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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 of Interim Results
For the Six Months Ended 30 June 2016

RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2016 together with the comparative figures for the previous period as follows:

Interim Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 2016	Unaudited 2015
Revenue	4	15,330,582	14,257,545
Cost of sales		(12,748,629)	(11,677,417)
Gross profit		2,581,953	2,580,128
Distribution costs		(970,535)	(1,140,522)
Administrative expenses		(1,187,771)	(1,195,552)
Other gains - net		113,732	291,472
Operating profit	5	537,379	535,526
Finance income		28,285	34,015
Finance costs		(175,696)	(176,196)
Finance costs - net		(147,411)	(142,181)
Share of profits less losses of investments accounted for using the equity method		28,489	946
Profit before income tax		418,457	394,291
Income tax expense	6	(114,934)	(101,772)
Profit for the period		303,523	292,519

Interim Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 2016	Unaudited 2015
Profit for the period		303,523	292,519
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of termination and post-employment benefit obligations		-	(6,080)
<i>Items that may be reclassified to profit or loss</i>			
Change in value of available-for-sale financial assets		3,032	-
Currency translation differences		18,549	(347)
Total comprehensive income for the period		325,104	286,092
Profit attributable to:			
- owners of the Company		242,614	238,376
- non-controlling interests		60,909	54,143
		303,523	292,519
Total comprehensive income attributable to:			
- owners of the Company		264,195	233,428
- non-controlling interests		60,909	52,664
		325,104	286,092
Earnings per share for profit attributable to the owners of the Company for the period (expressed in RMB per share)			
- basic and diluted	7	0.09	0.09

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2016	Audited 31 December 2015
ASSETS			
Non-current assets			
Land use rights		1,757,053	1,776,640
Property, plant and equipment		10,640,340	11,093,673
Investment properties		246,594	206,940
Intangible assets		387,990	474,367
Goodwill		3,868	3,868
Deferred income tax assets		1,222,467	1,161,762
Investments accounted for using the equity method		429,761	398,092
Available-for-sale financial assets		190,167	155,431
Trade receivables and other receivables	8	483,420	383,708
		15,361,660	15,654,481
Current assets			
Inventories		6,290,485	6,346,477
Trade receivables, other receivables and other current assets	8	14,786,806	13,132,715
Financial assets at fair value through profit or loss		126,621	129,499
Other current financial assets		1,597,481	-
Amounts due from related parties		99,807	490,664
Cash and bank balances		6,966,141	6,581,602
		29,867,341	26,680,957
Total assets		45,229,001	42,335,438

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2016	Audited 31 December 2015
EQUITY			
Equity attributable to owners of the Company			
Share capital		16,717,024	16,717,024
Other reserves		(1,170,802)	(1,203,176)
Retained earnings		3,994,891	3,824,272
		19,541,113	19,338,120
Non-controlling interests		2,348,258	2,377,550
Total equity		21,889,371	21,715,670
LIABILITIES			
Non-current liabilities			
Borrowings		595,500	2,291,276
Deferred income tax liabilities		27,404	27,405
Termination and post-employment benefit obligations		12,080	13,850
Deferred income		273,363	266,634
		908,347	2,599,165
Current liabilities			
Trade payables, other payables and other current			
liabilities	9	16,567,844	13,544,439
Financial liabilities at fair value through profit or loss		-	5,420
Current income tax liabilities		92,938	23,012
Borrowings		4,916,556	3,379,704
Amounts due to related parties		461,636	751,860
Provisions for other liabilities		392,309	316,168
		22,431,283	18,020,603
Total liabilities		23,339,630	20,619,768
Total equity and liabilities		45,229,001	42,335,438

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 reorganization of CNHTC. The address of the Company's registered office is situated at 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.

The Group is principally engaged in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks and light duty trucks, buses and related key parts and components including engines, cabins, axles, steel frames and gearbox, and the provision of finance services.

This condensed consolidated interim financial information has been reviewed, not audited.

The financial information relating to the year ended 31 December 2015 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’ issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank facilities and loans from related parties. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

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 2015, 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 the expected total annual earnings.

