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 2011

Highlights

- **Turnover at RMB21,939 million, 1.4% decrease year on year**
- **Heavy duty truck sales volume at 77,045 units, 8.8% decrease year on year while export volume at 9,089 units, 98.5% increase year on year; light and medium duty trucks sales volume at 12,261 units**
- **Profit attributable to equity holders at RMB994 million, 18.3% increase year on year**
- **Basic earnings per share at RMB0.36, 20.0% increase year on year**

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 2011.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2011

	Note	2011	2010
		RMB'000	RMB'000
		Unaudited	Unaudited
Turnover	4	**21,938,926**	22,247,760
Cost of sales		**(18,393,563)**	(18,705,875)
Gross profit		**3,545,363**	3,541,885
Distribution costs		**(1,195,230)**	(1,134,888)
Administrative expenses		**(891,008)**	(728,601)
Other gains / (losses) - net		**144,306**	(366,310)
Operating profit	5	**1,603,431**	1,312,086
Finance income		**94,077**	88,491
Finance costs		**(340,934)**	(169,741)
Finance costs - net		**(246,857)**	(81,250)
Profit before income tax		**1,356,574**	1,230,836
Income tax expense	6	**(251,593)**	(196,098)
Profit for the period		**1,104,981**	1,034,738
Other comprehensive income:			
Losses on currency translation		**(14,531)**	(3,485)
Total comprehensive income for the period		**1,090,450**	1,031,253

Condensed Consolidated Statement of Comprehensive Income

(Continued)

For the six months ended 30 June 2011

	Note	**2011**	2010
		RMB'000	RMB'000
		Unaudited	Unaudited
Profit attributable to:			
- equity holders of the Company		**993,959**	839,615
- non-controlling interests		**111,022**	195,123
		1,104,981	1,034,738
Total comprehensive income attributable to:			
- equity holders of the Company		**979,428**	836,130
- non-controlling interests		**111,022**	195,123
		1,090,450	1,031,253
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
- basic and diluted	7	**0.36**	0.30

Condensed Consolidated Balance Sheet
As at 30 June 2011

	Note	**30 June 2011**	31 December 2010
		RMB'000	RMB'000
		Unaudited	Audited
Assets			
Non-current assets			
Land use rights		**1,570,810**	1,398,436
Property, plant and equipment		**10,188,716**	9,359,943
Investment properties		**6,515**	6,492
Intangible assets		**738,856**	761,093
Goodwill		**3,868**	3,868
Deferred income tax assets		**1,018,440**	842,264
Investment in an associate		**6,056**	6,196
		13,533,261	12,378,292
Current assets			
Inventories		**14,095,780**	13,381,835
Trade receivables, prepayments and other receivables	8	**20,727,209**	14,311,029
Financial assets at fair value through profit or loss		**1,101**	1,089
Amounts due from related parties		**54,288**	30,837
Restricted cash		**3,089,610**	2,245,064
Cash and cash equivalents		**8,330,265**	11,561,472
		46,298,253	41,531,326
Total assets		**59,831,514**	53,909,618

Condensed Consolidated Balance Sheet (Continued)
As at 30 June 2011

	Note	**30 June 2011**	31 December 2010
		RMB'000	RMB'000
		Unaudited	Audited
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**261,489**	261,489
Reserves		**18,429,335**	17,865,889
		18,690,824	18,127,378
Non-controlling interests		**1,793,111**	1,632,693
Total equity		**20,483,935**	19,760,071
Liabilities			
Non-current liabilities			
Borrowings		**4,123,366**	2,686,240
Deferred income tax liabilities		**34,036**	35,188
Termination and post-employment benefits		**35,280**	39,840
Deferred income		**488,706**	504,297
Long-term payable		**17,333**	-
Amounts due to related parties		**405,076**	380,115
		5,103,797	3,645,680
Current liabilities			
Trade payables, advances and other payables	9	**21,815,051**	17,645,026
Current income tax liabilities		**368,256**	487,038
Borrowings		**10,936,292**	11,520,934
Amounts due to related parties		**500,184**	308,714
Provisions for other liabilities		**623,999**	542,155
		34,243,782	30,503,867
Total liabilities		**39,347,579**	34,149,547
Total equity and liabilities		**59,831,514**	53,909,618
Net current assets		**12,054,471**	11,027,459
Total assets less current liabilities		**25,587,732**	23,405,751

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.

