	**314,921**
At 31 December 2020:				
Cost	**34,661**	**1,441,661**	**139,797**	**1,616,119**
Accumulated amortisation and impairment	**—**	**(1,215,733)**	**(85,465)**	**(1,301,198)**
Net carrying amount	**34,661**	**225,928**	**54,332**	**314,921**
For the year ended 31 December 2019 (Restated)				
Cost at 1 January 2019, net of accumulated amortisation	3,173	305,998	38,716	347,887
Additions	30,440	15,029	18,463	63,932
Disposals	—	(24,398)	—	(24,398)
Transfer from property, plant and equipment	—	—	3,235	3,235
Amortisation	—	(60,099)	(12,150)	(72,249)
At 31 December 2019	33,613	236,530	48,264	318,407
At 31 December 2019:				
Cost	33,613	1,402,040	122,404	1,558,057
Accumulated amortisation	—	(1,165,510)	(74,140)	(1,239,650)
Net carrying amount	33,613	236,530	48,264	318,407

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17. INTERESTS IN ASSOCIATES

	2020	2019
Associates	1,028,215	496,521

The Group's trade receivable and payable balances with associates are disclosed in note 40(b) to the consolidated financial statements, respectively.

Particulars of the Group's associates are as follows:

Name	Particulars of registered capital (in million)	Place of registration and business	Ownership interest	Percentage of Voting Power	Profit sharing	Principal activities
Prinx (Cayman) Holding Limited (Prinx)**	USD50	Cayman Islands/ PRC	9.98%	9.98%	9.98%	Investment holding
Sinotruk Panzhihua Miing Truck Co., Ltd. (Panzhihua Mining Truck)	RMB30	PRC/ Mainland China	30%	30%	30%	Sale of heavy duty truck
Shandong Changjiu Sinotruk Logistics Co., Ltd. (Changjiu Sinotruk)	RMB20	PRC/ Mainland China	25%	25%	25%	Provision of premier delivery services
UZ TRUCK AND BUS MOTORS Limited Liability Company (UZ TRUCK AND BUS MOTORS)	EUR11	Uzbekistan	32.89%	32.89%	32.89%	Manufacture and sale of heavy duty trucks
Tiajin Tsintel Co., Ltd. (Tianjin Tsintel)*	RMB7	PRC/ Mainland China	7.69%	7.69%	7.69%	Manufacture and sale of automotive electronics, auto parts, machinery and equipment and related consulting
Shengrui Transmission Co., Ltd. (Shengrui Transmission)	RMB165	PRC/ Mainland China	20%	20%	20%	Manufacture and sale of auto parts and related maintenance services
Chongqing Yunyang Automotive Manufacturing Co., Ltd. (Chongqing Yunyang)	RMB216	PRC/ Mainland China	35.05%	35.05%	35.05%	Manufacture and sale of automobile and parts

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17. INTERESTS IN ASSOCIATES (CONTINUED)

* In August 2020, Ji'nan Power subscribed for 7.69% equity in Tianjin Tsintel at a consideration of RMB82,875,000. As the Group has one of five board seats in Tianjin Tsintel and exercises significant influence on it, Tianjin Tsintel is considered an associate of the Group.

** The fair value of investment in Prinx (Cayman) Holding Limited was RMB530,024,000 and RMB488,180,000, respectively, as at 31 December 2020 and 2019.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020	2019
Share of the associates' profit for the year	54,570	50,202
Share of the associates' other comprehensive (loss)/income	(1,702)	495
Share of the associates' total comprehensive income	52,868	50,697
Aggregate carrying amount of the Group's interests in associates	1,028,215	496,521

18. INVENTORIES

	2020	2019 (Restated)
Raw materials	2,855,138	1,588,722
Work in progress	2,556,693	2,497,786
Finished goods – engines, parts and components	304,928	254,548
Finished goods – trucks and others	15,399,982	5,825,676
	21,116,741	10,166,732
Less: write-down of inventories to net realisable value	(305,747)	(355,513)
	20,810,994	9,811,219

(All amounts in RMB thousands unless otherwise stated)

19. TRADE, FINANCING AND BILLS RECEIVABLES

	2020	2019 (Restated)
Trade receivables	8,073,123	10,484,672
Provision for impairment	(1,236,456)	(1,966,983)
Trade receivables, net (a)	6,836,667	8,517,689
Financing receivables	20,908,319	9,766,765
Provision for impairment	(513,246)	(250,528)
Financing receivables, net (b)	20,395,073	9,516,237
Bills receivable (c)	186,047	9,711
	27,417,787	18,043,637
Current portion		
Trade receivables	6,580,431	8,283,570
Financing receivables	13,455,723	6,897,046
Bills receivable	186,047	9,711
	20,222,201	15,190,327
Non-current portion		
Trade receivables	256,236	234,119
Financing receivables	6,939,350	2,619,191
	7,195,586	2,853,310

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19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

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

As at 31 December 2020, approximately RMB755,732,000 (31 December 2019: RMB1,262,400,000) of the Group's trade receivables are secured by letters of credit issued by certain overseas third parties. As at 31 December 2020, approximately RMB1,829,077,000 (31 December 2019: RMB2,959,646,000) were guaranteed by China Export and Credit Insurance Corporation.

