中国重汽
SINOTRUK

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

(incorporated in Hong Kong with limited liability)

(Stock Code: 3808)

Announcement on Interim Results
For the Six Months Ended 30 June 2012

Highlights

- **Turnover at RMB 14,969 million, 31.8% decrease year on year**
- **Heavy duty truck sales volume at 47,923 units, 37.8% decrease year on year while export volume (including affiliated export) at 12,337 units, 35.7% increase year on year; medium heavy duty trucks and light duty trucks sales volume at 17,331 units, 41.4% increase year on year**
- **Profit attributable to equity holders at RMB 182 million, 81.7% decrease year on year**
- **Basic earnings per share at RMB 0.07, 80.6% decrease 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 2012.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2012

	Note	**2012**	2011
		RMB'000	RMB'000
		Unaudited	Unaudited
Turnover	4	**14,969,144**	21,938,926
Cost of sales		**(12,737,060)**	(18,393,563)
Gross profit		**2,232,084**	3,545,363
Distribution costs		**(993,519)**	(1,195,230)
Administrative expenses		**(949,051)**	(891,008)
Other gains - net		**185,774**	144,306
Operating profit	5	**475,288**	1,603,431
Finance income		**84,526**	94,077
Finance costs		**(309,005)**	(340,934)
Finance costs - net		**(224,479)**	(246,857)
Profit before income tax		**250,809**	1,356,574
Income tax expense	6	**(58,244)**	(251,593)
Profit for the period		**192,565**	1,104,981
Other comprehensive income			
Gains/(losses) on currency translation		**2,990**	(14,531)
Total comprehensive income for the period		**195,555**	1,090,450

Condensed Consolidated Statement of Comprehensive Income (Continued)
For the six months ended 30 June 2012

	Note	2012	2011
		RMB'000	RMB'000
		Unaudited	Unaudited
Profit attributable to			
- equity holders of the Company		**182,291**	993,959
- non-controlling interests		**10,274**	111,022
		192,565	1,104,981
Total comprehensive income attributable to			
- equity holders of the Company		**185,281**	979,428
- non-controlling interests		**10,274**	111,022
		195,555	1,090,450
Earnings per share for profit attributable to the equity holders of the Company			
(expressed in RMB per share)			
- basic and diluted	7	**0.07**	0.36

Condensed Consolidated Balance Sheet
As at 30 June 2012

	Note	**30 June 2012**	31 December 2011
		RMB'000	RMB'000
		Unaudited	Audited
Assets			
Non-current assets			
Land use rights		**1,451,021**	1,394,774
Property, plant and equipment		**12,307,408**	11,603,387
Investment properties		**258,123**	266,501
Intangible assets		**610,514**	675,967
Goodwill		**3,868**	3,868
Deferred income tax assets		**909,022**	820,171
Investment in an associate		**5,766**	6,225
Trade and other receivables	8	**343,271**	130,331
		15,888,993	14,901,224
Current assets			
Inventories		**9,759,223**	10,192,736
Trade receivables, other receivables and other current assets	8	**16,465,874**	15,543,011
Financial assets at fair value through profit or loss		**6,596**	5,221
Amounts due from related parties		**93,463**	19,502
Restricted cash		**1,416,398**	1,754,753
Cash and cash equivalents		**4,325,202**	9,576,878
		32,066,756	37,092,101
Total assets		**47,955,749**	51,993,325

Condensed Consolidated Balance Sheet (Continued)
As at 30 June 2012

	Note	**30 June 2012**	31 December 2011
		RMB'000	RMB'000
		Unaudited	Audited
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**261,489**	261,489
Reserves		**18,448,339**	18,488,150
		18,709,828	18,749,639
Non-controlling interests		**1,803,409**	1,818,961
Total equity		**20,513,237**	20,568,600
Liabilities			
Non-current liabilities			
Borrowings		**2,132,100**	2,106,800
Deferred income tax liabilities		**40,621**	42,688
Termination and post-employment benefits		**26,520**	30,810
Deferred income		**535,779**	605,052
Long-term payable		**7,020**	7,297
Amounts due to related parties		**239,642**	245,741
		2,981,682	3,038,388
Current liabilities			
Trade payables, other payables and other current liabilities	9	**13,351,721**	13,701,462
Current income tax liabilities		**44,522**	76,750
Borrowings		**10,343,541**	13,498,810
Amounts due to related parties		**252,991**	631,041
Provisions for other liabilities		**468,055**	478,274
		24,460,830	28,386,337
Total liabilities		**27,442,512**	31,424,725
Total equity and liabilities		**47,955,749**	51,993,325
Net current assets		**7,605,926**	8,705,764
Total assets less current liabilities		**23,494,919**	23,606,988

