SINOTRUK
中国重汽

(Incorporated in Hong Kong with limited liability)

Stock Code : 03808

Annual Report

2022


中国重汽
黄河

CONTENTS

FINANCIAL FIGURES

	2022	2021	Increase/(Decrease)	
				%
Operating results (RMB million)				
Revenue	**59,291**	93,357	(34,066)	(36.5)
Gross profit	**10,013**	15,664	(5,651)	(36.1)
Profit attributable to owners of the Company	**1,797**	4,322	(2,525)	(58.4)
Profitability and Liquidity				
Gross profit ratio (%)	**16.9**	16.8	0.1	0.6
Net profit ratio (%)	**3.5**	5.0	(1.5)	(30.0)
Current ratio (time)	**1.3**	1.3	—	—
Trade receivable turnover (days)	**80.7**	45.8	34.9	76.2
Trade payable turnover (days)	**262.7**	217.0	45.7	21.1
Sales volume (units)				
HDTs				
— Domestic	**69,231**	227,775	(158,544)	(69.6)
— Export (including affiliated export)	**88,525**	54,050	34,475	63.8
Total	**157,756**	281,825	(124,069)	(44.0)
LDTs	**80,056**	129,068	(49,012)	(38.0)
Trucks sold under auto financing services	**29,474**	73,286	(43,812)	(59.8)
Per share data				
Earnings per share - basic (RMB)	**0.65**	1.57	(0.92)	(58.6)
2022 final dividend per share				
HKD	**0.33**	0.68	(0.35)	(51.5)
or				
RMB	**0.29**	0.55	(0.26)	(47.3)

DEFINITIONS

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

"Aggregate Trade Balance"	the total balances of the net trade receivables and acceptance bills which are classified as financial assets at fair value through other comprehensive income and as net bills receivable but excluding discounted bills of the Finance Segment
"AGM"	the annual general meeting of the Company or any adjournment thereof
"Articles"	the articles of association of the Company, as amended, supplemented, modified or otherwise adopted from time to time
"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
"Board Office"	the board office of the Company
"BOCOM International Holdings Company Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 03329)
"CAAM"	China Association of Automobile Manufacturers
"China Everbright Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 00165)
"China" or "PRC" or "Mainland China"	the People's Republic of China, and for the purpose of this annual report, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"China Spacesat Co., Ltd."	中國東方紅衛星股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600118)
"CITIC Dameng Holdings Ltd."	a company listed on the Main Board of the Stock Exchange (stock code: 01091)
"CNHTC"	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the intermediate holding company of the Company as at 31 December 2022
"CNHTC Group"	CNHTC and its subsidiaries other than the Group
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

DEFINITIONS

"Company"or "Sinotruk"	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange
"Concord New Energy Group Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 00182)
"Dali Foods Group Company Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 03799)
"Datong Gear"	中國重汽集團大同齒輪有限公司 (Sinotruk Datong Gear Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"ED(s)"	the executive Director(s)
"Engines Segment"	the engines segment of the Group which engages in manufacture and sale of engines and related parts
"ESG"	environmental, social and governance
"Euro"	the lawful currency of the European Union
"Executive Committee"	the executive committee of the Company
"Finance Segment"	the finance segment of the Group which engages in provision of deposit taking, borrowings, bills discounting, issue of bills and entrustment loans to the members of the Group and members of CNHTC Group as well as the provision of auto and supply chain financing services to the public
"FPFPS"	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
"FPFPS Group"	FPFPS and its subsidiaries including Volkswagen AG and TRATON SE
"GAAP"	generally accepted accounting principles
"GDP"	gross domestic product

DEFINITIONS

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

DEFINITIONS

"LDTs and Others Segment"	the light duty trucks and others segment of the Group which engages in manufacture and sale of light duty trucks, buses, etc. and related components
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"NED(s)"	the non-executive Director(s)
"Nomination Committee"	the nomination committee of the Company
"Operating Profit (Loss) Margin"	the ratio of operating profit (loss) to revenue of the segment of the Group
"PBOC"	The People's Bank of China
"Period"	the year ended 31 December 2022
"Previous Period"	the year ended 31 December 2021
"Products Revenue"	the revenue of sales of goods and rendering of services by the segments of heavy duty trucks, light duty trucks and buses as well as engines to external customers
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SG Automotive Group Co., Ltd."	a company listed on the Shanghai Stock Exchange (stock code: 600303)
"Shanghai Baolong Automotive Corporation"	a company listed on the Shanghai Stock Exchange (stock code: 603197)
"Shanghai Stock Exchange"	Shanghai Stock Exchange in the PRC

DEFINITIONS

"Share(s)"	the ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange in the PRC
"SHIG"	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a state-owned enterprise organized under the laws of the PRC with limited liability being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company upon the registration as a holder of 65% equity in CNHTC on 25 February 2022
"SHIG Group"	SHIG and its subsidiaries including the CNHTC Group and the Weichai Group but other than the Group
"Silver Grant International Industries Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 00171)
"Springland International Limited"	a company delisted from the Main Board of the Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy and Investment Committee"	the strategy and investment committee of the Company
"Subsidiary"	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and "Subsidiaries" shall be construed accordingly
"Sun.King Power Electronics Group Limited"	a company listed on the Main Board of the Stock Exchange (stock code: 00580)
"TRATON SE"	a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and the shares of which are listed on the Frankfurt Stock Exchange in Germany and NASDAQ STOCKHOLM (stock code: ISIN DE000TRAT0N7, WKN TRAT0N and symbol 8TRA)
"USD"	United States dollars, the lawful currency of the United States of America
"Volkswagen AG"	Volkswagen AG, a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and an intermediate holding company of TRATON SE and the shares of which are listed on Frankfurt Stock Exchange in Germany (stock code: ISIN DE0007664005, WKN 766400 and symbol VOW)

DEFINITIONS

"Volkswagen Group"	Volkswagen AG and its subsidiaries, including TRATON SE
"Weichai Heavy-duty Machinery Co., Ltd."	a company listed on the Shenzhen Stock Exchange (stock code: 000880)
"Weichai Group"	Weichai Holdings and its subsidiaries, including Weichai Power
"Weichai Holdings"	濰柴控股集團有限公司 (Weichai Group Holdings Limited), a company organized under the laws of the PRC with limited liability
"Weichai Power"	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company organized under the laws of the PRC with limited liability which shares are listed on the Main Board of the Stock Exchange (stock code: 02338) and on the Shenzhen Stock Exchange (stock code: 000338)
"Yangzhou Yaxing Motor Coach Co., Ltd."	揚州亞星客車股份有限公司 (Yangzhou Yaxing Motor Coach Co., Ltd.), a company listed on the Shanghai Stock Exchange (stock code: 600213)
"YoY"	year-over-year
"Zhejiang Wanfeng Auto Wheel Co., Ltd."	a company listed on the Shenzhen Stock Exchange (stock code: 002085)
"%"	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Wang Zhijian *(Chairman)*
Mr. Wang Chen *(President)*
Mr. Liu Wei
Mr. Zhang Wei
Ms. Li Xia
Ms. Zhao Hong
Mr. Richard von Braunschweig

NON-EXECUTIVE DIRECTORS:

Mr. Sun Shaojun
Mr. Alexander Albertus Gerhardus Vlaskamp
Mr. Karsten Oellers
Mr. Mats Lennart Harborn

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

EXECUTIVE COMMITTEE

Mr. Wang Zhijian *(Chairman)*
Mr. Wang Chen
Mr. Liu Wei
Mr. Zhang Wei
Ms. Li Xia
Ms. Zhao Hong
Mr. Richard von Braunschweig

STRATEGY AND INVESTMENT COMMITTEE

Mr. Wang Zhijian *(Chairman)*
Mr. Wang Chen
Ms. Li Xia
Mr. Richard von Braunschweig
Mr. Zhao Hang

REMUNERATION COMMITTEE

Mr. Lyu Shousheng *(Chairman)*
Dr. Lin Zhijun
Mr. Liang Qing
Mr. Zhang Zhong
Mr. Sun Shaojun

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Zhang Zhong *(Chairman)*
Mr. Lyu Shousheng
Mr. Sun Shaojun

BOARD SECRETARY

Ms. Wang Li

HEAD QUARTERS

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

REGISTERED OFFICE IN HONG KONG

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

COMPANY SECRETARY

Mr. Kwok Ka Yiu

AUTHORIZED REPRESENTATIVES

Mr. Wang Chen
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 LLP

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

Board Office
PRC: Tel (86) 531 5806 3808
Hong Kong: Tel (852) 3102 3808
Fax (852) 3102 3812
Email: securities@sinotrukhk.com

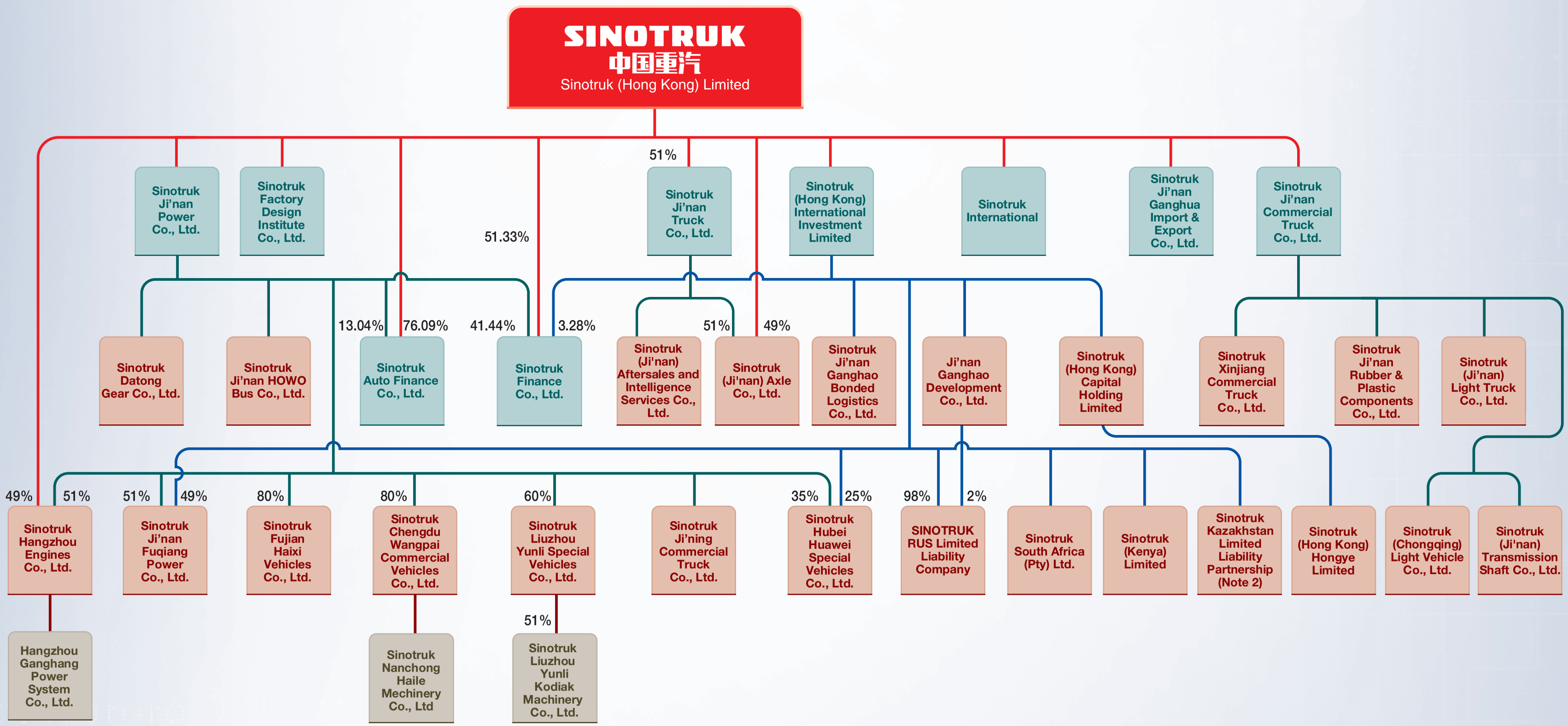
PUBLIC RELATIONS CONSULTANT

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

ORGANISATION STRUCTURE

ORGANISATION STRUCTURE

As at 31 December 2022



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.

THE GROUP

BUSINESS

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

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

OPERATIONS

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

(I) HEAVY DUTY TRUCKS SEGMENT

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

(II) LIGHT DUTY TRUCKS AND OTHERS SEGMENT

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

(III) ENGINES SEGMENT

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

(IV) FINANCE SEGMENT

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

SHAREHOLDER INFORMATION

Financial Calender 2023

Announce 2022 annual results	30 March
2023 AGM	28 June
Ex-dividend date for 2022 final dividend	4 July
2022 final dividend entitlement date	7 July
Latest time to submit RMB dividend election form	At 4:30 p.m. on 28 July
Announce 2023 interim results	August
Despatch dividend warrants	8 September

2022 Dividends

Proposed 2022 final dividend	HKD0.33 or RMB0.29 per Share
Dividend payout ratio (Note)	44.6%

Share Information

Stock code	03808.hk
Listing as at 31 December 2022	
– Number of issued Shares	2,760,993,339
– Market capitalization	RMB26,833 million
Board lot size	500 Shares

For Shareholders to attend and vote at 2023 AGM

Latest time to lodge transfer documents for registration with Sinotruk's registrar	At 4:30pm on 22 June 2023
Closure of Sinotruk's register of members	23 to 28 June 2023 (both dates inclusive)
Record date	28 June 2023

For Shareholders to be entitled to 2022 final dividend

Latest time to lodge transfer documents for registration with Sinotruk's registrar	At 4:30 p.m. on 5 July 2023
Closure of Sinotruk's register of members	6 to 7 July 2023 (both dates inclusive)
Record date	7 July 2023

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:

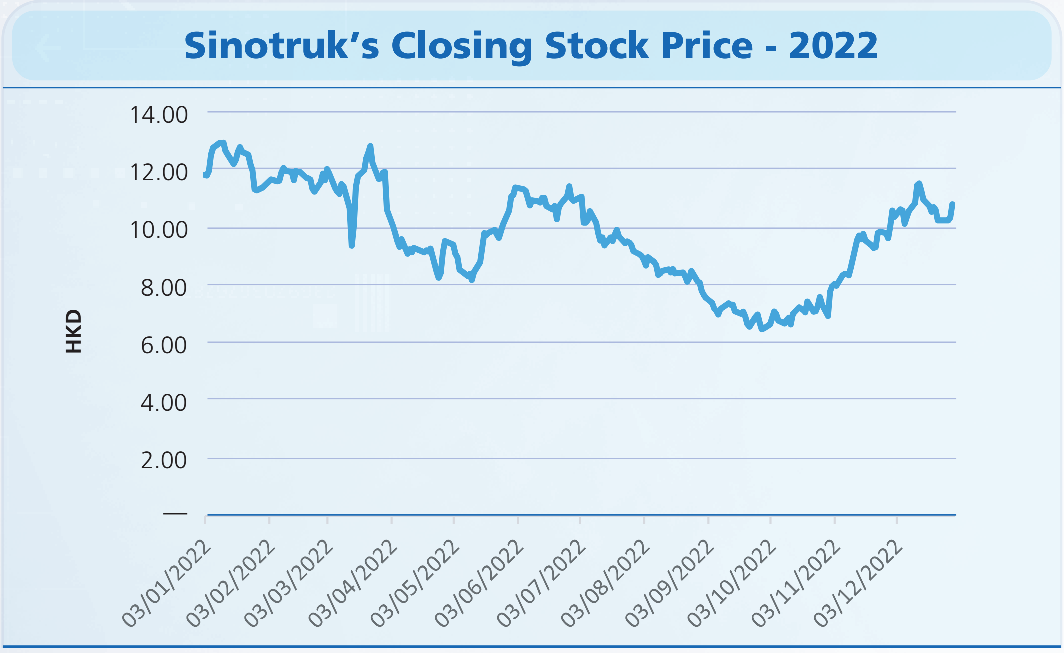
Address:	Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
Telephone:	(852) 2862 8555

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	HKD13.44
Minimum price	HKD6.44
Average closing price	HKD9.84



Shareholding Distribution as at 31 December 2022 (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	6,089	78.3%	3,010,614	0.1%
501 — 1000	1,099	14.2%	1,099,000	0.1%
1001 — 2000	470	6.0%	740,000	0.0%
2001 — 10000	101	1.3%	422,000	0.0%
10001 — 100000	16	0.2%	437,000	0.0%
100001 — 500000	2	0.0%	257,500	0.0%
Above 500,000	3	0.0%	2,755,027,225	99.8%
	7,780	100.0%	2,760,993,339	100.0%

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

CHAIRMAN'S STATEMENT

WANG ZHIJIAN
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 2022 as well as our prospects.

INDUSTRY REVIEW

In 2022, facing complicated and challenging circumstances both in and outside of China, the PRC government pursued economic and social development in a well-coordinated way, rolled out a full range of improvements to stabilize economy, seeing that the macro economy operated at a generally stable pace and China's GDP exceeded RMB120 trillion, representing a year-on-year increase of 3%.

In 2022, the overall external economic environment for the commercial vehicle has been under great pressure, resulting in a severe impact on the road freight market which has maintained in a slump for the year. According to statistics from CAAM, the scale of the HDT industry reached about 0.672 million vehicles, representing a year-on-year decrease of 51.8%. Under the combined effect of demand overdraft in advance, the new regulations on blue license plates, oil price fluctuations and demand contraction, the LDT industry achieved the sales volume of approximately 1.618 million units, a year-on-year decrease of 23.4%.

CHAIRMAN'S STATEMENT

OPERATIONS OF THE GROUP

2022 was a year of opportunities and challenges. Facing a complex domestic and international situation, the Group followed customer ideas throughout the whole process covering research and development, production and sales, accelerated the adjustment of product, market and business structure, strived to excel ourselves in the face of adversity, and maintained a strong growth resilience as well as favorable market competitiveness, further achieving high-quality development. Given the sluggish domestic market, we deepened the penetration of our business in segment markets and promoted the upgrading of product structure, achieving comprehensive breakthroughs in major segment markets. In addition, we seized the growth opportunity in overseas market, recorded a new high in export sales and ranked first in domestic HDT industry in terms of export market share, maintaining the leading role in export within the industry for consecutive years.

During the Period, the Group recorded revenue of RMB59,291 million, and the profit attributable to owners of the Company was RMB1,797 million. We are one of the best manufacturers in the domestic trucks industry with respect to profitability and the operating performance.

In this year, we continued to further our competitive edge in the market, and our overall operation performance ranked the best in the industry. HDT sales volume and market share both ranked first, with its remarkable performance in various segments including long-distance logistics transportation, express delivery, hazardous goods, muck and refrigeration, achieving a new breakthrough in segment markets with respect to its creation and improvement and gradually getting over from the cyclical business impact.

In this year, we took the opportunities to expand the overseas market, achieved an unprecedented breakthrough in export sales. In particular, the proportion of high-end products has constantly increased, and we exported approximately 89,000 HDTs for the year, representing an increase of 63.8% YoY.

In this year, we speeded up research and development capacity building and took the lead in key core technologies. We leveraged the finished vehicle platform and developed an innovation system for the collaboration of finished vehicles and the system, and reached the international leading level regarding the multiple-platform reliability, economical and power efficiency for HDTs. The new generation of Yellow River HDTs has been gradually launched and the first AMT products matched with natural gas engines were rolled out in China, and hydrogen fuel cell HDTs were applied in batches for various scenarios, showing that our research and development technologies has been continuously transformed into high-quality products.

In this year, we insisted on market-oriented reforms and constantly optimized and adjusted the product structure. Keeping abreast of the changes in market demand, we attained the most balanced product structure within the industry and significantly improved the ability to respond to market volatility.

FUTURE PROSPECTS

In 2023, the global inflation level is expected to decrease compared with 2022 as supply capacity in various countries gradually recovers, and the global economic recovery will proceed slowly. However, interest rate hike by the Federal Reserve and high inflation will continue to cast a significant impact on the economy, and the global economy growth rate is expected to slow down compared with 2022. According to the latest IMF forecast, the global economy is expected to grow by 2.9% in 2023. China's government proposed that the target of GDP growth for 2023 will be around 5%.

CHAIRMAN'S STATEMENT

Throughout the domestic commercial vehicle industry, opportunities and challenges will still coexist. For the HDT industry, economic recovery, the completion of infrastructure investment and real estate recovery will bring new market opportunities. In some areas, national IV restrictions and strict governance for environmental protection will bring replacement increments, and the demand for new energy HDTs will further increase. It is expected that the market size of the HDT industry will return to normal from the trough in 2023. For the LDT industry, driven by the implementation of the new blue license plate regulations and relax restrictions on right-of-way control, the transformation of LDT product structure is accelerating. It is expected that the market for the LDT industry will recover steadily in 2023.

The Group will continue to regard "customer satisfaction as our purpose" as the core value, and move forward to build a world-class full-series commercial vehicle group. In 2023, we will intensify our efforts to promote our brands, further expand, strengthen and improve domestic and overseas markets. The Group will continually increase its research and development investment, accelerate the commercialization process of to new energy resources and constantly promote the product structure upgrading. Talents from all over the world will be recruited to build a top talent team. The Group will stay committed to deepening reform, improve operational efficiency and digital capability, and strive to achieve sustainable and healthy development of the Group.

DIVIDENDS

The Board recommends the payment of a final dividend per share of HKD0.33 or RMB0.29 for the financial year ended 31 December 2022.

Wang Zhijian
Chairman

30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

TRUCKS MARKET

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

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

FINANCING MARKET

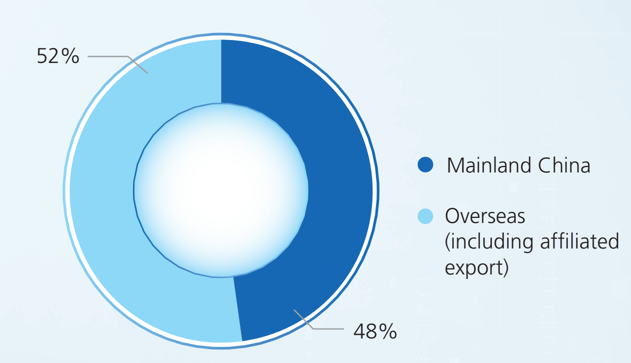
During the Period, the Chinese government continued to implement the loan prime rate (LPR) mechanism. One-year LPR was lowered once and the five-year LPR was lowered twice. As at 31 December 2022, one-year LPR was 3.65% while LPR of over five years was 4.30%.

OPERATION REVIEW

HDTS SEGMENT

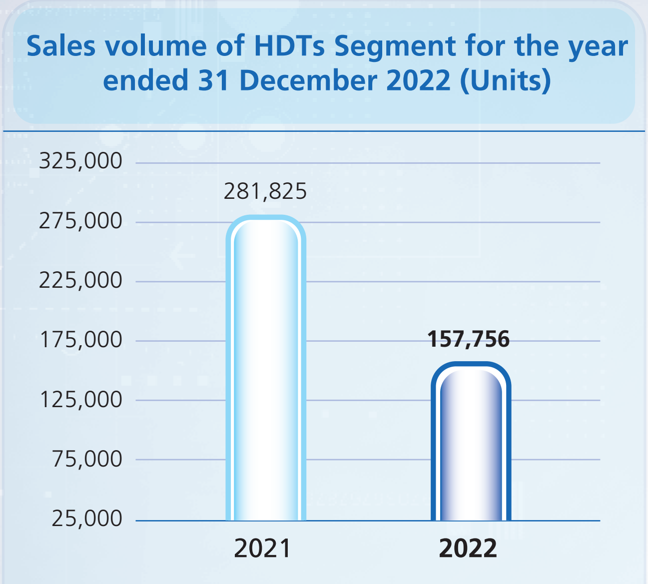
During the Period, total revenue from the HDTs segment (including sales of HDTs and services provided to customers thereof) was RMB50,300 million, representing a decrease of 36.8% YoY; The Operating Profit Margin of HDTs Segment was 5.2%, representing a decrease of 0.2 percentage points YoY. The decrease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

Revenue of HDTs Segment by geographic markets for the year ended 31 December 2022



MANAGEMENT DISCUSSION AND ANALYSIS

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



DOMESTIC BUSINESS

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

During the Period, the Group adhered to strategic guidance and innovative development, catered to market demand, and accelerated the optimization and upgrade of products and structure adjustment, and achieved comprehensive breakthroughs in market segments.