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

	2020	2019 (Restated)
Less than 3 months	3,839,205	4,220,046
3 months to 6 months	714,816	1,266,298
6 months to 12 months	538,684	728,058
1 year to 2 years	844,299	1,379,473
2 years to 3 years	410,917	484,073
Over 3 years	488,746	439,741
	6,836,667	8,517,689

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

	2020	2019 (Restated)
At 1 January	1,966,983	1,250,389
Impairment losses, net (note 6)	(98,815)	751,694
Amount written off as uncollectible	(632,732)	(35,100)
Addition of acquisition of a subsidiary	1,020	—
At 31 December	1,236,456	1,966,983

(All amounts in RMB thousands unless otherwise stated)

19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(a) (Continued)

An impairment analysis is performed at each reporting date using a provision matrix or individually assessed to measure expected credit losses. The provision rates of the provision matrix are based on the invoice date for groupings of various customer segments with similar loss patterns by product type. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Ageing as at 31 December 2020				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	2.52%	21.13%	42.12%	54.25%	15.32%
Gross carrying amount	5,224,410	1,070,553	709,951	1,068,209	8,073,123
Expected credit losses	131,705	226,254	299,034	579,463	1,236,456

As at 31 December 2019

	Ageing as at 31 December 2019 (Restated)				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	3.37%	25.22%	33.45%	70.31%	18.76%
Gross carrying amount	6,431,166	1,844,826	727,433	1,481,247	10,484,672
Expected credit losses	216,764	465,353	243,360	1,041,506	1,966,983

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19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

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

	2020	2019 (Restated)
Less than 3 months	3,795,722	2,249,901
3 months to 6 months	4,099,756	1,617,283
6 months to 12 months	5,559,896	3,023,068
1 year to 2 years	6,254,312	2,281,593
2 years to 3 years	678,831	296,536
Over 3 years	6,556	47,856
	20,395,073	9,516,237

Financing receivable represents loans and lease financing to suppliers of the Group and to individuals and entities when they purchase commercial 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:

	Stage 1	Stage 2	Stage 3	Total
Provision for impairment of financing receivables as at 31 December 2019	114,139	29,048	107,341	250,528
Increase (note 6)	301,106	—	—	301,106
Decrease (note 6)	—	(27,634)	(10,754)	(38,388)
Provision for impairment of financing receivables as at 31 December 2020	415,245	1,414	96,587	513,246

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19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

	Stage 1	Stage 2	Stage 3	Total
Provision for impairment of financing receivables as at 31 December 2018	132,195	15,191	30,231	177,617
Increase (note 6)	—	13,857	74,355	88,212
Decrease (note 6)	(18,056)	—	—	(18,056)
Recovered after write-off	—	—	2,755	2,755
Provision for impairment of financing receivables as at 31 December 2019	114,139	29,048	107,341	250,528

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

	2020	2019
Discounted bills	17,083	9,711
Commercial acceptance bills	168,964	—
	186,047	9,711

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

	2020	2019
Less than 3 months	167,188	2,961
3 months to 6 months	16,989	5,750
6 months to 12 months	1,870	1,000
	186,047	9,711

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19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(d) The carrying amounts of the Group's trade, financing and bills receivables are denominated in the following currencies:

	2020	2019 (Restated)
RMB	26,090,949	14,801,075
USD	1,245,906	2,968,054
EURO	61,518	269,214
ZAR (South African Rand)	5,057	4,811
HKD	—	483
Others	14,357	—
	27,417,787	18,043,637

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019 (Restated)
Current portion		
Prepayments	851,872	305,180
Deposits	374,357	223,616
Others	1,416,216	805,278
	2,642,445	1,334,074
Provision for impairment	(32,355)	(60,682)
	2,610,090	1,273,392
Non-current portion		
Long-term prepayments	332,709	57,706
Contingent consideration	17,125	—
	349,834	57,706
	2,959,924	1,331,098

(All amounts in RMB thousands unless otherwise stated)

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

The movements in provision for impairment of prepayments and other receivables are as follows:

	2020	2019 (Restated)
At 1 January	60,682	55,341
Impairment losses, net (note 6)	(36,484)	5,341
Amount written off as uncollectible	(287)	—
Addition of acquisition of a subsidiary	8,444	—
At 31 December	32,355	60,682

Financial assets included in prepayments and other receivables mainly represent deposits with suppliers and other parties. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2020 was 1.09% (2019: 4.56%). The credit quality of the financial assets included in prepayments and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

(e) The carrying amounts of the Group's other receivables are denominated in the following currencies:

	2020	2019 (Restated)
RMB	333,811	151,844
USD	7,791	8,415
HKD	400	2,675
	342,002	162,934

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

	2020	2019
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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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019 (Restated)
Debt investments		
– bank acceptance bills	4,384,164	2,214,070
– commercial acceptance bills	—	48,243
	4,384,164	2,262,313

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

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

	2020	2019 (Restated)
Less than 3 months	3,425,854	1,367,283
3 months to 6 months	898,473	804,201
6 months to 12 months	59,837	90,829
	4,384,164	2,262,313

All debt investments as at 31 December 2020 and 2019 are denominated in RMB.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019 (Restated)
Listed equity investments, at fair value	58,933	24,966
Wealth management product		
– with the principle and interest non-guaranteed	5,381,328	1,690,135
	5,440,261	1,715,101

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

(All amounts in RMB thousands unless otherwise stated)

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets at fair value through profit or loss are denominated in the following currencies:

	2020	2019 (Restated)
RMB	5,430,763	1,690,135
HKD	9,498	24,966
	5,440,261	1,715,101

24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2020	2019 (Restated)
Cash and bank balances	23,349,064	11,423,639
Time deposits	2,700,000	4,500,000
Cash and cash equivalents	26,049,064	15,923,639
Restricted cash	4,557,794	2,457,339
	30,606,858	18,380,978

As at 31 December 2020, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB22,648,970,000 (2019: RMB14,209,020,000 (restated)). The RMB kept in Mainland China is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks which are authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the deposit rates of the respective periods. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

The management considered the credit risks in respect of bank deposits with financial institutions are relatively minimum as each counterparty either bears a high credit rating or is large state-owned or listed PRC bank with good reputation.