3. Accounting policies (Continued)

- (b) New and amended standards that have been issued and are effective for periods commencing on 1 January 2016:

HKFRS 14 “Regulatory Deferral Accounts”, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

Amendment to HKFRS 11 “Accounting for acquisitions of interests in joint operations”, requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a ‘business’ (as defined in HKFRS 3, “Business combinations”).

Amendments to HKAS 16 and HKAS 38 “Clarification of acceptable methods of depreciation and amortization”, clarify when a method of depreciation or amortisation based on revenue may be appropriate.

Amendments to HKAS 16 and HKAS 41 “Agriculture: bearer plants”, change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing.

Amendment to HKAS 27 “Equity method in separate financial statements”, allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

3. Accounting policies (Continued)

- (b) New and amended standards that have been issued and are effective for periods commencing on 1 January 2016: (Continued)

Annual improvements 2014 include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards:

1. Amendment to HKFRS 5, “Non-current assets held for sale and discontinued operations” clarifies that when an asset (or disposal group) is reclassified from ‘held for sale’ to ‘held for distribution’, or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as ‘held for sale’ or ‘held for distribution’ simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as ‘held for sale’.
2. Amendments to HKFRS 7, “Financial instruments: Disclosures”: If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, HKFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. Besides, it also clarifies the additional disclosure required by the amendments to HKFRS 7, ‘Disclosure – offsetting financial assets and financial liabilities’ is not specifically required for all interim periods, unless required by HKAS 34.
3. Amendment to HKAS 19, “Employee benefits” clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise.

3. Accounting policies (Continued)

(b) New and amended standards that have been issued and are effective for periods commencing on 1 January 2016: (Continued)

4. Amendment to HKAS 34, “Interim financial reporting” clarifies what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information.

Amendments to HKAS 1 “Disclosure initiative”, clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The adoption of the above new and amended standards did not give rise to any significant impact on the Group’s results of operations and financial position for the six months ended 30 June 2016.

(c) New and amended standards have been issued and are effective for periods commencing after 1 January 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	“Income taxes”	1 January 2017
Amendments to HKAS 7	“Statement of cash flows”	1 January 2017
HKFRS 15	“Revenue from contracts with customers”	1 January 2018
HKFRS 9	“Financial instruments”	1 January 2018
HKFRS 16	“Leases”	1 January 2019
Amendments to HKFRS 10 and HKAS 28	“Sale or contribution of assets between an investor and its associate or joint venture”	To be determined

The Group is in the process of making an assessment of above new and amended standards’ impacts and is not yet in a position to state whether any substantial changes to the Group’s significant accounting policies and presentation of the financial information will be resulted in.

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 2016 are as follows:

	Unaudited					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	Total
External segment revenue						
Sales of goods	11,437,780	3,324,304	299,390	-	-	15,061,474
Provision of financing services	-	-	-	125,082	-	125,082
Rendering of services	127,025	1,705	15,296	-	-	144,026
Total	11,564,805	3,326,009	314,686	125,082	-	15,330,582
Inter-segment revenue	242,335	67,681	3,202,842	111,911	(3,624,769)	-
Segment revenue	11,807,140	3,393,690	3,517,528	236,993	(3,624,769)	15,330,582
Operating profit/(loss) before unallocated expenses	311,939	64,151	122,726	110,014	(60,011)	548,819
Unallocated expenses						(11,440)
Operating profit						537,379
Finance costs - net						(147,411)
Share of profits less losses of investments accounted for using the equity method						28,489
Profit before income tax						418,457
Income tax expense						(114,934)
Profit for the period						303,523

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

4. Segment information (Continued)

The segment results for the six months ended 30 June 2015 are as follows:

	Unaudited					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	
External segment revenue						
Sales of goods	11,412,236	1,916,687	375,916	-	-	13,704,839
Provision of financing services	-	-	-	144,837	-	144,837
Rendering of services	386,406	7,839	13,624	-	-	407,869
Total	11,798,642	1,924,526	389,540	144,837	-	14,257,545
Inter-segment revenue	232,852	22,574	3,569,239	74,373	(3,899,038)	-
Segment revenue	12,031,494	1,947,100	3,958,779	219,210	(3,899,038)	14,257,545
Operating profit/(loss) before unallocated expenses	311,266	(61,612)	315,029	79,893	(102,804)	541,772
Unallocated expenses						(6,246)
Operating profit						535,526
Finance costs - net						(142,181)
Share of profits less losses of investments accounted for using the equity method						946
Profit before income tax						394,291
Income tax expense						(101,772)
Profit for the period						292,519

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

4. Segment information (Continued)

The segment assets and liabilities as at 30 June 2016 are as follows:

	Unaudited					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Segment assets	33,681,363	3,783,287	12,801,187	15,765,174	1,501,911	67,532,922
Elimination						(22,303,921)
Total assets						45,229,001
Segment Liabilities	15,481,312	2,749,490	4,078,998	12,613,431	5,740,684	40,663,915
Elimination						(17,324,285)
Total Liabilities						23,339,630

The segment assets and liabilities as at 31 December 2015 are as follows:

	Audited					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Segment assets	28,966,813	3,811,565	11,859,821	12,572,123	4,071,545	61,281,867
Elimination						(18,946,429)
Total assets						42,335,438
Segment liabilities	13,165,061	2,927,494	3,218,078	10,619,850	5,764,546	35,695,029
Elimination						(15,075,261)
Total liabilities						20,619,768

The revenue from external customers in Mainland China and overseas for the six months ended 30 June 2016 is as follows:

	Unaudited 2016	Unaudited 2015
Mainland China	12,739,223	11,134,936
Overseas	2,591,359	3,122,609
Total	15,330,582	14,257,545

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 2016:

	Unaudited 2016	Unaudited 2015
Employee benefit expenses	1,378,081	1,417,931
Warranty expenses	272,655	320,740
Inventory write-downs	57,057	46,659
Amortisation of land use rights	20,071	19,319
Depreciation of property, plant and equipment	599,677	619,004
Amortisation of intangible assets	87,319	87,032
Gains on disposal of property, plant and equipment	(10,745)	(81,615)
Foreign exchange gains - net	(25,150)	(51,510)
Government grants	(33,104)	(66,965)
Gains on disposal of scraps	(8,492)	(11,870)

6. Income tax expense

The income tax expense for the six months ended 30 June 2016 is as follows:

	Unaudited 2016	Unaudited 2015
Current income tax		
- Hong Kong profits tax	4,189	14,557
- PRC corporate income tax	171,451	170,568
	175,640	185,125
Deferred income tax	(60,706)	(83,353)
	114,934	101,772

6. Income tax expense (continued)

The Company, Sinotruk (Hong Kong) International Investment Limited and Sinotruk (Hong Kong) Capital Holding Limited are subject to Hong Kong profits tax at the rate of 16.5% (2015: 16.5%) on their estimated assessable profit. In addition, the Company is determined as a Chinese-resident enterprise and, accordingly, is subject to corporate income tax of the PRC, which has been calculated based on the corporate income tax rate of 25% (2015: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the six months ended 30 June 2016 at the rates of taxation prevailing in the countries in which the Group operates.

Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engines Co., Ltd. have been recognised as the High New Tech Enterprises in 2014. Sinotruk Ji'nan Fuqiang Power Co., Ltd. has been recognised as the High New Tech Enterprises in 2015. According to the tax incentives of the Corporate Income Tax Law of the PRC (the “**CIT Law**”) for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% in 2016 (2015: 15%).

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. and Sinotruk Mianyang Special Vehicles Co., Ltd. are subject to a corporate income tax rate of 15% according to the Western Development tax incentives of the CIT Law (2015: 15%).

Sinotruk Russia Co., Ltd. is subject to a corporate income tax rate of 20% according to Tax Code of the Russian Federation (2015: 20%).