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

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

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

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

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

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

INTERNATIONAL BUSINESS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

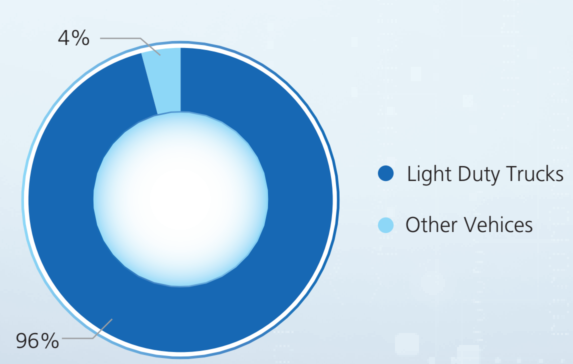
In 2022, turbulence in the world order such as the geopolitics and tensions between superpowers intensified global inflation. Major central banks around the world adopted tight monetary policies, and the global economic recovery remained stagnant. The Group's export business withstood all pressures and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

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

LDTs AND OTHERS SEGMENT

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

Revenue of LDTs and Others Segment by product types for the year ended 31 December 2022

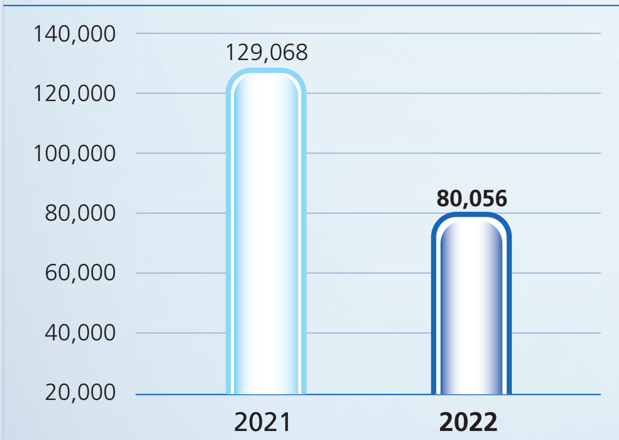


MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Sales volume of LDTs for the year ended 31 December 2022 (Units)



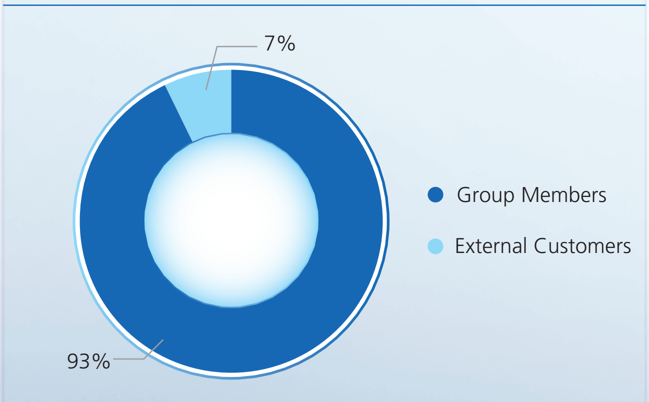
During the Period, the Group continuously optimized its product structure and achieved breakthroughs in key market segments. Firstly, the sales volume and market shares of vehicles of 2.0L, 2.3L, 2.5L were significantly improved, with vehicles of 2.0L and 2.5L gradually forming sales support; secondly,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

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

ENGINES SEGMENT

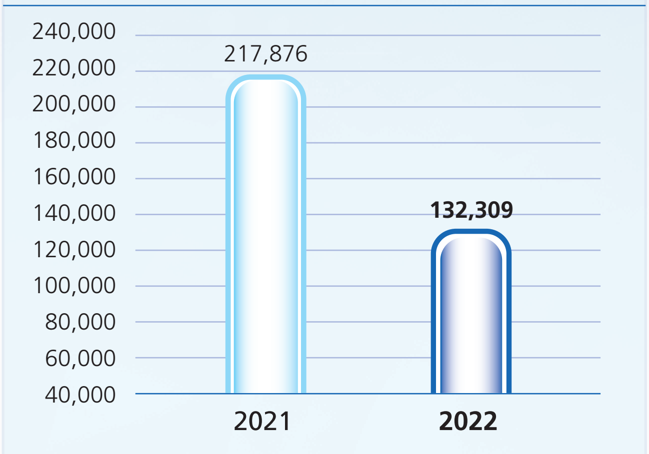
During the Period, the segment recorded total revenue (sales of engines) of RMB11,424 million, representing a decrease of 41.4% YoY, of which external sales accounted for 6.6%, representing an increase of 0.3 percentage points YoY. The Operating Profit Margin of the Engines Segment was 0.5%, representing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

Revenue of Engines Segment by customer types for the year ended 31 December 2022



During the Period, the engines segment sold 132,309 engines, representing a decrease of 39.3% YoY.

Sales volume of Engines Segment for the year ended 31 December 2022 (Units)



The Group is committed to research and development (R&D) of engine technologies, benchmarking with international standards and enhancing quality control to continuously create and improve the most competitive products in terms of quality, cost and technology. The Group keeps enhancing the competitiveness of existing engine products, increasing investment in new energy technologies, and constructing various advanced power parts and components platforms, to satisfy the needs of different products of finished vehicles including HDTs, LDTs and construction machine.

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

R&D STRENGTH

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

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

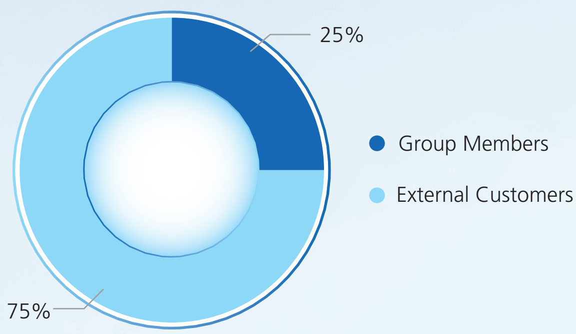
MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group adhered to strategic guidance and innovative development, catered to market demand, and accelerated the optimization and upgrade of products and structure adjustment to achieve new breakthroughs in several critical technologies. In terms of finished vehicles, the Group achieved certain innovative results, accomplished the light-weighting and modularization of original vehicle models, and completed the development of industry-leading new vehicle models. In terms of engines, fuel consumption reduction achieved positive progress, and the MC13H engine with thermal efficiency of 48% has been put into production, further reducing the fuel consumption. In addition, in terms of new energy and unmanned driving, the unmanned intelligent mine-duty trucks newly developed were used for pilot application in closed mining areas. The development and verification of electric drive axles of first generation were completed, and part of the products has been under the stage of delivery and pilot within a small scale.

FINANCE SEGMENT

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

Revenue of Finance Segment by customer types for the year ended 31 December 2022



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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

(i) commercial lending ("**Commercial Lending**") which involves the provision of loans to the Borrowers, bill discounting services for bank bills presented by the Borrowers and issue of bills (off-balance sheet credit business), and

(ii) auto-finance services ("**Auto-finance Services**"), which involves the provision of financing to the Borrowers, being end-users and dealers of the Group's products for the purpose of purchasing the Group's vehicles.

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

The money lending business of the Group were funded by the equity of the members of the Group which operates the Finance Segment, deposits made by other Group members, the Group's bank borrowings and internal financial resources of the Group. Depending on the type of lending services provided, the Group generally charges an interest rate that ranges from 1.5% to 11%. The ageing analysis of the total outstanding net amounts and interest receivables of money lending business based on the maturity date at 31 December 2021 and 31 December 2022 is as follows:

RMB million	2022	2021
Less than 3 months	**3,336**	5,455
3 months to 6 months	**2,847**	4,501
6 months to 12 months	**3,385**	6,836
1 year to 2 years	**1,925**	4,468
2 years to 3 years	**217**	286
	11,710	21,546

COMMERCIAL LENDING

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

AUTO-FINANCE SERVICES

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

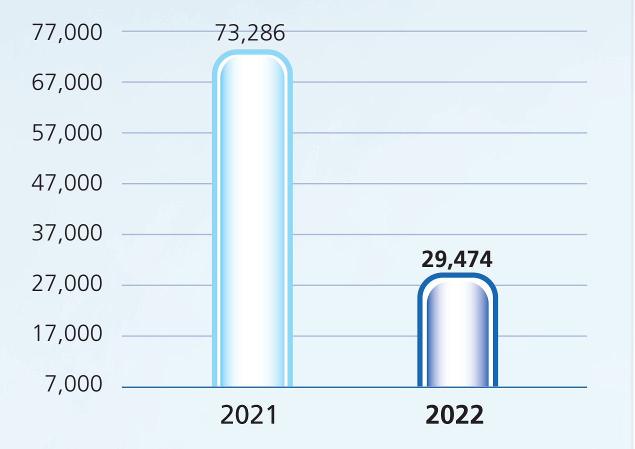
All amounts granted under the Auto-finance Services are guaranteed by the Borrowers (and, for those that are entities, by guarantees of their owner(s) as well), and in respect of certain Borrowers, the relevant amounts are also guaranteed by the dealers. For loans involving a large amount, further security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

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

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

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

Trucks sold under Auto-finance services for the year ended 31 December 2022 (Units)



IMPAIRMENTS AND WRITE-OFFS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

KEY INTERNAL CONTROL MEASURES

Credit risk assessment

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

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

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

Monitoring of loan collection and recovery

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

MANAGEMENT DISCUSSION AND ANALYSIS

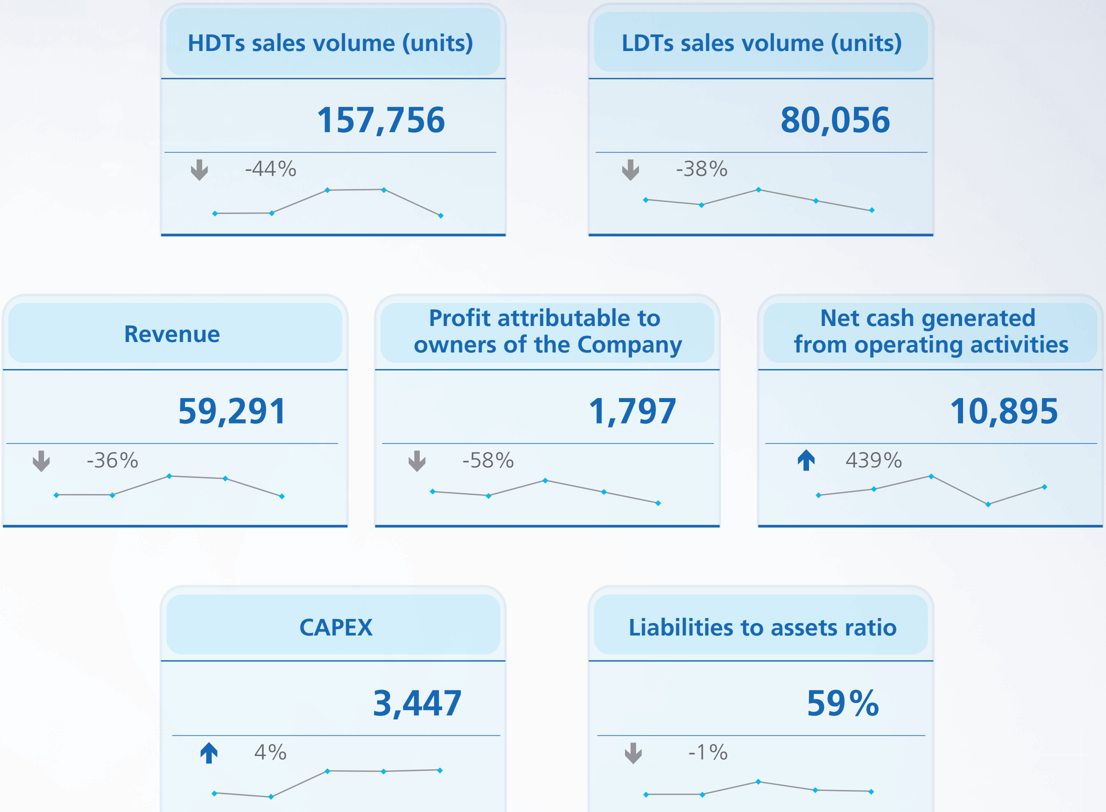
The Group has also adopted a policy for loan collection/recovery, pursuant to which, depending on the status of the overdue payment, the Business Units will continuously contact the Borrower via different means including by phone and on-site interviews, issue overdue payment reminder to the Borrower,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

MAJOR KEY PERFORMANCE INDICATORS ("KPI")

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

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

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



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

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

MANAGEMENT DISCUSSION AND ANALYSIS

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND OTHERS

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

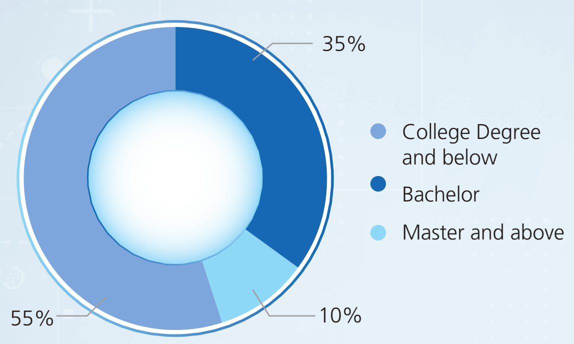
During the Period, the remuneration of the Group (including salaries, retirement benefits, other welfares and post-employment benefits) to all employees including Directors amounted to RMB5,302 million, representing a decrease of 23.6% YoY. The decrease was mainly due to the sharp decline in production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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Education of employees



ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

COMPLIANCE MATTERS

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

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

PRINCIPAL RISKS AND SOLUTIONS

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

1. QUALITY RISKS

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

MITIGATION MEASURES:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

2. HEALTH, SAFETY AND ENVIRONMENTAL RISKS

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

MITIGATION MEASURES:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

3. FOREIGN EXCHANGE RISKS

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

MITIGATION MEASURES:

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

Research on exchange rate fluctuations was strengthened and close attention was paid to changes in market exchange rates. The Group improved the timeliness and frequency of quotation in US dollars for front-line business personnel. The Group continued to conduct exchange settlements in batches at favorable time according to funding needs and changes in market exchange rates. When signing foreign trade contracts, where there is a possibility of exchange rate inversion, the Group adopted forward exchange rate hedging in a timely manner to lock in contract profits. Based on export business volume and collection plan, the Group estimated the amount of monthly receipts, and on this basis, cooperated with relevant banks on the financial products including foreign exchange derivatives with locked forward exchange rates to hedge the exchange losses that may be caused by exchange rate fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS STRATEGIES AND PROSPECTS

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

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

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

1. Follow the trend towards high-end products and continue to increase sales of high-end products. The Group will focus on strategic customers and fleet customers, continuously optimize the HOWO-T series and the Huanghe product portfolio, increase the promotion of SITRAK, and enhance brand influence.

2. Strengthen promotion of market segment and continue to increase market share. Taking scenario-based application as the starting point, we will create a highly versatile and relatively stable product system, quickly respond to market changes, and maintain market competitiveness.

3. Consolidate the advantages of the export market and continue to develop overseas markets. Firstly, the Group will further focus on the main countries of sales and maintain the dominant position in the main market; secondly, the Group will promote the implementation of the marketing cloud system, improve transportation efficiency, and ensure that orders are delivered on time.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

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

SELLING AND DISTRIBUTION EXPENSES

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

ADMINISTRATIVE EXPENSES

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

NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

Net impairment losses of financial assets for the Period was RMB414 million, representing an increase of RMB258 million or 165.4% YoY. The impairment losses of trade, financing and bills receivables was RMB281 million, accounting for 0.5% of the total revenue for the Period. When the Group assesses the impairment of trade, financing and bills receivables, the Group will use 12-months, whole life and simplified expected credit loss models and consider historical observed default rates, forecast economic conditions and public credit information of each debtor or borrower. Further details of the trade and financing receivables are set out in the sections headed "FINANCE SEGMENT" and "RECEIVABLES FROM TRADE AND FINANCING ACTIVITIES" and note 19 of the consolidated financial statements. In addition, net impairment losses of off-balance sheet credit business for the Period was RMB4 million (2021: nil).

OTHER INCOME AND GAINS AND OTHER EXPENSES

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE INCOME - NET

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

SHARE OF LOSSES OF ASSOCIATES

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

INCOME TAX EXPENSE

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

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

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

RECEIVABLES FROM TRADE AND FINANCING ACTIVITIES

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE PAYABLES

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

CASH FLOWS

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

	As at 31 December 2022 RMB million	As at 31 December 2021 RMB million
Within one year	**3,890**	3,511

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

INVESTMENTS

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

INVESTMENTS IN SUBSIDIARIES

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

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

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

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

EQUITY INVESTMENTS FORMING PART OF THE GROUP'S OPERATIONS

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

a) Investments in associates

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

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

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

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

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

As at 31 December 2022, the amount of investments in associates was RMB1,971 million, representing 1.9% of the total assets of the Group. Performance and details of investments accounted for using the equity method are disclosed in the section headed "SHARE OF LOSSES OF ASSOCIATES".

b) **Other long term equity investments**

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

OTHER SECURITIES INVESTMENTS

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

CAPITAL COMMITMENT

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

CHARGES ON GROUP ASSETS

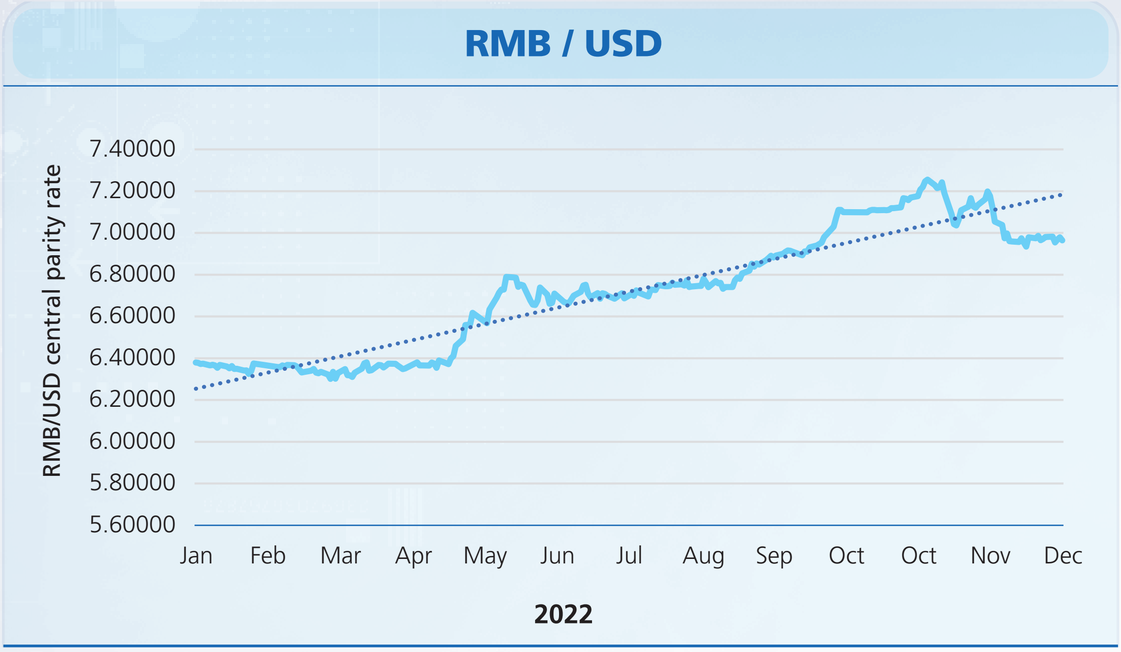
Save as disclosed in the section headed "LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE", as at 31 December 2022, there were no assets of the Group being pledged.

FINANCIAL MANAGEMENT AND POLICY

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

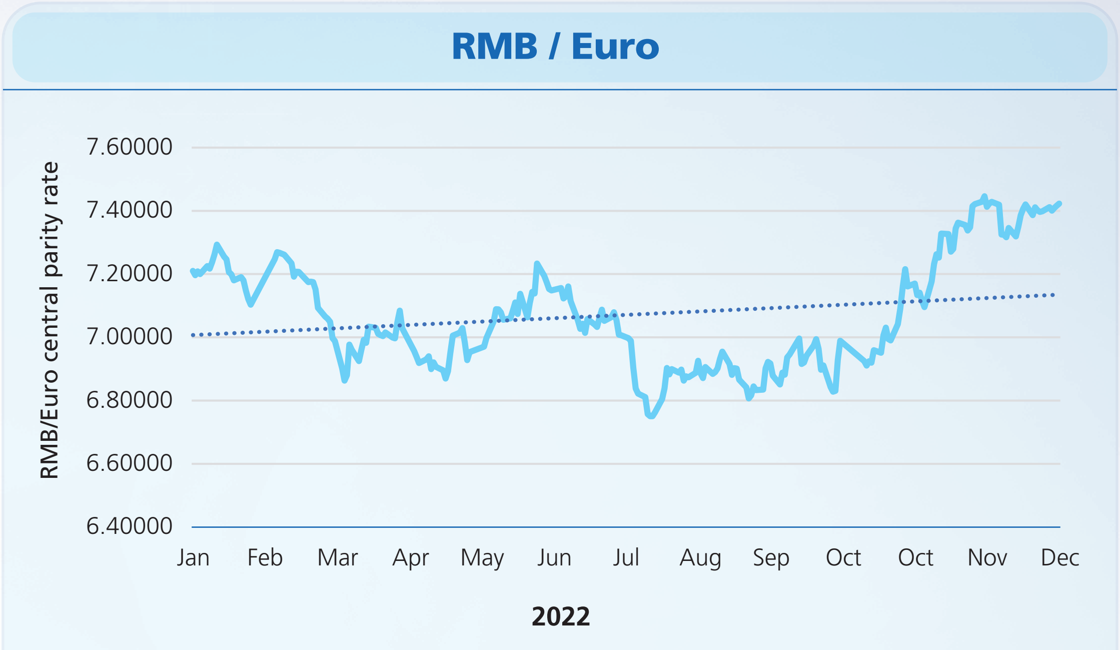
MANAGEMENT DISCUSSION AND ANALYSIS

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



MANAGEMENT DISCUSSION AND ANALYSIS

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 December 2022, most of the Group's monetary assets and liabilities were denominated in RMB. As at 31 December 2022, the major non-RMB denominated net monetary assets were in USD and EURO. During the Period, the Group recorded foreign exchange gains of RMB497 million in operating profit and losses of RMB175 million on forward foreign exchange contracts for the purpose to reduce foreign exchange fluctuations. The material potential foreign exchange impacts to net monetary assets and liabilities of the Group as at 31 December 2022 are:

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

GOING CONCERN

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

CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

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

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

DISCLAIMER ON NON-GAAP FINANCIAL MEASURES

Export revenue (including affiliated exports) is a non-GAAP financial measure and is used for assessing the Group's performance. 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. Wang Zhijian (王志堅先生), born in January 1971, has been an executive Director since 5 December 2022. He holds a bachelor's degree in internal combustion engine from Jilin University of Technology (吉林工業大學), a master degree in power engineering from Tianjin University (天津大學), and is a PhD student of engineering at Tsinghua University (清華大學). He is a chief senior engineer (正高級工程師). Mr. Wang Zhijian is currently the secretary of the party committee and the general manager of CNHTC. Mr. Wang Zhijian previously served as the deputy secretary of the party committee of Weichai Holdings and the executive president of Weichai Power, etc.