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 "**Parent Company**"). 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. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Group is principally engaged in the manufacturing and sales of commercial trucks including heavy duty trucks, medium heavy duty trucks, light duty trucks and buses and also produces and sells key parts and components such as engines and axles, and the provision of finance services.

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 2012 has been prepared in accordance with Hong Kong Accounting Standards 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 2011, 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 2011, as described in those annual financial statements.

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

(b) The following new amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012 and relevant to the Group:

- HKAS 12 (Amendment), 'Income taxes', to introduce 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.

There are no other amended HKFRS or HK (IFRIC) interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

(c) There are certain new and amended standards that have been issued but are not yet effective. The Group is assessing the impact of those new and amended standards and considers those new and amended standards would not have material impact on the Group currently.

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

4. Segment information

The segment results for the six months ended 30 June 2012 are as follows:

	Unaudited				
	Trucks	**Engines**	**Finance**	**Elimination**	**Total**
Turnover					
External segment revenue	**14,038,689**	**810,072**	**120,383**	**-**	**14,969,144**
Inter-segment revenue	**17,988**	**2,752,629**	**19,562**	**(2,790,179)**	**-**
Revenue	**14,056,677**	**3,562,701**	**139,945**	**(2,790,179)**	**14,969,144**
Operating profit before unallocated income	**132,842**	**227,787**	**91,064**	**15,309**	**467,002**
Unallocated income					**8,286**
Operating profit					**475,288**
Finance costs - net					**(224,479)**
Profit before income tax					**250,809**
Income tax expense					**(58,244)**
Profit for the period					**192,565**

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 costs	967,571	698,395	87,126	(170,766)	1,582,326
Unallocated income					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

(All amounts in RMB thousands unless otherwise stated)

4. Segment information (Continued)

	Unaudited			
	Trucks	**Engines**	**Finance**	**Total**
As at 30 June 2012				
Segment assets	**32,053,107**	**12,562,257**	**4,407,818**	**49,023,182**
Inter-segment elimination				**(8,006,599)**
Unallocated				**6,939,166**
Total assets				**47,955,749**

	Audited			
	Trucks	Engines	Finance	Total
As at 31 December 2011				
Segment assets	34,680,422	15,071,734	6,075,182	55,827,338
Inter-segment elimination				(9,058,362)
Unallocated				5,224,349
Total assets				51,993,325

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

	For the six months ended	
	30 June 2012	30 June 2011
	Unaudited	Unaudited
Mainland China	**13,071,587**	19,957,639
Overseas	**1,897,557**	1,981,287
Total	**14,969,144**	21,938,926

Notes to the Condensed Consolidated Interim Financial Information

(Continued):

(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 2012:

	For the six months ended	
	30 June 2012	30 June 2011
	Unaudited	Unaudited
Employee benefit expenses	**996,339**	1,015,900
Warranty expenses	**347,095**	415,988
Inventory write-downs	**53,994**	125,559
Gain on disposal of property, plant and equipment	**(321)**	(803)
Fair value loss/(gain) on investment properties	**8,378**	(23)
Amortisation of land use rights	**14,295**	16,317
Depreciation of property, plant and equipment	**388,187**	419,876
Amortisation of intangible assets	**67,431**	65,616
Foreign exchange gain, net	**(40,371)**	(69,444)
Government grants	**(102,320)**	(22,252)
Disposal of scraps	**(26,651)**	(9,470)

(All amounts in RMB thousands unless otherwise stated)

6. Income tax expense

	For the six months ended	
	30 June 2012	30 June 2011
	Unaudited	Unaudited
Current income tax		
- Hong Kong profits tax	**1,069**	-
- PRC corporate income tax	**122,900**	428,921
	123,969	428,921
Deferred income tax	**(65,725)**	(177,328)
	58,244	251,593

The Company and Sinotruk (Hong Kong) International Investment Limited are subject to Hong Kong profits tax at the rate of 16.5% (2011: 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% (2011: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the six months ended 30 June 2012 at the rates of taxation prevailing in the countries in which the Group operates.

Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprises in 2010. Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engine Co., Ltd. have been recognised as the High New Tech Enterprises in 2011. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., Nanchong Sinotruk Wangpai Shuncheng Mechanics Co., Ltd. and Sichuan Sinotruk Wangpai Xingcheng Hydraulic Parts Co., Ltd. are subject to a corporate income tax rate of 15% according to the Western Development tax incentives of the CIT Law.

The remaining subsidiaries are subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2011: 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 2012	30 June 2011
	Unaudited	Unaudited
Profit attributable to equity holders of the Company	**182,291**	993,959
Weighted average number of ordinary shares in issue (thousands)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**0.07**	0.36

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 2012 and 30 June 2011.

Notes to the Condensed Consolidated Interim Financial Information

(Continued):

(All amounts in RMB thousands unless otherwise stated)

8. Trade receivables, other receivables and other current assets

	As at 30 June 2012	As at 31 December 2011
	Unaudited	Audited
Non-current		
Accounts receivable	**34,768**	-
Other receivables	**311,619**	131,647
Less: Provision for impairment of other receivables	**(3,116)**	(1,316)
Other receivables - net	**308,503**	130,331
Trade and other receivables - net	**343,271**	130,331
Current		
Accounts receivable	**5,152,334**	4,604,431
Less: Provision for impairment of accounts receivable	**(120,047)**	(120,614)
Accounts receivable – net	**5,032,287**	4,483,817
Notes receivable		
- Bank acceptance notes	**8,566,370**	8,552,252
- Commercial acceptance notes	**23,170**	21,401
Notes receivable - total	**8,589,540**	8,573,653
Trade receivables - net	**13,621,827**	13,057,470
Other receivables	**1,765,684**	1,019,484
Less: Provision for impairment of other receivables	**(21,343)**	(11,900)
Other receivables - net	**1,744,341**	1,007,584
Interest receivables	**33,889**	34,540
Prepayments	**622,260**	876,398
Prepaid taxes other than income tax	**379,401**	419,709
Prepaid income taxes	**64,156**	147,310
Other current assets - total	**1,099,706**	1,477,957
Trade receivables, other receivables and other current assets – net	**16,465,874**	15,543,011

(All amounts in RMB thousands unless otherwise stated)

8. Trade receivables, other receivables and other current assets (Continued)

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

	As at 30 June 2012	As at 31 December 2011
	Unaudited	Audited
Less than 3 months	**8,759,443**	7,815,859
3 months to 6 months	**4,320,853**	4,709,078
6 months to 12 months	**452,434**	258,114
1 year to 2 years	**59,451**	228,532
2 years to 3 years	**64,351**	43,053
Over 3 years	**63**	2,834
	13,656,595	13,057,470

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 delivery 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 2012, accounts receivable of approximately RMB 973,025,000 (31 December 2011: RMB 798,765,000) are secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 30 June 2012 and 31 December 2011.

(All amounts in RMB thousands unless otherwise stated)

9. Trade payables, other payables and other current liabilities

	As at 30 June 2012	As at 31 December 2011
	Unaudited	Audited
Trade and bills payables	**8,851,508**	9,180,233
Advances from customers	**2,332,942**	2,452,927
Accrued expenses	**525,516**	573,905
Staff welfare and salaries payable	**211,924**	215,214
Taxes liabilities other than income tax	**155,116**	204,363
Other payables	**1,274,715**	1,074,820
Trade payables, other payables and other current liabilities	**13,351,721**	13,701,462

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

	As at 30 June 2012	As at 31 December 2011
	Unaudited	Audited
Less than 3 months	**6,765,074**	4,830,401
3 months to 6 months	**1,995,289**	4,240,625
6 months to 12 months	**79,106**	92,723
1 year to 2 years	**7,994**	6,955
2 years to 3 years	**2,040**	1,618
Over 3 years	**2,005**	7,911
	8,851,508	9,180,233