Sinotruk South Africa (Pty) Ltd. is subject to a corporate income tax rate of 28% according to South Africa Tax Law (2015: 28%).

The remaining subsidiaries are subject to the PRC corporate income tax, which have been calculated based on the corporate income tax rate of 25% (2015: 25%).

7. Earnings per share

Basic

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

	Unaudited	Unaudited
	2016	2015
Profit attributable to owners of the Company	242,614	238,376
Weighted average number of ordinary shares in issue (thousands)	2,760,993	2,760,993
Basic earnings per share (RMB per share)	0.09	0.09

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 2016 and 30 June 2015.

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

	Unaudited 30 June 2016	Audited 31 December 2015
Non-current		
Accounts receivable	23,791	45,616
Loans and receivables from financing services	465,073	343,274
Less: Provision for impairment of loans and receivables from financing services	(5,444)	(5,182)
Loans and receivables from financing services - net	459,629	338,092
Trade receivables and other receivables	483,420	383,708
Current		
Accounts receivable	9,727,568	8,805,218
Less: Provision for impairment of accounts receivable	(588,598)	(549,850)
Accounts receivable - net	9,138,970	8,255,368
Notes receivable	2,065,192	2,245,625
Trade receivables - net	11,204,162	10,500,993
Loans and receivables from financing services	2,007,635	1,553,932
Less: Provision for impairment of loans and receivables from financing services	(58,929)	(38,167)
Loans and receivables from financing services - net	1,948,706	1,515,765
Other receivables and other current assets	975,047	483,637
Less: Provision for impairment of other receivables	(14,128)	(6,883)
Other receivables and other current assets - net	960,919	476,754
Interest receivables	24,088	19,794
Receivables and other current assets before prepaid items	14,137,875	12,513,306
Prepayments	238,466	211,198
Prepaid taxes other than income tax	361,512	317,064
Prepaid income taxes	48,953	91,147
Trade receivables, other receivables and other current assets - net	14,786,806	13,132,715

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 (Continued)

The notes receivable are analysed as follows:

	Unaudited 30 June 2016	Audited 31 December 2015
Bank acceptance notes	2,043,002	2,138,406
Commercial acceptance notes	22,190	107,219
	2,065,192	2,245,625

The ageing analysis of net trade receivables based on invoice date at respective dates of statement of financial position are as follows:

	Unaudited 30 June 2016	Audited 31 December 2015
Less than 3 months	6,393,737	6,222,122
3 months to 6 months	1,385,877	2,088,764
6 months to 12 months	2,409,226	1,181,441
1 year to 2 years	522,148	724,629
2 years to 3 years	333,623	131,405
Over 3 years	183,342	198,248
	11,227,953	10,546,609

The credit policy of the Group generally requires customers to pay a certain amount of deposits when orders are made and settle purchase price either in cash or acceptance notes with a tenure of usually three to six months, which represents the credit terms granted to the customers who pay by acceptance notes. A credit period from three to twelve months is granted to selected customers based on credit assessment.

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 (Continued)

The ageing analysis of loans and receivables from financing services – net at respective dates of statement of financial position are as follows:

	Unaudited 30 June 2016	Audited 31 December 2015
Less than 3 months	880,343	684,508
3 months to 6 months	501,266	279,221
6 months to 12 months	646,498	414,467
1 year to 2 years	350,624	428,924
2 years to 3 years	22,188	30,582
Over 3 years	7,416	16,155
	2,408,335	1,853,857

Loans and receivables from financing services represented auto loans granted to individuals and entities when they purchased commercial vehicles of the Group from dealers at an interest rate of 4.4% - 9.3% per annum and loans to suppliers at an interest rate of 4.4% - 6.3% per annum. The auto loans were secured by the vehicle together with guarantees provided by these dealers and its relevant parties while the loans to suppliers were mainly secured by the guarantee from their beneficial owners.

As at 30 June 2016, the balance of other receivables includes three wealth management products with principals amounting to RMB650,000,000 (31 December 2015: RMB250,000,000) acquired from banks with both principals and interest rates guaranteed and no provision is provided against these wealth management products.