Mr. Wang Chen (王琛先生), born in June 1984, has been an executive Director since 29 June 2022. He holds a bachelor degree from Tsinghua University (清華大學) and a master degree from the Department of Economics at the London School of Economics and Political Science, and is an assistant economist. Mr. Wang Chen is currently the deputy secretary of the party committee and the executive deputy general manager of CNHTC, etc. Mr. Wang Chen previously served as the director of new business development (新業務拓展總監) of SHIG, the director of intelligent network connection (智能網聯總監) and the vice president of the automotive research institute (汽車研究總院) of CNHTC, etc.

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

Mr. Zhang Wei (張偉先生), born in April 1978, has been an executive Director since 5 December 2022. He holds a master of science in engineering from Jilin University (吉林大學) and is an engineer. Mr. Zhang is currently the deputy general manager of CNHTC. In addition, Mr. Zhang previously served as the vice president of Foton Motor Group Company Limited (北汽福田汽車集團有限公司), the executive vice president of Beijing Foton Daimler Automobile Co., Ltd. (北京福田戴姆勒汽車有限公司), and the vice president and the deputy general manager of Beiqi Foton Motor Co., Ltd.* (北汽福田汽車股份有限公司), etc.

DIRECTORS AND SENIOR MANAGEMENT

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

Ms. Zhao Hong (趙紅女士), aged 43, has been an executive Director since 5 December 2022. She holds a bachelor's degree from Lanzhou University of Technology (蘭州理工大學) and is a senior engineer. Ms. Zhao is currently the deputy general manager of CNHTC. In addition, Ms. Zhao previously served as a director and the general manager of Sinotruk (Ji'nan) Light-duty Truck Co., Ltd. (中國重汽(濟南)輕卡有限公司), etc.

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

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Sun Shaojun (孫少軍先生), born in June 1965, has been an executive Director since 4 March 2022 and re-designed as a non-executive Director on 5 December 2022. He is a researcher in applied engineering technology and holds a doctoral degree in engineering from Tianjin University (天津大學). Mr. Sun is a candidate of National Million and Ten Million Talents Project* (國家百千萬人才工程), receives a special subsidy from the State Council and is a Taishan Mountain scholar specialist appointed by Shandong People's Government* (山東省人民政府泰山學者特聘專家). Mr. Sun is currently a deputy chief manager of SHIG and an executive director of Weichai Power. He was an executive president of Weichai Power.

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

DIRECTORS AND SENIOR MANAGEMENT

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Zhong (張忠先生), born in November 1968, has been an independent non-executive Director since 23 September 2021. He is a lawyer and currently a partner of Beijing Zhonglun Law Firm (北京市中倫律師事務所). He holds a Bachelor of Laws and a Master of Laws, both granted by Renmin University of China (中國人民大學). Mr. Zhang currently is an independent non-executive director of Concord New Energy Group Limited (協和新能源集團有限公司) and an independent director of China Spacesat Co., Ltd. (中國東方紅衛星股份有限公司).

COMPANY SECRETARY

Mr. Kwok Ka Yiu (郭家耀先生), aged 58, has been our company secretary and financial controller since 12 November 2007. Mr. Kwok holds an MBA degree from the University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Kwok has nearly seven years of audit experience in one of the prestigious international audit firms, KPMG and more than twenty years of financial and accounting experiences with companies listed on the Stock Exchange.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

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. The Company attaches great importance to the level of Directors' commitment to the Company and the Board. The Directors have devoted sufficient time to the Company and closely monitored the Company's businesses. Each Director is subject to retirement by rotation at least once every three years.

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, particularly, with their independent views, contribute valuable views and proposals for the Board's deliberation and decisions.

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

CORPORATE GOVERNANCE REPORT

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 and members of any board committees to discharge their duties at the Group's expense upon their request.

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

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

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

COMPOSITION OF THE BOARD

As at 31 December 2022, the Board had a total number of seventeen Directors including seven EDs, four NEDs and six INEDs. Biographies of each existing Director are set out in the section headed "DIRECTORS AND SENIOR MANAGEMENT". Save as disclosed, there is no financial, business, family or other material/relevant relationships between Board members. A list of the Directors identifying their roles and functions are available on the websites of the Company and the Stock Exchange.

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

CORPORATE GOVERNANCE REPORT

EXECUTIVE DIRECTORS

As at 31 December 2022, there were seven EDs including Mr. Wang Zhijian, Mr. Wang Chen, Mr. Liu Wei, Mr. Zhang Wei, Ms. Li Xia, Ms. Zhao Hong and Mr. Richard von Braunschweig. Mr. Wang Zhijian is the Chairman and Mr. Wang Chen is the President.

NON-EXECUTIVE DIRECTORS

As at 31 December 2022, there were four NEDs including Mr. Sun Shaojun, Mr. Alexander Albertus Gerhardus Vlaskamp, Mr. Karsten Oellers and Mr. Mats Lennart Harborn.

Each of Mr. Sun Shaojun, Mr. Alexander Albertus Gerhardus Vlaskamp, Mr. Karsten Oellers and Mr. Mats Lennart Harborn as a NED has entered into a service contract with the Company for a term of three years commenced from 5 December 2022, 21 March 2022, 14 December 2021 and 14 December 2021 respectively. Each of the service contracts of the NEDs can be terminated by either party giving not less than three months' prior written notice.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND THEIR INDEPENDENCE

As at 31 December 2022, there were six INEDs including Dr. Lin Zhijun, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng and Mr. Zhang Zhong.

Each of Dr. Lin Zhijun, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng and Mr. Zhang Zhong has entered into a service contract with the Company for a term of three years commenced from 26 July 2022, 9 March 2022, 11 April 2022, 1 September 2022, 16 May 2022 and 23 September 2021 respectively. Each of the service contracts of the INEDs can be terminated by either party giving not less than three months' prior written notice.

With Dr. Lin Zhijun's past working experience as an auditor and his academic background in accounting and finance, 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 and the Nomination Committee 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 1)						
Directors	**Board meetings**	**Executive Committee meetings**	**Strategy and Investment Committee meetings**	**Remuneration Committee meetings**	**Audit Committee meetings**	**Nomination Committee meetings**	**General meetings**
EXECUTIVE DIRECTORS:							
Mr. Wang Zhijian	0/0	0/0	0/0				0/1
Mr. Wang Chen	2/2	1/1	0/0				1/1
Mr. Liu Wei	6/6	2/2		1/1			0/3
Mr. Zhang Wei	0/0	0/0					1/1
Ms. Li Xia	6/6	2/2	2/2				2/3
Ms. Zhao Hong	0/0	0/0					0/1
Mr. Richard von Braunschweig	2/6	0/2	1/2				0/3
NON-EXECUTIVE DIRECTORS:							
Mr. Sun Shaojun	4/4	2/2		0/0		0/0	1/3
Mr. Alexander Albertus Gerhardus Vlaskamp	2/4						0/3
Mr. Karsten Oellers	2/6						0/3
Mr. Mats Lennart Harborn	2/6						0/3
INDEPENDENT NON-EXECUTIVE DIRECTORS:							
Dr. Lin Zhijun	6/6			1/1	2/2		3/3
Dr. Wang Dengfeng	6/6				2/2		2/3
Mr. Zhao Hang	5/6		2/2				1/3
Mr. Liang Qing	6/6			1/1			0/3
Mr. Lyu Shousheng	6/6			1/1	2/2	1/1	3/3
Mr. Zhang Zhong	6/6			1/1		1/1	2/2
FORMER DIRECTORS:							
Mr. Cai Dong	6/6	2/2	2/2				1/2
Mr. Liu Zhengtao	5/6	2/2	2/2				1/2
Mr. Dai Lixin	4/4	1/1					1/2
Mr. Li Shaohua	0/2						0/0
Mr. Jiang Kui	5/6					1/1	1/2
Dr. h.c. Andreas Tostmann	0/2						0/0

Notes:

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

(1) the 2021 annual report of the Company and related results announcements, circulars and documents, the 2021 ESG Report, the call for the 2022 AGM and extraordinary general meetings of the Company during the Period and the relevant 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 2022 interim report of the Company and related results announcements and documents;

(5) the connected transactions for the years 2021 and 2022 as well as the renewal of continuing connected transactions during the Period;

(6) the recommendation of the re-appointment of Ernst & Young as the Company's auditor and the re-election of the retiring Directors in the 2022 AGM;

(7) the recommendation of the payment of the final dividend for the year 2021;

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

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

(10) the amount of incentives for senior and core employees for the year of 2021; and

(11) the resignation and appointment of directors.

BOARD COMMITTEES

The Board has set up the Executive Committee, the Strategy and Investment Committee, the Remuneration Committee, the Audit Committee and the Nomination 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, and managing daily operations and the effective implementation of corporate strategy and policies.

As at 31 December 2022, the Executive Committee comprised seven members, namely, Mr. Wang Zhijian, Mr. Wang Chen, Mr. Liu Wei, Mr. Zhang Wei, Ms. Li Xia, Ms. Zhao Hong and Mr. Richard von Braunschweig. Mr. Wang Zhijian is the chairman of the Executive Committee.

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

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

(2) 2022 business plan and targets; and

(3) determination of 2021 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 2022, the Strategy and Investment Committee comprised five members, namely, Mr. Wang Zhijian, Mr. Wang Chen, Ms. Li Xia, Richard von Braunschweig and Mr. Zhao Hang. Mr. Wang Zhijian, Mr. Wang Chen, Ms. Li Xia and Mr. Richard von Braunschweig are EDs while Mr. Zhao Hang is an INED. Mr. Wang Zhijian is the chairman of the Strategy and Investment Committee.

During the Period, the Strategy and Investment Committee had convened two meetings and had discussed, reviewed and approved progress report of 2022 fixed assets investment.

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 2022, the Remuneration Committee comprised five members, namely, Mr. Lyu Shousheng, Dr. Lin Zhijun, Mr. Liang Qing, Mr. Zhang Zhong and Mr. Sun Shaojun. Mr. Lyu Shousheng, Dr. Lin Zhijun, Mr. Liang Qing and Mr. Zhang Zhong are INEDs while Mr. Sun Shaojun is a NED. 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 had convened one meeting to discuss, review the proposed 2021 employee reward amount and allocation and had approved in writing the draft service contracts for newly appointed EDs, draft appointment letters for newly appointed (including redesigned) NEDs and draft appointment letters for renewal of 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, supervision of ESG work including review of the ESG report, 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 annually as well as the impact to the independence of the external auditor, the handling of any issues related to the resignation of auditor or the removal of such auditor and the communication with the external auditor on auditing matters. The most up-to-date version of the terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE FUNCTIONS

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

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

CORPORATE GOVERNANCE REPORT

As at 31 December 2022, the Audit Committee comprised three members, namely, Dr. Lin Zhijun, Dr. Wang Dengfeng and Mr. Lyu Shousheng who are all INEDs. Dr. Lin Zhijun is the chairman of the Audit Committee.

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

(1) the auditor's reports to the Audit Committee in respect of the 2021 annual audit and the 2022 interim review of the Group;

(2) the 2021 annual report, the 2021 ESG Report, the 2022 interim report and their relevant preliminary results announcements;

(3) the recommendation of re-appointment of Ernst & Young as the auditor of the Company in 2022 AGM;

(4) the review of independence of auditor, Ernst & Young, the nature and the level of remuneration of non-audit services;

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

(6) a series of internal controls reports 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 COMMITTEE

The Nomination Committee is responsible for reviewing the Board's structure, size, composition (including the skills, knowledge and experience) and diversity at least annually and making recommendations on any proposed 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. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in vehicles industry and/or other professional areas.

As at 31 December 2022, the Nomination Committee comprised three members, namely, Mr. Zhang Zhong, Mr. Lyu Shousheng and Mr. Sun Shaojun who all are INEDs. Mr. Zhang Zhong is the chairman of the Nomination Committee. The most up-to-date version of the terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

During the Period, the Nomination Committee held one meeting for reviewing and evaluating the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy, assessing independence of the independent non-executive Directors and reviewing and recommending the re-appointment of the retiring Directors at the general meeting of the Company.

During the Period, the Board has reviewed and concluded that its existing structure, size, composition and diversity are appropriate.

CORPORATE GOVERNANCE REPORT

DIVERSITY POLICY AND NOMINATION PROCEDURES

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

For the purpose of implementation of the board diversity policy, the following measurable objectives:

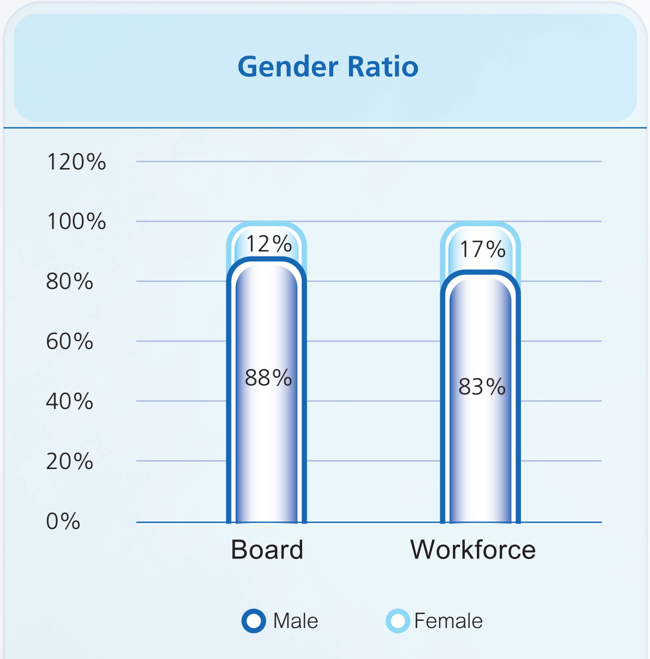
1. at least one third of the Directors shall be independent non-executive Directors;
2. at least one Director and senior management is female; and
3. at least one Director shall have obtained accounting or other professional qualifications.

During the Period, all the measurable objectives have been fulfilled.

The Company does not have a formal nomination policy in place. The Nomination Committee have primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the diversity policy in selection of board candidates. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Group'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.

For succession planning to maintain gender diversity on the Board, the Board will ensure, by upholding an open, fair, just and reasonable human resource policy with equal opportunities for talent attraction and promotion regardless of gender, that a diverse pipeline of candidates is available to take up leadership positions when any vacancy arises.

As at 31 December 2022, the gender ratio of the Board and the all employees (including senior management) are shown in the charts below:



The Company has also taken and continues to take steps to promote diversity at all levels of its workforce. Our approach for talent recruitment and retention is to employ a diverse team that works together collaboratively and encourage differences and individuality in employees with respect to equal opportunities, diversity and anti-discrimination. Notwithstanding the fact that, with a view to enhancing efficiency, we have not set a measurable objective for achieving gender diversity at the workforce level, the Company is determined to commit to the meritocratic and diverse approach which provides equal consideration and opportunities to all qualified candidates regardless of gender in terms of hiring and promotion process.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

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

DIRECTORS' SECURITIES TRANSACTIONS

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

CHANGES IN DIRECTORS' INFORMATION

Mr. Wang Chen resigned as the chairman of board of directors of Weichai New Energy Technology Co., Ltd.

Dr. Lin Zhijun was appointed the Director of Academic Accreditation Office of Macau University of Science and Technology and retired as the Deputy Vice President and the Vice President of Macau University of Science and Technology. Mr. Zhao Hang retired as an independent director of Shanghai Baolong Automotive Corporation.

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 2022, the Company provided training materials, "Memorandum on the Duties and Responsibilities of a Director of a Company Listed on the Main Board of the Stock Exchange of Hong Kong Limited" and/or "Latest Development of the Hong Kong Listing Compliance Laws and Regulations", prepared by Reed Smith Richards Butler LLP, legal advisers to the Company as to Hong Kong laws, to all Directors. Each of Mr. Wang Zhijian, Mr. Wang Chen, Mr. Liu Wei, Mr. Zhang Wei, Ms. Li Xia, Ms. Zhao Hong, Mr. Richard von Braunschweig, Mr. Sun Shaojun, Mr. Alexander Albertus Gerhardus Vlaskam, Mr. Karsten Oellers, Mr. Mats Lennart Harborn, Dr. Lin Zhijun, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing, Mr. Lyu Shousheng and Mr. Zhang Zhong has confirmed in writing that he/she had participated in continuous professional developments to develop and refresh their knowledge and skills as directors during the Period by way of attending the training and/or reading the above training materials. In addition, each of Mr. Wang Zhijian, Mr. Wang Chen, Mr. Zhang Wei, Ms. Zhao Hong, Mr. Sun Shaojun and Mr. Alexander Albertus Gerhardus Vlaskamp had attended a training on director's responsibilities relevant to the declaration and undertaking with regard to directors (Form B) provided by Reed Smith Richards Butler LLP in relation to his/her appointment as a Director during the Period.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

For NEDs and INEDs, their remuneration paid to each of them is director's fees 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)	Number of individuals
500,000 or below	11
500,001 - 1,000,000	4
1,000,001 or above	6

Three 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 2022 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 2022, 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 2022 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.

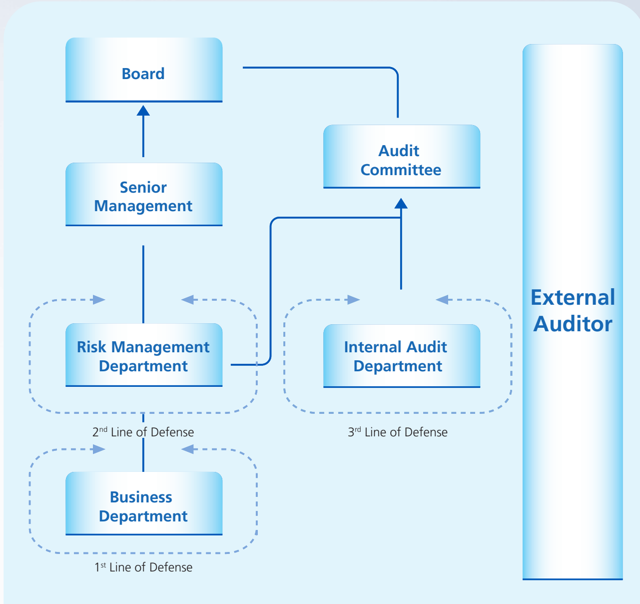
RISK MANAGEMENT AND INTERNAL CONTROLS

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 (including ESG risks) and internal control systems as required by the CG Code, covering financial, operational and compliance controls and risk management functions, and including reviews on the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial report function for the Period and considered they were effective and adequate.

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

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

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



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

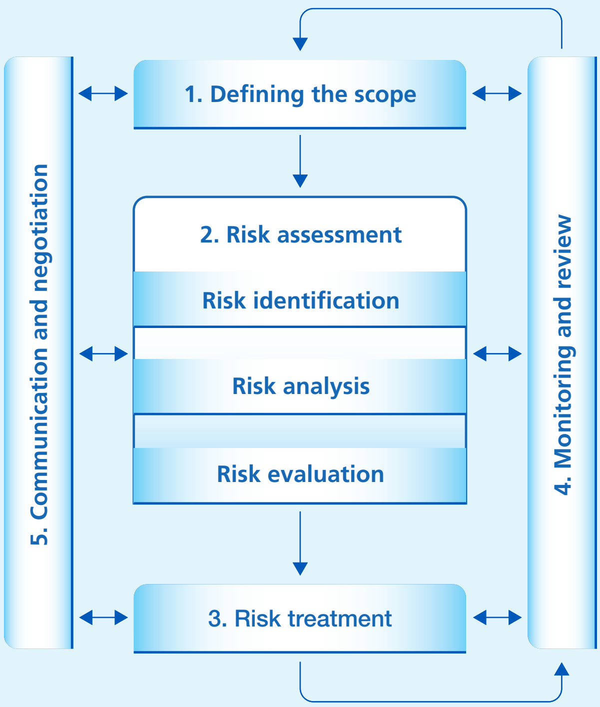
The internal audit department is responsible for assessing, reviewing the effectiveness of risk management processes and systems, assessing whether risks are properly assessed, assessing the reporting of significant risks, and reviewing the management of significant risks.

CORPORATE GOVERNANCE REPORT

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

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

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



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.

The Group 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 Group. The business units report to their risk management department on the changes in the significant risk management and the related indicators on a quarterly basis. The group risk management department conducts a risk assessment on a regular basis and reports to the Audit Committee on the significant risk management of the Group and the implementation of the risk response measures at each regular meeting.

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

The Board confirmed that the risk management system and internal control systems of the Group (including but not limited to in respect of the compliance with financial reporting and Listing Rules) were effective and adequate and that there were no significant risk events occurred during the Period.

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

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

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

In addition, Ji'nan Truck Company appointed Ernst & Young Hua Ming LLP to express audit opinion on the effectiveness of internal controls in its financial reports. Ernst & Young Hua Ming LLP opined that Ji'nan Truck Company had maintained the effective internal controls in its financial reports in all material aspects under "Basic Standard for Enterprise Internal Control" and the relevant regulations as at 31 December 2022.

The Board Office 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.

The Group has set up a whistleblowing mechanism against anti-corruption, business ethics discipline, etc. and provided channels to stakeholders including face-to-face reporting, telephone calls, letters, e-mail messages, etc. We investigate, handle and report relevant cases in a timely manner in the light of procedures and adopt confidentiality and protection measures. Behaviors including intentional leakage of whistleblowers' information and retaliation against whistleblowers are prohibited.

CORPORATE GOVERNANCE REPORT

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 2022. 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
ESG 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 2022, about 9.3 per cent of registered Shareholders in Sinotruk's register of the members opted to receive corporate communications via print version.

The Group establishes investor relations telephone hotlines both at Hong Kong (+852 3102 3808) and in the PRC (+86 531 5806 3808) and emails accounts including securities@sinotrukhk.com and boardenquiries@sinotrukhk.com for shareholders and investors communication.

The Company has assessed the above communication channels with the Shareholders and considered that they were effective during the Period.

CORPORATE GOVERNANCE REPORT

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 2022, the major shareholders of the Company were SHIG and FPFPS. SHIG is a PRC state-owned enterprise and indirectly holds 51% of the entire issued capital of the Company. One of the SHIG Group's principal businesses is commercial vehicles manufacturing. 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.

The Company's market capitalization and shareholding distribution as at 31 December 2022 are set out in the section headed "SHAREHOLDER INFORMATION" of this annual report.

INVESTOR RELATIONS

The Board Office is responsible for promoting investor relations, enhancing communication and ensuring that the investors are able to obtain information about the Group on a fair and timely basis to assist them in making the best investment decisions. To cultivate good relationship with Shareholders and potential investors, the Company has participated in a number of one-on-one meetings, investors' conferences, road shows and site visits during the Period. Analysts and fund managers may gain better knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company at www.sinotruk.com 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 2022 AGM was successfully held on 28 June 2022 at Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong. Certain members of the Board and external auditors of Company attended the 2022 AGM and communicated with the Shareholders via video conferencing system. Details of the voting particulars were disclosed in the Company's announcement dated 28 June 2022.

The Board encourages all the Shareholders to participate in the forthcoming 2023 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.

CORPORATE GOVERNANCE REPORT

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 2022.

CHANGES OF THE UTLIMATE HOLDING COMPANY

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

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 headed "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 2022 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income.

PROPOSED DIVIDENDS

The Board recommends to distribute to Shareholders whose names appear on the register of members of the Company on Friday, 7 July 2023 a final dividend of either HKD0.33 or RMB0.29 per Share (converted at the exchange rate of RMB0.87758 to HKD1 as published by the PBOC on Thursday, 30 March 2023) for the year ended 31 December 2022 (the "**2022 Final Dividend**") with a sum of approximately HKD911,128,000 or RMB800,688,000 which is subject to the Shareholders' approval at the forthcoming 2023 AGM.