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24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

The breakdown of restricted cash by nature as at the year end is as follows:

	2020	2019 (Restated)
Deposits for issuing bank acceptance bills	820,423	249,645
Deposits for issuing letters of credit	55,842	28,139
Mandatory reserve deposits (i)	3,651,934	2,132,978
Other restricted cash	29,595	46,577
	4,557,794	2,457,339

(i) The Group is required to place mandatory deposits with the People's Bank of China for deposit taking.

Cash and cash equivalents and restricted cash are dominated in:

	2020	2019 (Restated)
RMB	27,186,317	16,644,348
USD	3,217,810	1,584,790
EURO	117,173	90,223
HKD	55,735	43,887
GBP (Great Britain Pound)	—	251
Others	29,823	17,479
	30,606,858	18,380,978

25. TRADE AND BILLS PAYABLES

	2020	2019 (Restated)
Trade payables	41,808,190	19,120,971
Bills payables	12,886,773	6,064,418
	54,694,963	25,185,389

(All amounts in RMB thousands unless otherwise stated)

25. TRADE AND BILLS PAYABLES (CONTINUED)

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

	2020	2019 (Restated)
Less than 3 months	42,560,649	21,796,144
3 months to 6 months	11,088,282	3,208,633
6 months to 12 months	880,321	76,850
1 year to 2 years	118,741	75,846
2 years to 3 years	32,223	14,761
Over 3 years	14,747	13,155
	54,694,963	25,185,389

Trade payables are non-interest-bearing. Credit periods granted by each individual supplier or contractor are on a case-by-case basis and set out in the respective contracts.

Trade and bills payables are denominated in:

	2020	2019 (Restated)
RMB	54,631,949	25,171,236
USD	49,497	11,660
EURO	13,517	1,986
HKD	—	507
	54,694,963	25,185,389

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26. OTHER PAYABLES AND ACCRUALS

	2020	2019 (Restated)
Other payables	4,506,782	4,941,998
Volume rebate	1,233,776	783,049
Contract liabilities (a)	4,298,059	1,764,250
Accruals	857,407	354,578
Staff salaries and welfare	1,682,203	1,028,413
Termination and post-employment benefits due less than one year (note 30)	236,764	—
Other taxes and surcharge payables	1,409,629	218,202
	14,224,620	9,090,490

Other payables are non-interest-bearing and repayable on demand.

(a) Details of contract liabilities are as follows:

	31 December 2020	31 December 2019 (Restated)	1 January 2019 (Restated)
Short-term advances received from customers			
Sale of goods	4,270,755	1,744,364	2,307,305
Rendering of services	27,304	19,886	43,514
	4,298,059	1,764,250	2,350,819

Contract liabilities mainly represent receipts in advance from customers prior to the satisfaction of performance obligations. The increase in contract liabilities in 2020 was mainly due to the increase in truck sales orders which has led to a substantial increase in the amount of deposits by dealers.

Other payables are denominated in:

	2020	2019 (Restated)
RMB	4,360,973	4,862,055
USD	98,448	—
HKD	44,482	3,478
EURO	2,105	76,465
KTZ	436	—
ZAR (South African Rand)	338	—
	4,506,782	4,941,998

(All amounts in RMB thousands unless otherwise stated)

27. BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity		Effective interest rate (%)	Maturity	
Current						
Bank borrowings - unsecured	3.00-3.85	2021	1,300,000	3.36-3.69	2020	1,000,000
Bank borrowings - secured	4.00	2021	157,910	—	—	—
Related parties borrowings - unsecured	4.05	2021	16,000	—	—	—
			1,473,910			1,000,000
Non-current						
Bank borrowings - secured	4.00	2022-2024	237,930	—	—	—
			1,711,840			1,000,000

	2020	2019
Borrowings repayable:		
Within one year	1,473,910	1,000,000
In the second year	157,910	—
In the third to fifth years, inclusive	80,020	—
	1,711,840	1,000,000

At the end of the reporting period, all borrowings were denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

27. BORROWINGS (CONTINUED)

The Group has the following undrawn borrowing facilities:

	2020	2019 (Restated)
Expiring within one year	18,049,000	21,227,190

The Group's overdraft facilities amounted to RMB33,285,000,000 (2019: RMB27,584,290,000 (restated)), of which RMB15,236,000,000 (2019: RMB6,357,100,000 (restated)) had been utilised as at the end of the year.

Certain of the Group's bank loans are secured by mortgages of the Group's buildings and land use right, which had an aggregate carrying value at the end of the reporting period were RMB555,097,000 (2019: RMB683,582,000).

28. PROVISIONS

	Product warranties	Legal claims	Total
At 1 January 2020 (as restated)	1,222,036	22,225	1,244,261
Additional provisions	2,478,756	4,208	2,482,964
Amounts utilised during the year	(1,564,768)	(22,052)	(1,586,820)
At 31 December 2020	2,136,024	4,381	2,140,405

The Group provides product warranties ranging from half year to three years to its customers on the trucks and buses and from five to eight years on the batteries of the buses during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

The legal claim is subject to legal arbitration and is expected to be finalised in late 2021. At the end of the reporting period, the provision has been reassessed and, as a result thereof, it has been decreased to RMB4,381,000.