The Group is principally engaged in the manufacturing and sales of heavy duty trucks, light and medium 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. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. 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 2010, 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.

3. Accounting policies (Continued)

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 24 (Revised) 'Related Party Disclosures' is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party.

3. Accounting policies (Continued)

(a) New and amended standards adopted by the Group (continued)

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

3. Accounting policies (Continued)

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010.
- Amendment to HK(IFRIC) - Int14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011.
- HK(IFRIC) - Int 19 'Extinguishing financial liabilities with equity instruments' is effective 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, except for amendment to HKAS 34 'Interim financial reporting' as disclosed in note 3(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

3. Accounting policies (Continued)

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.
- HKAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.
- HKFRS 7 (Amendment) 'Disclosures – Transfers of financial assets' introduces new disclosure requirement on transfers of financial assets. The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

(All amounts in RMB thousands unless otherwise stated)

4. Segment information

The segment results for the six months ended 30 June 2011 are as follows:

	Unaudited				
	Trucks	**Engines**	**Finance**	**Elimination**	**Total**
Turnover					
External segment revenue	**20,779,331**	**1,062,539**	**97,056**	**-**	**21,938,926**
Inter-segment revenue	**41,467**	**4,610,721**	**7,283**	**(4,659,471)**	**-**
Revenue	**20,820,798**	**5,673,260**	**104,339**	**(4,659,471)**	**21,938,926**
Operating profit before unallocated gains	**967,571**	**698,395**	**87,126**	**(170,766)**	**1,582,326**
Unallocated gains					**21,105**
Operating profit					**1,603,431**
Finance costs - net					**(246,857)**
Profit before income tax					**1,356,574**
Income tax expense					**(251,593)**
Profit for the period					**1,104,981**

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 costs	1,637,523	596,154	41,347	(754,027)	1,520,997
Unallocated costs					(208,911)
Operating profit					1,312,086
Finance costs - net					(81,250)
Profit before income tax					1,230,836
Income tax expense					(196,098)
Profit for the period					1,034,738

(All amounts in RMB thousands unless otherwise stated)

4. Segment information (Continued)

	Unaudited			
	Trucks	**Engines**	**Finance**	**Total**
As at 30 June 2011				
Segment assets	**40,675,648**	**17,153,495**	**4,847,812**	**62,676,955**
Inter-segment elimination				**(8,176,195)**
Unallocated				**5,330,754**
Total assets				**59,831,514**

	Audited			
	Trucks	Engines	Finance	Total
As at 31 December 2010				
Segment assets	33,045,591	16,504,649	3,532,112	53,082,352
Inter-segment elimination				(5,137,643)
Unallocated				5,964,909
Total assets				53,909,618

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

	For the six months ended	
	30 June 2011	30 June 2010
	Unaudited	Unaudited
Mainland China	**19,957,639**	21,343,289
Overseas	**1,981,287**	904,471
Total	**21,938,926**	22,247,760

(All amounts in RMB thousands unless otherwise stated)

5. Operating profit

The following items have been charged/ (credited) to the operating profit during the six months ended 30 June 2011:

	For the six months ended	
	30 June 2011	30 June 2010
	Unaudited	Unaudited
Inventory write-downs	**125,559**	235,022
Gain on disposal of property, plant and equipment	**(803)**	(34)
Amortisation of land use rights	**16,317**	12,430
Depreciation of property, plant and equipment	**419,876**	359,102
Amortisation of intangible assets	**65,616**	45,194
Foreign exchange (gain)/loss, net	**(69,444)**	391,950
Government grants	**(22,252)**	(24,840)
Disposal of scraps	**(9,470)**	(42,987)