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

9. Trade payables, other payables and other current liabilities

	Unaudited 30 June 2016	Audited 31 December 2015
Trade and bills payables	12,220,957	9,799,609
Advances from customers	913,129	917,923
Accrued expenses	693,985	510,298
Staff welfare and salaries payable	290,199	251,176
Taxes liabilities other than income tax	235,116	193,987
Other payables (a)	2,214,458	1,871,446
	16,567,844	13,544,439

- (a) As at 30 June 2016, other payables include the deposits from dealers and suppliers, payable from purchase of property, plant and equipment, dividends payable, etc.

The ageing analysis of the trade and bills payables based on invoice date at respective dates of statement of financial position are as follows:

	Unaudited 30 June 2016	Audited 31 December 2015
Less than 3 months	10,625,003	7,725,664
3 months to 6 months	1,503,991	1,989,320
6 months to 12 months	67,170	51,594
1 year to 2 years	9,941	17,361
2 years to 3 years	4,376	6,185
Over 3 years	10,476	9,485
	12,220,957	9,799,609

MARKET OVERVIEW

Trucks Market

During the first half of 2016, China's investment growth gradually leveled off while consumption continued to steadily grow and acted as the country's primary economic growth driver. Global trade maintained its downward momentum, dragging China's export and import business down on a year-over-year ("YOY") basis. Despite the complex domestic and overseas economic environment, China's economy grew steadily at 6.7% YOY during the first six months of 2016.

Compared with the same month last year, the sales of heavy duty trucks in China in every month during the first half of 2016 recorded growth. The sharp increase in demand for logistics vehicles, and, in particular, tractors, was the main growth driver. Tractor sales volumes also accounted for a higher proportion of total sales in the HDTs market. With fixed asset investment increasing and the launch of a number of new infrastructure projects, the deceleration of construction vehicle sales volumes is easing. According to statistics from the CAAM, sales of HDTs increased by 15.2% YOY to approximately 340,300 units for the Period.

As regulation and implementation of China's Emissions Standards increases, manufacturing costs of light duty trucks has increased, driving selling prices higher. At the same time, mini trucks and medium-heavy duty trucks being substitution of LTDs affected the sales of LTDs. Sales of LTDs showed a decreasing trend. According to the statistics from the CAAM, sales of LTDs decreased by 4.71% YOY to approximately 777,600 units. In addition, the traditional bus industry saw a drastic slowdown as the economy decelerates, the growth of the increase in fiscal income declines and companies cut spending. Adjustments in subsidy policies for new energy buses have also dragged down sales volumes for new energy buses. Overall demand for buses declined, of which light buses, the biggest segment of the market, decreased the most in terms of sales volumes. Large bus sales volumes also dipped while medium buses recorded faster growth. According to the statistics from the CAAM, sales of buses declined 9.48% YOY to approximately 253,800 units for the Period.

Loans Market

During the Period, the Chinese government continued to implement a loose monetary policy while lending interest rates remained stable. According to the Balance of Credit of Financial Institutions published by the PBOC, the outstanding amount of operating loans were stable during the Period.

REVIEW OF OPERATIONS

During the Period, the Group continued to optimize its product mix and their positioning as it improved the production process. Trucks equipped with MAN technology and tractors both saw sales increase as a proportion of total sales. The Group's HDT technology is on par with international standards, while the LDTs segment continued to expand rapidly with further improvements being made to its brand influence and market position. Adapting to the changes in the economic conditions and market demand, the Group continued to adjust its strategy, improve innovation, enhance internal management and controls, boost the quality of development and economic performance, reinforce risk controls and maintain steady operations.

HEAVY DUTY TRUCKS SEGMENT

During the Period, HDT sales volume was 42,937 units, representing a decrease of 0.5% YOY. Revenue from the HDTs segment decreased to RMB11,807 million, representing a decrease of 1.9% YOY. The ratio of the volume exported (including affiliated export) to total volume sold of HDTs was 29.4%, representing a decrease of 1.9 percentage points YOY. Although the segment revenue and sales volume decreased, with the effective operating costs control, the segment profit had a small increase to RMB312 million and segment operating profit ratio (segment operating profit divided by segment revenue) remained unchanged at 2.6%.

