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

(incorporated in Hong Kong with limited liability)

(Stock Code: 3808)

Announcement on Interim Results
For the Six Months Ended 30 June 2010

Highlights

- Turnover increased by 52.8% year on year to RMB22,248 million
- Heavy duty truck sales volume at 84,488 units, increased by 50.2% year on year; export volume at 4,579 units, increase by 31.7% year on year
- Profit attributable to our shareholders increased by 76.7% year on year to RMB840 million
- Earnings per share increased by 36.4% year on year to RMB0.30

The board (the "Board") of directors (the "Directors") of Sinotruk (Hong Kong) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2010.

Condensed Consolidation Statement of Comprehensive Income
For the six months ended 30 June 2010

	Note	2010	2009
		RMB'000	RMB'000
		Unaudited	Restated
Turnover	5	**22,247,760**	14,561,412
Cost of sales		**(18,705,875)**	(12,685,507)
Gross profit		**3,541,885**	1,875,905
Distribution costs		**(1,134,888)**	(709,540)
Administrative expenses		**(728,601)**	(491,379)
Other (losses)/gains - net		**(37,715)**	110,066
Operating profit	6	**1,640,681**	785,052
Finance income		**88,491**	122,468
Finance costs		**(498,336)**	(155,027)
Finance costs - net		**(409,845)**	(32,559)
Profit before income tax		**1,230,836**	752,493
Income tax expense	7	**(196,098)**	(184,122)
Profit for the period		**1,034,738**	568,371
Other comprehensive income:			
(Losses)/gains on currency translation		**(3,485)**	779
Total comprehensive income for the period		**1,031,253**	569,150

Condensed Consolidation Statement of Comprehensive Income

(Continued)

For the six months ended 30 June 2010

	Note	**2010**	2009
		RMB'000	RMB'000
		Unaudited	Restated
Profit attributable to:			
- equity holders of the Company		**839,615**	475,108
- non-controlling interests		**195,123**	93,263
		1,034,738	568,371
Total comprehensive income attributable to:			
- equity holders of the Company		**836,130**	475,887
- non-controlling interests		**195,123**	93,263
		1,031,253	569,150
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
- basic and diluted	8	**0.30**	0.22

Condensed Consolidated Balance Sheet
As at 30 June 2010

	Note	**30 June 2010**	31 December 2009
		RMB'000	RMB'000
		Unaudited	Restated
Assets			
Non-current assets			
Land use rights		**983,087**	889,972
Property, plant and equipment		**7,962,142**	7,999,129
Investment properties		**5,803**	5,609
Intangible assets		**810,280**	361,273
Goodwill		**3,868**	3,868
Deferred income tax assets		**525,698**	354,298
Investment in an associate		**6,835**	7,500
		10,297,713	9,621,649
Current assets			
Inventories		**9,608,260**	5,789,585
Trade and other receivables	9	**14,338,204**	7,205,040
Financial assets at fair value through profit and loss		**190**	14,731
Amounts due from related parties		**66,041**	79,712
Fixed deposit		**772,511**	1,038,492
Restricted cash		**2,072,071**	4,087,468
Cash and cash equivalents		**10,547,655**	11,538,194
		37,404,932	29,753,222
Total assets		**47,702,645**	39,374,871

Condensed Consolidated Balance Sheet (Continued)
As at 30 June 2010

	Note	30 June 2010	31 December 2009
		RMB'000	RMB'000
		Unaudited	Restated
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**261,489**	261,489
Reserves		**17,240,823**	16,631,528
		17,502,312	16,893,017
Non-controlling interests		**1,462,735**	1,283,832
Total equity		**18,965,047**	18,176,849
Liabilities			
Non-current liabilities			
Borrowings		**1,626,850**	1,500,250
Deferred income tax liabilities		**5,966**	10,880
Termination benefits, post-employment benefits and medical insurance plan		**45,730**	51,760
Deferred income		**393,733**	329,321
Amounts due to related parties		**356,017**	-
		2,428,296	1,892,211
Current liabilities			
Trade and other payables	10	**15,791,332**	11,257,729
Current income tax liabilities		**302,696**	112,030
Borrowings		**9,214,960**	7,250,297
Amounts due to related parties		**521,617**	464,941
Provisions for other liabilities		**478,697**	220,814
		26,309,302	19,305,811
Total liabilities		**28,737,598**	21,198,022
Total equity and liabilities		**47,702,645**	39,374,871
Net current assets		**11,095,630**	10,447,411
Total assets less current liabilities		**21,393,343**	20,069,060

Notes to the Condensed Consolidated Interim Financial Information:
(All amounts in RMB thousands unless otherwise stated)

1. General information

The Company was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation of China National Heavy Duty Truck Group Company Limited ("CNHTC"). The Company's shares were listed on the Stock Exchange of Hong Kong Limited in November 2007.

The Group is principally engaged in the manufacturing and sales of heavy duty trucks, engines, and the provision of finance services. The address of the Company's registered office is Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

This condensed consolidated interim financial information has not been audited.

2. Business Combination under Common Control and Basis of Presentation

In May 2010, the Group acquired 100% of equity interest in CNHTC Ji'ning Commercial Truck Co., Ltd ("Ji'ning Commercial Truck") from CNHTC. The acquisition of Ji'ning Commercial Truck was considered to be a business combination under common control as the Group and Ji'ning Commercial Truck are under common control of CNHTC both before and after the acquisition of Ji'ning Commercial Truck. Accordingly, the assets and liabilities of Ji'ning Commercial Truck have been accounted for at historical amounts and the consolidated financial statements of the Group prior to the acquisition of Ji'ning Commercial Truck have been restated to include the results of operations and assets and liabilities of Ji'ning Commercial Truck as if Ji'ning Commercial Truck had always been part of the Group.