Notes to the Condensed Consolidated Interim Financial Information

(Continued):

(All amounts in RMB thousands unless otherwise stated)

6. Income tax expense

	For the six months ended	
	30 June 2011	30 June 2010
	Unaudited	Unaudited
Current income tax		
- Hong Kong profits tax	**-**	-
- PRC corporate income tax	**428,921**	372,132
	428,921	372,132
Deferred income tax	**(177,328)**	(176,034)
	251,593	196,098

The Company and Sinotruk (Hong Kong) International Investment Limited are subject to Hong Kong profits tax at the rate of 16.5% (2010: 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 the People's Republic of China ("PRC"), which has been calculated based on the corporate income tax rate of 25% (2010: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the six months ended 30 June 2011 at the rates of taxation prevailing in the countries in which the Group operates.

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd. and Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. are subject to a corporate income tax rate of 15% (2010: 15%) according to the Western Development tax incentives of the Corporate Income Tax Law of the PRC (the "CIT Law").

6. Income tax expense (Continued)

Sinotruk Jinan Power Co., Ltd., Sinotruk Jinan Fuqiang Power Co., Ltd. and Sinotruk Hangzhou Engine Co., Ltd. have been recognised as the New/High Tech Enterprises in 2008. According to the tax incentives of the CIT Law for New/High Tech Enterprises, these companies are subject to a preferential corporate income tax rate of 15%.

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. was exempted from corporate income tax for two years, starting from its first profitable year, which was 2006, and was then entitled to a 50% reduction in corporate income tax for three years thereafter until the end of 2010.

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

7. 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 2011	30 June 2010
	Unaudited	Unaudited
Profit attributable to equity holders of the Company	**993,959**	839,615
Weighted average number of ordinary shares in issue (thousands)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**0.36**	0.30

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 and 30 June 2011.

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

(All amounts in RMB thousands unless otherwise stated)

8. Trade receivables, prepayments and other receivables

	As at 30 June 2011	As at 31 December 2010
	Unaudited	Audited
Accounts receivable	**5,974,028**	2,995,686
Less: Provision for impairment of accounts receivable	**(133,675)**	(111,399)
Accounts receivable – net	**5,840,353**	2,884,287
Notes receivable		
- Bank acceptance notes	**11,064,474**	7,946,519
- Commercial acceptance notes	**245**	81,878
Notes receivable - total	**11,064,719**	8,028,397
Trade receivables - net	**16,905,072**	10,912,684
Prepayments	**1,002,581**	1,300,203
Interest receivables	**25,892**	30,679
Prepaid taxes other than income tax	**837,744**	699,351
Prepaid income taxes	**6,957**	8,328
	1,873,174	2,038,561
Other receivables	**2,064,703**	1,477,895
Less: Provision for impairment of other receivables	**(115,740)**	(118,111)
Other receivables - net	**1,948,963**	1,359,784
Trade receivables, prepayments and other receivables	**20,727,209**	14,311,029

(All amounts in RMB thousands unless otherwise stated)

8. Trade receivables, prepayments and other receivables (Continued)

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

	As at 30 June 2011	As at 31 December 2010
	Unaudited	Audited
Less than 3 months	**8,284,839**	8,829,047
3 months to 6 months	**8,260,237**	1,736,320
6 months to 12 months	**286,995**	131,597
1 year to 2 years	**27,090**	166,361
2 years to 3 years	**45,911**	49,359
	16,905,072	10,912,684

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 acceptance notes with a tenure of usually three to six months, which represents the credit term granted to the customers who pay by bank acceptance notes. Credit terms in the range within six months are granted to those customers with good payment history.

As at 30 June 2011, accounts receivable of approximately RMB937,535,000 (31 December 2010: RMB565,818,000) are secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 30 June 2011 and 31 December 2010.