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29. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

DEFERRED TAX ASSETS

	Provision for receivables and inventories	Pensions and other post-retirement benefits	Unrealised profit	Accrued expenses and provisions	Fair value adjustment arising from business combination	Deferred income	Loss available for offsetting against future taxable profits	Others	Total
At 1 January 2019 (As restated)	389,729	1,245	380,776	474,737	56,639	57,439	66,054	78,971	1,505,590
Deferred tax credited/(charged) to profit or loss (note 10)	233,174	(366)	(11,092)	23,786	(2,993)	(2,566)	(47,972)	37,731	229,702
Gross deferred tax assets at 31 December 2019 and 1 January 2020 (Restated)	622,903	879	369,684	498,523	53,646	54,873	18,082	116,702	1,735,292
Deferred tax credited/(charged) to profit or loss (note 10)	(171,279)	148,027	203,585	393,262	32,998	(11,781)	340	74,664	669,816
Deferred tax credited to other comprehensive income	—	7,953	—	—	—	—	—	9,211	17,164
Acquisition of a subsidiary	—	—	—	—	59	—	—	—	59
Gross deferred tax assets at 31 December 2020	451,624	156,859	573,269	891,785	86,703	43,092	18,422	200,577	2,422,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
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29. DEFERRED TAX (CONTINUED)

DEFERRED TAX LIABILITIES

	Depreciation allowance in excess of related depreciation	Fair value adjustment arising from business combination	Fair value arising from property, plant and equipment and land use right	Fair value adjustment arising from investment property	Total
At 1 January 2019 (Restated)	18,834	23,260	8,781	1,679	52,554
Deferred tax charged/(credited) to profit or loss (note 10)	29,839	(80)	—	(1,287)	28,472
At 31 December 2019 and 1 January 2020 (Restated)	**48,673**	**23,180**	**8,781**	**392**	**81,026**
Deferred tax charged/(credited) to profit or loss (note 10)	**61,547**	**(261)**	**—**	**(769)**	**60,517**
Acquisition of a subsidiary	**—**	**50,459**	**—**	**—**	**50,459**
At 31 December 2020	**110,220**	**73,378**	**8,781**	**(377)**	**192,002**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020	2019 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**2,327,101**	1,688,157
Net deferred tax liabilities recognised in the consoidated statement of financial position	**96,772**	33,891

(All amounts in RMB thousands unless otherwise stated)

29. DEFERRED TAX (CONTINUED)

The Group has tax losses arising in Mainland China of RMB2,901,654,000 (2019: RMB1,107,160,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2020	2019 (Restated)
Tax losses not recognised as deferred assts	**2,901,654**	1,107,160
Deductible temporary differences	**1,165,861**	219,586
	4,067,515	1,326,746

30. TERMINATION AND POST-EMPLOYMENT BENEFITS

	2020	2019 (Restated)
Termination benefits (a)	**454,599**	1,038
Post-employment benefits (b)	**380,626**	33,510
	835,225	34,548
Less: current portion (Note 26)	**236,764**	—
Non-current portion	**598,461**	34,548

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30. TERMINATION AND POST-EMPLOYMENT BENEFITS (CONTINUED)

(a) The termination benefit balance mainly represents the early retirement plan under the streamlining of the human resources structure. The termination benefits recognized in the consolidated statement of profit or loss are as follows:

	2020	2019
Termination benefits, included in staff cost	572,995	(337)

(b) In 2020, the Group approved the supplementary pension insurance plans and other comprehensive retirement benefit plans for employees who retired before 1 January 2019. These plans include annual living subsidies for employees after their retirement.

The amounts of post-employment benefits recognised in the consolidated statement of financial position are determined as follows:

	2020	2019 (Restated)
Present value of benefit plans	380,626	33,510
Unrecognised actuarial losses	—	—
Liability in the consolidated statement of financial position	380,626	33,510

The movements of post-employment benefits recognised in the consolidated statement of financial position are as follows:

	2020	2019 (Restated)
As at 1 January	33,510	6,260
Post-employment benefits recognised in profit and loss	331,800	27,892
Remeasurement of post-employment benefits recognised in other comprehensive income	23,286	69
Benefits paid	(7,970)	(711)
As at 31 December	380,626	33,510
Less: current portion	39,575	—
Non-current portion	341,051	33,510

(All amounts in RMB thousands unless otherwise stated)

30. TERMINATION AND POST-EMPLOYMENT BENEFITS (CONTINUED)

The material actuarial assumptions used in valuing these obligations are as follows:

(i) Discount rates adopted and salary increase adopted:

	2020	2019 (Restated)
Termination benefits and post-employment benefits discount rate	**2.75% / 3.25%**	3.77%
Average salary increase rate	**8%**	10% to 12%

(ii) Mortality: Average life expectancy of residents in the PRC.

31. DEFERRED INCOME

	2020	2019 (Restated)
Government grants	**504,895**	535,231

During 2020, recognition of deferred income amounting to RMB116,116,000 is credited to profit or loss (2019: RMB90,090,000).

32. SHARE CAPITAL

	2020	2019
Issued and fully paid:		
2,760,993,339 (2019: 2,760,993,339) ordinary shares	**16,717,024**	16,717,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the financial statements.

The Group's capital reserve is the reserve arising from asset donations and transactions with CNHTC as a result of the reorganisation and transactions with non-controlling interests.

The Group's statutory reserves are the aggregate statuary reserves of all PRC subsidiaries. In accordance with PRC regulation and articles of association of the subsidiaries incorporated in PRC("PRC subsidiaries"), before distributing the profit each year, the PRC subsidiaries are required to set aside 10% of their statutory net profit for the year after offsetting any prior's year's losses as determined under the PRC accounting regulations to the statutory reserve. When the balance of such reserve reached 50% of the capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior year's losses or issue bonus shares. However, such statutory reserve must be maintained at a minimum of 25% of the entity's capital after such issuance.

According to the regulations of the Notice of the Ministry of Finance on Issuing the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued on 30 March 2012, financial enterprises shall, based on their actual conditions, carry out quantitative analysis on the risks to which the risk assets are exposed via the internal model approach or standard approach to determine the estimated value of potential risk. A general provision is made for the part that the estimated value of potential risk excesses the impairment of assets. In principle, balance of general provision shall be no lower than 1.5% of the ending balance of risk assets. The proportion (1.5%) that the balance of general provision accounts for the ending balance of risk assets could be reached in several years, but no more than 5 years in principle, if it is not available for a financial enterprise by one-time.