Notes to the Condensed Consolidated Interim Financial Information (Continued):

(All amounts in RMB thousands unless otherwise stated)

2. Business Combination Under Common Control And Basis of Presentation (Continued):

The consolidated balance sheet as at 30 June 2010:

	The Group, excluding Ji'ning Commercial Truck	Ji'ning Commercial Truck	Adjustments	Consolidated
Investment in Ji'ning Commercial Truck	81,212	-	(81,212)	-
Other assets - net	18,983,663	17,352	(35,968)	18,965,047
Net assets	19,064,875	17,352	(117,180)	18,965,047
Share capital	261,489	100,000	(100,000)	261,489
Share premium	16,444,600	-	-	16,444,600
Other reserves	(2,040,833)	-	(24,355)	(2,065,188)
Retained earnings	2,936,884	(82,648)	7,175	2,861,411
Non-controlling interests	1,462,735	-	-	1,462,735
	19,064,875	17,352	(117,180)	18,965,047

The consolidated balance sheet as at 31 December 2009:

	The Group, as previously reported	Ji'ning Commercial Truck	Adjustments	Consolidated
Investment in Ji'ning Commercial Truck	-	-	-	-
Other assets - net	18,204,980	2,333	(30,464)	18,176,849
Net assets	18,204,980	2,333	(30,464)	18,176,849
Share capital	261,489	100,000	(100,000)	261,489
Share premium	16,444,600	-	-	16,444,600
Other reserves	(2,066,712)	-	56,857	(2,009,855)
Retained earnings	2,281,771	(97,667)	12,679	2,196,783
Non-controlling interests	1,283,832	-	-	1,283,832
	18,204,980	2,333	(30,464)	18,176,849

Notes to the Condensed Consolidated Interim Financial Information (Continued):

(All amounts in RMB thousands unless otherwise stated)

3. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

4. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4. Accounting policies (Continued)

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

  These newly effective/adopted standards do not have any material impact to the Group's financial information in the six months ended 30 June 2010.

4. Accounting policies (Continued)

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered this amendment did not have any impact to the Group as all the leases of land should still be classified as operating lease under the HKAS 17 (amendment).

The following standards, amendments and interpretations to existing standards are effective in 2010 but not relevant to the Group.

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009.

- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010.

Notes to the Condensed Consolidated Interim Financial Information

(Continued):

(All amounts in RMB thousands unless otherwise stated)

4. Accounting policies (Continued)

The following standards, amendments and interpretations to existing standards are effective in 2010 but not relevant to the Group. (continued)

- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009.

- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010.

- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

4. Accounting policies (Continued)

The following new standards, new interpretations and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013.

- HKAS 24 (Revised) 'Related party disclosures' supersedes HKAS 24 'Related party disclosures' issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011.

- Under 'Classification of rights issues' (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment should be applied for annual periods beginning on or after 1 February 2010.

- Amendments to HK(IFRIC) Int-14 'Prepayments of a minimum funding requirement' corrects an unintended consequence of HK(IFRIC) Int-14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. The amendments are effective for annual periods beginning 1 January 2011.

Notes to the Condensed Consolidated Interim Financial Information (Continued):

(All amounts in RMB thousands unless otherwise stated)

4. Accounting policies (Continued)

The following new standards, new interpretations and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted: (Continued)

- HK(IFRIC) Int-19, 'Extinguishing financial liabilities with equity instruments'. The interpretation is effective for annual periods beginning on or after 1 July 2010.

- 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters' (Amendment to HKFRS 1). This is required to be applied for annual periods beginning on or after 1 July 2010.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011.

Notes to the Condensed Consolidated Interim Financial Information (Continued):

(All amounts in RMB thousands unless otherwise stated)

5. Segment information

The segment results for the six months ended 30 June 2010 are as follows:

	Unaudited				
	Trucks	Engines	Finance	Elimination	Total
Turnover					
External segment revenue	20,977,081	1,234,063	36,616	-	22,247,760
Inter-segment revenue	93,497	5,795,890	16,473	(5,905,860)	-
Revenue	21,070,578	7,029,953	53,089	(5,905,860)	22,247,760
Operating profit before unallocated expenses	1,637,523	726,287	41,347	(754,027)	1,651,130
Unallocated expenses					(10,449)
Operating profit					1,640,681
Finance costs - net					(409,845)
Profit before income tax					1,230,836
Income tax expense					(196,098)
Profit for the period					1,034,738

The segment results for the six months ended 30 June 2009 are as follows:

	Restated				
	Trucks	Engines	Finance	Elimination	Total
Turnover					
External segment revenue	13,683,946	847,583	29,883	-	14,561,412
Inter-segment revenue	70,632	3,431,290	15,045	(3,516,967)	-
Revenue	13,754,578	4,278,873	44,928	(3,516,967)	14,561,412
Operating profit before unallocated expenses	685,039	224,965	37,203	(147,793)	799,414
Unallocated expenses					(14,362)
Operating profit					785,052
Finance costs - net					(32,559)
Profit before income tax					752,493
Income tax expense					(184,122)
Profit for the period					568,371

Notes to the Condensed Consolidated Interim Financial Information

(Continued):

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

	Unaudited			
	Trucks	**Engines**	**Finance**	**Total**
As at 30 June 2010				
Segment assets	31,351,155	15,608,636	4,739,120	51,698,911
Elimination				(6,551,624)
Unallocated				2,555,358
Total assets				47,702,645