The Company has been determined as a Chinese-resident enterprise. Pursuant to the "Enterprise Income Tax Law of the PRC"《中華人民共和國企業所得稅法》and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the PRC"《中華人民共和國企業所得稅法實施條例》, a Chinese-controlled offshore incorporated enterprise shall withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders. As the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders to whom the Company pays the 2022 Final Dividend.

In respect of all the Shareholders whose names are not registered as natural persons (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organizations, which are all considered as non-PRC resident enterprise shareholders), the Company will distribute the 2022 Final Dividend after deducting an enterprise income tax of 10% or other appropriate rates.

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

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

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 2022, calculated under Part 6 of the Companies Ordinance, were approximately RMB3,718,300,000 (2021: approximately RMB3,476,419,000).

CHARITABLE DONATIONS

The Group's total charitable and other donations for the Period amounted to approximately RMB20,000 (2021: RMB112,039).

BORROWINGS

Details of the Group's borrowings as at 31 December 2022 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 223 to 224.

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

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

SHARE OPTIONS

The Company did not have any share option scheme as at 31 December 2022.

DIRECTORS

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

EXECUTIVE DIRECTORS:

Mr. Wang Zhijian (*Chairman*, appointed on 5 December 2022)
Mr. Wang Chen (*President*, appointed as ED on 29 June 2022 and as President on 5 December 2022)
Mr. Liu Wei
Mr. Zhang Wei (appointed on 5 December 2022)
Ms. Li Xia
Ms. Zhao Hong (appointed on 5 December 2022)
Mr. Richard von Braunschweig

NON-EXECUTIVE DIRECTORS:

Mr. Sun Shaojun (appointed as ED on 4 March 2022 and re-designed as NED on 5 December 2022)
Mr. Alexander Albertus Gerhardus Vlaskamp (appointed on 21 March 2022)
Mr. Karsten Oellers
Mr. Mats Lennart Harborn

REPORT OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

FORMER DIRECTORS:

Mr. Cai Dong (resigned on 5 December 2022)
Mr. Liu Zhengtao (resigned on 5 December 2022)
Mr. Dai Lixin (resigned on 29 June 2022)
Mr. Li Shaohua (resigned on 4 March 2022)
Mr. Jiang Kui (resigned on 5 December 2022)
Dr. h.c. Andreas Tostmann (resigned on 21 March 2022)

Each of Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Dai Lixin, Mr. Li Shaohua, Mr. Jiang Kui and Dr. h.c. Andreas Tostmann 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. Wang Zhijian, Mr. Wang Chen, Mr. Zhang Wei and Ms. Zhao Hong 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. Liu Wei, Mr. Richard von Braunschweig and Mr. Liang Qing 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, Directors, Mr. Wang Chen, Mr. Liu Wei, Ms. Li Xia, Ms. Zhao Hong and former Directors, Mr. Cai Dong, Mr. Liu Zhengtao and Mr. Dai Lixin 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 all the Directors arising out of corporate activities.

DIRECTORS' SERVICE CONTRACTS

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

During the Period, Mr. Wang Zhijian is the general manager of CNHTC and was the executive president of Weichai Power; Mr. Wang Chen is the executive deputy general manager of CNHTC and was the director of new business development of SHIG, the director of intelligent network connection and the vice president of the automotive research institute of CNHTC, the chairman of board of directors of Weichai New Energy Technology Co., Ltd.; Mr. Liu Wei is the deputy general manager of CNHTC; Mr. Zhang Wei is the deputy general manager of CNHTC and was the vice president of Foton Motor Group Company Limited, the executive vice president of Beijing Foton Daimler Automobile Co., Ltd., and the vice president and the deputy general manager of Beiqi Foton Motor Co., Ltd.; Ms. Li Xia is the deputy general manager and the financial controller of CNHTC; Ms. Zhao Hong is the deputy general manager of CNHTC; Mr. Richard von Braunschweig is the head of cooperations, M&A in TRATON SE; Mr. Sun Shaojun is an executive director of Weichai Power, and a deputy chief manager of SHIG; Mr. Alexander Albertus Gerhardus Vlaskamp is the chairman of the executive board of MAN Truck & Bus SE and a member of the executive board of TRATON SE; Mr. Karsten Oellers is the head of group finance at TRATON SE and was the senior vice president of Global Sales Controlling for MAN Truck, Bus, Van and Aftersales of MAN Truck & Bus SE; Mr. Mats Lennart Harborn is the president of Scania China Group; Mr. Cai Dong is the general manager of CNHTC and a director of Weichai Holdings; Mr. Liu Zhengtao is the deputy general manager of CNHTC; Mr. Dai Lixin is the board secretary of SHIG and was the chief investment officer of CNHTC; Mr. Li Shaohua is a deputy general manager of CNHTC; Mr. Jiang Kui is the general manager of SHIG and a non-executive director of Weichai Power and Dr. h.c. Andreas Tostmann was a member of the executive board of TRATON SE as well as the chief executive officer of MAN SE and MAN Truck & Bus SE. TRATON SE, MAN Truck & Bus SE, Scania AB, Scania CV AB and Scania China Group are non-wholly owned subsidiaries or division of FPFPS.

Save for transactions amongst group members, between the Group and the CNHTC Group, between the Group and the Weichai 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 SHIG Group and the FPFPS Group constitute competing businesses to the Group.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current Directors and senior management of the Company as at the date of this report are set out on pages 45 to 50.

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

As at 31 December 2022, the interests or short positions (if any) of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) 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 were as follows:

ASSOCIATED CORPORATION

Ordinary A shares in Weichai Power Co., Ltd. — a fellow subsidiary of the Company

LONG POSITIONS

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding in the class
Mr. Wang Zhijian	Beneficial owner	600,000	0.01
Mr. Sun Shaojun	Beneficial owner	13,684,324	0.20

Save as disclosed above, as at 31 December 2022, 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.

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

As at 31 December 2022, 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), (l)	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), (m)	690,248,336	25%
Porsche Automobil Holding SE	Interest in controlled corporation	(g), (n)	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%
TRATON International S.A.	Interest in controlled corporation	(k)	690,248,336	25%
MAN Finance and Holding S.A.	Beneficial owner		690,248,336	25%

REPORT OF THE DIRECTORS

Notes:

(a) SHIG holds 65% interest in CNHTC. SHIG is deemed to have interest in all the Shares held (or deemed to be held) by CNHTC under the SFO.

(b) CNHTC holds the entire issued share capital of Sinotruk (BVI) Limited. CNHTC is deemed to have interest in all the Shares held (or deemed to be held) by Sinotruk (BVI) Limited under the SFO.

(c) FPFPS holds 90% interest in Ferdinand Porsche Familien-Holding GmbH. FPFPS is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Porsche Familien-Holding GmbH under the SFO.

(d) Ferdinand Porsche Familien-Holding GmbH holds 73.85% interest in Ferdinand Alexander Porsche GmbH. Ferdinand Porsche Familien-Holding GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Alexander Porsche GmbH under the SFO.

(e) Ferdinand Alexander Porsche GmbH holds 100% interest in Familie Porsche Beteiligung GmbH. Ferdinand Alexander Porsche GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Familie Porsche Beteiligung GmbH under the SFO.

(f) Familie Porsche Beteiligung GmbH holds 51.69% interests in Porsche Automobil Holding SE. Familie Porsche Beteiligung GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Porsche Automobil Holding SE under the SFO.

(g) Porsche Automobil Holding SE holds 50.73% interest in Volkswagen AG. Porsche Automobil Holding SE is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen AG under the SFO.

(h) Volkswagen AG holds 100% interest in Volkswagen Finance Luxemburg S.A. Volkswagen AG is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen Finance Luxemburg S.A. under the SFO.

(i) Volkswagen Finance Luxemburg S.A. holds 89.72% voting interest in TRATON SE. Volkswagen Finance Luxemburg S.A. is deemed to have interest in all the Shares held (or deemed to be held) by TRATON SE under the SFO.

(j) TRATON SE holds 100% voting interest in TRATON International S.A. TRATON SE is deemed to have interest in all the Shares held (or deemed to be held) by TRATON International S.A. under the SFO.

(k) TRATON International S.A. holds 100% voting interest in MAN Finance and Holding S.A. TRATON International S.A. 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 2022, Ferdinand Porsche Familien-Holding GmbH holds 100% interest in Ferdinand Alexander Porsche GmbH.

(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 2022, 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.

(n) 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 2022, Porsche Automobil Holding SE held a 31.40% interest in the capital of Volkswagen AG and had a voting interest of 53.30% 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
Liuzhou Yunli Investment Co., Ltd.	Beneficial owner	Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd.	40%
Yongan Fudi Investment Co., Ltd.	Beneficial owner	Sinotruk Fujian Haixi Vehicles Co., Ltd.	20%
Chengdu Qingbaijiang District State-owned Asset Investment and Management Co., Ltd.	Beneficial owner	Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd.	20%
Suizhou Huawei Investment Holdings Co., Ltd.	Beneficial owner	Sinotruk Hubei Huawei Special Vehicles Co., Ltd.	40%
Kodiak America LLC.	Beneficial owner	Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd.	49%
Shandong International Trust Co., Ltd.	Beneficial owner	Sinotruk Auto Finance Co., Ltd.	6.52%

Save as disclosed above, as at 31 December 2022, no other persons had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales

– the largest customer	5.3%
– the five largest customers	10.7%

Purchases

– the largest supplier	8.2%
– the five largest suppliers	16.0%

Weichai Power, being a fellow subsidiary of the Company, was the largest supplier. Saved as disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and that Weichai Power is an indirect subsidiary of SHIG, none of the Directors, or any of their associates or any shareholders who, to the knowledge of the Directors, hold over 5% of the issued share capital of the Company, had any beneficial interest in the major customers or suppliers of the Group noted above.

CONNECTED TRANSACTIONS

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

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

1) The Capital Contribution Agreement

Date of agreement	:	17 January 2022
Parties	:	Ji'nan Power Company Shantui Investment Co., Ltd. Weichai Lovol Heavy Industry Co., Ltd. Weichai Power Zhongtong Bus Holding Co., Ltd. Weichai Intelligent Technology Co., Ltd.
Objective	:	After the making of capital contribution, the Group has become a holder of 30% equity interest in Weichai Intelligent Technology Co., Ltd. enabling the Group to fully utilise its resources and seize opportunities in the fast-developing area of the internet of vehicles, which is in line with the Company's strategic plan to actively pursue the digitization of commercial vehicles and the intelligentization of the industry
Consideration	:	RMB76 million

Details of the transactions contemplated under the capital contribution agreement were disclosed in the Company's announcement dated 17 January 2022. The contribution was completed in January 2022.

REPORT OF THE DIRECTORS

2) The Equity Transfer Agreement

Date of agreement	:	29 April 2022
Parties	:	Ji'nan Commercial Truck Company (vendor) CNHTC (purchaser)
Objective	:	The disposal of all equity in Sinotruk (Weihai) Commercial Vehicle Co., Ltd. is in line with the adjustments in the Company's business strategy to divest of its mini-truck business
Consideration	:	RMB162 million

Details of the transactions contemplated under the equity transfer agreement were disclosed in the Company's announcement dated 29 April 2022. The equity transfer was completed in May 2022.

3) The Assets Transfer Agreement

Date of agreement	:	6 May 2022
Parties	:	Ji'nan Commercial Truck Company (vendor) Shandong Vehicle Manufacturing Co., Ltd. (purchaser)
Objective	:	Coating production lines for vehicles (under construction), the relevant materials and licences, etc. were originally made for the purpose of meeting the need for the manufacturing operations of Sinotruk (Weihai) Commercial Vehicle Co., Ltd. After the disposal of all equity in Sinotruk (Weihai) Commercial Vehicle Co., Ltd., such assets were idle. The disposal of such assets enabled the Group to improve effectiveness of resource utilisation and enhance operational efficiency
Consideration	:	RMB34 million

Details of the transactions contemplated under the assets transfer agreement were disclosed in the Company's announcement dated 6 May 2022. The disposal was completed in August 2022.

4) The Capital Increase Agreement

Date of agreement	:	22 June 2022
Parties	:	Ji'nan Power Company Weichai Power Chongyou Gaoke Fuel System Co., Ltd.
Objective	:	Chongyou Gaoke Fuel System Co., Ltd., an associated company of the Group, principally engages in the production, sales and research of mechanical and electronically controlled fuel injection system and is an associated company of the Group. The fund from the increase in capital in Chongyou Gaoke Fuel System Co., Ltd. strengthened its financial position, enabled it to enhance its research and development capability and upgrade the process equipment, solve capacity bottleneck, and meet the financial needs of future development, and thereby support its further business development and improve its market competitiveness in the long run
Consideration	:	RMB133 million

Details of the transactions contemplated under the capital contribution agreement were disclosed in the Company's announcement dated 22 June 2022. The contribution was completed in July 2022.

5) The Capital Contribution Agreement

Date of agreement	:	30 October 2022
Parties	:	Ji'nan Power Company Weichai Power Weichai Power Freshen Air Technology Co., Ltd. ("Weichai Freshen Air")
Objective	:	Weichai Freshen Air focuses on research, design, sale and repair of air purification products for vehicles. The acquisition of 30% equity interest in Weichai Freshen Air would result synergy effect between its technological strength and the Group's business, which would involve the supply of high quality air purification products to the Group, which, in turn, improves the Group's technological competitiveness and contribute to its long-term success
Consideration	:	RMB506 million

Details of the transactions contemplated under the capital contribution agreement were disclosed in the Company's announcement dated 30 October 2022. The acquisition was completed in November 2022.

REPORT OF THE DIRECTORS

6) The Business Transfer Agreement

Date of agreement	:	30 October 2022
Parties	:	Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd. (vendor) Weichai Freshen Air (purchaser)
Objective	:	The disposal of the business of the aftertreatment system products of Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd. enables Weichai Freshen Air, being an associated company of the Group after the completion of the capital contribution agreement to Weichai Freshen Air as mentioned above, to consolidate its technological strength in air purification products for vehicles and provide all-rounded services to its customers, and, in turn, improve its overall profitability and competitiveness
Consideration	:	RMB591 million

Details of the transactions contemplated under the business transfer agreement were disclosed in the Company's announcement dated 30 October 2022. The business transfer was completed in October 2022.

7) The Equity Transfer Agreement

The equity transfer agreement dated 27 August 2021 entered into among Ji'nan Power Company and Sinotruk (Hong Kong) International Investment Limited (vendors) with CNHTC (purchaser) regarding the disposal of an aggregate 60% equity interest in Sinotruk Hubei Huawei Special Vehicles Co., Ltd. was terminated due to the business strategic adjustment of the Group and the CNHTC Group. Details of the equity transfer agreement and the termination were disclosed in the Company's announcements dated 27 August 2021 and 18 November 2022, respectively.

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

1) 2023 CNHTC Property Leasing In Agreement

Date of agreement	:	31 March 2021
Parties	:	CNHTC the Company
Term	:	two years from 1 January 2022 to 31 December 2023
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 2022	:	RMB95,000,000
Actual consideration for the year ended 31 December 2022	:	RMB7,092,991

Details of the transactions contemplated under the 2023 CNHTC Property Leasing In Agreement were disclosed in the Company's announcement dated 31 March 2021.

REPORT OF THE DIRECTORS

2) 2023 CNHTC Technology Support and Services Agreement

Date of agreement	:	31 March 2021
Parties	:	CNHTC the Company
Term	:	two years from 1 January 2022 to 31 December 2023
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, and design supervisory 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 20%
Annual cap for the year ended 31 December 2022	:	RMB80,000,000
Actual consideration for the year ended 31 December 2022	:	RMB29,057,358

Details of the transactions contemplated under the 2023 CNHTC Technology Support and Services Agreement were disclosed in the Company's announcement dated 31 March 2021.

3) 2023 CNHTC Guarantee Agreement

Date of agreement	:	31 March 2021
Parties	:	CNHTC (as grantor of the credit guarantee) the Company (as beneficiary of the credit guarantee)
Term	:	two years from 1 January 2022 to 31 December 2023
Objective	:	members of the CNHTC Group agreed to provide credit guarantee to the Group in respect of the payment obligations of loans and, as supplemented, finance lease arrangements to customers of the CNHTC Group
Consideration	:	nil
Annual cap for the year ended 31 December 2022	:	maximum day-end guarantee balance: RMB790,000,000 (revised)
Actual consideration for the year ended 31 December 2022	:	maximum day-end guarantee balance: RMB87,514,979

Details of the transactions contemplated under the 2023 CNHTC Guarantee Agreement and the Supplemented 2023 CNHTC Guarantee Agreement were disclosed in the Company's announcements dated 31 March 2021 and 31 March 2022, respectively.

REPORT OF THE DIRECTORS

4) 2023 CNHTC Products Sales Agreement

Date of agreement	:	31 March 2021
Parties	:	CNHTC the Company
Term	:	two years from 1 January 2022 to 31 December 2023
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 2022	:	RMB806,000,000
Actual consideration for the year ended 31 December 2022	:	RMB258,948,759

Details of the transactions contemplated under the 2023 CNHTC Products Sales Agreement were disclosed in the Company's announcement dated 31 March 2021.

5) 2023 CNHTC Parts Sales Agreement

Date of agreement	:	31 March 2021
Parties	:	CNHTC the Company
Term	:	two years from 1 January 2022 to 31 December 2023
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: (a) off-the-shelf parts: market price approach (b) unique and proprietary parts: a cost plus profit margin approach with margin between 5% to 20%
Annual cap for the year ended 31 December 2022	:	RMB1,608,000,000
Actual consideration for the year ended 31 December 2022	:	RMB907,891,488

Details of the transactions contemplated under the 2023 CNHTC Parts Sales Agreement were disclosed in the Company's announcement dated 31 March 2021.

REPORT OF THE DIRECTORS

6) 2023 Financial Services Agreement

Date of agreement	:	31 March 2021
Parties	:	CNHTC the Company
Term	:	two years from 1 January 2022 to 31 December 2023
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 2022	:	(a) bills discounting services: (i) maximum day end balance: RMB110,000,000 and (ii) interest income: RMB4,400,000 (b) unsecured loan services: (i) maximum day end balance: RMB1,600,000,000 and (ii) interest income: RMB80,000,000 (c) issue of bills: (i) maximum day end balance: RMB200,000,000, (ii) fee income: RMB200,000 and (iii) interest expense for surety: RMB2,500,000 (d) entrustment loan arrangements' fee income: RMB200,000
Actual consideration for the year ended 31 December 2022	:	(a) bills discounting services: (i) maximum day end balance: nil and (ii) interest income: nil (b) unsecured loan services: (i) maximum day end balance: RMB1,510,000,000 and (ii) interest income: RMB46,019,632 (c) issue of bills: (i) maximun day and balance: 143,017,400, (ii) fee income: nil and (iii) interest expense for surety: RMB47,674 (d) entrustment loan arrangements' fee income: nil

Details of the transactions contemplated under the 2023 Financial Services Agreement were disclosed in the Company's announcement dated 31 March 2021.

7) 2023 MTB Parts Sales Agreement

Date of agreement	:	31 March 2021
Parties	:	MAN Truck & Bus SE the Company
Term	:	two years from 1 January 2022 to 31 December 2023
Objective	:	the Group has agreed to supply raw materials, auxiliary materials, parts and spare parts, semi-finished products for production and operation and moulds for the production of these spare parts, etc. to MAN Truck & Bus SE and its associates
Consideration	:	the consideration was determined on the basis of: (a) off-the-shelf products: market price approach; (b) unique and proprietary products: a cost plus profit margin approach with margin between 5% to 20%
Annual cap for the year ended 31 December 2022	:	RMB621,000,000
Actual consideration for the year ended 31 December 2022	:	RMB130,819,033

Details of the transactions contemplated under the 2023 MTB Parts Sales Agreement were disclosed in the Company's announcement dated 31 March 2021.

REPORT OF THE DIRECTORS

8) 2024 CNHTC Parts Purchase Agreement

Date of agreement	:	3 November 2021
Parties	:	CNHTC the Company
Term	:	three years from 1 January 2022 to 31 December 2024
Objective	:	the CNHTC Group has agreed to supply raw materials, parts and components, assemblies, semi-finished products, etc. 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 2022	:	RMB604,000,000
Actual consideration for the year ended 31 December 2022	:	RMB44,246,747

Details of the transactions contemplated under the 2024 CNHTC Parts Purchase Agreement were disclosed in the Company's announcement dated 3 November 2021.

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

1) 2022 Weichai Parts Purchase Agreement

Date of agreement	:	4 March 2022
Parties	:	Weichai Holdings the Company
Term	:	one year from 1 January 2022 to 31 December 2022
Objective	:	the Weichai Group has agreed to sell raw materials, parts and components, assemblies, semi-finished products (including but not limited to engines, gearboxes and axles), etc. 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 Weichai Group for all its customers including the Group
Annual cap for the year ended 31 December 2022	:	RMB16,236,000,000
Actual consideration for the year ended 31 December 2022	:	RMB3,933,949,821

Details of the transactions contemplated under the 2022 Weichai Parts Purchase Agreement were disclosed in the Company's announcement dated 4 March 2022 and the Company's circular dated 12 April 2022.

The 2022 Weichai Parts Purchase Transitional Agreement dated 4 March 2022 between Weichai Holdings and the Company in respect of the purchase of parts from the Weichai Group to the Group with an annual cap of RMB700,000,000 for year ended 31 December 2022 was automatically terminated after the approval of the 2022 Weichai Parts Purchase Agreement by the independent Shareholders on 29 April 2022. All actual consideration for the year ended 31 December 2022 under the 2022 Weichai Parts Purchase Transitional Agreement has been counted under the 2022 Weichai Parts Purchase Agreement. Details of the 2022 Weichai Parts Purchase Transitional Agreement were disclosed in the Company's announcement dated 4 March 2022.

REPORT OF THE DIRECTORS

2) 2023 Products Purchase Agreement

Date of agreement	:	31 March 2021
Parties	:	CNHTC the Company
Term	:	two years from 1 January 2022 to 31 December 2023
Objective	:	the CNHTC Group has agreed to sell products including vehicles, refitted trucks, chassis, and add-on products such as trunk, flatbed, tank, etc. 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 2022	:	RMB2,921,000,000
Actual consideration for the year ended 31 December 2022	:	RMB2,855,810,007

Details of the transactions contemplated under the 2023 Products Purchase Agreement were disclosed in the Company's announcement dated 31 March 2021 and the Company's circular dated 21 May 2021.

3) 2024 Weichai Parts Sales Agreement

Date of agreement	:	4 March 2022
Parties	:	Weichai Holdings the Company
Term	:	three years from 1 January 2022 to 31 December 2024
Objective	:	the Group has agreed to supply raw materials, assemblies, parts and components, semi-finished products, etc. to the Weichai Group
Consideration	:	(a) off-the-shelf parts: market price approach (b) unique and proprietary parts: a cost plus profit margin approach with margin between 5% to 20%
Annual cap for the year ended 31 December 2022	:	RMB331,000,000
Actual consideration for the year ended 31 December 2022	:	RMB43,277,845

Details of the transactions contemplated under the 2024 Weichai Parts Sales Agreement were disclosed in the Company's announcement dated 4 March 2022 and the Company's circular dated 12 April 2022.

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) and (ii) fall under the scope of connected transactions under Chapter 14A of the Listing Rules but are exempt from reporting, annual review, announcement or independent shareholders' approval requirements and have complied with the requirements of Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The 2022 Environmental, Social and Governance Report of the Company will be disclosed separately at the websites of the Company and the Stock Exchange.