The merger reserve of the Group represents the difference between the nominal value of the shares or the capital of the subsidiaries that had been acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the Reorganisation or cash consideration paid for purchase of subsidiary as a business combination under common control subsequent to the Reorganisation.

(All amounts in RMB thousands unless otherwise stated)

34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Company's subsidiaries that have material non-controlling interests are set out below:

Sinotruk Ji'nan Truck Co., Ltd.	2020	2019
Percentage of equity interest held by non-controlling interests	36.22%	36.22%

Sinotruk Ji'nan Truck Co., Ltd.	2020	2019
Profit for the year allocated to non-controlling interests	558,218	391,500
Dividends paid to non-controlling interests	133,686	111,810
Accumulated balances of non-controlling interests at the reporting date	2,517,346	2,126,403

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Sinotruk Ji'nan Truck Co., Ltd.	2020	2019
Revenue	53,248,142	36,739,244
Total expenses	(51,706,955)	(35,659,953)
Profit for the year	1,541,187	1,079,291
Total comprehensive income for the year	1,453,121	1,080,892
Current assets	25,941,748	21,827,939
Non-current assets	3,428,412	2,175,502
Current liabilities	21,746,964	15,950,205
Non-current liabilities	266,874	187,789
Net cash flows from operating activities	3,495,153	1,020,921
Net cash flows (used) in/from investing activities	(394,683)	238,007
Net cash flows used in financing activities	(2,985,295)	(468,533)
Net increase in cash and cash equivalents	115,175	790,395

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35. BUSINESS COMBINATION

2020

On 31 December 2020, the Group acquired from Weichai Power Co., Ltd. 100% equity interest in Sinotruk (Chongqing) Light Vehicle Co., Ltd. ("Sinotruk Chongqing"), which is engaged in the business of the manufacture and sale of pickup trucks and others. The consideration was satisfied by cash, amounting to approximately RMB790,058,500. The acquisition was made as part of the Group's strategy to further develop its business.

The fair values of the identifiable assets and liabilities of Sinotruk Chongqing as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
Property, plant and equipment	13	746,385
Right-of-use assets	15	276,781
Other intangible assets	16	73,140
Interests in associates		6,428
Financial assets at fair value through other comprehensive income		61,011
Deferred tax assets		59
Inventories		91,201
Prepayments, other receivables and other assets		280,957
Cash and cash equivalents and restricted cash		205,226
Trade and bills payables		(253,911)
Other payables and accruals		(313,017)
Borrowings		(395,840)
Lease liabilities	15	(2,967)
Deferred tax liabilities		(50,459)
Total identifiable net assets at fair value		724,994
Goodwill on acquisition		65,065
Satisfied by cash		790,059

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to nil and RMB280,957,000, respectively. The gross contractual amounts of trade receivables and other receivables of RMB1,020,000 and RMB280,957,000, respectively, of which trade receivables of RMB1,020,000 are expected to be uncollectible.

The Group did not incur transaction costs for this acquisition.

(All amounts in RMB thousands unless otherwise stated)

35. BUSINESS COMBINATION (CONTINUED)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	(790,059)
Cash and cash equivalents acquired	113,761
Net outflow of cash and cash equivalents included in cash flows from investing activities	(676,298)
Transaction costs of the acquisition included in cash flows used in operating activities	—
	(676,298)

Sinotruk Chongqing has no contribution to the Group's revenue and consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB98,932,671,000 and RMB6,927,070,000, respectively.

2019

On 31 December 2019, the Group acquired through step acquisition by purchase of the remaining 35% equity interest of Hongye and, thereafter Hongye is a wholly owned subsidiary of the Company.

The fair values of the identifiable assets and liabilities of Hongye as at the date of acquisition were as follows:

	Fair value recognised on acquisition
Trade receivables	319,997
Cash and cash equivalents	100,612
Trade payables	(158,415)
Other payables and accruals	(34,286)
Total identifiable net assets at fair value	227,908
Goodwill on acquisition	13,610
	241,518
Fair value of interest in a joint venture	157,006
Satisfied by cash	84,512
	241,518

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35. BUSINESS COMBINATION (CONTINUED)

2019 (CONTINUED)

The fair values and gross contractual amounts of the trade receivables and at the date of acquisition amounted to RMB319,997,000 and RMB319,997,000, respectively.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	(84,512)
Cash and cash equivalents acquired	100,612
Net inflow of cash and cash equivalents included in cash flows from investing activities	16,100

36. DISPOSAL OF A SUBSIDIARY

	Notes	2020
Net assets disposed of:		
Property, plant and equipment	13	**2,001**
Prepayments, other receivables and other assets		**63**
Cash and cash equivalents		**10**
Other payables and accruals		**(668)**
		1,406
Gain on disposal of a subsidiary	5	**3,479**
		4,885
Satisfied by:		
Cash		**4,885**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020
Cash consideration received	**4,885**
Cash and cash equivalents disposed of	**(10)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**4,875**

(All amounts in RMB thousands unless otherwise stated)

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2020, the Group endorsed bank acceptance bills to the suppliers for purchase of property, plant and equipment amounting to approximately RMB1,499,533,000 (2019: approximately RMB315,052,000).