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

During the first half of 2012, the Chinese government adjusted the economic development targets and continued to implement controlling policies on the real estate industry, which lead to a further slowdown in fixed asset investments. The continuing spread out of sovereign debt crisis in the Euro-region and the faltering global economic recovery also led to a further slowdown in export growth of Chinese products. As a result, the growth rate of PRC's GDP for the first half of 2012 was slowdown to 7.8% over the same period of the previous year, which reflected a slowdown in domestic economic growth. Hence, sales volume of heavy duty trucks saw a significant decline over the same period of the previous year. According to the China Association of Automobile Manufactures (中国汽车工业协会), (“CAAM”), sales volume of heavy duty trucks (of more than 14 tons) in China in the first half of 2012 decreased by 31.6% year on year to approximately 372,000 units.

Review of Operations

During the period under review, the Group’s revenue decreased by RMB 6,970 million year on year to RMB 14,969 million from RMB 21,939 million in the same period of the previous year. Profit before tax for the first half of 2012 decreased by RMB 1,106 million year on year to RMB 251 million from RMB 1,357 million in the same period of the previous year, mainly due to the decline in sales volume of heavy duty trucks and the Group’s fixed operation costs being relatively stable.

Trucks Segment

During the period under review, the Group's heavy duty truck sales volume decreased by 37.8% year on year to 47,923 units. Medium heavy duty truck and light duty truck sales volume increased to 17,331 units, representing an increase of 41.4% year over year.

Domestic Business

During the period under review, despite the decrease of the sales volume of heavy duty trucks in the PRC on the sluggish domestic demand, in according to the statistic of the CAAM, the market share of heavy duty trucks (of more than 14 tons) of the Group together with the Parent Group increased by 0.22 percentage points from the same period of the previous year. The Group continues to maintain its leading position in the heavy duty truck market, especially for trucks used for construction projects and specialty vehicles. Amid the slowdown in the heavy duty truck industry, the sales volume of Group's natural gas vehicles, which equipped with advanced natural gas engine technology and the proven quality, was increasing.

During the period under review, the Group further optimized its product mix and achieved some progress. While continues to solidify its traditional heavy duty trucks business, the Group has also successfully introduced its medium heavy duty trucks, light duty trucks and buses to the markets with significantly increase in the sales volume. Notably, a steady increase was seen in the sales of New Huanghe series C5B trucks, which are a new series of medium heavy duty trucks. The new Huanghe series C5B trucks use configuration that are commonly used in the market and are lighter than other similar products in the market due to its light weight design. Depending on effective marketing positioning and high quality, the sales volume of the New Huanghe series C5B trucks enjoyed a steady increase.

During the period under review, the business of light duty truck of the Group performed well. The light duty truck division located in Ji'nan, Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. ("**Chengdu Wangpai**") and Sinotruk Fujian Haixi Vehicles Co., Ltd. ("**Fujian Haixi**"), while enhancing their market promotion and after-sales service quality, also strengthened their sales networks, which helped build the presence of new products. Also, the sales volume of the Chengdu Wangpai's series 7 trucks have been increasing since their launch and have successfully replaced the products of older generation.

During the period under review, the sales volume of buses increased. The improvement in product quality and after-sales service, expansion and optimization of the distribution network and the introduction of new financing facilities for loans promoted the sales of buses. During the period under review, the sales volume of buses recorded 445 units, increased 25.0% over total sales volume of buses of the Group in 2011.

During the period under review, the Group continued to expand and optimize its sales network which is catering all different brands. Together with the expansion of the sales network for heavy duty trucks, the Group had also built up preliminary sales, marketing, and service networks for medium heavy duty trucks and light duty trucks. As at 30 June 2012, there were 1,705 domestic distributors selling the Group's heavy duty trucks, including 265 4S sales centers and 265 branded stores. The Group also had 1,713 service stations providing high-quality after-sales services. In addition, the Group's light duty truck production in Ji'nan had 239 sales outlets and 322 service outlets; Chengdu Wangpai had 351 distributors and 757 service outlets, and Fujian Haixi had 70 distributors and 128 service outlets.