	Restated			
	Trucks	Engines	Finance	Total
As at 31 December 2009				
Segment assets	22,418,006	11,706,865	3,751,368	37,876,239
Elimination				(3,536,346)
Unallocated				5,034,978
Total assets				39,374,871

The revenue from external customers in Mainland China and overseas as follows:

	For the six months ended 30 June	
	2010	2009
	Unaudited	Restated
Mainland China	21,343,289	13,726,081
Overseas	904,471	835,331
Total	22,247,760	14,561,412

(All amounts in RMB thousands unless otherwise stated)

6. Operating profit

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2010:

	For the six months ended	
	2010	2009
	Unaudited	Restated
Inventory write-down	235,022	45,055
(Gain)/loss on disposal of property, plant and equipment	(34)	1,742
Amortisation of land use rights	12,430	7,250
Depreciation of property, plant and equipment	359,102	207,381
Amortisation of intangible assets	45,194	3,170
Foreign exchange loss/(gain), net	63,355	(2,233)
Government grants	(24,840)	(18,959)
Disposal of scraps	(42,987)	(83,936)

7. Income tax expense

	For the six months ended 30 June	
	2010	2009
	Unaudited	Restated
Current income tax		
- Hong Kong profits tax	-	179
- PRC enterprise income tax	372,132	244,641
	372,132	244,820
Deferred income tax	(176,034)	(60,698)
	196,098	184,122

Notes to the Condensed Consolidated Interim Financial Information (Continued):

(All amounts in RMB thousands unless otherwise stated)

7. Income tax expense (Continued)

The Company and Sinotruk (Hong Kong) International Investment Limited, one of the subsidiaries of the Group, are subject to Hong Kong profits tax at the rate of 16.5% (2009: 16.5%) on their estimated assessable profit. In addition, the Company is determined as Chinese-resident enterprise and, accordingly, is subject to corporate income tax of People's Republic of China ("PRC"), which has been calculated based on the corporate income tax rate of 25% (2009: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the six months ended 30 June 2010 at the rates of taxation prevailing in the countries in which the Group operates.

Sinotruk Ji'nan Power Co., Ltd., Sinotruk Ji'nan Axle & Tramsmission Co., Ltd., Sinotruk Ji'nan Fuqiang Power Co., Ltd. and Sinotruk Hangzhou Engine Co., Ltd. have been recognised as the New/High Tech Enterprises in 2008. Sinotruk Ji'nan Truck Co., Ltd. and Sinotruk Ji'nan Commercial Truck Co., Ltd. have been recognised as the New/High Tech Enterprise in 2009. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for New/High Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

Sinotruk Hubei Huawei Special Vehicle Co., Ltd. is subject to a corporate income tax rate of 25%. According to the Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises and other policies related to income tax relief, Sinotruk Hubei Huawei Special Vehicle Co., Ltd. is exempted from corporate income tax for two years, starting from its first profitable year, which was 2006, and is then entitled to a 50% reduction in corporate income tax for three years thereafter until 2010.

Sinotruk Chongqing Fuel System Co., Ltd. and Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd. are subject to a corporate income tax rate of 15% according to the Western Development tax incentives of the new CIT Law.

Remaining subsidiaries are subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2009: 25%).

Notes to the Condensed Consolidated Interim Financial Information
(Continued):
(All amounts in RMB thousands unless otherwise stated)

8. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2010	2009
	Unaudited	Restated
Profit attributable to equity holders of the Company	839,615	475,108
Weighted average number of ordinary shares in issue (thousands)	2,760,993	2,161,994
Basic earnings per share (RMB per share)	0.30	0.22

Diluted

Diluted earnings per share equals basic earnings per share as the Company has no dilutive potential ordinary shares for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

(All amounts in RMB thousands unless otherwise stated)

9. Trade and other receivables

	As at	
	30 June 2010	31 December 2009
	Unaudited	Restated
Accounts receivable	2,777,582	2,189,859
Less: Provision for impairment of accounts receivable	(121,343)	(102,244)
Accounts receivable – net	2,656,239	2,087,615
Notes receivable		
- Bank acceptance notes	9,336,205	3,353,487
- Commercial acceptance notes	126,701	697,890
Notes receivable - total	9,462,906	4,051,377
Trade receivables - net	12,119,145	6,138,992
Other receivables	575,224	236,093
Less: Provision for impairment of other receivables	(3,412)	(5,999)
Other receivables - net	571,812	230,094
Prepayments for purchase of inventories	1,252,018	598,404
Interest receivables	35,694	80,950
Prepaid taxes other than income tax	347,159	128,755
Prepaid income taxes	12,376	27,845
Trade and other receivables	14,338,204	7,205,040

(All amounts in RMB thousands unless otherwise stated)

9. Trade and other receivables (Continued)

Ageing analysis of trade receivables at respective balance sheet dates are as follows:

	As at	
	30 June 2010	31 December 2009
	Unaudited	Restated
Less than 3 months	6,984,587	4,888,506
3 months to 6 months	4,986,290	1,002,996
6 months to 12 months	134,059	190,189
1 year to 2 years	14,209	57,301
	12,119,145	6,138,992

The credit policy of the Group generally requires customers to pay a certain amount of deposits when orders are made and settle full purchase price prior to deliver either in cash or bank notes with a tenure of usually three to six months, which represents the credit term granted to the customers who pay by bank notes. Credit terms in the range within 6 months are granted to those customers with good payment history.

As at 30 June 2010, accounts receivable of approximately RMB351,032,000 (31 December 2009: RMB246,498,000) are secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 30 June 2010 and 31 December 2009.