Notes to the Condensed Consolidated Interim Financial Information

(Continued):

(All amounts in RMB thousands unless otherwise stated)

9. Trade payables, advances and other payables

	As at 30 June 2011	As at 31 December 2010
	Unaudited	Audited
Trade and bills payables	**15,101,893**	12,681,568
Advances from customers	**4,021,037**	2,312,501
Staff welfare and salaries payable	**167,536**	196,043
Taxes liabilities other than income tax	**101,329**	80,918
Accrued expenses	**758,443**	552,161
Other payables	**1,664,813**	1,821,835
Trade payables, advances and other payables	**21,815,051**	17,645,026

The ageing analysis of the trade and bills payables at respective balance sheet dates are as follows:

	As at 30 June 2011	As at 31 December 2010
	Unaudited	Audited
Less than 3 months	**8,729,415**	9,675,756
3 months to 6 months	**6,223,405**	2,407,597
6 months to 12 months	**141,804**	524,312
1 year to 2 years	**4,505**	51,667
2 years to 3 years	**1,894**	17,767
Over 3 years	**870**	4,469
	15,101,893	12,681,568

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In the first half of 2011, according to the China Association of Automobile Manufacturers (「 中國汽車工業協會 」) domestic heavy duty trucks (of more than 14 tons) sales by the entire industry decreased by 7.04% year on year to 543,400 units because of the following factors affecting the market demand of heavy duty trucks: 1) infrastructure construction slowed down as the Chinese government adopted tighter macroeconomic control measures, 2) the transportation sector faced a heavier cost burden because transportation fees did not keep pace with increases in oil prices, and 3) car consumption loans were restricted as a result of the credit crunch.

REVIEW OF OPERATIONS

During the period under review, the Group's revenue decreased by 1.4% year on year to RMB21,939 million from RMB22,248 million in the same period of the previous year. Profit before tax rose by 10.2% year on year to RMB1,357 million from RMB1,231 million of the same period of the previous year. The Group was able to raise profitability despite an adverse effect of the entire market's decreased demand on its sales. This is because the Group has enhanced internal management, optimized product mix and controlled operating costs.

Trucks Segment

During the period under review, the Group's heavy duty truck sales volume decreased by 8.8% year on year to 77,045 units. Light and medium duty truck sales volume were 12,261 units. Revenues of truck sales (including inter-segment revenue) decreased by 1.2% year on year to RMB20,821 million.

Domestic Business

The Group has set the strategic goal of becoming a comprehensive commercial vehicle manufacturer which develops and makes heavy duty trucks, light and medium duty trucks and coachs after a thorough study of the trends of the commercial vehicle market. It laid a solid foundation for its future development by adjusting its product mix and business portfolio in the first half of 2011.

The Group maintained its leadership in heavy duty truck industry in terms of product technology and production capability. However, it needs to strengthen its capabilities for developing and producing light and medium duty trucks. In order to improve in these areas, the Group acquired and restructured some leading makers of light and medium duty trucks in 2010. It established Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. （**"Chengdu Wangpai**"，中國重汽集團成都王牌商用車有限公司） in Sichuan and Sinotruk Fujian Haixi Vehicles Co., Ltd. ("**Fujian Haixi**", 中國重汽集團福建海西汽車有限公司) in Fujian, and has been building a light truck production base in Jinan, Shandong. In the first half of 2011, the construction of the factories of Fujian Haixi and light duty truck production base in Jinan was on schedule while the new production plant of Chengdu Wangpai was completed and the production facilities have already been installed. Chengdu Wangpai leveraged the Group's technological advantages to develop a new series of light duty trucks and introduce them into the market. The light duty trucks were well received by the market for their design, accessories, performance, and comfort. Chengdu Wangpai also won a bid in the tender in May 2011 to supply light duty trucks for use as commercial vehicles at the Universiade Shenzhen 2011. This helped build a brand image for the light duty trucks, paving the way for future market expansion. During the period under review, Chengdu Wangpai consolidated, improved and expanded its marketing and sales network to support the sales of its products. Presently, Chengdu Wangpai has 537 distributors, 576 service outlets and 18 spare parts sales centres.