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2020

	Bank borrowings	Related parties borrowings	Lease liabilities	Total
At 1 January 2020	1,000,000	—	57,379	1,057,379
Changes from financing cash flows	(700,000)	16,000	(23,355)	(707,355)
Changes from operating cash flows	1,000,000	—	—	1,000,000
New leases	—	—	4,358	4,358
Derecognition of leases	—	—	(18,108)	(18,108)
Additions as a result of acquisition of a subsidiary	395,840	—	2,967	398,807
At 31 December 2020	1,695,840	16,000	23,241	1,735,081

2019

	Bank borrowings	Related parties borrowings	Lease liabilities	Total
At 1 January 2019	3,000,000	1,886,000	9,918	4,895,918
Changes from financing cash flows	(1,800,000)	(1,886,000)	(27,608)	(3,713,608)
Changes from operating cash flows	(200,000)	—	—	(200,000)
New leases	—	—	75,069	75,069
At 31 December 2019	1,000,000	—	57,379	1,057,379

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37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) TOTAL CASH OUTFLOW FOR LEASES

	2020	2019 (Restated)
Within operating activities	(26,802)	(38,170)
Within financing activities	(20,873)	(27,608)
	(47,675)	(65,778)

38. 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 the finance leasing companies in the event of customer's default in repayment or under certain specific conditions stipulated in the contract. As at 31 December 2020, the Group's maximum exposure to these obligations was RMB30,000,000 a year.

(B) OTHERS

The directors are of the opinion that except for the provision for legal claims already made as disclosed in note 28, there is no material contingent liability in respect of legal claims. The provision for guarantees of product warranties is disclosed in note 28.

39. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020	2019 (Restated)
Property, plant and equipment and other intangible assets	2,098,586	502,280

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40. 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.

Before 31 December 2019, Sinotruk (Hong Kong) Hongye Limited ("Hongye") was a jointly controlled entity of the Group. The Group has acquired all remaining equity interests of Hongye on 31 December 2019, and thereafter Hongye has become a wholly-owned subsidiary of the Company.

Prinx and its subsidiaries (referred to as "Prinx Cayman Group"), Panzhihua Mining Truck, Changjiu Sinotruk, UZ TRUCK AND BUS MOTORS, Tianjin Tianjin, Shengrui Transmission and Chongqing Yunyang are associated companies of the Group.

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

(a) SIGNIFICANT RELATED PARTY TRANSACTIONS

Financing activities with related parties

(i) CNHTC Group

	Highest balance during the year ended 31 December 2020	Balance at 31 December 2020	Highest balance during the year ended 31 December 2019 (Restated)	Balance at 31 December 2019 (Restated)
Assets				
Loans	1,250,000	1,250,000	700,000	250,000
Liabilities				
Deposit taking	1,741,918	1,183,699	983,871	833,057
Borrowings	16,000	16,000	36,000	—
	1,757,918	1,199,699	1,019,871	833,057

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For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Trading, servicing and other transactions with related parties

	2020	2019 (Restated)
(i) CNHTC Group		
Sale of trucks	388,258	247,876
Purchases of trucks	1,892,245	2,515,358
Sale of spare parts	816,208	611,938
Purchases of spare parts	23,082	124,151
Supply of auxiliary production services	9,166	11,046
Purchases of general services	57,621	4,503
Rental income	11,269	11,286
Purchases of construction and project management services	1,503	47,366
Supply of technology development	895	3,028
Interest expense for deposit taking services	14,524	8,129
Interest expense for accepting loan service	504	1,583
Interest expense for leases	2,012	3,076
Aggregate of interest income for loan services	23,988	6,725
Fee income	39	86
Purchases of land use rights	11,610	—
Sale of property, plant and equipment	771	—
	3,253,695	3,596,151

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(All amounts in RMB thousands unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Trading, servicing and other transactions with related parties (Continued)

	2020	2019 (Restated)
(ii) FPFPS Group		
Sale of spare parts	**104,452**	14,891
(iii) Prinx Cayman Group		
Purchases of spare parts	**546,658**	295,841
(iv) Changjiu Sinotruk		
Purchases of general services	**96,214**	179,381
(v) Panzhihua Mining Truck		
Sale of trucks	**—**	1,504
(vi) Hongye		
Sale of trucks	**—**	153,551
Aggregate of interest expenses of deposit taking services	**—**	1,175
	—	154,726

(b) BALANCES WITH RELATED PARTIES

	2020	2019 (Restated)
Amounts due from related parties		
(i) CNHTC Group		
Loans	**1,250,000**	250,000
Trade receivables	**486**	2,620
Prepayments	**—**	17,981
	1,250,486	270,601

The interest rate of financing receivables to related parties is 3.69% (2019: 4.13%).

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For the year ended 31 December 2020
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40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED PARTIES (CONTINUED)

	2020	2019 (Restated)
Amounts due to related parties		
(i) CNHTC Group		
Contract liabilities	56,155	8,679
Other payables	18,649	1,401,176
Trade payables	176,592	74,119
Borrowings	16,000	—
Deposit taking	1,183,699	833,057
Lease liabilities	15,954	50,715
	1,467,069	2,367,746
(ii) Prinx Cayman Group		
Trade payables	—	63,984
(iii) Panzhihua Mining Truck		
Contract liabilities	—	183
(iv) Changjiu Sinotruk		
Other payables	—	11,930
Trade payables	—	16,557
	—	28,487

(All amounts in RMB thousands unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED PARTIES (CONTINUED)

As at 31 December 2020 and 2019, except for deposit taking and loans, amounts due from/to related parties were all unsecured and due within one year. As at 31 December 2020 and 2019, deposit taking from related parties and loans to related parties were unsecured, bearing interest at rates mutually agreed and due within one year.

As at 31 December 2020 and 2019, trade receivables due from related parties were not past due or impaired.

Balances with other state-owned enterprises

As at 31 December 2020 and 2019, majority of the Group's bank balances and borrowings were with state-owned banks.