Notes to the Condensed Consolidated Interim Financial Information

(Continued):

(All amounts in RMB thousands unless otherwise stated)

10. Trade and other payables

	As at	
	30 June 2010	31 December 2009
	Unaudited	Restated
Trade and bills payables	12,385,039	9,079,215
Advances from customers	1,783,551	868,257
Staff welfare and salaries payable	164,689	138,962
Taxes liabilities other than income tax	30,188	105,794
Accrued expenses	556,497	369,927
Withholding tax on dividends to non-PRC resident enterprise shareholders	21,430	7,381
Other payables	849,938	688,193
	15,791,332	11,257,729

The ageing analysis of the trade and bills payables was as follows:

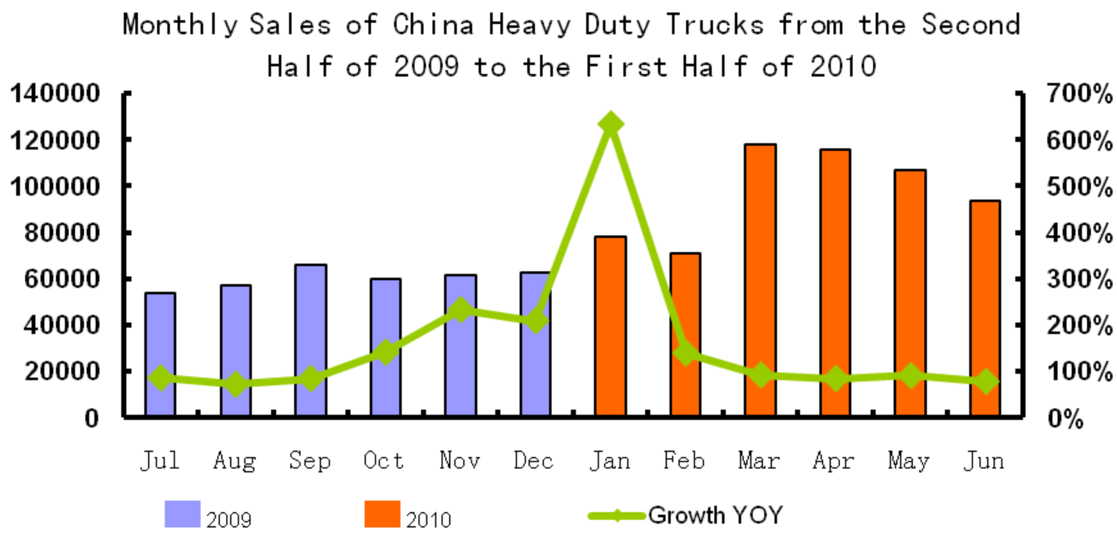
	As at	
	30 June 2010	31 December 2009
	Unaudited	Restated
Less than 3 months	10,639,408	6,459,420
3 months to 6 months	1,637,739	2,490,507
6 months to 12 months	87,111	72,503
1 year to 2 years	9,570	43,504
2 years to 3 years	6,864	4,867
Over 3 years	4,347	8,414
	12,385,039	9,079,215

Management Discussion and Analysis

During the period under review, the Group has completed the acquisition of Ji'ning Commercial Truck. The acquisition of Ji'ning Commercial Truck was considered to be a business combination under common control as the Group and Ji'ning Commercial Truck are under common control of CNHTC both before and after the acquisition. All operating and financial data have been restated by including those of Ji'ning Commercial Truck as if Ji'ning Commercial Truck had always been part of the Group.

Market Overview

In the first half of 2010, China's economy sustained its growth momentum since the end of 2009 under the spur of the government's expansionary fiscal policy and economic stimulus package. According to the National Bureau of Statistics of China, the gross domestic product of China grew by 11.1% during the period, and fixed asset investment increased by 25.0%. The implementation of infrastructural projects, provincial economy revival plans and recovery in transportation sector stimulated demand for heavy duty trucks. The demand for the models for construction projects and tractor trucks grew in tandem. According to China Association of Automobile Manufacturers (CAAM)（中國汽車工業協會）, about 584,000 heavy duty trucks (of more than 14 tons) were sold in China in the first half of 2010, up 112.9% year on year.



Source: CAAM

Trucks segment

During the period under review, the Group's heavy duty truck sales grew by 50.2% year on year to 84,488 units. Truck sales (including inter-segment revenue) increased by 53.2% year on year to RMB21,071 million as a result of increase in volume sold.

Domestic Business

Since the beginning of 2010, fixed asset investment has been increasing as many infrastructural projects started in China. This has boosted the demand for heavy duty trucks for construction projects such as tippers and concrete mixer trucks. The Group maintained its leadership in the market segment for heavy duty trucks for construction projects. The economic recovery and busy cargo transportation stimulated demand for tractor trucks. The Group beefed up its position in the market for tractor trucks by launching a number of new products and models. As a result, its share of such market segment increased on the back of rising sales volume of trucks for cargo transportation. In particular, sales volume of HOWO A7 grew by more than five times and thus became a growth driver. Demand for both the Group's trucks for construction projects and cargo transportation increased significantly during the first half of 2010.

Monthly combined truck sales by the Group and its parent company remained above 20,000 units in March, April and May 2010. In particular, the sales of more than 24,000 units in April 2010 broke the monthly record. The Group's sales growth was attributable to its technological advantage, complete production chain and improvement of its network for marketing, sales and refitting in addition to the recovery of China's economy. According to CAAM, the combined sales of heavy duty trucks (of more than 14 tons) by the Group and its parent company totalled 115,548 units in the first half of 2010, or 70.0% more than that in the same period last year. Their combined market share was approximately 19.8%.