AUDITORS

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

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

SUBSEQUENT EVENTS

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

By Order of the Board
Wang Zhijian
Chairman

Ji'nan, PRC, 30 March 2023

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 100 to 222, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 2022, the gross carrying amount of trade and financing receivables in the consolidated financial statements was RMB19,939 million, and the provision for impairment of trade and financing receivables amounted to RMB1,991 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 recognised individually, ECLs for 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 notes 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, the key information including the ageing of each group, credit history and overdue days. Based on grouping with similar distinctive credit risk characteristics, we also reviewed the bases upon which management arrived at the credit risks and the amount of ECLs, including management's assessment of the credit risks of customers, taking into account the business operation of the respective customers, market conditions and historical payment and so forth; 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
Recognition of Warranty Provisions	
As at 31 December 2022, the Group had warranty provisions amounting to RMB1,467 million. Provisions for warranties granted by the Group to customers are recognised based on sales volume and past experience of the cost of repair. The key judgement adopted by management as part of the process includes determining the time of the expected repair occurred and the estimated labour costs and costs of parts of warranty claims on the 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 the costs in respect of future warranty claims. Relevant disclosures are included in notes 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 environment 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 2022 figures included in the prior year forecast to consider whether there is a bias in management's estimation. In addition, we confirmed with management and performed analysis on the actual claims during the year and subsequent to the year-end to identify any indicators of significant quality defect, changes of labour costs and costs of parts, and changes of the 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.

INDEPENDENT AUDITOR'S REPORT

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

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.

- 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.

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong

30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

	Notes	2022	2021
REVENUE	5	**59,290,569**	93,357,031
Cost of sales		**(49,277,352)**	(77,692,927)
Gross profit		**10,013,217**	15,664,104
Other income and gains	5	**1,293,879**	1,258,030
Selling and distribution expenses		**(2,860,898)**	(4,539,909)
Administrative expenses		**(4,773,600)**	(6,284,627)
Impairment losses on financial assets, net		**(418,631)**	(155,980)
Other expenses		**(351,025)**	(181,722)
Operating profit		**2,902,942**	5,759,896
Finance income		**137,785**	119,950
Finance costs		**(9,389)**	(11,391)
Finance income, net	7	**128,396**	108,559
Share of profits and losses of associates		**(23,066)**	(5,641)
PROFIT BEFORE TAX	6	**3,008,272**	5,862,814
Income tax expense	10	**(957,532)**	(1,153,352)
PROFIT FOR THE YEAR		**2,050,740**	4,709,462
Attributable to:			
Owners of the Company		**1,796,574**	4,322,071
Non-controlling interests		**254,166**	387,391
		2,050,740	4,709,462
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
(expressed in RMB per share)			
Basic and diluted		**0.65**	1.57

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022
(All amounts in RMB thousands unless otherwise stated)

	Notes	2022	2021
NON-CURRENT ASSETS			
Property, plant and equipment	13	**15,487,358**	14,215,393
Investment properties	14	**840,134**	753,520
Right-of-use assets	15	**2,319,622**	2,553,656
Goodwill		**68,933**	121,428
Other intangible assets	16	**232,366**	269,512
Investments in associates	17	**1,970,714**	1,338,382
Equity investments designated at fair value through other comprehensive income	21	**31,925**	31,925
Trade and financing receivables	19	**2,274,760**	5,007,345
Prepayments, other receivables and other assets	20	**192,798**	522,477
Deferred tax assets	29	**2,302,340**	2,222,779
Total non-current assets		**25,720,950**	27,036,417
CURRENT ASSETS			
Inventories	18	**13,496,445**	16,667,158
Trade, financing and bills receivables	19	**16,145,075**	24,063,467
Prepayments, other receivables and other assets	20	**18,452,273**	3,911,611
Financial assets at fair value through other comprehensive income	22	**7,359,387**	4,057,928
Financial assets at fair value through profit or loss	23	**4,500,202**	2,976,855
Cash and cash equivalents and restricted cash	24	**19,804,185**	28,306,498
Total current assets		**79,757,567**	79,983,517
CURRENT LIABILITIES			
Trade and bills payables	25	**33,221,359**	37,478,557
Other payables and accruals	26	**22,184,285**	19,378,305
Borrowings	27	**3,889,799**	3,510,514
Lease liabilities	15	**1,917**	3,298
Tax payable		**480,291**	311,397
Provisions	28	**1,536,767**	2,206,567
Total current liabilities		**61,314,418**	62,888,638
NET CURRENT ASSETS		**18,443,149**	17,094,879
TOTAL ASSETS LESS CURRENT LIABILITIES		**44,164,099**	44,131,296

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022
(All amounts in RMB thousands unless otherwise stated)

	Notes	2022	2021
NON-CURRENT LIABILITIES			
Lease liabilities	15	143	1,078
Deferred tax liabilities	29	109,755	127,238
Termination and post-employment benefit obligations	30	525,467	577,844
Deferred income	31	560,157	657,049
Total non-current liabilities		1,195,522	1,363,209
Net assets		42,968,577	42,768,087
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	16,717,024	16,717,024
Other reserves	33	3,015,829	2,763,305
Retained earnings		16,176,135	16,190,815
		35,908,988	35,671,144
Non-controlling interests		7,059,589	7,096,943
Total equity		42,968,577	42,768,087

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

The consolidated financial statements on pages 100 to 222 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf by:

Wang Zhijian
Director

Li Xia
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

		Attributable to owners of the Company										Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Revaluation reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory reserve	Discretionary reserve	Merger reserve	Translation and other reserves	Retained earnings	Total		
At 1 January 2021		16,717,024	(3,612,554)	41,743	(17,265)	3,501,606	104,294	480,081	(17,648)	14,917,727	32,115,008	3,564,399	35,679,407
Profit for the year		–	–	–	–	–	–	–	–	4,322,071	4,322,071	387,391	4,709,462
Other comprehensive income/(loss) for the year:													
Changes in fair value of financial assets at fair value through other comprehensive income		–	–	–	3,923	–	–	–	–	–	3,923	2,494	6,417
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties		–	–	9,643	–	–	–	–	–	–	9,643	–	9,643
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	11,639	–	11,639	–	11,639
Share of other comprehensive loss of associates		–	–	–	–	–	–	–	(3,348)	–	(3,348)	–	(3,348)
Remeasurements of termination and post-employment benefit obligations		–	–	(10,611)	–	–	–	–	–	–	(10,611)	4,227	(6,384)
Total comprehensive income for the year		–	–	(968)	3,923	–	–	–	8,291	4,322,071	4,333,317	394,112	4,727,429
Transactions with owners in their capacity as owners:													
Dividends of the Company for 2020		–	–	–	–	–	–	–	–	(2,413,171)	(2,413,171)	–	(2,413,171)
Changes in ownership interests in a subsidiary without change of control		–	1,667,841	–	–	–	–	–	–	–	1,667,841	3,418,051	5,085,892
Dividends of subsidiaries distributed to non-controlling interests	11	–	–	–	–	–	–	–	–	–	–	(279,619)	(279,619)
Others		–	(31,851)	–	–	–	–	–	–	–	(31,851)	–	(31,851)
Total transactions with owners in their capacity as owners		–	1,635,990	–	–	–	–	–	–	(2,413,171)	(777,181)	3,138,432	2,361,251
Appropriation to reserves		–	–	–	–	635,812	–	–	–	(635,812)	–	–	–
At 31 December 2021		16,717,024	(1,976,564)	40,775	(13,342)	4,137,418	104,294	480,081	(9,357)	16,190,815	35,671,144	7,096,943	42,768,087

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

		Attributable to owners of the Company										Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Revaluation reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory reserve	Discretionary reserve	Merger reserve	Translation and other reserves	Retained earnings	Total		
At 1 January 2022		16,717,024	(1,976,564)	40,775	(13,342)	4,137,418	104,294	480,081	(9,357)	16,190,815	35,671,144	7,096,943	42,768,087
Profit for the year		–	–	–	–	–	–	–	–	1,796,574	1,796,574	254,166	2,050,740
Other comprehensive income/(loss) for the year:													
Changes in fair value of financial assets at fair value through other comprehensive income		–	–	–	(12,484)	–	–	–	–	–	(12,484)	(2,623)	(15,107)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	845	–	845	–	845
Share of other comprehensive income of associates		–	–	–	–	–	–	–	2,337	–	2,337	–	2,337
Remeasurements of termination and post-employment benefit obligations		–	–	3,349	–	–	–	–	–	–	3,349	1,808	5,157
Total comprehensive income for the year		–	–	3,349	(12,484)	–	–	–	3,182	1,796,574	1,790,621	253,351	2,043,972
Transactions with owners in their capacity as owners:													
Dividends of the Company for 2021		–	–	–	–	–	–	–	–	(1,555,910)	(1,555,910)	–	(1,555,910)
Changes in ownership interests in a subsidiary without change of control		–	3,133	–	–	–	–	–	–	–	3,133	(42,893)	(39,760)
Dividends of subsidiaries distributed to non-controlling interests	11	–	–	–	–	–	–	–	–	–	–	(172,706)	(172,706)
Total transactions with owners in their capacity as owners		–	3,133	–	–	–	–	–	–	(1,555,910)	(1,552,777)	(215,599)	(1,768,376)
Appropriation to reserves		–	–	–	–	213,192	–	–	–	(213,192)	–	–	–
Treasury stock of a subsidiary		–	–	–	–	–	–	–	–	–	–	(75,106)	(75,106)
Transfer to safety production reserve		–	–	–	–	–	–	–	42,152	(42,152)	–	–	–
At 31 December 2022		16,717,024	(1,973,431)	44,124	(25,826)	4,350,610	104,294	480,081	35,977	16,176,135	35,908,988	7,059,589	42,968,577

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,008,272**	5,862,814
Adjustments for:			
Finance costs	7	**9,389**	11,391
Share of losses of associates		**23,066**	5,641
Finance income	7	**(137,785)**	(119,950)
Dividend income from financial assets at fair value through profit or loss	5	**(189)**	(139)
Losses/(gains) on disposal of items of property, plant and equipment	6	**1,706**	(17,105)
Gain upon derecognition of leases	5	**—**	(248)
Gain on disposal of subsidiaries and businesses	5	**(311,379)**	(341,058)
Gain on disposal of an associate	5	**—**	(10,718)
Loss on disposal of part of the equity in an associate		**404**	778
Gain on disposal of financial assets at fair value through profit or loss	5	**(99,611)**	(272,032)
Revaluation losses/(gains) on investment properties	14	**25,851**	(2,258)
Fair value losses on financial assets at fair value through profit or loss		**170,141**	4,823
Fair value loss on contingent consideration		**2,577**	1,330
Fair value losses/(gains) on listed equity investments		**1,438**	(29,220)
Depreciation of right-of-use assets	15	**61,839**	76,163
Depreciation of property, plant and equipment	13	**1,350,853**	1,370,920
Amortisation of other intangible assets	16	**73,053**	72,416
Impairment of property, plant and equipment	13	**1,365**	9,493
Impairment/(reversal of impairment) of trade receivables	19	**223,566**	(119,684)
Impairment of financing receivables	19	**63,193**	265,196
Expected credit losses from the off-balance sheet credit business	28	**4,727**	—
(Reversal of impairment)/impairment of impairment of bills receivable	19	**(6,168)**	20,138
Impairment/(reversal of impairment) of other receivables and other assets	20	**133,313**	(9,670)
Impairment of investments in an associate	6	**124,532**	—
Write-down of inventories to net realisable value	6	**622,733**	348,403
Recognition of deferred income	31	**(29,259)**	(60,324)
Foreign exchange differences, net		**(128,440)**	67,337
		5,189,187	7,134,437

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

	Notes	2022	2021
Decrease in inventories		**2,305,184**	3,719,591
Decrease/(increase) in trade, financing and bills receivables		**6,186,976**	(2,228,850)
Decrease/(increase) in prepayments and other receivables		**784,262**	(557,298)
(Increase)/decrease in restricted cash		**(929,260)**	932,623
Decrease in trade and bills payables		**(4,407,262)**	(17,046,168)
Increase in other payables and accruals		**2,602,903**	4,854,031
(Decrease)/increase in provisions		**(661,459)**	81,466
(Decrease)/increase in termination and post-employment benefits		**(30,525)**	216,877
Increase in government grants		**12,625**	4,305
Increase in operating fund of finance segment	37	**379,285**	2,210,514
Increase in interest receivable of finance segment		**—**	(18,591)
Cash generated from/(used in) operations		**11,431,916**	(697,063)
Interest paid		**(16,091)**	(10,272)
Income tax paid		**(520,805)**	(2,503,515)
Net cash flows generated from/(used in) operating activities		**10,895,020**	(3,210,850)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**137,785**	138,542
Dividends received from an associate		**9,388**	9,458
Dividend income received from financial assets at fair value through profit or loss		**189**	139
Purchases of items of property, plant and equipment		**(1,439,898)**	(2,516,765)
Purchase of investment properties		**(1,838)**	—
Proceeds from disposal of items of property, plant and equipment		**10,814**	26,097
Purchase of acquisition of right-of-use assets		**(17,140)**	(10,883)
Proceeds from disposal of right-of-use assets		**9,933**	—
Proceeds from government grants		**54,926**	82,318
Purchase of other intangible assets		**(35,954)**	(41,134)
Acquisition of a subsidiary	35	**—**	(248,913)
Acquisition of associates		**(581,934)**	(20,000)
Capital increase in investment of an associate		**(133,333)**	—
Proceeds from disposal of an associate		**—**	22,081
Proceeds from disposal of part of the equity in an associate		**1,604**	11,752
Proceeds from disposal of subsidiaries and businesses	36	**209,288**	386,160
Purchases of financial assets at fair value through profit or loss		**(10,191,358)**	(24,977,673)
Proceeds from disposal of financial assets at fair value through profit or loss		**8,596,043**	27,737,508
Purchase of financial assets at amortised cost		**(52,181,999)**	(810,500)
Proceeds from disposal of financial assets at amortised cost		**36,947,224**	250,131
Designated loan to an associate		**—**	(75,000)
Net cash flows used in investing activities		**(18,606,260)**	(36,682)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

	Notes	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		—	(411,840)
Capital injection from non-controlling interests		—	5,528,087
Principal portion of lease payments		(3,862)	(23,053)
Acquisition of non-controlling interests		(39,760)	(442,195)
Dividends paid to the owners of the Company		(1,555,910)	(2,413,171)
Dividends paid to the non-controlling interests of subsidiaries		(172,706)	(279,619)
Purchase of treasury stock of a subsidiary		(75,106)	—
Net cash flows (used in)/generated from financing activities		(1,847,344)	1,958,209
NET DECREASE IN CASH AND CASH EQUIVALENTS		(9,558,584)	(1,289,323)
Cash and cash equivalents at beginning of year	24	24,692,404	26,049,064
Effect of foreign exchange rate changes, net		128,440	(67,337)
CASH AND CASH EQUIVALENTS AT END OF YEAR		15,262,260	24,692,404
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	14,209,367	22,594,267
Time deposits	24	1,052,893	2,098,137
Cash and cash equivalents as stated in the consolidated statement of cash flows		15,262,260	24,692,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022
(All amounts in RMB thousands unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

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

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

In the opinion of the directors, the holding company of the Company is Sinotruk (BVI) Limited, which is incorporated in the British Virgin Islands. At 31 December 2022, the ultimate holding company of the Company was Shandong Heavy Industry Group Co., Ltd. ("SHIG"), which is incorporated in Mainland China.

The financial information relating to the year ended 31 December 2021 that is included in the consolidated statement of financial position ended 31 December 2022 as comparative information does not constitute the Company's statutory annual consolidated financial statements for the year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap 662) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 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

31 December 2022
(All amounts in RMB thousands unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES

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

Name	Place of incorporation/ registration and business/ kind of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinotruk Ji'nan Truck Co., Ltd.* 中國重汽集團濟南卡車股份有限公司	PRC/ Mainland China/Joint stock company with limited liability	RMB1,174.87	51.00	—	Manufacture and sale of trucks and spare parts
Sinotruk Ji'nan Power Co., Ltd.* 中國重汽集團濟南動力有限公司	PRC/ Mainland China/Limited liability company	RMB6,713.08	100.00	—	Manufacture and reproduction of engines
Sinotruk Ji'nan Commercial Truck Co., Ltd.* 中國重汽集團濟南商用車有限公司	PRC/ Mainland China//Limited liability company	RMB1,871.29	100.00	—	Manufacture and sale of trucks and spare parts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022
(All amounts in RMB thousands unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

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

Name	Place of incorporation/ registration and business/ kind of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinotruk 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	—	Consultation and strategic planning in respect of the automobile market, import and export trading, asset operations and investment holding
Sinotruk Finance Co., Ltd. * 中國重汽財務有限公司	PRC/ Mainland China/Limited liability company	RMB3,050.00	51.33	44.72	Taking deposits, facilitating lendings, discounting bills, issue of bills, and providing entrusted loans, entrusted and investment
Sinotruk (Ji'nan) Axle Co., Ltd.* 重汽(濟南)車橋有限公司	PRC/ Mainland China/Limited liability company	RMB646.74	49.00	26.01	Manufacture and sale of trucks and axle and transmission parts
Sinotruk Auto Finance Co., Ltd. * 重汽汽車金融有限公司	PRC/ Mainland China/Limited liability company	RMB2,600.00	76.09	13.04	Taking deposits, facilitating lendings and financing leases, providing customer credit

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022
(All amounts in RMB thousands unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

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

Name	Place of incorporation/ registration and business/ kind of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinotruk 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 names of the entities represent the best effort made by the directors of the Company in translating the Chinese names as they do not have English names, and are for reference only.

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

2.1 BASIS OF PREPARATION

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

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022
(All amounts in RMB thousands unless otherwise stated)

2.1 BASIS OF PREPARATION (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) 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 as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *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 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022
(All amounts in RMB thousands unless otherwise stated)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 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

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

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

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

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in RMB thousands unless otherwise stated)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN ASSOCIATES (CONTINUED)

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

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

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)

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

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

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

FAIR VALUE MEASUREMENT

The Group measures its investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED PARTIES

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 the statement of 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	7 - 18 years
Furniture, fittings and equipment	4 - 18 years
Motor Vehicles	5 - 10 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 the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT PROPERTIES

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

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

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

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

Proprietary technology

Proprietary technology recognised from development expenditures is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

Software

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

(b) Lease liabilities

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

Group as a lessee (Continued)

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

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

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

Group as a lessor

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition of financial assets

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Impairment of financial assets (Continued)

Simplified approach

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

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

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (borrowings)

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES (CONTINUED)

Financial guarantee contracts

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROVISIONS

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

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

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

INCOME TAX

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

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

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

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

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

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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 and associates, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT GRANTS

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

REVENUE RECOGNITION

Revenue from contracts with customers

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

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

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

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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

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

Dealers

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

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

End use customers

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

Volume rebates

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (Continued)

(b) Rendering of services

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

Revenue from other sources

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

Other income

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

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

CONTRACT LIABILITIES

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

EMPLOYEE BENEFITS

Pension schemes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

Pension schemes (Continued)

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

Termination and post-employment benefits

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

Housing funds

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

BORROWINGS COSTS

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

DIVIDENDS

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES

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

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

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

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

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

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

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

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 2022, the amount of write-down of inventories was RMB595,500,000 (2021: RMB358,534,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

ESTIMATION UNCERTAINTY (CONTINUED)

Estimation of fair value of investment properties

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

The carrying amount of investment properties at 31 December 2022 was RMB840,134,000 (2021: RMB753,520,000). Details of the judgement and assumptions have been disclosed in note 14 to the consolidated financial statements.

Termination and post-employment benefit obligations

The Group has recognised the early retirement plan and the supplementary pension insurance plans and other comprehensive retirement benefit plans. The estimated amounts of such benefit expenses and liabilities are calculated on the basis of various assumption conditions, including discount rate, growth rate of related benefits and others. The difference between the actual results and actuarial assumption may affect the accuracy of accounting estimations. The changes in the above assumptions will affect the amount of liabilities for early retirement and supplementary pension benefits and other comprehensive benefit plan liabilities, even though management considers that the assumptions are reasonable. At 31 December 2022, termination and post-employment benefit obligations amounted to RMB727,303,000 (2021: RMB953,824,000). Further details are included in note 30 to the consolidated financial statements.

Product warranty provisions

The Group generally offers warranties with periods of 6 months to 96 months for its trucks, buses and engines. The assessment of the provision amount involves management's judgements and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying amount of the product warranty provisions and the provision amount charged/reversed in the period in which such estimate has been changed. At 31 December 2022, the provision for product warranty amounted to RMB1,466,673,000 (2021: RMB2,161,971,000). Further details are included in note 28 to the consolidated financial statements.

Useful lives of items of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation 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.

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 2022 was RMB2,302,340,000 (2021: RMB2,222,779,000). Further details are contained in note 29 to the consolidated financial statements.

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4. OPERATING SEGMENT INFORMATION

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

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

(i) Heavy duty trucks – Manufacture and sale of heavy duty trucks, medium-heavy duty trucks and related components;

(ii) Light duty trucks and others – Manufacture and sale of light duty trucks, buses, etc. and related components;

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

(iv) Finance – Provision of deposit taking, borrowings, bills discounting, issue of bills and entrustment loans to the members of the Group and members of CNHTC and its subsidiaries excluding the Group ("CNHTC Group") as well as the provision of auto and supply chain financing services to the public.