In the first half of 2011, the Group's heavy duty truck business continued to improve its four networks of sales and marketing, after-sales services, component sales and refitting. Specifically, it focused on four areas: 1) finer segmentation of sales networks by markets and by categories and provision of professional services; 2) boosting sales by selling tractor trucks where they are produced and placing spare trucks in the refitting companies to reduce the delivery time; 3) stimulating finished truck sales with consumer credit business, and 4) enhanced staff training in order to raise the standards of its sales and after-sales services.

As at 30 June 2011, there were 866 domestic distributors selling the Group's heavy duty trucks, including 231 4S centres and 231 stores specializing in products of the Group's own brand. In addition, there were 1,589 services stations providing quality after-sales services for users of the Group's products, 99 regional parts and components sales centres, 570 second-tier outlets which procured parts and components from these regional parts and components sales centres, and 292 refitting companies which provided refitting services for the Group's customers. All these outlets formed a comprehensive sales and marketing network.

International Business

During the period under review, the global economy was recovering despite a number of adverse factors, including the sovereign bonds crisis in Europe and global inflation. Faster economic development in emerging markets and a booming mining industry in African countries boosted demand for heavy duty trucks.

To capture the business opportunities, the Group actively expanded its presence in overseas markets, and tailored its marketing and sales strategy and services according to the characteristics of different overseas markets. The Group divided the global market into six regions and established representative offices in 24 foreign countries to handle the planning and set-up of the sales and service networks in their respective countries. More than 100 staffs were posted to foreign countries to take charge of sales and after-sales service. Presently, the Group has more than 70 distributors, more than 200 sales outlets, and about 300 service outlets providing sales service and after-sales service. In the first half of 2011, the Group continued to consolidate its presence and expand its share in its traditional overseas markets including countries in Africa, and at the same time actively explored emerging markets including countries in South America. The Group's heavy duty truck sales in overseas markets such as Africa, Southeast Asia, South America and Central Asia increased significantly year on year. The Group continued to rank first in China's heavy duty truck exports as it exported 9,089 units, up 98.5% year on year.

Engines Segment

During the period under review, the Group had annual production capacity of 200,000 engines, which satisfied both the demand within the Group and its related parties as well as those from other manufacturers of heavy duty trucks, coaches and construction machinery. The Group raised the proportion of external sales in its engine sales and expanded its domestic market share. These moves expanded its income source.

During the period under review, the engines segment's sales volume decreased by 17.5% year on year to 94,224 units. Revenue (including sales of components and inter-segment revenue) decreased by 19.3% year on year to RMB5,673 million. External sales accounted for 18.7% of the engine segment's revenue, representing an increase of 1.1 percentage points compared with 17.6% last year same period.

The Group's engines are one of the most advanced in China in terms of quality and fuel saving as a result of years of development and improvement. The new-generation 12-litre engines with large horse power were installed in trucks for sales. Sales of such trucks have been increasing since its launch into the market. The Group also developed the 10-litre natural gas engine and 12-litre natural gas engine with a horse power range of 230 Ps to 420 Ps, which were used in medium and heavy duty trucks as well as various types of coaches. The Group's natural gas vehicles, which are one of the most advanced of their kind and of stable quality in China, were well received by both overseas and domestic markets and recorded good sales, enhancing their brand recognition.

The project of localizing MAN's engine technology has been progressing on schedule. It aims at meeting China's increasingly stricter emission standards and will enhance the Group's competitive strength in engine and truck markets when completed.

Finance Segment

In the first half of 2011, the external revenue of the finance segment increased from RMB37 million by RMB60 million to RMB97 million. The increase was due to the expansion of the consumer credit business, the growth in interest income from lending and the increase in bills discounting income.