In the first half of 2010, the Group continued to improve the four networks of sales and marketing, after-sales services, component sales and refitting.

During the period under review, the Group made special efforts in four areas: 1) Finer segmentation of networks. The Group made finer segmentation of the markets and in categories by carrying out target market-oriented sales and services. 2) Expansion of network coverage. The Group extended its sales and service network to cover customers in counties and villages in which end users easily purchase and obtain after-sales services. 3) The Group made progress in strengthening the network for tractor truck sales. 4) The Group stepped up efforts in training its staff in order to lift the standards of its sales and services. The move met the needs of the expanding sales and after-sales networks and sales of new product types. The move also contributed to more scientific development in networking and enhanced the efficiency of the operations.

During the period under review, the refitting business made new progress. As the PRC government stepped up its efforts in investing in the infrastructural projects in the country's western region, the demand for heavy duty trucks continued to grow in tandem. The Group beefed up its capability for truck refitting, consolidated and expanded its market share in the country's western region. The Group's refitting companies such as Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd.（中國重汽集團柳州運力專用汽車有限公司）and Sinotruk Hubei Huawei Special Vehicle Co., Ltd.（中國重汽集團湖北華威專用汽車有限公司） significantly enhanced their capability for refitting. Furthermore, the Group maintains the current relationship with the existing refitting factories and at the same time cooperates with five more refitting factories, further boosting its capability for refitting. The bottleneck problem in refitting business has been minimized.

As at 30 June 2010, there were 971 distributors selling the Group's products, including 186 4S centres, 161 shops under Sinotruk's brand, and 1,211 services stations providing quality after-sales services for users of the Group's products. There were 315 shops (including 91 component sales centres) which supply the Group's components. There were also 541 second-tier outlets which source components from the Group's regional sales centres, as well as 231 refitting companies which provide refitting services to the Group's customers.

International Business

The global economy is in the trend of recovery. However, different economies have different performances. Specifically, the crisis of the sovereign bonds in Europe has shaken the capital market, adding uncertainty to the world's economic recovery. This has made the full economic recovery slow and difficult. Currently, recovery of the global heavy duty truck market was under pressure. Moreover, the rising international trade protectionism also posed a challenge to the heavy duty truck export.

To cope with the challenges, the Group has adopted a series of measures, including optimisation of functions and structure of the import/export department; preparation of product certification to meet foreign countries' standards for imports and active exploration of emerging overseas markets. According to characteristics of each international market, the Group spearheads the development of overseas business units and marketing and sales network. The Group has divided its overseas business into six major geographical areas and has established 24 representative offices in different foreign countries. The overseas representative offices are responsible for planning and establishment of sales and marketing networks in their own region. There are more than 70 distributors selling the Group's products, more than 200 sales outlets, about 200 service outlets, and about 100 component sales outlets providing services for users of the Group's products in 74 countries.

In the first half of 2010, the Group actively developed emerging overseas markets despite uncertainties in the international heavy duty truck market. The Group exported 4,579 heavy duty trucks, or 31.7% more than in the same period of last year.

Technological Upgrade and Production Capacity

During the period under review, the main purpose of the Group's substantial project investments was to enhance production technology, product quality and balancing capacity for producing finished trucks, engines, gearbox and to increase forged parts production capacity, quality standard and research and development ("R&D") capability. We also put strong effort on the construction of ten-thousand ton production line of forged parts, Hangzhou R&D center and National Heavy Duty Truck Technology R&D center.

To speed up the progress of technology transfer and product localization, to further lower the production cost and launch the partnership truck model to the market as early as possible, we already started the construction of facilities of the technology upgrading and capacity expansion projects of MAN engines according to the agreement between the Group and MAN.

The Group's annual production capacity reached 160,000 units of trucks and 200,000 units of engines. We believe that we have an optimum production mix and capacity that will better meet the market demand.

Taking into account of the monthly fluctuation in market demand, the Group adjusts its forecast, re-arranges production schedule and replenishes stocks of parts accordingly. Those measures help the Group satisfy the changing market demand and maintain higher utilization rates of its current production capacity.

Heavy Duty Truck

With its edge in technology and marketing, the Group continues to lead the heavy duty truck industry, especially in the markets for the trucks for construction projects. Under its continuous commitment in R&D and effort in commercialization, the Group developed numerous series and sub-series of heavy duty truck products.

During the period under review, the Group successfully replaced old truck models with new product series, among which HOWO series tractors were completely replaced by the 2010 HOWO series which featured modern style, comfortable experience and improved safety. These new models contributed to the increase in the sales volume in the first half of the year.

HOWO A7 grabbed the market attention when it was launched earlier this year, with positive market response. With our continuous improvement in truck functions, the market demand for HOWO A7 increased and gradually stabilized. With tractors as a major product category, we launched various products under the HOWO A7 series. HOWO A7 successfully gained market popularity with the products' unrivaled functions, comfortable interior environment, grand exterior and safety. Going forward, the Group will further promote HOWO A7 series to increase the sales proportion of the tractors segment, to further improve the Group's competitiveness in the cargo truck segment and ultimately, improve its product mix. HOWO A7 also received positive response overseas, evidenced by the Group's recent contract with the national oil company in the Republic of Venezuela to supply 750 trucks, and pursuant to which, 500 of the 750 trucks were already delivered by the Group.