International Business

During the first half of 2012, the global economy was sluggish – slowing down in emerging markets and stagnation in the developed economies. In reaction to the complicated global economic conditions and the decline in domestic demand, the Group proactively took measures to bolster its expansion in international markets. The Group adjusted its product mix for exports, expanded its geographic footprint overseas, established networks for products sales, provision for services, parts and components. The Group also improved its brand image through focusing on the marketing network quality improvement and improving after-sales service levels. The Group also made full efforts to push forward the construction of its KD projects overseas in order to better fulfill the customer needs in these markets. International markets' layout has become more balanced and diversified which promote the sales of the product overseas and ensure the sustainable development of the Group's international markets.

Currently, the Group has established 24 representative offices overseas, together with 87 distributors, 271 services outlets and 278 accessories and components outlets that sell the Group's products or provide after-sales services. During the period under review, the Group had exported (including affiliated export) 12,337 units (representing an increase of 35.7%) of heavy duty truck and recorded a revenue of RMB 3,365 million (representing an increase of 32.0%). The Group remained the first rank in the domestic heavy duty truck industry in terms of export.

Engines Segment

The engines business caters to the Group's own trucks segment and to external third parties, including other manufacturers of heavy duty trucks, buses and construction machinery. The Group aims to increase the external sales of engines and raise the proportion of external engine sales to total engine sales in order to expand its market share in the domestic market and diversify the revenue stream.

During the period under review, the sales volume of engines decreased by 39.9% to 56,589 units. Revenue (including sales of components and own-used) decreased by 37.2% to RMB 3,563 million. External sales accounted for 22.7% of the engines segment's revenue, representing a rise of 4 percentage points from 18.7% at the same period of last year.

During the period under review, the localization of MAN's engines has been progressing smoothly. The Group had completed the sample engines for heavy duty trucks and medium heavy duty trucks on a trial basis and is currently carrying out testing, examination and verification of these samples.

Finance Segment

During the review period, the external revenue of the Group's finance segment increased by RMB 23 million from RMB 97 million to RMB 120 million. The increase was mainly due to the expansion of the consumer credit business, a rise in interest income from lending, and an increase interest income from interbank deposits.

During the period under review, in order to satisfy demand for taking a loan for truck purchases, Sinotruk Finance Co., Ltd. ("**Sinotruk Finance**") continued to expand its consumer credit business, with various forms of consumer credit and finance leases, to encourage sales while taking a prudent approach towards credit risk management. As at 30 June 2012, Sinotruk Finance had already set up 18 regional offices and extended its consumer credit business to most areas in the PRC. A preliminary vehicle consumer credit network was established. In the first half of 2012, the Group sold 3,232 trucks through consumer credit and finance lease, representing an increase of 106.8% from the same period last year.

Technological Upgrade

During the period under review, the Group's major investments and construction projects mainly covered the localized building production development for MAN's engines, TGA cabin, and parts and components, to enhance technology and product quality, to balance the Group's production capacity for trucks and engines, for the increase of the production capacity of forged parts, and the enhancement of the Group's overall research and development capabilities. With projects progressing smoothly, a solid foundation was laid for the Group's technology upgrades, quality improvement, and product line expansion.

Research and Development

During the period under review, the technology center completed a total of 143 projects, ranging from the development of trucks, key parts and components, to experiments and testing, and trial-production of trucks.

The Group made it a strategic priority to focus on the development of hybrid, energy-saving, and new energy-related technologies to increase its market competitiveness and strengthen its research and development capabilities in natural gas vehicle technologies. The Group also improved its technology for medium heavy duty trucks and light duty trucks in reaction to market needs.

By leveraging its research and development capabilities and strengthening the cooperation with MAN Group in the development of high quality and technology engines, parts and components as well as trucks, the Group further enhanced its competitive strength.

As at 30 June 2012, the Group and its Parent Company together participated in the formulation of 48 industry standards for the PRC's heavy duty trucks and had been granted 1,853 patents which maintained leading position in the domestic heavy duty truck industry in terms of the number of patents owned.