Domestic Business

By leveraging on continuous product mix adjustment and its own research technology and further developing MAN technology which the Group has adopted, the technology and quality of the Group's products continued to improve. This allowed the Group to improve its flexibility and rapidly respond to changes in market demand. By constantly innovating its marketing models and enhancing after-sales services, the Group boosted sales across its entire product portfolio.

During the Period, trucks equipped with MAN technology generated consistent growth, driving the sales of the Group's tractors and cargo trucks of which T7H saw sales increase over 60% YOY. The proportion of MAN technology products reached over 35% of the Group's HDTs sales. The Group's original main product – construction vehicles - kept their market leading position in China. Sales of tractors increased and its proportion among the Group's product portfolio grew significantly. Benefiting from the technology upgrade of its products, the promotion of MAN technology equipped products and marketing services made a sales breakthrough in certain previously unfavourable products such as high-powered tractors and medium-heavy duty trucks. The combined market share of the Group and CNHTC Group reached 16.7% in 2016.

During the Period, the Group adapted and innovated its business model and optimized its distribution network, focused on quality and further improved the distribution network for the Group's entire product range. As at 30 June 2016, the Group had a total of 1,244 HDTs dealerships (including 230 4S centers, 154 Sinotruk branded dealerships and 594 general dealerships), 1,326 service centers providing high quality after-sales services, and 192 refitting companies to provide truck refitting services to HDTs.

International Business

During the first half of 2016, the world economic situation was complicated and major economies have faced weak economic growth and various crises. As a result of weaker global demand and various geopolitical events, international trade volumes declined, negatively affecting China's export volumes.

During the Period, the Group further improved its brand image and competitiveness in overseas markets. The Group's export performance varied across different regions. Due to foreign exchange shortages in some African countries, the Group's sales in the African market slightly decreased. Demand in Vietnam and other Southeast Asian nations declined as a result of market saturation. The launch of the "One Belt and One Road" projects in Pakistan increased sales. HDTs exports to Algeria also increased significantly. Russia and its related markets have undergone notable economic decline as commodities, oil and mineral prices fell sharply, and their market demands of HDTs decreased significantly. The Group, however, implemented various measures and efforts to recover these markets and boost the sales. The Group even recorded a YOY increase in sales in these countries during the first half of 2016. Due to changes in trade regulations and political turbulence, export sales in other countries and regions declined by varying degrees.

In view of the complicated international market environment, the Group increased its capacity to explore new international markets to further establish its image as an international brand. Sinotruk is committed to leveraging China's "One Belt and One Road" policy to focus its efforts entering markets with growth opportunities to further strengthen its market position overseas in high, mid and low-end markets. The Group also continued to enhance its international distribution network, cooperate with foreign manufacturers to develop overseas production facilities and nurture new overseas business cooperation models. The Group continued to advance the construction of its international distribution network and overseas warehouses for spare parts and production facilities, in order to ensure that it takes advantage of every international market opportunity. The Group developed new international distribution business models by providing financing solutions to users. The Group also established and enhanced its distribution network and improved its after-sales services to promote its export business. During the Period, the Group's export volume of HDTs (including affiliated exports) was 12,623 units, representing a decrease of 6.7% YOY. Export revenue (including affiliated exports) was RMB3,510 million, representing a decrease of 8.4% YOY. Affiliated exports are those sales of trucks to domestic dealers which directly exported such products to their overseas customers and provided the Group the export documents as evidence. The Group remained China's leading HDT exporter.

As at 30 June 2016, the Group had 182 primary distributor sales centers in over 80 countries and regions. In cooperation with overseas distributors, the Group established 255 service outlets and 250 spare parts and accessory stores across a number of major developing countries and emerging economies such as Africa, Middle East, Central & South America, Central Asia, Russia, and Southeast Asia; and developed regions such as Hong Kong and Taiwan.