During the period under review, Sinotruk Ji'ning Commercial Truck Co., Ltd. successfully developed trucks powered by CNG and LNG. As at the date of this announcement, eight products of our Haoyun CNG new energy series were granted approval to be launched to the market by the Ministry of Industry and Information Technology of the PRC among which Haoyun heavy duty truck was highly cost efficient. In addition to technology upgrade of existing products, Sinotruk Ji'ning Commercial Truck Co., Ltd. is now in the process of developing a new series of heavy duty trucks. At present, Sinotruk Ji'ning Commercial Truck Co., Ltd. can produce trucks for transportation, construction and mining using CNG, LNG as well as petroleum in either China III or China IV emission standards. These products are mainly sold to the clients in Shandong province and its surrounding areas as well as the clients from South East Asia.

Research and Development

The Group is dedicated to R&D and will continue to invest in the innovation and development of new products. Our R&D are principally carried out in our technical centre. This center not only has the best heavy vehicle engineering talents in China but also is equipped with advanced design platform and laboratory equipment. During the period under review, the Group underwent 72 projects relating to new product development, including heavy duty truck assembly and key parts production, parts, experiments and accreditation, pre-production assembly and procedural improvement of assembly. We are also working on the localization of introduced specific projects as planned.

As at the end of the period under review, the Group and its parent company together had applied for 1,457 patents, of which 1,212 patents had been granted. We continued to rank first in the domestic heavy duty truck industry in terms of the number of patents owned.

During the period under review, the Group can provide up to 1,373 models with China III emission standard, accommodating the needs of various customers.

Measures to enhance efficiency and quality

With scientific development, rational development, precise operation and optimal efficiency as the principles of the Group's philosophy, the Group carried out measures to enhance efficiency and quality across the board, for the sake of improving quality of people and products, reducing cost and production inefficiency. Every subsidiary of the Group implemented measures according to respective operational environment and formed task force for specific issues. The Group also share successful experience and transform good experience to guidelines. In addition, we strengthened our internal controls, added measures on risk control and adopted practical approach to ensure those measures are in place on schedule. The implementation of lean management greatly improved overall management quality and core competitiveness of the Group.

Engine Segment

During the period under review, Engines Segment sold a total of 114,222 engines up 65.6% year on year, sales (including inter-segment revenue) totaled RMB7,030 million, up 64.3% year on year. External sales accounted for 17.6% of the Group's engine sales.

In addition, the MAN engine upgrading and production expansion projects have been commenced and the project will help strengthen the competitiveness of the Group and bring market opportunity during the transitional period for adopting China IV emission standard.

Finance Segment

In the first half of 2010, the external revenue of the Finance Segment increased from RMB30 million by RMB7 million to RMB37 million. The increase was due to the expansion of the consumer credit business, the growth in lending portfolio and the increase in interest income from bill discounts.

During the period under review, the Group's sales volume of heavy duty truck rose significantly. To adapt to market changes and to satisfy the domestic consumer demand for purchasing heavy duty trucks by loans, Sinotruk Finance Co., Ltd. expanded its consumer credit business, such as developing pledge business, automobile loan insurance business and comprehensive credit business. In addition, Sinotruk Finance Co., Ltd. accelerated the establishment of outlets of its consumer credit business in some of the regions in China to expand the scope of its coverage, the consumer credit business of the Group is enlarged as a result.

Significant Investment and Cooperation

During the period under review, Sinotruk Ji'nan Power Company Limited (中國重汽集團濟南動力有限公司) ("Ji'nan Power") had successfully acquired 100% equity interest in Ji'ning Commercial Truck from CNHTC, the parent company at a consideration of RMB81 million, the change of ownership had been completed.

In January 2010, the Group invested RMB180 million to establish Sinotruk Ji'nan HOWO Bus Co., Ltd. (中國重汽集團濟南豪沃客車有限公司) of which Ji'nan Power invested RMB135 million, accounting for 75% of the registered capital and Sinotruk (Hong Kong) International Investment Limited invested RMB45 million for the remaining 25%. Sinotruk Ji'nan HOWO Bus Co., Ltd. is principally engaged in the manufacturing and sales of bus, bus chassis and bus auto parts, as well as providing technical services.

In March 2010, Sinotruk (Hong Kong) International Investment Limited invested USD16 million to establish a wholly owned subsidiary, Sinotruk Ji'nan Ganghao Bonded Logistics Co., Ltd. (中國重汽集團濟南港豪保稅物流有限公司)("Ji'nan Ganghao Logistics"). Ji'nan Ganghao Logistics is principally engaged in provision of storage services, bonded logistics services, local freight forwarding, related information consulting and logistics engineering. Moreover, Ji'nan Ganghao Logistics is principally engaged in the research and development, processing, manufacturing of vehicles auto parts and export and import of goods. The establishment of Ji'nan Ganghao Logistics is to help reduce the costs of import and export, increase effectiveness and build up a bonded area for providing tax-protected services.

Human Resources

At the end of the period under review, the Group had a total of 17,507 employees. Human resources are the concern of the Group in any decision making in the enterprise operation. The Group strived to hire senior management caliber individuals and professional technicians and reinforced the management of supervisor grade employees. The Group selected and recruited high caliber individuals for the key and new established positions with stringent assessment, exchange of personnel in key positions. The Group continues to evaluate various job positions, set up and modify job requirements so as to match the growth of the Group. The Group also promoted sound working environment with decent facilities and improved working standard for better management system with a view to increasing the efficiency of management.

In order to encourage employees in completing various tasks and meeting targets, the Group has improved the staff incentive program continuously, such as striving to modify the promotional system of non-leadership position, further advancing salary system to introduce high caliber individuals and avoiding outflow of talents. Meanwhile, the Group encouraged outstanding employees with high capability by providing them promotional opportunities.