Prospects

For the second half of 2012, the debt crisis in Europe and other uncertainties will continue to affect the recovery of the global economy. The Chinese government will adjust its economic policies for stabilizing economic growth, based on changes in global and domestic environments. The development of the PRC's heavy duty truck industry faces challenges in mitigating the complex situations of domestic and global economy. With that in the background, the Group will assess the situation and take all measures to ensure its healthy development, including to:

1) Adhere to the Group's international expansion strategy of boosting exports; make efforts to further expand its market share abroad by promoting cooperation of overseas partners and increasing brand awareness. Focus on the Improvement of overseas sales network; provide better after-sales services in overseas markets; build franchised parts and components distribution networks; well prepare the promotion of new products. Moderately increase investment in the international markets and actively participate in international markets so as to form the new advantages of the Group's heavy duty truck oversea markets, and expand exports.

2) Aim to further optimizing the Group's product mix; make improvements in product quality and production technologies; develop a full series product to provide more competitive products to the Group's customers.

3) Continue to strengthen the cooperation with MAN Group by adaption and incorporation with technologies from MAN Group and boosting the localization of products; accelerate progress in co-developed projects which help introduce new products to market. Expand the scopes and areas of cooperation of the two groups according to the needs of market development.

4) Continue to adhere to the regionalization strategy –new breakthroughs in marketing and services network construction. Further improve the Group’s marketing network both in the areas of professional standards and brand and brand awareness building. Meanwhile, take full advantages of the Group’s financial strength by developing more innovative financial support services for truck purchases in order to further boost sales.

5) Improve the Group’s cost-efficiencies by carrying out “efficiencies improvement year” program. Lift the Group’s operations level and returns by enhancing internal controls, adopting lean management structure, and pushing forward reforms in compensation, logistics, and organizational structure. Further strengthen the overall quality of management and reduce costs in the Group’s operational segments through better process engineering. Adopt effective risk management systems to increase production efficiency and overall management in order to maintain a healthy and sustainable development for the Group in the years to come.

FINANCIAL REVIEW

Turnover, Gross Profit and Gross Profit Margin

For the six months ended 30 June 2012, the Group's turnover recorded RMB 14,969 million, compared with that of 2011 at RMB 21,939 million, representing a decrease of RMB 6,970 million or 31.8%. The decrease in the turnover primarily resulted from the reduction in truck sales volume.

Gross profit for the six months ended 30 June 2012 decreased by RMB 1,313 million or 37.0%, from that of 2011 at RMB 3,545 million to RMB 2,232 million. Gross profit margin decreased by 1.3 percentage points year on year to 14.9%. Gross profit and gross profit margin decreased mainly due to the reduction in sales volume leading to an increase in fixed cost per truck.

Distribution Costs

Distribution costs decreased from RMB 1,195 million for the six months ended 30 June 2011 to RMB 994 million for the six months ended 30 June 2012, decrease by RMB 201 million or 16.8%. The decrease primarily resulted from the reduction in sales volume.

Administrative Expenses

Administrative expenses increased from RMB 891 million for the six months ended 30 June 2011 to RMB 949 million for the six months ended 30 June 2012, growing by RMB 58 million or 6.5%. The increase was mainly attributable to the increase in the investment of research and development.

Other Gains – Net

The Group recorded net other gains at RMB 144 million for the six months ended 30 June 2011 to RMB 186 million for the six months ended 30 June 2012, increasing by RMB 42 million or 29.2%. The growth was mainly attributable to the increase of the government grants and income from the disposal of scraps.

Finance Costs – Net

Net finance costs decreased from RMB 247 million for the six months ended 30 June 2011 to RMB 224 million for the six months ended 30 June 2012, representing a decrease of RMB 23 million or 9.3%. The decrease in net finance costs was due to the drop in interest expense.

Income Tax Expense

The income tax expense for the six months ended 30 June 2012 was RMB 58 million, a decrease of RMB 194 million or 77.0% from that of 2011 at RMB 252 million. The decrease was due to the reduction in profit before income tax.

Profit for the Period under Review and Earnings Per Share

Profit for the six months ended 30 June 2012 decreased by 82.5% from RMB 1,105 million to RMB 193 million. The basic earnings per share attributable to the equity holders of the Company for the period under review decreased from RMB 0.36 for the six months ended 30 June 2011 to RMB 0.07, representing a decrease of 80.6%.