During the review period, the credit availability contracted in China, making it more difficult for consumers to get truck loans. In order to satisfy the users' demand for truck purchase and boost sales of the Group's products, Sinotruk Finance Co., Ltd. expanded its network of consumer credit business while taking a prudent approach towards credit risk control. As at 30 June 2011, Sinotruk Finance Co., Ltd. had already set up 18 regional offices and extended its consumer credit business coverage to over 20 provinces, covering most parts of China. A vehicle consumer credit network was thus established. In the first half of 2011, the Group sold 1,563 finished trucks involving consumer credit.

Technological Upgrade and Production Capacity

During the period under review, capital expenditure was RMB1.53 billion. The major investment and construction projects included the introduction of the MAN's engines, TGA cabin, the localization of the parts production. The launch of the light and medium duty truck projects enhanced the production technology and product quality, enabling the Group to achieve balanced capacities for producing trucks, engines and gearbox. It also increased the Group's forged parts production capacity, enhanced the product quality standards and research and development capabilities.

The introduction of MAN's production technology and product localization were carried out according to the agreement between the Group and MAN.

The project of light duty truck production base at Jinan, and light and medium duty truck production projects of Chengdu Wangpai and Fujian Haixi and the cabin production project of Sinotruk Jining Commercial Truck Co., Ltd. are progressing smoothly, laying a solid foundation for product technology upgrade and diversification.

Presently, the Group is capable for producing 160,000 heavy duty trucks, 40,000 light and medium duty trucks and 200,000 engines annually. It also has research and development centres and production plants of trucks and parts in Jinan, Hangzhou and Chengdu. The Group will be able to meet the demand with its optimized product mix and production capacity level.

Research and Development

The Group places strong emphasis on maintaining its competitive advantage through advanced technology and therefore continues to increase investment in research and development. It leveraged its skilled vehicle technicians, advanced research and development facilities and laboratory equipments to develop new technology and products to meet market demand. It has built a most comprehensive product portfolio in the country including HOWO-A7, HOWO, Jin Wangzi and Haoyun, which are among its top 10 model series. In the first half of 2011, it launched such new models as HOWO low carrying saddle tractor, HOWO mining tipper, and a new series of light duty trucks. It also introduced to the market such parts and components as D12 China III emission standard natural gas engine, assembled high torsion clutch and HOWO, HOKA and Jin Wangzi cabins. The Group is focusing its research and development efforts on commercial vehicles including heavy duty truck, light and medium duty truck.

The Group and MAN jointly introduced the new SITRAK T7H brand at the 14th Shanghai International Automotive Industry Exhibition. SITRAK T7H, positioned as an international version of a China-made heavy duty truck, was jointly developed and equipped with the world-class advanced MAN engine. The model will be launched in 2012.

The National High Technology and Development Program “Natural Gas Engine Development” undertaken by the Group under the “Eleventh Five-year Plan” in Jinan received certification from an expert group of the Ministry of Science and Technology. The natural gas engine which meets the China IV emission standard is a breakthrough in terms of power, cost effectiveness, environmental protection standards, and was awarded two national patents.

As of 30 June 2011, the Group and its parent company jointly participated in setting 28 standards for China’s heavy duty truck industry, and together were granted 1,466 patents out of 1,640 patent applications. As a result, the Group remained number one in terms of number of patents in the country’s heavy truck industry.

During the period under review, the Group offered 1,745 models of China III emission standard to meet the demand.

Prospects

In the second half of 2011, we expect that the domestic and international economic environments will remain uncertain and that our industry will be increasingly competitive. The Group will carefully monitor market developments and take appropriate measures to continue its healthy development.

First, the Group will press ahead with the implementation of its cooperation program with MAN, accelerate the process of importing technologies and product localization, and prepare for assembling and testing the production line, as well as mass production. By doing this, the Group will reach an advanced international level and prepare effectively for marketing these new products next year.

Second, the Group will continue to implement its "Actively Expanding Overseas Markets" strategy. The Group aims to further establish and improve its brand image and expand exports by speeding up the development of its international marketing network, international sales system, international refitting system, international KD production system, and international network of accessory services.