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

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

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

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

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

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

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

A reconciliation for entity assets and liabilities is as follows:

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

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

A reconciliation for entity assets and liabilities is as follows:

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

(All amounts in RMB thousands unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION (CONTINUED)

(b) Non-current assets (continued)

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

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:

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

Information about major customers

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

(All amounts in RMB thousands unless otherwise stated)

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
Revenue from contracts with customers	**58,009,157**	91,577,124
Revenue from other sources		
Provision of financing services	**1,281,412**	1,779,907
	59,290,569	93,357,031

REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue information

	2022	2021
Types of goods or services		
Sale of goods	**57,738,896**	90,596,023
Rendering of services	**270,261**	981,101
Total revenue from contracts with customers	**58,009,157**	91,577,124
Geographical markets		
Mainland China	**36,847,684**	79,776,579
Overseas	**21,161,473**	11,800,545
Total revenue from contracts with customers	**58,009,157**	91,577,124
Timing of revenue recognition		
Transferred at a point in time	**56,685,097**	91,018,055
Transferred over time	**1,324,060**	559,069
Total revenue from contracts with customers	**58,009,157**	91,577,124

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(All amounts in RMB thousands unless otherwise stated)

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(a) Disaggregated revenue information (Continued)

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

	2022	2021
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**4,887,216**	4,270,755
Rendering of services	**20,678**	27,304
	4,907,894	4,298,059

(b) Performance obligations

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

Sale of goods

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

Rendering of services

Revenue from the rendering of services is recognised in the accounting period in which the services are rendered, by reference to the acceptance of the total services by the customers, or stage of completion of the specific transaction which is 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	2022	2021
Other income			
Government grants		**137,081**	208,575
Income on disposal of scraps		**114,995**	144,659
Penalties income		**28,287**	97,866
Rental income from leases		**46,570**	26,314
Income from utilities		**1,836**	3,462
Dividend income from financial assets at fair value through profit or loss		**189**	139
Others		**21,388**	19,119
		350,346	500,134
Gains			
Gain on disposal of subsidiaries and businesses	36	**311,379**	341,058
Gain on disposal of financial assets at fair value through profit or loss		**99,611**	272,032
Fair value gains on financial assets at fair value through profit or loss		**—**	24,397
Gains on disposal of items of property, plant and equipment		**—**	17,105
Gain on disposal of an associate		**—**	10,718
Revaluation gains on investment properties		**—**	2,258
Gain upon derecognition of leases	6	**—**	248
Gain on disposal of right-of-use assets		**4,413**	—
Foreign exchange differences, net		**496,543**	—
Others		**31,587**	90,080
		943,533	757,896
		1,293,879	1,258,030

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31 December 2022
(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	2022	2021
Cost of inventories sold		**41,613,858**	68,684,880
Warranty expenses		**178,687**	1,387,131
Depreciation of property, plant and equipment	13	**1,350,853**	1,370,920
Depreciation of right-of-use assets	15(a)	**61,839**	76,163
Amortisation of other intangible assets	16	**73,053**	72,416
Research and development costs*		**2,521,832**	3,280,256
Transportation charges		**942,857**	1,216,351
Auditor's remuneration:			
Financial audit services		**6,289**	6,289
Internal control audit services		**468**	468
Taxation professional services		**83**	83
Environmental, social and government report services		**159**	159
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages, salaries, allowances, social security and benefits		**3,708,213**	4,830,194
Defined contribution pension schemes**		**574,983**	562,366
Termination benefits	30(a)	**147,676**	355,452
Post-employment benefits	30(b)	**22,616**	28,489
Housing benefits		**426,604**	452,841
Other staff benefits		**421,837**	708,684
Lease payments not included in the measurement of lease liabilities	15(c)	**54,508**	44,984
Losses/(gains) on disposal of items of property, plant and equipment		**1,706**	(17,105)
Gain upon derecognition of leases	5	**—**	(248)
Write-down of inventories to net realisable value		**622,733**	348,403
Impairment/(reversal of impairment) of trade receivables	19(a)	**223,566**	(119,684)
Impairment of financing receivables	19(b)	**63,193**	265,196
(Reversal of impairment)/impairment of bills receivable	19(c)	**(6,168)**	20,138
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets	20	**133,313**	(9,670)
Impairment of property, plant and equipment	13	**1,365**	9,493
Impairment from the off-balance sheet credit business	28	**4,727**	—
Impairment of investment in an associate		**124,532**	—
Foreign exchange differences, net***		**(496,543)**	167,912

(All amounts in RMB thousands unless otherwise stated)

6. PROFIT BEFORE TAX (CONTINUED)

* The research and development costs of RMB2,521,832,000 (2021: RMB3,280,256,000) are included in "Administrative expenses" in the consolidated statement of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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

7. FINANCE INCOME

An analysis of finance income is as follows:

	2022	2021
Finance costs:		
– Borrowings	(9,202)	(10,160)
– Interest on lease liabilities (note 15 (b))	(187)	(1,408)
	(9,389)	(11,568)
Less: Interest capitalised in construction in progress	—	177
	(9,389)	(11,391)
Finance income:		
– Interest income from bank deposits	137,785	119,950
Finance income, net	128,396	108,559

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:

	2022	2021
Fees	1,480	1,449
Other emoluments:		
Salaries, allowances and benefits in kind	13,647	15,667
Defined contribution pension schemes	193	209
	15,320	17,325

Except for directors' fees, there were no other emoluments payable to the independent non-executive directors during the year (2021: nil).

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

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

2022	Notes	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Employer's contribution to retirement benefit schemes	Total
Executive directors:						
Mr. Wang Zhijian	(i)	—	105	—	3	108
Mr. Wang Chen	(ii)	—	250	—	6	256
Mr. Liu Wei		—	3,238	—	39	3,277
Mr. Zhang Wei	(iii)	—	862	—	5	867
Ms. Li Xia	(iv)	—	2,384	—	39	2,423
Ms. Zhao Hong	(v)	—	515	—	3	518
Mr. Richard von Braunschweig		—	557	—	—	557
Non-executive directors:						
Mr. Sun Shaojun	(vi)	—	—	—	—	—
Mr. Alexander Albertus Gerhardus Vlaskamp	(vii)	—	—	—	—	—
Mr. Karsten Oellers	(viii)	180	—	—	—	180
Mr. Mats Lennart Harborn	(ix)	180	—	—	—	180
Independent non-executive directors:						
Dr. Lin Zhijun		180	—	—	—	180
Dr. Wang Dengfeng		180	—	—	—	180
Mr. Zhao Hang		180	—	—	—	180
Mr. Liang Qing		180	—	—	—	180
Mr. Lyu Shousheng		180	—	—	—	180
Mr. Zhang Zhong	(x)	180	—	—	—	180
Former directors:						
Mr. Cai Dong	(xi)	—	2,458	—	36	2,494
Mr. Liu Zhengtao	(xii)	—	1,482	—	36	1,518
Mr. Dai Lixin	(xiii)	—	1,154	—	20	1,174
Mr. Li Shaohua	(xiv)	—	642	—	6	648
Mr. Jiang Kui	(xv)	—	—	—	—	—
Dr. h.c. Andreas Tostmann	(xvi)	40	—	—	—	40
Total		1,480	13,647	—	193	15,320

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31 December 2022
(All amounts in RMB thousands unless otherwise stated)

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

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

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

Notes:

(i) Mr. Wang Zhijian was appointed as an executive director on 5 December 2022.

(ii) Mr. Wang Chen was appointed as an executive director on 29 June 2022.

(iii) Mr. Zhang Wei was appointed as an executive director on 5 December 2022.

(iv) Ms. Li Xia was appointed as an executive director on 11 May 2021.

(v) Ms. Zhao Hong was appointed as an executive director on 5 December 2022.

(vi) Mr. Sun Shaojun was appointed as an executive director on 4 March 2022, and was re-designated from an executive director to a non-executive Director on 5 December 2022. He waived all his emoluments during his tenure.

(vii) Mr. Alexander Albertus Gerhardus Vlaskamp was appointed as a non-executive director on 21 March 2022. He waived all his emoluments during his tenure.

(viii) Mr. Karsten Oellers was appointed as a non-executive director on 14 December 2021.

(ix) Mr. Mats Lennart Harborn was appointed as a non-executive director on 14 December 2021.

(x) Mr. Zhang Zhong was appointed as an independent non-executive director with effect from 23 September 2021.

(xi) Mr. Cai Dong resigned as an executive director with effect from 5 December 2022.

(xii) Mr. Liu Zhengtao resigned as an executive director with effect from 5 December 2022.

(xiii) Mr. Dai Lixin resigned as an executive director with effect from 29 June 2022.

(xiv) Mr. Li Shaohua resigned as an executive director with effect from 4 March 2022.

(xv) Mr. Jiang Kui resigned as a non-executive director with effect from 5 December 2022. He waived all his emoluments during his tenure.

(xvi) Dr. h.c. Andreas Tostmann resigned as a non-executive director with effect from 21 March 2022.

(xvii) Mr. Liu Peimin resigned as an executive director with effect from 19 March 2021.

(xviii) Ms. Qu Hongkun resigned as an executive director with effect from 11 May 2021.

(xix) Ms. Annette Danielski resigned as a non-executive director with effect from on 14 December 2021.

(xx) Mr. Matthias Gründler resigned as a non-executive director with effect from 14 December 2021. He waived all his emoluments during his tenure.

(xxi) Mr. Yang Weicheng resigned as an independent non-executive director with effect from 23 September 2021.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included five directors (2021: five directors), details of whose remuneration are set out in note 8 above.

There was no amount paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year 2022.

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% (2021: 16.5%) on their estimated assessable profits during the year. The Company is also determined as a Chinese-resident enterprise and, is subject to corporate income tax at a rate of 25% (2021: 25%) according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"). Sinotruk (Hong Kong) International Investment Limited is a qualifying entity under the two-tiered profits tax rates regime in Hong Kong. Its first HKD2 million assessable profits is taxed at a rate of 8.25% and the rest at 16.5% (2021: first HKD2 million assessable profits taxed at a rate of 8.25% and the rest at 16.5%).

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

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

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

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

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax at a rate of 20% (2021: 20%) according to the Kazakhstan tax law.

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

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

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10. INCOME TAX (CONTINUED)

	2022	2021
Current tax:		
– Hong Kong		
Charge for the year	**112**	2,170
Overprovision in prior years	**—**	(498)
	112	1,672
– Mainland China		
Charge for the year	**1,069,316**	1,006,104
(Overprovision)/Underprovision in prior years	**(40,527)**	31,117
	1,028,789	1,037,221
– Elsewhere	**1,486**	174
Total current tax	**1,030,387**	1,039,067
Deferred tax (note 29)	**(72,855)**	114,285
Total tax charge	**957,532**	1,153,352

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:

	2022	2021
Profit before tax	**3,008,272**	5,862,814
Tax at the statutory tax rate	**736,286**	1,461,802
Lower tax rates enacted by local authorities	**(11,585)**	(210,882)
Additional deduction for research and development expenditure	**(374,117)**	(423,743)
Adjustments in respect of current tax of previous periods	**(40,527)**	30,619
Income not subject to tax	**(2,564)**	(5,418)
Expenses not deductible for tax	**15,193**	22,419
Utilisation of unrecognised tax losses from previous periods	**(83,472)**	(32,099)
Tax losses and deductible temporary differences not recognised	**718,318**	310,654
Tax charge at the Group's effective rate	**957,532**	1,153,352

11. DIVIDENDS

At a meeting held on 30 March 2023, the Board proposed a final dividend in respect of the year ended 31 December 2022 of either HKD0.33 or RMB0.29 (2021: HKD0.68 or RMB0.55) per ordinary share, representing a total dividend of approximately HKD911,128,000 (2021: approximately HKD1,877,475,000) or approximately RMB800,688,000 (2021: approximately RMB1,518,546,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company. The consolidated financial statements do not reflect this dividend payable.

During the year ended 31 December 2022, certain non-wholly-owned subsidiaries of the Company have approved the dividends to non-controlling interests amounting to approximately RMB172,706,000 (2021: approximately RMB279,619,000).

12. EARNINGS PER SHARE

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

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

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31 December 2022
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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
For the year ended 31 December 2022						
At 1 January 2022:						
Cost	9,777,783	15,679,522	545,419	399,353	2,644,917	29,046,994
Accumulated depreciation and impairment	(2,771,617)	(11,426,418)	(348,301)	(195,987)	(89,278)	(14,831,601)
Net carrying amount	7,006,166	4,253,104	197,118	203,366	2,555,639	14,215,393
At 1 January 2022, net of accumulated depreciation and impairment	7,006,166	4,253,104	197,118	203,366	2,555,639	14,215,393
Additions	101,321	221	39,617	11,971	3,231,389	3,384,519
Transfers	849,172	1,060,743	69,107	17,415	(1,996,437)	—
Transfer from investment properties (note 14)	4,403	—	—	—	—	4,403
Transfer to investment properties (note 14)	(103,322)	—	—	—	—	(103,322)
Transfer to other assets	—	—	—	—	(21,362)	(21,362)
Disposal of subsidiaries an businesses (note 36)	(326,868)	(182,989)	(2,163)	(6,378)	(47,955)	(566,353)
Disposals	—	(32,948)	(1,815)	(684)	(38,255)	(73,702)
Depreciation	(308,545)	(940,163)	(69,870)	(32,275)	—	(1,350,853)
Impairment	(946)	(419)	—	—	—	(1,365)
At 31 December 2022, net of accumulated depreciation and impairment	7,221,381	4,157,549	231,994	193,415	3,683,019	15,487,358
At 31 December 2022:						
Cost	10,180,079	16,071,435	620,376	405,840	3,700,816	30,978,546
Accumulated depreciation and impairment	(2,958,698)	(11,913,886)	(388,382)	(212,425)	(17,797)	(15,491,188)
Net carrying amount	7,221,381	4,157,549	231,994	193,415	3,683,019	15,487,358

(All amounts in RMB thousands unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Machinery	Furniture, fittings and equipment	Motor vehicles	Construction in progress	Total
For the year ended 31 December 2021						
At 1 January 2021:						
Cost	8,057,321	14,736,781	539,803	318,504	2,631,793	26,284,202
Accumulated depreciation and impairment	(2,432,575)	(10,866,129)	(338,711)	(190,267)	(18,087)	(13,845,769)
Net carrying amount	5,624,746	3,870,652	201,092	128,237	2,613,706	12,438,433
At 1 January 2021, net of accumulated depreciation and impairment	5,624,746	3,870,652	201,092	128,237	2,613,706	12,438,433
Additions	7,158	25,914	28,082	419	3,076,905	3,138,478
Acquisition of a subsidiary (note 35)	292,092	108,662	2,123	422	6,309	409,608
Transfers	1,439,492	1,379,375	26,382	111,065	(2,956,314)	—
Transfer from investment properties (note 14)	14,882	—	—	—	1,029	15,911
Revaluation gains recognised in other comprehensive income	12,857	—	—	—	—	12,857
Transfer to investment properties (note 14)	(27,421)	—	—	—	(10,330)	(37,751)
Transfer to other intangible assets (note 16)	—	—	—	—	(1,075)	(1,075)
Transfer to right-of-use assets (note 15 (a))	—	—	—	—	(11,822)	(11,822)
Disposal of subsidiaries and businesses (note 36)	(39,688)	(126,893)	(801)	(833)	(162,769)	(330,984)
Disposals	(6,650)	(21,627)	(2,683)	(6,889)	—	(37,849)
Depreciation	(311,302)	(973,494)	(57,077)	(29,047)	—	(1,370,920)
Impairment	—	(9,485)	—	(8)	—	(9,493)
At 31 December 2021, net of accumulated depreciation and impairment	7,006,166	4,253,104	197,118	203,366	2,555,639	14,215,393
At 31 December 2021:						
Cost	9,777,783	15,679,522	545,419	399,353	2,644,917	29,046,994
Accumulated depreciation and impairment	(2,771,617)	(11,426,418)	(348,301)	(195,987)	(89,278)	(14,831,601)
Net carrying amount	7,006,166	4,253,104	197,118	203,366	2,555,639	14,215,393

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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2022, the Group's aggregate carrying value of the buildings without ownership certificates was approximately RMB2,266,907,000 (2021: approximately RMB1,629,002,000). 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.

14. INVESTMENT PROPERTIES

	2022	2021
Carrying amount at 1 January	**753,520**	724,075
Transfer from property, plant and equipment (note 13)	**103,322**	37,751
Transfer to property, plant and equipment (note 13)	**(4,403)**	(15,911)
Addition	**5,015**	—
Transfer from right-of-use assets (note 15(a))	**8,531**	5,347
Revaluation (losses)/gains recognised in (other expenses)/other income and gains	**(25,851)**	2,258
Carrying amount at 31 December	**840,134**	753,520

Investment properties are located in Hong Kong, Shandong province, Zhejiang province, Jiangsu province, Sichuan province, Shanxi province and Guangxi province of the PRC and were revalued as at 31 December 2022 on an open market value. Investment properties in Hong Kong are held on leases over 50 years. Investment properties in Mainland China are held on leases between 35 and 50 years.

An independent valuation of the Group's investment properties was performed by the surveyors, PRUDENTIAL Property Surveyors (Hong Kong) Limited and Shandong Zhongping Hengxin Assets Appraisal Co., Ltd., to determine the fair value of the investment properties as at 31 December 2022 (2021: 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 2022, the Group's aggregate carrying value of the buildings without ownership certificates was approximately RMB23,074,000 (2021: approximately RMB83,885,000). 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 (CONTINUED)

FAIR VALUE HIERARCHY

The Group's policy is to recognise transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstance that caused the transfers. There were no transfers among levels 1, 2 and 3 during the year (2021: nil).

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

	Fair value measurement as at 31 December 2022 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	—	—	167,583	167,583
– Factories	—	—	309,193	309,193
– Office units	—	295,895	25,263	321,158
– Residential properties	—	42,200	—	42,200
	—	338,095	502,039	840,134

	Fair value measurement as at 31 December 2021 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	—	—	75,030	75,030
– Factories	—	—	316,116	316,116
– Office units	—	293,184	25,736	318,920
– Residential properties	—	43,454	—	43,454
	—	336,638	416,882	753,520

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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 the selling price per square foot or per square metre.

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

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

Fair value as at 31 December 2022	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
52,468	Income capitalisation approach	Rental value	RMB0.20-2.56 per day per square metre	The higher the rental value, the higher the fair value
		Capitalisation rate	6.8%-8%	The higher the capitalisation rate, the lower the fair value
393,206	Direct comparison method	Unit price	RMB901.4-915.67 per day per square metre	The higher the unit price, the higher the fair value
56,365	Replacement cost approach	Integrated depreciation rate	44%-86%	The higher the integrated depreciation rate, the lower the fair value

Fair value as at 31 December 2021	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
331,301	Income capitalisation approach	Rental value	RMB0.19-2.6 per day per square metre	The higher the rental value, the higher the fair value
		Capitalisation rate	6.8%-8%	The higher the capitalisation rate, the lower the fair value
44,914	Direct comparison method	Unit price	RMB900.71-903.84 per day per square metre	The higher the unit price, the higher the fair value
40,667	Replacement cost approach	Integrated depreciation rate	48%-89%	The higher the integrated depreciation rate, the lower the fair value

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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 leased land from the owners with lease periods of 50 years or more, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 5 years. Motor vehicles generally have lease terms between 1 and 5 years and/or are individually of low value. There are several lease contracts that include extension options, which are further discussed below.

(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 31 December 2020 and 1 January 2021	2,430,889	22,496	85	2,453,470
Additions	61,164	4,006	5,858	71,028
Acquisition of a subsidiary (note 35)	112,853	—	—	112,853
Transfer from property, plant and equipment (note 13)	11,822	—	—	11,822
Transfer to investment properties (note 14)	(5,347)	—	—	(5,347)
Disposals	(686)	(422)	—	(1,108)
Disposal of subsidiaries and businesses (note 36)	(12,832)	(67)	—	(12,899)
Depreciation charge	(54,061)	(21,519)	(583)	(76,163)
As at 31 December 2021	**2,543,802**	**4,494**	**5,360**	**2,553,656**
Additions	**11,301**	**1,546**	**8,803**	**21,650**
Transfer to investment properties (note 14)	**(8,531)**	**—**	**—**	**(8,531)**
Disposals	**(9,933)**	**—**	**—**	**(9,933)**
Disposal of subsidiaries and businesses (note 36)	**(175,381)**	**—**	**—**	**(175,381)**
Depreciation charge	**(56,770)**	**(3,288)**	**(1,781)**	**(61,839)**
As at 31 December 2022	**2,304,488**	**2,752**	**12,382**	**2,319,622**

As at 31 December 2022, certain parcels of the Group's land use rights with an aggregate carrying amount of approximately RMB6,700,000 (2021: RMB11,586,000) 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:

	2022	2021
Carrying amount at 1 January	**4,376**	23,241
New leases	**1,546**	4,777
Accretion of interest recognised during the year (note 7)	**187**	1,408
Disposals of subsidiaries and businesses (note 36)	**—**	(167)
Derecognition of leases	**—**	(422)
Payments	**(4,049)**	(24,461)
Carrying amount at 31 December	**2,060**	4,376
Analysed into:		
Current portion	**1,917**	3,298
Non-current portion	**143**	1,078
Total	**2,060**	4,376

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

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

	2022	2021
Interest on lease liabilities	**187**	1,408
Depreciation charge of right-of-use assets	**61,839**	76,163
Expense relating to short-term and low-value leases (note 6)	**54,508**	44,984
Total amount recognised in profit or loss	**116,534**	122,555

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15. LEASES (CONTINUED)

(d) EXTENSION OPTIONS

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

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

THE GROUP AS A LESSOR

The Group leases its investment properties (note 14) consisting of sixteen (2021: fourteen) 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 RMB49,489,000 (2021: RMB33,513,000).

At 31 December 2022, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022	2021
Within one year	**20,701**	24,315
After one year but within five years	**58,090**	66,374
After five years	**3,488**	9,900
	82,279	100,589

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16. OTHER INTANGIBLE ASSETS

	Development costs	Proprietary technology	Software	Total
For the year ended 31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation	**49,234**	**169,720**	**50,558**	**269,512**
Additions	**—**	**—**	**35,954**	**35,954**
Disposal of subsidiaries and businesses (note 36)	**—**	**(36)**	**(11)**	**(47)**
Transfers	**(49,234)**	**49,234**	**—**	**—**
Amortisation	**—**	**(60,452)**	**(12,601)**	**(73,053)**
At 31 December 2022	**—**	**158,466**	**73,900**	**232,366**
At 31 December 2022:				
Cost	**—**	**1,495,877**	**183,156**	**1,679,033**
Accumulated amortisation and impairment	**—**	**(1,337,411)**	**(109,256)**	**(1,446,667)**
Net carrying amount	**—**	**158,466**	**73,900**	**232,366**
For the year ended 31 December 2021				
Cost at 1 January 2021, net of accumulated amortisation	34,661	225,928	54,332	314,921
Additions	14,573	95,628	6,341	116,542
Acquisition of a subsidiary (note 35)	—	37	—	37
Disposal of subsidiaries and businesses (note 36)	—	(90,647)	—	(90,647)
Transfer from property, plant and equipment (note 13)	—	—	1,075	1,075
Amortisation	—	(61,226)	(11,190)	(72,416)
At 31 December 2021	49,234	169,720	50,558	269,512
At 31 December 2021:				
Cost	49,234	1,446,679	147,213	1,643,126
Accumulated amortisation and impairment	—	(1,276,959)	(96,655)	(1,373,614)
Net carrying amount	49,234	169,720	50,558	269,512

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17. INVESTMENTS IN ASSOCIATES

	2022	2021
Associates	**1,970,714**	1,338,382

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

Particulars of the Group's associates are as follows:

Name	Particulars of registered capital (in million)	Place of Registration/ business	Ownership interest	Percentage of voting power	Profit sharing	Principal activities
Prinx (Cayman) Holding Limited (Prinx)*	USD50	Cayman Islands/PRC	9.67%	9.67%	9.67%	Investment holding
Sinotruk Panzhihua Mining Truck Co., Ltd. (Panzhihua Mining Truck)	RMB30	PRC/ Mainland China	30%	30%	30%	Sale of heavy duty trucks
UZ TRUCK AND BUS MOTORS Limited Liability Company (UZ TRUCK AND BUS MOTORS)	EUR11	Uzbekistan	32.89%	32.89%	32.89%	Manufacture and sale of heavy duty trucks
Suzhou Tsintel Co., Ltd. (Suzhou Tsintel) **	RMB7	PRC/ Mainland China	9.09%	9.09%	9.09%	Manufacture and sale of automotive electronics, auto parts, machinery and equipment and related consulting
Shandong Guochuang Fuel Cell Technology Innovation Center Co., Ltd. (Shandong Guochuang)	RMB65	PRC/ Mainland China	30.77%	30.77%	30.77%	Fuel cell design and development
Shengrui 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. INVESTMENTS IN ASSOCIATES (CONTINUED)

			Percentage of			
Name	Particulars of registered capital (in million)	Place of Registration/ business	Ownership interest	voting power	Profit sharing	Principal activities
Chongyou Gaoke Fuel System Co., Ltd. (Chongyou Gaoke)	RMB496	PRC/ Mainland China	40%	40%	40%	Manufacture and sale of fuel pumps
Weichai Intelligent Technology Co., Ltd. (Weichai Intelligent Technology) ***	RMB250	PRC/ Mainland China	30%	30%	30%	Software development, sales, and technical services
Sinotruk Mianyang Special Vehicles Co., Ltd. (Mianyang Special Vehicles) ****	RMB190	PRC/ Mainland China	34%	34%	34%	Manufacture and sale of automobile and parts
Weichai Freshen Air Co., Ltd. (Weichai Freshen Air) *****	RMB143	PRC/ Mainland China	30%	30%	30%	Manufacture and sale of air purification products

* The fair value of investment in Prinx (Cayman) Holding Limited was approximately RMB333,468,000 as at 31 December 2022 (2021: approximately RMB366,575,000).

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

*** In January 2022, Sinotruk Ji'nan Power Co., Ltd. subscribed for 30% equity in Weichai Intelligent Technology Co., Ltd. at a consideration of RMB76,000,000. As the Group has two of the nine board seats in Weichai Intelligent Technology and exercises significant influence on it, Weichai Intelligent Technology is considered an associate of the Group.