The Group also focused on training and developing high caliber individuals. In order to expand the enterprise production development, the Group continued to increase investment on training resources through internal training and external site visits and increased the types of training methods to provide quality training for management and professional technicians. Meanwhile, the Group strengthened its training to sales person who were responsible for local and overseas sales in order to satisfy the rapid development of the Group.

Prospects

In 2010, it is expected that the PRC government will continue to maintain a steady growth of the macro economy despite of the slow down in the growth rate of fixed asset investment comparing to the substantial growth of last year and the uncertainties in the domestic economy in the second half of the year. In accordance with the steady growth of the economy, the implementation of infrastructural construction projects and the increasing transportation volume of goods will further impetus the demand on heavy duty trucks. On the other hand, the international market remains uncertain due to the influence of the financial crisis, affecting the export of heavy duty trucks. In addition, the domestic heavy duty trucks industry remains keen competition due to joint ventures between local and international heavy duty trucks enterprises and the upsurge of heavy duty trucks investment of local enterprises. Although the Group encounters risks and uncertainties, challenge and development are still available, the Group will seize the opportunity of development and adopt various measures to accelerate its development.

1. To improve regional sales. The Group will further strengthen its sales network with a view to creating a sales network of 250,000 units and solving the problem of unbalanced development of different regional sales network. The Group consolidates its advantages in sales of heavy duty trucks for construction projects, and at the same time, accelerates the development of cargo trucks sales network to boost sales through closer cooperation with distributors in order to enlarge the market share for cargo trucks. In addition, the Group will utilize resources for refitting and delivery to reinforce the refitting trucks market and to secure the concept of “Customer First” by enhancing after-sales services quality continuously.

2. To further establish and enhance brand image and increase international market share by actively developing overseas markets. The Group will increase the innovation capability of the import and export systems. Moreover, the Group will improve the component center established overseas, increase the number of distributors and sole distributors overseas, elaborate advantages of various brands and expand international market sales networks by segmenting different brands into different sales networks. The Group will also accomplish the investment of overseas KD factory for semi-production and strengthen business training for import and export department so as to enhance the quality of after-sales services and increase the exports of products.

3. Pursuant to the agreement with MAN, the Group has been actively promoting the localization of new technology and products. During the period under review, the Group made substantial progress in developing overseas markets. The Group will speed up the modeling and mass production of engines and other major parts. In order to maintain the project progress, we will also take actions to reinforce management on both production and procurement according to existing planning and product design.

4. Capitalizing on the Group's strengths on capital, human resources, R&D capability, we will continue to focus on technological innovation to introduce new technology and new products. We will continue to implement stringent quality management and take advantage of the network of localized global parts manufacturers for truck assembly. The Group will strive to provide our customers with quality and diversified products.

5. The strategy of diversification to improve long term profitability. We will focus on developing the bus market by continuing to search for potential projects and studying investment flexibility.

DIVIDENDS

The Board does not propose interim dividends for the six months ended 30 June 2010.

FINANCIAL REVIEW

TURNOVER, GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2010, the Group's turnover recorded RMB22,248 million, compared with that of 2009 at RMB14,561 million, representing an increase of RMB7,687 million or 52.8%. The increase in the turnover was primarily resulted from the significant increase in sales volume and increase in average selling price.

Gross profit for the six months ended 30 June 2010 increased by RMB1,666 million or 88.8%, from that of 2009 at RMB1,876 million to RMB3,542 million while gross profit margin increased by 3 percentage to 15.9%. Gross profit increases mainly due to (i) increase in average selling price, (ii) decrease in fixed costs per unit as a result of the increase in sales volume and (iii) decrease in scrap ratio.

DISTRIBUTION COSTS

Distribution costs increased from RMB710 million for the first half of 2009 to RMB1,135 million for the first half of 2010, rising by RMB425 million or 59.9%. The increase in distribution costs was primarily attributable to the increase in the transportation costs for delivery of trucks and warranty costs as a result of increase in sales.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from RMB491 million for the first half of 2009 to RMB729 million for the first half of 2010, growing by RMB238 million or by 48.5%. The increase was mainly attributable to larger scale of R&D implemented and increase in amortization of intangible assets.

OTHER (LOSSES)/GAINS – NET

The Group recorded net other losses at RMB 38 million during the period under review while it recorded net other gains at RMB110 million in the first half of 2009. The turnaround from net other gains to net other losses was mainly attributable to the increase in foreign exchange losses and reduction of sales of scrap materials.

FINANCE COSTS – NET

Net finance costs increased from RMB33 million to RMB410 million during the period under review. The increase in net finance costs was resulting from the increase in exchange losses on the Group's Euro cash resources as a result of the depreciation of Euro against RMB, which demonstrate a 15.6% decline from the beginning of the year 2010.

INCOME TAX EXPENSE

The income tax expense of the first half of 2010 was RMB196 million, an increase of RMB12 million or 6.5% from that of 2009 at RMB184 million. The increase was due to the increase in profit before income tax.

PROFIT FOR THE PERIOD UNDER REVIEW AND EARNINGS PER SHARE

Profit for the six months ended 30 June 2010 increased by 82.1% from RMB568 million to RMB1,035 million. The basic earnings per share attributable to the equity holders of the Company for the period under review increased from RMB0.22 in 2009 to RMB0.30, representing an increase of 36.4%. The percentage increase is less than that of the actual profit increase because weighted average of number of ordinary shares in issue increased from 2,162 million shares to 2,761 million shares, representing an increase of 27.7%.