LIGHT DUTY TRUCKS AND BUSES SEGMENT

During the Period, the Group's LDTs sales volume increased 45.7% YOY to 40,111 units. Bus sales were 897 units, representing an increase of 77.3% YOY. The segment revenue increased 74.3% YOY to RMB3,394 million. Segment operating profit ratio was 1.9%, representing an improvement of 5.1 percentage points compared with loss at 3.2% in 2015. Such improvement was due to the significant increase in segment revenue, the increase in segment gross profits and effective operating cost controls.

During the Period, the Group's LDT business improved. While industry demand declined, the Group increased LDT sales YOY.

The Group's Ji'nan LDTs division focused on further developing its brand, maintaining their mid-to-high end product positioning, insisted on product differentiation, strengthening the development of different niche domestic markets, actively participated in international competitions, continuously expanding its distribution network and enhancing after-sales services. Using the Group's experience in auto financing services and marketing strategies, it began providing customers with financing services to increase product sales. During the Period, LDT sales volume increased 94.7% YOY. In addition, Ji'nan LDT division significantly improved its economic performance by cutting costs and enhancing efficiency.

Chengdu Wangpai Company focused on improving product quality and meeting market demand by investing in product research and development and enriching its product portfolio in order to cater to different customer groups across various regions. It has adopted a policy of market segmentation to strengthen the distribution network of construction vehicles, develops new LDT distribution networks, significantly improves

network efficiency, and fully utilizes its information network to establish a multi-layer integrated brand communication strategy. This further enhances its brand value and has resulted in increased sales of LDTs and new energy trucks.

Fujian Haixi Company focused on developing products that meet demand from various different industries and markets, diversified its product portfolio, improved its product quality and promoted new marketing innovations. Leveraging its geographical advantages in China's southeast coastal areas and proximity to free trade zones, it strengthened its exploration of international markets, improved the awareness and reputation of the brand 「豪曼」 (“Haoman”), and increased Haoman brand vehicle sales volumes.

During the Period, the Group's bus division saw sales volumes increase. The Group leveraged its own and MAN technology, continuously improved the quality of its buses, optimized its distribution network and further enhanced the quality of its after-sales services. The division also expanded the search for new business opportunities in traditional and international markets. By taking advantage of government policies, market opportunities and the rapid development of new energy buses, the Group achieved record sales volume on the back of strong growth momentum from new energy buses.

As at 30 June 2016, the Group had a total of 997 LDT dealerships (including 119 4S centers and 168 SINOTRUK branded dealerships), 1,328 service centers providing high quality after-sales services for LDTs, 51 refitting companies providing refitting related services to LDTs. In China, the Group also had 9 bus dealerships and 88 after-sales service centers for bus.

ENGINES SEGMENT

The Group took full advantage of its research platforms to develop new engine technology. The Group benchmarked its engine development with international requirements, implemented strict quality controls, improved its product technology and quality, expanded the application of MAN engines and provided customers with high-tech products that are reliable, fuel-efficient and environmental friendly. The Group's diesel and natural gas engines remain customer favorites for their advanced and high-quality MAN

technology. Aside from supplying engines for the Group's own production, Sinotruk also sold engines to other HDT manufacturers, buses and construction machinery.

During the Period, the sales volume of engines decreased by 13.5% YOY to 47,300 units. Segment revenue decreased by 11.1% YOY to RMB3,518 million. External sales of the engines accounted for 8.9% of the segment revenue of the engines, representing a decrease of 1.0 percentage points compared with 9.9% in 2015. The segment operating profit ratio was 3.5%, representing a decrease of 4.5 percentage points compared with that of 2015 as the decrease in sales volume and last year same period included gain on disposal of certain land and buildings.

TECHNOLOGICAL UPGRADE

During the Period, the Group's capital expenditure amounted to RMB205 million. Major investments were also made in the construction of a national heavy duty truck engineering technology research center, improvements in production techniques and quality control standards, and the enhancement of research, development and innovation capabilities.