**** In March 2022, the Group disposed 66% equity of a wholly-owned subsidiary, Sinotruk Mianyang Special Vehicles Co., Ltd. Further details of this disposal are included in note 36 to the consolidated financial statements.

***** In November 2022, Sinotruk Ji'nan Power Co., Ltd. subscribed for 30% equity in Weichai Freshen Air Co., Ltd. at a consideration of RMB505,935,000. As the Group has two of the six board seats in Weichai Freshen Air and exercises significant influence on it, Weichai Freshen Air is considered an associate of the Group.

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

	2022	2021
Share of the associates' loss	**(23,066)**	(5,641)
Share of the associates' other comprehensive profit/(loss)	**2,337**	(3,348)
Share of the associates' total comprehensive loss	**(20,729)**	(8,989)
Aggregate carrying amount of the Group's investments in associates	**1,970,714**	1,338,382

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18. INVENTORIES

	2022	2021
Raw materials	**2,948,947**	3,435,044
Work in progress	**1,301,097**	2,072,181
Finished goods – engines, parts and components	**214,081**	324,840
Finished goods – trucks and others	**9,627,820**	11,193,627
	14,091,945	17,025,692
Less: write-down of inventories to net realisable value	**(595,500)**	(358,534)
	13,496,445	16,667,158

19. TRADE, FINANCING AND BILLS RECEIVABLES

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

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19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(a) Trade receivables

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

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

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:

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

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

	2022	2021
At 1 January	**1,134,084**	1,236,456
Impairment loss/(reversal of impairment loss), net (note 6)	**223,566**	(119,684)
Amount written off as uncollectible	**(155,815)**	—
Acquisition of a subsidiary	**—**	17,589
Disposal of subsidiaries and businesses	**(18,030)**	(277)
At 31 December	**1,183,805**	1,134,084

(All amounts in RMB thousands unless otherwise stated)

19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(a) Trade receivables (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 ageing groupings on the invoice date of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2022

	Ageing as at 31 December 2022				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	**2.37%**	**23.77%**	**40.42%**	**66.02%**	**15.91%**
Gross carrying amount	**5,208,722**	**852,343**	**202,850**	**1,174,862**	**7,438,777**
Expected credit losses	**123,594**	**202,608**	**81,984**	**775,619**	**1,183,805**

As at 31 December 2021

	Ageing as at 31 December 2021				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.33%	13.29%	33.64%	56.58%	14.34%
Gross carrying amount	5,548,874	355,629	533,456	1,473,149	7,911,108
Expected credit losses	73,870	47,275	179,468	833,471	1,134,084

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19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(b) Financing Receivables

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

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

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

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 2021	**646,962**	**2,990**	**128,490**	**778,442**
Increase (note 6)	**24,699**	**949**	**37,545**	**63,193**
Amount written off as uncollectible	**—**	**—**	**(34,722)**	**(34,722)**
Provision for impairment of financing receivables as at 31 December 2022	**671,661**	**3,939**	**131,313**	**806,913**

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19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(b) Financing Receivables (Continued)

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

	Stage 1	Stage 2	Stage 3	Total
Provision for impairment of financing receivables as at 31 December 2020	415,245	1,414	96,587	513,246
Increase (note 6)	231,717	1,576	31,903	265,196
Provision for impairment of financing receivables as at 31 December 2021	646,962	2,990	128,490	778,442

(c) Bills Receivable

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

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

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

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

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19. TRADE, FINANCING AND BILLS RECEIVABLES (CONTINUED)

(c) Bills Receivable (Continued)

The movement in provision for impairment of bills receivables is as follows:

	2022	2021
At 1 January	**20,138**	—
(Reversal of impairment loss)/impairment loss, net (note 6)	**(6,168)**	20,138
At 31 December	**13,970**	20,138

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

	2022	2021
RMB	**14,752,925**	26,910,697
USD	**3,511,810**	1,999,041
EURO	**147,195**	155,757
ZAR (South African Rand)	**4,916**	5,286
Others	**2,989**	31
	18,419,835	29,070,812

(All amounts in RMB thousands unless otherwise stated)

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
Current portion		
Prepayments	**790,844**	860,962
Deposits and other receivables	**993,317**	361,005
Financial assets at amortised cost	**16,031,727**	658,305
Others	**776,485**	2,063,116
	18,592,373	3,943,388
Provision for impairment	**(140,100)**	(31,777)
	18,452,273	3,911,611
Non-current portion		
Long-term prepayments	**56,312**	387,028
Contingent consideration	**—**	15,796
Others	**136,486**	119,653
	192,798	522,477
	18,645,071	4,434,088

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

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

	2022	2021
At 1 January	**31,777**	32,355
Impairment losses/(reversal of impairment losses), net (note 6)	**133,313**	(9,670)
Amount written off as uncollectible	**(16,269)**	—
Disposal of subsidiaries and businesses	**(8,721)**	(255)
Acquisition of a subsidiary	**—**	9,347
At 31 December	**140,100**	31,777

Financial assets included in prepayments, other receivables and other assets mainly represent deposits with suppliers and other parties, national debt reverse repurchase, pledge-style repo and designated loan to an associate. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2022 was 0.82% (2021: 0.76%). The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

The carrying amounts of the Group's other receivables are denominated in the following currencies:

	2022	2021
RMB	**16,874,196**	979,363
USD	**8,385**	7,778
HKD	**2,363**	392
	16,884,944	987,533

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

	2022	2021
Equity investments	**31,925**	31,925

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

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022	2021
Debt investments		
– bank acceptance bills	**7,359,387**	4,057,928

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

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

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

All debt investments as at 31 December 2022 and 2021 are denominated in RMB.

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23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
Wealth management product		
– with the principal and interest non-guaranteed	**4,460,060**	2,872,079
Listed equity investments, at fair value	**5,306**	87,014
Forward currency contracts	**34,836**	17,762
	4,500,202	2,976,855

The above equity investments were classified as financial assets at fair value through profit or loss as they are held for trading.

Financial assets at fair value through profit or loss are denominated in the following currencies:

	2022	2021
RMB	**4,494,896**	2,970,112
HKD	**5,306**	6,743
	4,500,202	2,976,855

(All amounts in RMB thousands unless otherwise stated)

24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2022	2021
Cash and bank balances	**14,209,367**	22,594,267
Time deposits	**1,052,893**	2,098,137
Cash and cash equivalents	**15,262,260**	24,692,404
Restricted cash	**4,541,925**	3,614,094
	19,804,185	28,306,498

As at 31 December 2022, the cash and bank balances and time deposits of the Group denominated in RMB amounted to approximately RMB13,442,439,000 (2021: approximately RMB21,400,600,000). The RMB kept in Mainland China is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks which are authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the deposit rates of the respective periods. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Management considered the credit risks in respect of bank deposits with financial institutions are relatively minimum as each counterparty either bears a high credit rating or is a large state-owned or listed PRC bank with good reputation.

The breakdown of restricted cash by nature as at the year end is as follows:

	2022	2021
Deposits for issuing bank acceptance bills	**1,855,550**	990,959
Deposits for issuing letters of credit	**800,000**	—
Mandatory reserve deposits (a)	**1,883,225**	2,593,923
Other restricted cash	**3,150**	29,212
	4,541,925	3,614,094

(a) Sinotruk Finance Co., Ltd. and Sinotruk Auto Finance Co., Ltd. are required to place mandatory deposits with the People's Bank of China ("PBOC") for deposit taking.

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24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

Cash and cash equivalents and restricted cash are denominated in:

	2022	2021
RMB	**17,668,713**	24,982,703
USD	**1,862,994**	2,874,148
EURO	**220,591**	430,280
HKD	**10,551**	10,806
Others	**41,336**	8,561
	19,804,185	28,306,498

25. TRADE AND BILLS PAYABLES

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

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

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

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.

(All amounts in RMB thousands unless otherwise stated)

25. TRADE AND BILLS PAYABLES (CONTINUED)

Trade and bills payables are denominated in:

	2022	2021
RMB	**33,220,746**	37,453,527
USD	**613**	25,030
	33,221,359	37,478,557

26. OTHER PAYABLES AND ACCRUALS

	2022	2021
Other payables	**11,738,429**	9,111,842
Volume rebate	**1,534,074**	1,747,961
Contract liabilities (a)	**5,045,042**	4,907,927
Accruals	**1,309,937**	771,489
Staff salaries and welfare	**1,797,801**	1,655,306
Termination and post-employment benefits due less than one year (note 30)	**201,836**	375,980
Other taxes and surcharge payables	**557,166**	807,800
	22,184,285	19,378,305

Other payables are non-interest-bearing and repayable on demand.

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26. OTHER PAYABLES AND ACCRUALS (CONTINUED)

(a) Details of contract liabilities are as follows:

	31 December 2022	31 December 2021	1 January 2021
Short-term advances received from customers			
Sale of goods	**5,031,882**	4,887,249	4,270,755
Rendering of services	**13,160**	20,678	27,304
	5,045,042	4,907,927	4,298,059

Contract liabilities mainly represent receipts in advance from customers prior to the satisfaction of performance obligations.

Other payables are denominated in:

	2022	2021
RMB	**11,718,077**	9,086,504
USD	**4,914**	6,139
HKD	**2,030**	18,756
KTZ	**221**	245
ZAR (South African Rand)	**923**	198
KES (Kenya Rand)	**12,264**	—
	11,738,429	9,111,842

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27. BORROWINGS

	2022			2021		
	Effective interest rate (%)	Maturity		Effective interest rate (%)	Maturity	
Current						
Bank borrowings	**3.1-3.35**	**2023**	**3,889,799**	3.35-3.55	2022	3,510,514

Analysed into:	2022	2021
Borrowings repayable:		
Within one year	**3,889,799**	3,510,514

At the end of the reporting period, all borrowings were denominated in RMB.

As at 31 December 2022 and 31 December 2021, the Group's bank borrowings are not secured.

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28. PROVISIONS

	Product warranties	Legal claims	Expected credit losses from the off-balance sheet credit business	Total
At 1 January 2022	2,161,971	44,596	—	2,206,567
Additional provisions	1,079,362	46,612	4,727	1,130,701
Disposal of subsidiaries and businesses (note 36)	(1,811)	(11,257)	—	(13,068)
Amounts utilised during the year	(1,772,849)	(14,584)	—	(1,787,433)
At 31 December 2022	1,466,673	65,367	4,727	1,536,767

The Group provides product warranties ranging from half year to three years to its customers on the trucks and buses and five to eight years on the batteries of the buses during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

The legal claim is subject to legal arbitration and is expected to be finalised in late 2023. At the end of the reporting period, the provision has been reassessed, and as a result thereof, it has been increased to RMB65,367,000.

(All amounts in RMB thousands unless otherwise stated)

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 2021	451,624	156,859	573,269	891,785	86,703	43,092	18,422	200,577	2,422,331
Deferred tax credited/(charged) to profit or loss (note 10)	(99,301)	(58,715)	(94,213)	196,675	(15,915)	13,758	36,092	668	(20,951)
Deferred tax credited to other comprehensive income	—	—	—	—	—	—	—	8,923	8,923
Acquisition of a subsidiary (note 35)	—	—	—	—	74	—	—	—	74
Disposal of subsidiaries and businesses (note 36)	(687)	(971)	—	(3,697)	(21)	—	—	(89)	(5,465)
At 31 December 2021 and 1 January 2022	**351,636**	**97,173**	**479,056**	**1,084,763**	**70,841**	**56,850**	**54,514**	**210,079**	**2,404,912**
Deferred tax credited/(charged) to profit or loss (note 10)	**172,081**	**(2,164)**	**(87,178)**	**(131,556)**	**(8,434)**	**13,164**	**225,950**	**(72,978)**	**108,885**
Deferred tax credited to other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,330**	**3,330**
At 31 December 2022	**523,717**	**95,009**	**391,878**	**953,207**	**62,407**	**70,014**	**280,464**	**140,431**	**2,517,127**

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29. DEFERRED TAX (CONTINUED)

DEFERRED TAX LIABILITIES

	Depreciation allowance in excess of related depreciation	Fair value adjustment arising from business combination	Fair value arising from financial assets at fair value through profit or loss	Fair value arising from property, plant and equipment and land use right	Fair value adjustment arising from investment properties	Total
At 1 January 2021	110,220	73,378	—	8,781	(377)	192,002
Deferred tax charged/(credited) to profit or loss (note 10)	88,647	(7,522)	13,397	—	(1,188)	93,334
Deferred tax charged to other comprehensive income	—	—	—	—	3,214	3,214
Acquisition of a subsidiary (note 35)	—	22,073	—	—	—	22,073
Disposal of subsidiaries and businesses (note 36)	(1,252)	—	—	—	—	(1,252)
At 31 December 2021 and 1 January 2022	**197,615**	**87,929**	**13,397**	**8,781**	**1,649**	**309,371**
Deferred tax charged/(credited) to profit or loss (note 10)	**48,141**	**(27,594)**	**6,182**	**—**	**9,301**	**36,030**
Disposal of subsidiaries and businesses (note 36)	**—**	**(20,859)**	**—**	**—**	**—**	**(20,859)**
At 31 December 2022	**245,756**	**39,476**	**19,579**	**8,781**	**10,950**	**324,542**

(All amounts in RMB thousands unless otherwise stated)

29. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022	2021
Net deferred tax assets recognised in the consolidated statement of financial position	**2,302,340**	2,222,779
Net deferred tax liabilities recognised in the consolidated statement of financial position	**109,755**	127,238

The Group has tax losses arising in Hong Kong of RMB4,005,000 (2021: nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB7,795,135,000 (2021: RMB4,578,844,000) that will expire in one to five or ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2022	2021
Tax losses	**7,799,140**	4,578,844
Deductible temporary differences	**1,358,162**	1,701,033
	9,157,302	6,279,877

30. TERMINATION AND POST-EMPLOYMENT BENEFITS

	2022	2021
Termination benefits (a)	**378,098**	586,312
Post-employment benefits (b)	**349,205**	367,512
	727,303	953,824
Less: current portion (note 26)	**201,836**	375,980
Non-current portion	**525,467**	577,844

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30. TERMINATION AND POST-EMPLOYMENT BENEFITS (CONTINUED)

(a) The termination benefit balance mainly represents the early retirement plan under the streamlining of the human resources structure. The termination benefits recognised in the consolidated statement of profit or loss are as follows:

	2022	2021
Termination benefits, included in staff cost	147,676	355,452

(b) The Group established the supplementary pension insurance plans and other comprehensive retirement benefit plans for employees who retired before 1 January 2019. These plans include annual living subsidies for employees after their retirement.

The amounts of post-employment benefits recognised in the consolidated statement of financial position are determined as follows:

	2022	2021
Present value of benefit plans	349,205	367,512
Liability in the consolidated statement of financial position	349,205	367,512

The movements of post-employment benefits recognised in the consolidated statement of financial position are as follows:

	2022	2021
As at 1 January	367,512	380,626
Post-employment benefits recognised in profit or loss	22,616	28,489
Remeasurement of post-employment benefits recognised in other comprehensive income	(6,563)	1,238
Benefits paid	(25,566)	(40,833)
Disposal of subsidiaries and businesses	(8,794)	(2,008)
As at 31 December	349,205	367,512
Less: current portion	34,034	34,580
Non-current portion	315,171	332,932

(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:

	2022	2021
Termination benefits and post-employment benefits discount rate	**2.25%/2.85%**	2.25%/2.75%
Average salary increase rate	**10%**	8%

(ii) Mortality: Average life expectancy of residents in the PRC.

31. DEFERRED INCOME

	2022	2021
Government grants	**560,157**	657,049

During 2022, recognition of deferred income amounting to RMB29,259,000 is credited to profit or loss (2021: RMB60,324,000).

32. SHARE CAPITAL

	2022	2021
Issued and fully paid:		
2,760,993,339 (2021: 2,760,993,339) ordinary shares	**16,717,024**	16,717,024

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33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's capital reserve is the reserve arising from asset donations and transactions with the 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 the articles of association of the subsidiaries incorporated in the PRC ("PRC subsidiaries"), before distributing the profit each year, the PRC subsidiaries are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under the PRC accounting regulations to the statutory reserve. When the balance of such reserve reached 50% of the capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior year's losses or issue bonus shares. However, such statutory reserve must be maintained at a minimum of 25% of the entity's capital after such issuance.

According to the regulations of the Notice of the Ministry of Finance on Issuing the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued on 30 March 2012, financial enterprises shall, based on their actual conditions, carry out quantitative analysis on the risks to which the risk assets are exposed via the internal model approach or standard approach to determine the estimated value of potential risk. A general provision is made for the part that the estimated value of potential risk exceeds the impairment of assets. In principle, the balance of general provision shall not be lower than 1.5% of the ending balance of the risk assets. The proportion (1.5%) that the balance of general provision accounts for the ending balance of the risk assets could be reached in several years, but no more than 5 years in principle, if it is not available for a financial enterprise by one-time.

The merger reserve of the Group represents the difference between the nominal value of the shares or the capital of the subsidiaries that had been acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the Reorganisation or consideration paid for the acquisition of a subsidiary as a business combination under common control subsequent to the Reorganisation.

Pursuant to certain regulations issued by the Ministry of Finance and the Emergency Department, the Group is required to set aside from profit after tax an amount to a safety production reserve at different rates ranging from 0.05% to 2.35% of revenue of the previous year. The reserve can be utilised for improvements of safety on production, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred, and at the same time the corresponding amounts of safety production reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

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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.	2022	2021
Percentage of equity interest held by non-controlling interests	**49.00%**	49.00%

Sinotruk Ji'nan Truck Co., Ltd.	2022	2021
Profit for the year allocated to non-controlling interests	**277,183**	424,284
Dividends paid to non-controlling interests	**172,706**	279,619
Accumulated balances of non-controlling interests at the reporting date	**6,300,046**	6,220,344

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Sinotruk Ji'nan Truck Co., Ltd.	2022	2021
Revenue	**23,160,445**	48,511,219
Total expenses	**(22,594,766)**	(47,645,333)
Profit for the year	**565,679**	865,886
Total comprehensive income for the year	**590,223**	907,524
Current assets	**21,967,877**	23,938,227
Non-current assets	**5,929,267**	4,610,496
Current liabilities	**14,719,273**	15,548,435
Non-current liabilities	**320,635**	305,708
Net cash flows generated from operating activities	**3,517,024**	216,776
Net cash flows (used in)/generated from investing activities	**(273,351)**	314,203
Net cash flows (used in)/generated from financing activities	**(747,116)**	3,669,999
Net increase in cash and cash equivalents	**2,496,557**	4,200,978

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35. BUSINESS COMBINATION

2022

The Group had no business combinations during the year ended 31 December 2022.

2021

On 30 July 2021, the Group acquired a 100% equity interest in Sinotruk (Weihai) Commercial Vehicle Co., Ltd. ("Weihai Commercial Vehicle") Weihai Commercial Vehicle from CNHTC at cash consideration of approximately RMB252,648,000. Weihai Commercial Vehicle is engaged in the business of the manufacture and sale of light trucks and others. The acquisition was made as part of the Group's strategy to further develop its business. This acquisition was accounted for using the acquisition method due to the temporary nature of control of CNHTC over Weihai Commercial Vehicle which was acquired by CNHTC from a third party in February 2021.

The fair values of the identifiable assets and liabilities of Weihai Commercial Vehicle as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
Property, plant and equipment	13	409,608
Right-of-use assets	15	112,853
Other intangible assets	16	37
Deferred tax assets	29	74
Inventories		11,973
Trade, financing and bills receivables		3,939
Financial assets at fair value through other comprehensive income		14,930
Prepayments, other receivables and other assets		7,188
Cash and cash equivalents		3,735
Trade and bills payables		(94,511)
Other payables and accruals		(73,366)
Borrowings		(35,000)
Provisions		(11,770)
Deferred tax liabilities	29	(22,073)
Termination and post-employment benefit obligations		(1,610)
Deferred income		(125,854)
Total identifiable net assets at fair value		200,153
Goodwill on acquisition		52,495
Satisfied by cash		252,648

(All amounts in RMB thousands unless otherwise stated)

35. BUSINESS COMBINATION (CONTINUED)

2021 (CONTINUED)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB3,939,000 and RMB3,847,000 respectively. The gross contractual amounts of trade receivables and other receivables were RMB21,528,000 and RMB13,194,000, respectively, of which trade receivables of RMB17,589,000 and other receivables of RMB9,347,000 are expected to be uncollectible.

The Group did not incur transaction costs for this acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	**(252,648)**
Cash and cash equivalents acquired	**3,735**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(248,913)**
Transaction costs of the acquisition included in cash flows used in operating activities	**—**
	(248,913)

Since the acquisition, Weihai Commercial Vehicle contributed RMB10,032,000 to the Group's revenue and made a loss of RMB42,849,000 against the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB93,265,806,000 and RMB4,684,500,000, respectively.

36. DISPOSAL OF SUBSIDIARIES AND BUSINESSES

In March 2022, the Group disposed of 66% equity of a wholly-owned subsidiary, Sinotruk Mianyang Special Vehicles Co., Ltd. to Mianyang Investment Holding (Group) Ltd. for the consideration of approximately RMB124,646,000. After the completion of the disposal, Sinotruk Mianyang Special Vehicles Co., Ltd. changed from a subsidiary of the Company to an associate of the Group.

In May 2022, the Group disposed of 100% equity of a wholly-owned subsidiary, Weihai Commercial Vehicle to CNHTC at the consideration of approximately RMB162,257,000. After the completion of the disposal, Weihai Commercial Vehicle changed from a subsidiary of the Group to a related party controlled by Shandong Heavy Industry Group Co., Ltd. ("SHIG").

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36. DISPOSAL OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

In November 2022, Sinotruk Ji'nan Rubber Co., Ltd. ("Ji'nan Rubber"), a wholly-owned subsidiary of the Group, disposed of its aftertreatment business to Weichai Freshen Air for the consideration of RMB590,897,000. After the completion of the disposal, the Group ceased of to have any interest in the aftertreatment business.

The assets, liabilities and cash flows from the disposal of subsidiaries and businesses were as follows:

	Notes	2022	2021
Net assets disposed of:			
Right-of-use assets	15	**175,381**	12,899
Property, plant and equipment	13	**566,353**	330,984
Other intangible assets	16	**47**	90,647
Goodwill		**52,495**	—
Deferred tax assets	29	**—**	4,213
Inventories		**242,796**	87,815
Trade, financing and bills receivables		**4,517**	76,758
Financial assets at fair value through other comprehensive income		**11,590**	11,787
Prepayments, other receivables and other assets		**112,732**	21,315
Cash and cash equivalents and restricted cash		**79,044**	102,112
Termination and post-employment benefit obligations		**(16,695)**	(4,327)
Trade and bills payables		**(175,417)**	(156,698)
Borrowings		**(35,000)**	—
Other payables and accruals		**(221,847)**	(69,904)
Deferred income		**(135,184)**	—
Provision	28	**(13,068)**	(15,310)
Deferred tax liabilities	29	**(20,859)**	—
Lease liabilities	15	**—**	(167)
		626,885	492,124
Gain on disposal of subsidiaries and businesses (note 5)	5	**311,379**	341,058
		938,264	833,182
Satisfied by:			
Fair value of equity investment held		**60,464**	332,178
Cash		**286,903**	477,195
Other receivables		**590,897**	23,809
		938,264	833,182

(All amounts in RMB thousands unless otherwise stated)

36. DISPOSAL OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries and businesses is as follows:

	2022	2021
Cash consideration received	**286,903**	477,195
Cash and cash equivalents disposed of	**(77,615)**	(91,035)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries and businesses	**209,288**	386,160

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2022, the Group endorsed bank acceptance bills to the suppliers for purchase of property, plant and equipment amounting to approximately RMB1,031,523,000 (2021: approximately RMB836,306,000).