(c) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP:

	2020	2019 (Restated)
Short term employee benefits	15,379	7,380
Pension scheme contributions	218	261
	15,597	7,641

Further details of directors' and chief executive's remuneration are included in note 8 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in RMB thousands unless otherwise stated)

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
		Debt investments	Equity investments		
Equity investments designated at fair value through other comprehensive income	—	—	33,125	—	33,125
Financial assets included in prepayments, other receivables and other assets	—	—	—	342,002	342,002
Contingent consideration included in prepayments, other receivables and other assets	17,125	—	—	—	17,125
Financial assets at fair value through profit or loss	5,440,261	—	—	—	5,440,261
Trade, financing and bills receivables	—	—	—	27,417,787	27,417,787
Financial assets at fair value through other comprehensive income	—	4,384,164	—	—	4,384,164
Cash and cash equivalents and restricted cash	—	—	—	30,606,858	30,606,858
	5,457,386	4,384,164	33,125	58,366,647	68,241,322

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost
Trade and bills payables	54,694,963
Financial liabilities included in other payables and accruals	5,364,189
Borrowings	1,711,840
Lease liabilities	23,241
	61,794,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in RMB thousands unless otherwise stated)

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2019 (Restated)

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
		Debt investments	Equity investments		
Equity investments designated at fair value through other comprehensive income	—	—	33,125	—	33,125
Financial assets included in prepayments, other receivables and other assets	—	—	—	162,934	162,934
Financial assets at fair value through profit or loss	1,715,101	—	—	—	1,715,101
Trade, financing and bills receivables	—	—	—	18,043,637	18,043,637
Financial assets at fair value through other comprehensive income	—	2,262,313	—	—	2,262,313
Cash and cash equivalents and restricted cash	—	—	—	18,380,978	18,380,978
	1,715,101	2,262,313	33,125	36,587,549	40,598,088

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost
Trade and bills payables	25,185,389
Financial liabilities included in other payables and accruals	5,296,576
Borrowings	1,000,000
Lease liabilities	57,379
Other non-current liabilities	10,000
	31,549,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2020 RMB'000	2019 RMB'000 (Restated)	2020 RMB'000	2019 RMB'000 (Restated)
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	—
Trade and financing receivables	7,195,586	2,853,310	7,195,586	2,853,310
	7,245,836	2,886,435	7,245,836	2,886,435
Financial liabilities				
Borrowings	237,930	—	237,930	—
Other non-current liabilities	—	10,000	—	10,000
	237,930	10,000	237,930	10,000

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, borrowings and other non-current liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(All amounts in RMB thousands unless otherwise stated)

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

FAIR VALUE HIERARCHY

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

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	Total
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
	58,933	4,384,164	5,431,578	9,874,675

As at 31 December 2019 (Restated)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	Total
Financial assets at fair value through profit or loss	24,966	—	1,690,135	1,715,101
Financial assets at fair value through other comprehensive income	—	—	2,295,438	2,295,438
	24,966	—	3,985,573	4,010,539

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

FAIR VALUE HIERARCHY (CONTINUED)

Assets measured at fair value (Continued)

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

	2020	2019 (Restated)
Financial assets at fair value through profit or loss and other comprehensive income and contingent consideration:		
At 1 January	3,985,573	723,181
Total gains recognised in the statement of profit or loss included in other income	47,868	34,441
Purchases	43,590,869	34,497,951
Disposal	(42,192,732)	(31,270,000)
At 31 December	5,431,578	3,985,573

During the year ended 31 December 2020, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

Level 1 financial assets at fair value through profit or loss comprise equity 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 and commercial 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 RMB186 million, with the principal and interest rates non-guaranteed, and from banks at aggregate principal of RMB5,195 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.

42. 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 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 31 December 2020

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

As at 31 December 2019

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade, financing and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The major foreign exchange risk exposure arises from its exporting and importing activities as well as the financing activities in Hong Kong. Accordingly, the Group has certain trade and other receivables, cash and cash equivalents and restricted cash, and trade and other payables denominated in foreign currencies, mainly USD, HKD and EURO, which are exposed to foreign currency translation risk.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts to reduce foreign exchange risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD/USD/EURO and RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in exchange rates %	Increase/(decrease) in profit before tax	
		2020	2019 (Restated)
If RMB weakens against HKD	(5)	1,058	3,414
If RMB strengthens against HKD	5	(1,058)	(3,414)
If RMB weakens against USD	(5)	216,178	223,416
If RMB strengthens against USD	5	(216,178)	(223,416)
If RMB weakens against EURO	(5)	8,153	17,773
If RMB strengthens against EURO	5	(8,153)	(17,773)

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK

The carrying amounts of cash and cash equivalents and restricted cash, trade, financing and bills receivables, and financial assets included in prepayments, other receivables and other assets and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents and restricted cash are held in major financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Trade, financing and bills receivables*	20,674,993	47,119	186,207	8,259,170	29,167,489
Financial assets included in prepayments, other receivables and other assets					
– Normal**	374,357	—	—	—	374,357
Cash and cash equivalents and restricted cash	30,606,858	—	—	—	30,606,858
	51,656,208	47,119	186,207	8,259,170	60,148,704

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2019 (Restated)

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Trade, financing and bills receivables*	9,521,635	137,789	107,341	10,494,383	20,261,148
Financial assets included in prepayments, other receivables and other assets					
– Normal**	223,616	—	—	—	223,616
Cash and cash equivalents and restricted cash	18,380,978	—	—	—	18,380,978
	28,126,229	137,789	107,341	10,494,383	38,865,742

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Further details about credit risks on trade, financing and bills receivables, and other receivables are disclosed in notes 19 and 20 to the consolidated financial statements.

(All amounts in RMB thousands unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Trade and bills payables	54,694,963	—	—	—	54,694,963
Financial liabilities included in other payables and accruals	5,364,189	—	—	—	5,364,189
Borrowings	1,514,178	165,987	81,784	—	1,761,949
Lease liabilities	21,646	2,543	59		24,248
	61,594,976	168,530	81,843	—	61,845,349

	2019 (Restated)				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Trade and bills payables	25,185,389	—	—	—	25,185,389
Financial liabilities included in other payables and accruals	5,296,576	—	—	—	5,296,576
Borrowings	1,033,349	—	—	—	1,033,349
Lease liabilities	31,215	29,660	139	—	61,014
	31,546,529	29,660	139	—	31,576,328

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2020.