CASH FLOW

During the six months ended 30 June 2010, net cash outflow from operating activities was about RMB2,474 million and compared with net cash inflow in the same period in 2009 at RMB2,933 million, there was cash outflow at RMB5,407 million. (Considering the increase in bank acceptance notes at RMB5,983 million at the end of period under review, the Group recorded cash inflow of RMB3,509 million in the period under review.) The change of cash flow direction was due to the increase in the percentage of receipt of bank acceptance bills from sales.

Net cash outflow from investing activities for the first half of 2010 was RMB108 million, representing a decrease of RMB585 million compared to that of 2009. The decrease was mainly due to less capital expenditure spent.

The cash inflow from financing activities for the six months ended 30 June 2010 was RMB1,928 million, representing an increase of RMB293 million compared to that of year 2009. The increase was due to more borrowings by the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of RMB10,548 million, fixed deposits at RMB773 million and bank acceptance notes of RMB9,336 million at 30 June 2010. Cash and cash equivalents decreased by RMB991 million, fixed deposit decreased at RMB266 million and bank acceptance bills increased by RMB5,983 million as compared with those at the beginning of 2010. The Group's total borrowings (including long-term and short-term borrowings) were about RMB10,842 million as at 30 June 2010. Its gearing ratio was 22.7% (at 31 December 2009: 22.2%), which was calculated as borrowings divided by total assets. 96.8% of borrowings (at 31 December 2009: 87.9%) were made in RMB. Most of the borrowings had floating rates, which were lower than the bank benchmark interest rate, and were due within one year. The current ratio (total current assets divided by total current liabilities) as at 30 June 2010 was 1.4 (at 31 December 2009: 1.5).

As at 30 June 2010, total available credit facilities amounted to RMB28,811 million, of which RMB10,027 million had been utilised. An aggregate amount of RMB1,921 million of the Group's deposits and bank deposits was pledged to secure issuance of commercial bills and other credit facilities. In addition, Sinotruk Finance Co., Ltd. has made mandatory deposits RMB150 million to People's Bank of China for its financial operations. The Group meets the daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application of longer credit periods from suppliers, utilization of banking facilities and issue of bills such as short-term commercial acceptance notes and bank acceptance notes.

FINANCIAL MANAGEMENT AND POLICY

The finance department is responsible for financial risk management of the Group. One of our key financial policies is to manage exchange rate risk. Any speculative activity is prohibited under the financial policy of the Group. As at 30 June 2010, most of the Group's assets and liabilities were denominated in RMB, except for foreign currency fixed deposits, restricted cash and bank deposits which in total are equivalent to approximately RMB1,915 million, accounts receivable of approximately RMB418 million, foreign currency borrowings of approximately RMB348 million, accounts payable of approximately RMB1 million, other payables of approximately RMB149 million and long-term payable of approximately RMB356 million which were denominated in foreign currencies.

CAPITAL STRUCTURE

At the end of the period under review, owner's equity was RMB18,965 million, representing an increase of RMB788 million or 4.3% when compared with that at the end of year 2009 at RMB18,177 million.

As at 30 June 2010, the Company's market capitalisation was RMB14,982 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD6.22 per share and at the exchange rate of 0.87239 between HKD and RMB).

GOING CONCERN

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

CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

During the period under review, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a materially adverse effect on its financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB27 million. The total provision for legal claims was RMB3 million. The Group has already made full provisions for claims with high risk of loss, and, as such, it did not have other material contingent liability with respect to legal claims to declare.

EVENTS AFTER BALANCE SHEET DATE

In August 2010, Ji'nan Power entered into a joint venture agreement with Chengdu Dachenggong Mechanics Company Limited (成都大成功機械股份有限公司) to acquire 80% equity interest in a joint venture company, Sinotruk Chengdu Wangpai Commercial Truck Co., Ltd. (中國重汽集團成都王牌商用車有限公司) ("Chengdu Wangpai Commercial Truck") at a cash consideration of approximately RMB 325 million. Chengdu Wangpai Commercial Truck is principally engaged in the research, development, manufacture and sale of commercial vehicles and commercial vehicle frames, automobile components, general mechanical products and tractors; leasing of vehicles, sub-contracting construction projects, development of real estates; import and export of goods and technical services.

CORPORATE GOVERNANCE PRACTICE

The Board and senior management of the Company commit to maintain a high standard of corporate governance, to formulate good corporate governance practice for improvement of accountability and transparency in operations, and to strengthen the internal control system from time to time so as to ensure to meet with the expectations of the Company's shareholders. The Company has adopted the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing of the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. During the period under review, the Company has been in compliance with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. After making specific enquiries with all Directors, the Company confirmed that all Directors have compiled with the standards required by the Model Code for the first half of 2010.

REVIEW OF INTERIM RESULTS

This unaudited condensed financial information of the Group for the six months ended 30 June 2010 has been reviewed by the audit committee of the Company and by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period under review.

By Order of the Board

Sinotruk (Hong Kong) Limited

Ma Chunji

Chairman

Ji'nan, PRC, 27 August 2010

As at the date of this announcement, the eight executive directors are Mr. Ma Chunji, Mr.Cai Dong, Mr. Wei Zhihai, Mr. Wang Haotao, Mr. Wang Guangxi, Mr. Tong Jingen, Mr. Wang Shanpo and Mr. Pan Qing; the three non-executive directors are Dr. Georg Pachta-Reyhofen, Mr. Jörg Schwitalla and Mr. Lars Wrebo and the six independent non-executive directors are Mr. Shao Qihui, Mr. Lin Zhijun, Mr. Ouyang Minggao, Mr. Hu Zhenghuan, Mr. Chen Zheng and Mr. Li Xianyun.