Third, the Group will keep innovating domestic marketing and sales methods. It will cultivate four types of abilities and set up four systems for implementation of further development of the "One-Through-Line" system. Four sorts of abilities include 1) ability to increase the synergy effect of consolidation of marketing network, refitting network, spare parts sales network and service network with "One Through-Line" ("Four Networks and One Line") by developing 4S stores; 2) ability to find and develop more key clients for building up long-term strategic relationships; 3) ability to penetrate regional markets by provision for different products mix to match each region's needs and 4) ability to upgrade the Group's star-graded after sales service – "Qinren". Four systems refer to 1) performance assessment system over regional sales network, 2) maintenance system to enhance relationships with key clients, 3) supporting system to promote the development and improvement of sales network, and 4) training system including online system to develop staff's skills in marketing research, marketing and sales as well as quality service. It will implement operation and sales information sharing in the areas of marketing management controls, training services via the "One Through-Line" project.

Fourth, the Group will promote management innovation to enhance the enterprise's management level and risk prevention capabilities, implement and expand lean management from the on-site management to operation procedures, establish a leading-edge logistics management system and improve the management information system in respect of productions materials and spare parts and increase risk prevention efforts by taking measures addressing risks in all positions and system.

DIVIDENDS

The Board does not propose interim dividends for the six months ended 30 June 2011.

FINANCIAL REVIEW

Turnover, Gross Profit and Gross Profit Margin

For the six months ended 30 June 2011, the Group's turnover recorded RMB21,939 million, compared with that of 2010 at RMB22,248 million, representing a decrease of RMB309 million or 1.4%. The decrease in the turnover primarily resulted from the reduction in sales volume.

Gross profit for the six months ended 30 June 2011 increased by RMB3 million or 0.1%, from that of 2010 at RMB3,542 million to RMB3,545 million. Gross profit margin increased by 0.3 percentage points year on year to 16.2%. Gross profit and gross profit margin increased mainly due to the timely increase in truck selling price, effective control over the purchase costs and the cost reduction from technology improvement.

Distribution Costs

Distribution costs increased from RMB1,135 million for the six months ended 30 June 2010 to RMB1,195 million for the six months ended 30 June 2011, rising by RMB60 million or 5.3%. The increase in distribution costs was primarily attributable to the higher delivery costs as a result of the increase in fuel prices, resulting in the increase in transportation costs, and the growth of export volume resulting in the increasing of sea freight.

Administrative Expenses

Administrative expenses increased from RMB729 million for the six months ended 30 June 2010 to RMB891 million for the six months ended 30 June 2011, growing by RMB162 million or by 22.2%. The increase was mainly attributable to the increasing scale of operations, increase in provision for impairment loss of trade and other receivables and increase in amortization of intangible assets.

Other Gains / (Losses) – Net

The Group recorded net other gains at RMB 144 million during the period under review while it recorded net other losses at RMB366 million in the first half of 2010. The turnaround from net other losses to net other gains was mainly attributable to the realized exchange gains from the conversion of Euro funds and revaluation gain from Euro deposits as Euro against RMB was appreciated. The Group has closely monitored and analyzed the trend of the movement of Euro against RMB and take actions on a timely manner.

Finance Costs – Net

Net finance costs increased from RMB81 million to RMB247 million, representing an increase of RMB166 million or 204.9%, during the period under review. The increase in net finance costs was a result of the increase in borrowings and the interest rates, and increase in interest expense.

Income Tax Expense

The income tax expense of the first half of 2011 was RMB252 million, an increase of RMB56 million or 28.6% from that of 2010 at RMB196 million. The increase was due to the increase in profit before income tax and the expiry of certain tax preferential policies leading the increase in average tax rate.

Profit for the Period Under Review and Earnings Per Share

Profit for the six months ended 30 June 2011 increased by 6.8% from RMB1,035 million to RMB1,105 million. The basic earnings per share attributable to the equity holders of the Company for the period under review increased from RMB0.30 in 2010 to RMB0.36, representing an increase of 20%.