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2022

	Bank borrowings	Lease liabilities	Total
At 1 January 2022	**3,510,514**	**4,376**	**3,514,890**
Changes from financing cash flows	**—**	**(3,862)**	**(3,862)**
Increase in operating fund of finance segment	**379,285**	**—**	**379,285**
Interest paid	**—**	**(187)**	**(187)**
New leases	**—**	**1,546**	**1,546**
Accretion of interest recognised during the year	**—**	**187**	**187**
At 31 December 2022	**3,889,799**	**2,060**	**3,891,859**

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37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

2021

	Bank borrowings	Related party borrowings	Lease liabilities	Total
At 1 January 2021	1,695,840	16,000	23,241	1,735,081
Changes from financing cash flows	(395,840)	(16,000)	(23,053)	(434,893)
Increase in operating fund of finance segment	2,210,514	—	—	2,210,514
Interest paid	—	—	(1,408)	(1,408)
New leases	—	—	4,777	4,777
Accretion of interest recognised during the year	—	—	1,408	1,408
Derecognition of leases	—	—	(422)	(422)
Disposal as a result of disposal of a subsidiary	—	—	(167)	(167)
At 31 December 2021	3,510,514	—	4,376	3,514,890

(c) TOTAL CASH OUTFLOW FOR LEASES

	2022	2021
Within operating activities	**(51,422)**	(40,321)
Within financing activities	**(3,862)**	(23,053)
	(55,284)	(63,374)

(All amounts in RMB thousands unless otherwise stated)

38. CONTINGENT LIABILITIES

(a) REPURCHASE OBLIGATIONS

Certain subsidiaries refer designated customers to other finance leasing companies to finance their sales of trucks and undertake the repurchase obligations to the finance leasing companies in the event of customers' default in repayment or under certain specific conditions stipulated in the contract. As at 31 December 2022, the Group's maximum exposure to these obligations was RMB40,000,000 each year.

(b) OTHERS

The directors are of the opinion that except for the provision for legal claims already made as disclosed in note 28, there is no material contingent liability in respect of legal claims. The provision for guarantees of product warranties is disclosed in note 28.

39. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2022	2021
Property, plant and equipment and other intangible assets	**2,233,604**	3,301,717

(b) The Group had the following credit commitments at the end of the reporting period:

	2022	2021
Issue of bills	**141,312**	—

40. RELATED PARTY TRANSACTIONS

The immediate holding company of the Company is Sinotruk (BVI) Limited, a company incorporated in the British Virgin Islands. On 28 February 2022, the Company announced that SHIG had completed the registration of holding of a 65% of equity interest in CNHTC and, thereafter, become the ultimate holding company of the Company. SHIG is a state-owned company established in the PRC and is controlled by the PRC Government.

The CNHTC Group, Weichai Group Holdings Limited and its subsidiaries including Suzhou Tsintel, Chongyou Gaoke and Weichai Freshen Air (referred to as "Weichai Group"), Shantui Construction Machinery Co., Ltd. and its subsidiaries (referred to as "Shantui Group"), Shengrui Transmission, Strong Financial Leasing Co., Ltd. and Weichai Intelligent Technology are subsidiaries of SHIG.

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.

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40. RELATED PARTY TRANSACTIONS (CONTINUED)

Prinx (Cayman) Holding Limited and its subsidiaries (referred to as "Prinx Cayman Group"), Shandong Changjiu Intelligence Logistics Co., Ltd. (referred to as "Changjiu Logistics" and before disposal of in 2021), Shengrui Transmission, Mianyang Special Vehicles (after became as an associated company of the Group), Panzhihua Mining Truck, UZ TRUCK AND BUS MOTORS, Suzhou Tsintel, Chongyou Gaoke, Shandong Guochuang, Chongqing Yunyang, Weichai Intelligent Technology and Weichai Freshen Air are associated companies of the Group. Since Suzhou Tsintel, Chongyou Gaoke and Weichai Freshen Air are subsidiaries of Weichai Group Holdings Limited, their transactions amounts and balances in 2021 and 2022 are reclassified and grouped under the Weichai Group in current period presentation.

The directors consider that the major related parties are the CNHTC Group, the Weichai Group, the Shantui Group, the FPFPS Group, all associated companies of the Group, the key management personnel of the Company and its holding companies 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 2022	Balance at 31 December 2022	Highest balance during the year 2021	Balance at 31 December 2021
Assets				
Financing receivables	**1,403,233**	**1,147,583**	1,480,000	1,090,000
Loans	**35,000**	**—**	—	—
	1,438,233	**1,147,583**	1,480,000	1,090,000
Liabilities				
Deposit taking	**3,009,203**	**2,219,769**	2,872,697	2,816,577
Borrowings	**—**	**—**	16,000	—
	3,009,203	**2,219,769**	2,888,697	2,816,577
Others				
Issue of bills	**143,017**	**141,203**	—	—
Receipt of guarantee	**87,515**	**38,121**	95,296	86,040
	230,532	**179,324**	95,296	86,040

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40. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Weichai Group

	Highest balance during the year 2022	Balance at 31 December 2022	Highest balance during the year 2021	Balance at 31 December 2021
Assets				
Loans	35,000	34,816	—	—
Liabilities				
Deposit taking	164	—	—	—

(iii) Mianyang Special Vehicles

	Highest balance during the year 2022	Balance at 31 December 2022	Highest balance during the year 2021	Balance at 31 December 2021
Liabilities				
Deposit taking	22,844	52	—	—

(iv) Shengrui Transmission

	Highest balance during the year 2022	Balance at 31 December 2022	Highest balance during the year 2021	Balance at 31 December 2021
Assets				
Loans	75,099	75,099	—	—

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40. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Trading, servicing and other transactions with related parties

		2022	2021
(i)	CNHTC Group		
	Purchases of trucks	**2,854,398**	2,181,005
	Sale of spare parts	**907,891**	705,473
	Sale of trucks	**194,441**	370,960
	Disposal of subsidiaries and businesses	**162,257**	—
	Aggregate of interest income for loan services	**41,714**	42,936
	Purchases of spare parts	**30,342**	15,181
	Supply of technology development	**28,647**	2,154
	Leasing expenses	**27,621**	—
	Interest expense for deposit taking services	**24,371**	49,279
	Rental income	**15,328**	11,293
	Purchases of property, plant and equipment	**11,906**	1,448
	Supply of auxiliary production services	**9,987**	10,531
	Purchases of land use rights	**4,510**	21,861
	Purchases of general services	**4,112**	1,615
	Purchases of construction and project management services	**1,097**	376
	Sale of property, plant and equipment	**80**	1,745
	Interest expense for surety	**48**	—
	Acquisition of a company	**—**	252,648
	Interest expenses for accepting loan services	**—**	151
	Interest expense for leases	**—**	862
	Fee income	**—**	16
		4,318,750	3,669,534

(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 (Continued)

		2022	2021
(ii)	Weichai Group		
	Purchases of spare parts	**3,966,996**	122,689
	Disposal of subsidiaries and businesses	**590,897**	—
	Sale of spare parts	**43,280**	1,848
	Sale of property, plant and equipment	**33,606**	—
	Sale of trucks	**22,680**	—
	Purchase of right-of-use assets	**7,093**	—
	Purchases of general services	**2,775**	—
	Aggregate of interest income for loan services	**1,652**	—
	Supply of technology development	**410**	—
	Purchases of property, plant and equipment	**256**	—
	Supply of auxiliary production services	**47**	—
	Interest expense for leases	**39**	—
		4,669,731	124,537
(iii)	Shantui Group		
	Sale of trucks	**24,899**	—
	Purchases of spare parts	**2,493**	—
	Purchases of trucks	**1,412**	—
	Purchases of general services	**223**	—
		29,027	—
(iv)	FPFPS Group		
	Sale of spare parts	**130,819**	32,428
(v)	Prinx Cayman Group		
	Purchases of spare parts	**162,743**	232,164
	Supply of auxiliary production services	**25**	—
	Sale of spare parts	**9**	—
		162,777	232,164
(vi)	Changjiu Logistics		
	Purchase of transportation services	**Not applicable**	134,842

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40. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Trading, servicing and other transactions with related parties (Continued)

		2022	2021
(vii)	Shengrui Transmission		
	Purchases of spare parts	**11,727**	26,420
	Purchases of general services	**9,807**	—
	Aggregate of interest income for loan services	**3,178**	1,586
		24,712	28,006
(viii)	Mianyang Special Vehicles		
	Purchases of trucks	**7,906**	—
	Purchases of spare parts	**1,343**	—
	Sale of trucks	**163**	—
	Interest expense for deposit taking services	**44**	—
	Aggregate of interest income for loan services	**18**	—
	Supply of auxiliary production services	**2**	—
		9,476	—
(ix)	Weichai Intelligent Technology		
	Sale of trucks	**16,929**	—
	Purchases of general services	**3,078**	—
		20,007	—
(x)	SHIG		
	Purchases of general services	**4,792**	—
(xi)	Strong Financial Leasing Co., Ltd.		
	Provision of interest subsidy	**206**	—
(xil)	Key management compensation		
	Short-term employee benefits	**14,047**	18,203
	Pension scheme contributions	**193**	264
		14,240	18,467

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40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED PARTIES

	2022	2021
Amounts due from related parties		
(i) CNHTC Group		
Financing receivables	**1,147,583**	1,090,000
Trade receivables	**139,105**	144,738
Prepayments	**4,437**	4,600
Other receivables	**29**	4
	1,291,154	1,239,342
(ii) Weichai Group		
Other receivables	**709,372**	64,809
Loans	**34,816**	—
Prepayments	**16,040**	—
Trade receivables	**13,033**	1,390
	773,261	66,199
(iii) Mianyang Special Vehicles		
Trade receivables	**917**	—
(iv) Shengrui Transmission		
Loans	**75,099**	75,000
Prepayments	**—**	9
	75,099	75,009

The interest rate of financing receivables to related parties are 3.60% to 3.69% (2021: 3.69%) per annum. The interest rate of loans to an associate are 4.13% to 4.30% (2021: 4.30%) per annum.

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40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED PARTIES (CONTINUED)

		2022	2021
Amounts due to related parties			
(i)	CNHTC Group		
	Deposit taking	**2,219,769**	2,816,577
	Other payables	**54,338**	20,534
	Trade payables	**48,250**	168,151
	Contract liabilities	**8,071**	17,522
		2,330,428	3,022,784
(ii)	Weichai Group		
	Trade payables	**408,294**	23,457
	Other payables	**21,224**	100
	Contract liabilities	**12,139**	—
	Lease liabilities	**869**	—
		442,526	23,557
(iii)	Shantui Group		
	Contract liabilities	**1,010**	—
(iv)	FPFPS Group		
	Contract liabilities	**6,747**	74,349
(v)	Prinx Cayman Group		
	Trade payables	**79,091**	51,324
	Other payables	**8,899**	2,000
		87,990	53,324
(vi)	Shengrui Transmission		
	Trade payables	**952**	—
	Contract liabilities	**—**	1,152
		952	1,152

(All amounts in RMB thousands unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED PARTIES (CONTINUED)

	2022	2021
Amounts due to related parties (continued)		
(vii) Mianyang Special Vehicles		
Other payables	4,453	—
Trade payables	3,538	—
Contract liabilities	429	—
Deposit taking	52	—
	8,472	—
(viii) Weichai Intelligent Technology		
Other payables	1,675	—
Contract liabilities	70	—
	1,745	—
(ix) Panzhihua Mining Truck		
Contract liabilities	33	33

As at 31 December 2022, except for deposit taking, financing receivables and loans, amounts due from/to related parties were all unsecured and due within one year. As at 31 December 2022 and 31 December 2021, deposit taking from related parties, financing receivables and loans to related parties were unsecured, bearing interest at rates mutually agreed and due within one year.

As at 31 December 2022, trade receivables due from related parties were not past due or impaired.

Balances with other state-owned enterprises

As at 31 December 2022, majority of the Group's bank balances and borrowings were with state-owned banks.

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41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
		Debt investments	Equity investments		
Equity investments designated at fair value through other comprehensive income	—	—	31,925	—	31,925
Financial assets included in prepayments, other receivables and other assets	—	—	—	16,884,944	16,884,944
Financial assets at fair value through profit or loss	4,500,202	—	—	—	4,500,202
Trade, financing and bills receivables	—	—	—	18,419,835	18,419,835
Financial assets at fair value through other comprehensive income	—	7,359,387	—	—	7,359,387
Cash and cash equivalents and restricted cash	—	—	—	19,804,185	19,804,185
	4,500,202	7,359,387	31,925	55,108,964	67,000,478

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost
Trade and bills payables	33,221,359
Financial liabilities included in other payables and accruals	13,048,366
Borrowings	3,889,799
Lease liabilities	2,060
	50,161,584

(All amounts in RMB thousands unless otherwise stated)

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2021

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
		Debt investments	Equity investments		
Equity investments designated at fair value through other comprehensive income	—	—	31,925	—	31,925
Financial assets included in prepayments, other receivables and other assets	—	—	—	987,533	987,533
Contingent consideration included in prepayments, other receivables and other assets	15,796	—	—	—	15,796
Financial assets at fair value through profit or loss	2,976,855	—	—	—	2,976,855
Trade, financing and bills receivables	—	—	—	29,070,812	29,070,812
Financial assets at fair value through other comprehensive income	—	4,057,928	—	—	4,057,928
Cash and cash equivalents and restricted cash	—	—	—	28,306,498	28,306,498
	2,992,651	4,057,928	31,925	58,364,843	65,447,347

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost
Trade and bills payables	37,478,557
Financial liabilities included in other payables and accruals	9,883,331
Borrowings	3,510,514
Lease liabilities	4,376
	50,876,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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	
	2022	**2021**	**2022**	**2021**
Financial assets				
Equity investments designated at fair value through other comprehensive income	**31,925**	31,925	**31,925**	31,925
Contingent consideration	**—**	15,796	**—**	15,796
Trade and financing receivables	**2,274,760**	5,007,345	**2,274,760**	5,007,345
	2,306,685	5,055,066	**2,306,685**	5,055,066

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

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

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

(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 2022

	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	**5,306**	**34,836**	**4,460,060**	**4,500,202**
Financial assets and equity investments at fair value through other comprehensive income	**—**	**7,359,387**	**31,925**	**7,391,312**
	5,306	**7,394,223**	**4,491,985**	**11,891,514**

As at 31 December 2021

	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	87,014	17,762	2,872,079	2,976,855
Financial assets and equity investments at fair value through other comprehensive income	—	4,057,928	31,925	4,089,853
Contingent consideration	—	—	15,796	15,796
	87,014	4,075,690	2,919,800	7,082,504

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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:

	2022	2021
Financial assets at fair value through profit or loss and other comprehensive income and contingent consideration:		
At 1 January	2,919,800	5,431,578
Total gains recognised in the statement of profit or loss included in other income	110,557	250,778
Total losses recognised in the statement of profit or loss included in other expense	(2,577)	(1,330)
Purchases	10,191,358	24,977,673
Exercise of contingent consideration	(13,219)	—
Disposal	(8,713,934)	(27,738,899)
At 31 December	4,491,985	2,919,800

During the year ended 31 December 2022, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

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

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

Level 2 derivative financial instruments are foreign currency forward contracts. The fair values are measured using valuation techniques similar to forward pricing, using present value calculations.

Level 3 financial assets at fair value through profit or loss include wealth management products acquired from a trust company with a principal of RMB198 million, with the principal and interest rates non-guaranteed, and from banks at aggregate principal of RMB4,262 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 valuation methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. In connection with the investments in shares, the Group adopts a combination of income and market approaches. The income approach adopts a discounted cash flow method to assess the fair value of these financial assets. Under this methodology, fair value is determined by discounting the projected cash flow of the investee company to present value based on profit and cash flow forecast and other relevant information provided by the investee company. The market approach adopts various sales/income multiples to assess the fair value of these financial assets. Under this methodology, fair value is determined by multiplying various sales/income of the investee company to multipliers with regard to the risks and nature of the business.

Liabilities for which fair value are disclosed:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	Total
Borrowings	—	3,889,799	—	3,889,799

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	Total
Borrowings	—	3,510,514	—	3,510,514

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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 funding for the Group's operations. The Group has various financial assets and liabilities such as trade, financing and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The major foreign exchange risk exposure arises from its exporting and importing activities as well as financing activities in Hong Kong. Accordingly, the Group has certain trade and other receivables, cash and cash equivalents and restricted cash, and trade and other payables denominated in foreign currencies, mainly the USD, EURO and HKD, which are exposed to foreign currency translation risk.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts to reduce foreign exchange risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD/EURO/HKD and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in exchange rates %	Increase/(decrease) in profit before tax	
		2022	2021
If RMB weakens against USD	(5)	221,140	242,490
If RMB strengthens against USD	5	(174,356)	(242,490)
If RMB weakens against EURO	(5)	18,389	29,302
If RMB strengthens against EURO	5	(18,389)	(29,302)
If RMB weakens against HKD	(5)	810	(41)
If RMB strengthens against HKD	5	(810)	41

(All amounts in RMB thousands unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK

The carrying amounts of cash and cash equivalents and restricted cash, trade, financing and bills receivables, and financial assets included in prepayments, other receivables and other assets, and the off-balance sheet credit commitments 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 and off-balance sheet credit commitments.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Trade, financing and bills receivables*	12,204,861	131,296	163,688	7,924,678	20,424,523
Financial assets at fair value through other comprehensive income	–	–	–	7,401,681	7,401,681
Financial assets included in prepayments, other receivables and other assets – Normal**	17,025,044	–	–	–	17,025,044
Cash and cash equivalents and restricted cash	19,804,185	–	–	–	19,804,185
Off-balance sheet credit commitments	141,312	–	–	–	141,312
	49,175,402	131,296	163,688	15,326,359	64,796,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022
(All amounts in RMB thousands unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Trade, financing and bills receivables*	22,053,827	99,643	166,451	8,683,555	31,003,476
Financial assets at fair value through other comprehensive income	—	—	—	4,080,447	4,080,447
Financial assets included in prepayments, other receivables and other assets – Normal**	1,019,310	—	—	—	1,019,310
Cash and cash equivalents and restricted cash	28,306,498	—	—	—	28,306,498
	51,379,635	99,643	166,451	12,764,002	64,409,731

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to consolidated the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Further details about credit risks on trade, financing and bills receivables, and other receivables are disclosed in notes 19 and 20 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022
(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 and off-balance sheet credit commitments as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2022				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Trade and bills payables	**33,221,359**	**—**	**—**	**—**	**33,221,359**
Financial liabilities included in other payables and accruals	**13,048,366**	**—**	**—**	**—**	**13,048,366**
Borrowings	**3,937,327**	**—**	**—**	**—**	**3,937,327**
Off-balance sheet credit commitments	**141,312**	**—**	**—**	**—**	**141,312**
Lease liabilities	**2,002**	**144**	**—**	**—**	**2,146**
	50,350,366	**144**	**—**	**—**	**50,350,510**

	2021				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Trade and bills payables	37,478,557	—	—	—	37,478,557
Financial liabilities included in other payables and accruals	9,883,331	—	—	—	9,883,331
Borrowings	3,558,513	—	—	—	3,558,513
Lease liabilities	3,370	1,313	—	—	4,683
	50,923,771	1,313	—	—	50,925,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022
(All amounts in RMB thousands unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2022.

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:

	2022	2021
Borrowings	**3,889,799**	3,510,514
Less: Cash and cash equivalents	**(15,262,260)**	(24,692,404)
Net debt	**(11,372,461)**	(21,181,890)
Total equity	**42,968,577**	42,768,087
Total capital	**31,596,116**	21,586,197
Gearing ratio	**Not Applicable**	Not Applicable

44. EVENTS AFTER THE REPORTING PERIOD

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022
(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	2022	2021
NON-CURRENT ASSETS			
Property, plant and equipment		27	25
Investment properties	(a)	42,200	43,454
Investments in subsidiaries		19,978,124	19,978,124
Deferred income tax assets		10,572	6,931
Total non-current assets		20,030,923	20,028,534
CURRENT ASSETS			
Prepayments, other receivables and other assets		410,839	988,078
Cash and cash equivalents		12,744	111,648
Total current assets		423,583	1,099,726
CURRENT LIABILITIES			
Trade and bills payables		9	178
Borrowings		—	900,000
Other payables and accruals		9,530	24,996
Total current liabilities		9,539	925,174
NET CURRENT ASSETS		414,044	174,552
TOTAL ASSETS LESS CURRENT LIABILITIES		20,444,967	20,203,086
Net assets		20,444,967	20,203,086
Equity			
Share capital		16,717,024	16,717,024
Other reserve	(b)	9,643	9,643
Retained earnings	(b)	3,718,300	3,476,419
Total equity		20,444,967	20,203,086

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2023 and was signed on its behalf by:

Wang Zhijian
Director

Li Xia
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022
(All amounts in RMB thousands unless otherwise stated)

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

(a) The fair value of the Company's investment properties as at 31 December 2022 was RMB42,200,000 which was valued by the independent surveyor, PRUDENTIAL Property Surveyors (Hong Kong) Limited (31 December 2021: RMB43,454,000).

(b) A summary of the Company's reserves is as follows:

	Revaluation reserve	Retained earnings
At 1 January 2021	—	3,950,430
Profit for the year	—	1,939,160
Revaluation gains	9,643	—
Dividend for 2020	—	(2,413,171)
At 31 December 2021 and 1 January 2022	**9,643**	**3,476,419**
Profit for the year	**—**	**1,797,791**
Dividend for 2021	**—**	**(1,555,910)**
At 31 December 2022	**9,643**	**3,718,300**

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2023.

FIVE YEARS FINANCIAL SUMMARY

OPERATING RESULTS

	For the year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Revenue	62,727,504	62,613,499	98,197,985	93,357,031	**59,290,569**
Profit before tax	5,732,710	4,960,601	9,550,730	5,862,814	**3,008,272**
Income tax expense	(1,005,719)	(1,044,542)	(2,127,080)	(1,153,352)	**(957,532)**
Profit for the year	4,726,991	3,916,059	7,423,650	4,709,462	**2,050,740**
Attributed to:					
Owners of the Company	4,345,891	3,474,186	6,850,524	4,322,071	**1,796,574**
Non-controlling interests	381,100	441,873	573,126	387,391	**254,166**
Profit for the year	4,726,991	3,916,059	7,423,650	4,709,462	**2,050,740**

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Total assets	64,468,769	67,102,872	111,008,261	107,019,934	**105,478,517**
Total liabilities	36,127,917	37,576,429	75,328,854	64,251,847	**62,509,940**
Total equity:					
Owners of the Company	25,488,545	26,359,642	32,115,008	35,671,144	**35,908,988**
Non-controlling interests	2,852,307	3,166,801	3,564,399	7,096,943	**7,059,589**
	28,340,852	29,526,443	35,679,407	42,768,087	**42,968,577**

FIVE YEARS FINANCIAL SUMMARY

In April 2020 and April 2019, the Group acquired the entire equity interests in Datong Gear and HOWO Bus from CNHTC, respectively. Each of the acquisitions of Datong Gear and HOWO Bus was considered to be a business combination under common control as the Group and Datong Gear as well as HOWO Bus are under common control of CNHTC both before and after their acquisitions. Accordingly, the results, assets and liabilities of Datong Gear and HOWO Bus should have been accounted for at historical amounts in the consolidated financial statements of the Company as if Datong Gear and HOWO Bus had always been part of the Group. The status of the adjustments of financial figures of Datong Gear and HOWO Bus into the above figures of the Company for the above years are:

	Inclusion of the relevant financial figures of	
	Datong Gear	HOWO Bus
2019 and 2020	Yes	Yes
2018	No	Yes

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