Similar to the others in the industry, the Group monitors capital using the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as at the end of the reporting periods were as follows:

	2020	2019 (Restated)
Borrowings	**1,711,840**	1,000,000
Less: Cash and cash equivalents	**(26,049,064)**	(15,923,639)
Net debt	**(24,337,224)**	(14,923,639)
Total equity	**35,679,407**	29,526,443
Total capital	**11,342,183**	14,602,804
Gearing ratio	**Not Applicable**	Not Applicable

44. EVENTS AFTER THE REPORTING PERIOD

In January 2021, Weichai Power Co., Ltd. contributed RMB 526,705,667 in cash for 40% enlarged capital in Sinotruk Chongqing and, thereafter, the Group's interests in Sinotruk Chongqing has been diluted from 100% to 60%. Sinotruk Chongqing continues to be accounted for as a subsidiary of the Company.

Sinotruk Ji'nan Truck Co., Ltd. had completed its private placement by issue of new shares at 168,111,600 shares with gross proceeds at approximately RMB5,013,087,912 in March 2021. Such new shares were listed on the Shenzhen Stock Exchange on 15 March 2021. Thereafter, the Company's interest in Sinotruk Ji'nan Truck Co.,Ltd. has been diluted from approximately 63.78% to 51.00% and Sinotruk Ji'nan Truck Co., Ltd. continues to be accounted for as a subsidiary of the Company.

On 31 March 2021, Sinotruk Ji'nan Commercial Truck Co., Ltd., a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with CNHTC to acquire all equity in Sinotruk (Weihai) Commercial Vehicle Co., Ltd. at the preliminary consideration of approximately RMB244,652,100. The acquisition is still in progress at the date of this report.

(All amounts in RMB thousands unless otherwise stated)

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2020	2019
NON-CURRENT ASSETS			
Property, plant and equipment		33	309
Investment properties	(b)	16,483	—
Right-of-use assets		—	16,234
Investments in subsidiaries		18,858,207	17,913,207
Deferred income tax assets		13,847	9,394
Total non-current assets		18,888,570	17,939,144
CURRENT ASSETS			
Dividend receivable		1,986,008	1,500,008
Prepayment, other receivables and other assets		1,779	5,164
Cash and cash equivalents		103,502	19,458
Total current assets		2,091,289	1,524,630
CURRENT LIABILITIES			
Trade payables		90	1,076
Borrowings		300,000	400,000
Other payables and accruals		12,315	17,750
Total current liabilities		312,405	418,826
NET CURRENT ASSETS		1,778,884	1,105,804
TOTAL ASSETS LESS CURRENT LIABILITIES		20,667,454	19,044,948
Net assets		20,667,454	19,044,948
EQUITY			
Share capital		16,717,024	16,717,024
Retained earnings		3,950,430	2,327,924
Total equity		20,667,454	19,044,948

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2021 and was signed on its behalf.

Cai Dong
Director

Qu Hongkun
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
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45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

(a) A summary of the Company's reserve is as follows:

	Retained earnings
At 1 January 2019	1,578,977
Profit for the year	2,303,638
Dividend relating to 2018	(1,554,691)
At 31 December 2019 and 1 January 2020	2,327,924
Profit for the year	2,614,036
Dividend relating to 2019	(991,530)
At 31 December 2020	**3,950,430**

(b) The fair value of the Company's investment properties as at 31 December 2020 of RMB30,935,000 was estimated based on valuations performed by directors.

FIVE YEARS FINANCIAL SUMMARY

OPERATING RESULTS

	For the year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Revenue	32,958,901	55,457,928	62,727,504	62,613,499	98,197,985
Profit before income tax	921,582	4,055,433	5,732,710	4,960,601	9,550,730
Income tax expense	(258,750)	(719,538)	(1,005,719)	(1,044,542)	(2,127,080)
Profit for the year	662,832	3,335,895	4,726,991	3,916,059	7,423,650
Attributed to:					
Owners of the Company	532,105	3,023,023	4,345,891	3,474,186	6,850,524
Non-controlling interests	130,727	312,872	381,100	441,873	573,126
Profit for the year	662,832	3,335,895	4,726,991	3,916,059	7,423,650

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Total assets	49,485,343	61,183,016	64,468,769	67,102,872	111,008,261
Total liabilities	27,146,246	35,752,305	36,127,917	37,576,429	75,328,854
Total equity:					
Owners of the Company	19,911,809	22,757,463	25,488,545	26,359,642	32,115,008
Non-controlling interests	2,427,288	2,673,248	2,852,307	3,166,801	3,564,399
	22,339,097	25,430,711	28,340,852	29,526,443	35,679,407

FIVE YEARS FINANCIAL SUMMARY

In April 2020 and April 2019, the Group acquired the entire equity interests in Datong Gear and HOWO Bus from CNHTC, respectively. Each of the acquisitions of Datong Gear and HOWO Bus was considered to be a business combination under common control as the Group and Datong Gear as well as HOWO Bus are under common control of CNHTC both before and after their acquisitions. Accordingly, the results, assets and liabilities of Datong Gear and HOWO Bus should have been accounted for at historical amounts in the consolidated financial statements of the Company as if Datong Gear and HOWO Bus had always been part of the Group. The status of the adjustments of financial figures of Datong Gear and HOWO Bus into the above figures of the Company for the above years are:

Years	Inclusion of the relevant financial figures of	
	Datong Gear	HOWO Bus
2019 and 2020	Yes	Yes
2018	No	Yes
2016 and 2017	No	No


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