Cash Flow

During the six months ended 30 June 2012, net cash outflow from operating activities was about RMB 1,798 million and compared with net cash outflow in the same period in 2011 at RMB 2,610 million, there was a decrease of cash outflow by RMB 812 million. The decrease of net operating cash outflow was due to the decrease in the growth of current period trade receivables balances compared with same period last year and the cut in the inventories.

Net cash outflow from investing activities for the six months ended 30 June 2012 was RMB 71 million, representing a decrease of RMB 1,192 million compared to that of 2011. The decrease was mainly due to the reduction of current period capital expenditure spent.

The cash outflow from financing activities for the six months ended 30 June 2012 was RMB 3,382 million, compared with the cash inflow in the same period in 2011 at RMB 583 million, representing an increase of cash outflow at RMB 3,965 million, mainly due to the cut of the bank borrowings.

Liquidity and Financial Resources

The Group had cash and cash equivalents of RMB 4,325 million and bank acceptance notes of RMB 8,566 million at 30 June 2012. Cash and cash equivalents decreased by RMB 5,252 million and bank acceptance notes increased by RMB 14 million as compared with those at the beginning of 2012. The Group's total borrowings (including long-term and short-term borrowings) were about RMB 12,476 million as at 30 June 2012. Its gearing ratio (total borrowings divided by total assets) was 26.0% (at 31 December 2011: 30.0%).

As at 30 June 2012, all borrowings were made in RMB (at 31 December 2011: 100% 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 2012 was 1.3 (at 31 December 2011: 1.3).

As at 30 June 2012, total available credit facilities of the Group amounted to RMB 41,917 million, of which RMB 10,033 million had been utilised. An aggregate amount of RMB 971 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 RMB 446 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. Our treasury policy prohibited the Group from participating in any speculative activities. As at 30 June 2012, most of the Group's assets and liabilities were denominated in RMB, except for restricted cash and bank deposits which in total are equivalent to approximately RMB 181 million, accounts receivable of approximately RMB 760 million, accounts payable of approximately RMB 388 million, and long term payable of approximately RMB 240 million, all of which were denominated in currencies other than RMB.

Capital Structure

As at 30 June 2012, owner's equity of the Group was RMB 20,513 million, representing a decrease of RMB 56 million or 0.3% when compared with RMB 20,569 million at the end of year 2011.

As at 30 June 2012, the Company's market capitalisation was RMB 10,399 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD 4.62 per share and at the exchange rate of 0.81522 between HKD and RMB).

DIVIDENDS

The Board does not propose interim dividends for the six months ended 30 June 2012.

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 RMB82 million. During the period under review, the Group did not make any provision for legal claims.

HUMAN RESOURCES

As at 30 June 2012, the Group had a total of 22,517 employees. One of the Group's strategic priorities is to effectively manage a great workforce and to provide its talent with the best opportunities possible. The Group has implemented a performance-based promotion system and other similar promotion mechanisms for non-leadership positions. At the same time, the Group manages outsourced workers, provides a broader platform for all types of talent, reforms the distribution system, mobilizes the enthusiasm of the staff, focuses on personnel training, and actively attracts senior management and technical personnel to provide intellectual support for the Group's implementation of international strategy and personnel security.

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 Hong Kong Stock Exchange (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, save for the deviations which are explained below.

The Company did not establish any nomination committee as the Board will, from time to time and at any time, appoint any person to be a Director for filling any vacant directorship or for increasing the number of Directors. In assessing the nominations for new Directors, the Board will consider their qualifications and biographical information, experience and potential contributions that may be brought to the Company.

All non-executive directors and four independent non-executive directors were unable to attend the annual general meeting of the Company held on 30 May 2012 due to other prior engagements.

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 2012.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2012 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

Ji'nan, PRC, 28 August 2012

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. Tong Jingen, Mr. Wang Shanpo, Mr. Gao Dinggui and Mr. Kong Xiangquan; the two non-executive directors are Dr. Georg Pachta-Reyhofen and Mr. Jörg Schwitalla 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.