Cash Flow

During the six months ended 30 June 2011, net cash outflow from operating activities was about RMB2,610 million and compared with net cash outflow in the same period in 2010 at RMB2,474 million, there was an increase of cash outflow by RMB136 million. (Considering the increase in bank acceptance notes at RMB3,118 million at the end of period under review, the Group recorded cash inflow of RMB508 million in the period under review.) The increase of net operating cash outflow was due to the extent of the increase in trade payables in the period under review being less than that of last year same period.

Net cash outflow from investing activities for the first half of 2011 was RMB1,263 million, representing an increase of RMB1,155 million compared to that of 2010. The increase was mainly due to current period capital expenditure spent and the repayment of parts of long term liabilities arisen from the acquisition of intangible assets last year.

The cash inflow from financing activities for the six months ended 30 June 2011 was RMB583 million, representing a decrease of RMB1,345 million compared to that of the same period of year 2010. The decrease was due to lesser borrowings made by the Group.

Liquidity and Financial Resources

The Group had cash and cash equivalents of RMB8,330 million and bank acceptance notes of RMB11,064 million at 30 June 2011. Cash and cash equivalents decreased by RMB3,231 million and bank acceptance bills increased by RMB3,118 million as compared with those at the beginning of 2011. The Group's total borrowings (including long-term and short-term borrowings) were about RMB15,060 million as at 30 June 2011. Its gearing ratio (borrowings divided by total assets) was 25.2% (at 31 December 2010: 26.4%). All borrowings were made in RMB (at 31 December 2010: 99.0% in RMB). Most of the borrowings had floating rates, which were no more 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 2011 was 1.4 (at 31 December 2010: 1.4).

As at 30 June 2011, total available credit facilities of the Group amounted to RMB42,405 million, of which RMB14,841 million had been utilised. An aggregate amount of RMB2,132 million of the Group's deposits and bank deposits was pledged to secure credit facilities. In addition, Sinotruk Finance Co., Ltd. has made mandatory deposits of RMB474 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 for 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 2011, most of the Group's assets and liabilities were denominated in RMB, except for fixed deposits, restricted cash and bank deposits which in total are equivalent to approximately RMB133 million, accounts receivable of approximately RMB749 million, accounts payable of approximately RMB1 million, and long-term payable of approximately RMB422 million, all of which were denominated in currencies other than RMB.

Capital Structure

As at 30 June 2011, owner's equity was RMB20,484 million, representing an increase of RMB724 million or 3.7% when compared with that at the end of year 2010 at RMB19,760 million.

As at 30 June 2011, the Company's market capitalisation was RMB12,468 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD5.43 per share and at the exchange rate of 0.83162 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 RMB48 million. During the period under review, the Group did not make any additional provision for legal claims.

HUMAN RESOURCES

As at 30 June 2011, the Group had a total of 22,059 employees. During the first six months of the year, the Group had improved dynamic human resources management regarding the positions. For instances, it implemented a merit-based staff promotion system and staff promotion system for non-leadership positions. It also conducted an open selection of talent for middle management, and reformed the reward compensation system as incentives to the employees. It enhanced staff training through on-site training. The Group also provided overseas training for staff to support its internationalization strategy.

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 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 ("**CG Code**"). 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 as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors (the "**Model Code**"). After the Company making specific enquiries with all Directors, all Directors have confirmed that they have compiled with the standards required by the Model Code for the six months ended 30 June 2011.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2011 has been reviewed by the audit committee of the Company and 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

Jinan, PRC, 26 August 2011

As at the date of this announcement, the seven executive directors are Mr. Ma Chunji, Mr.Cai Dong, Mr. Wei Zhihai, Mr. Wang Haotao, 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 Dr. Shao Qihui, Dr. Lin Zhijun, Dr. Ouyang Minggao, Dr. Hu Zhenghuan, Mr. Chen Zheng and Mr. Li Xianyun.