In April 2016, 「智慧重汽電子商務平台」 (“Intelligent Sinotruk E-commerce Platform”) together with mobile applications were launched. This platform is an internet-based and customers-focused platform and provides products sales and provision for distribution and after-sales services online. The platform strengthens online and offline interaction, promotes integration of online and offline services, and optimizes consumption allowing the Group to offers marketing and services online thereby strengthening business management and increasing efficiency.

RESEARCH AND DEVELOPMENT

The Group remained committed to its technology-focused strategy. With the launch of a national heavy duty truck engineering technology research center, the capacity of product research and development, product examination and testing have been enhanced. The Group took full advantage of its research platforms and increased investment in the research and development of technology to strengthen its technological development and innovation capacity. By strengthening its cooperation with the MAN Group and other reputable international companies, the Group developed high quality engines, parts and components as well as whole truck designs to further enhance its industrial competitive edge. During the Period, the Group's technology center completed a total of 56 projects, ranging from the development of trucks, key parts and components, conduct of experiments and verification, to trial production of vehicles and fine tuning.

As at 30 June 2016, the Group and CNHTC participated in the formulation of 87 industry standards for China's heavy duty trucks and were granted 3,345 patents, maintaining its leading position in the heavy duty trucks industry as measured by the number of patents. During the Period, the Group offered 2,914 products that were in compliance with China's National IV or V Emission Standards.

FINANCE SEGMENT

During the Period, the segment revenue was RMB237 million, representing an increase of RMB18 million or 8.2% YOY from RMB219 million in 2015 and the segment external revenue was RMB125 million, representing a decrease of 13.8% YOY. It was mainly due to Sinotruk Finance Company placing funds previously placed in interbank deposits and bills discount business into loans to other members of the Group which resulted in the decrease of external segment revenue and the increase of inter-segment revenue. The segment operating profit ratio was 46.4%, representing an increase of 9.9 percentage points. This was due to the interest rates for loans to other members of the Group being higher than those of interbank deposits, the decrease in interest rates from deposits taken when compared with those of 2015 and the average funding costs of the segment being lower due to the capital injection at the amount of RMB1,190 million to Sinotruk Finance Company during the Period and capital injection to ShanDong HOWO Auto Finance Co., Ltd. at the amount of RMB500 million in the second half of 2015.

The Group strengthened its financing services, expanded its business scope, and enhanced its automobile financing service platform. During the Period, the Group took full advantage of favorable national policies and its mature automobile financing service platform to expand the scope of its consumer credit business. The Group promoted financing services such as consumer credit, financial leasing services and various other automobile consumer credit services, and proactively explored business models to support overseas sales, thus meeting customer demand for truck financing and boosted the Group's trucks sales and exports. At the same time, the Group explores revenue streams by provision for financing services to suppliers to further enhance its profitability.

As at 30 June 2016, the segment had established 19 regional offices and extended its financing services business coverage to over 20 provinces, covering most parts of China. The Group's automobile consumer credit network was further enhanced. During the Period, the Group sold 5,059 trucks with automobile financing services, representing an increase of 107.1% YOY.

CORPORATE ENVIRONMENTAL POLICY, EFFICIENCY, AND LEGISLATION

As a responsible corporate entity, the Group's guiding principle is to behave legally, ethically and responsibly in all facets of its daily operations.

The Group utilizes 國家重型汽車工程技術研究中心 (“China National Heavy Duty Truck Engineering Center”) and 國家重型汽車檢測中心 (“China National Heavy Duty Truck Inspection Center”) to lead technology research and development of heavy duty trucks, to demonstrate and promote technology achievement and hi-tech services, to accelerate the construction of intelligent factories and to promote energy-efficient and environmentally friendly production techniques. The Group turned to research and development of environmental friendly and fuel efficient trucks, by reducing exhaust emissions, to create a better environment. The Group's products are compliant with the China's National IV or V Emission Standards. The Group's focus on designing green, environmental friendly, safe, and energy efficient model, such as the dregs truck with a full sealing covering which should be closed after loading to start the engine. This design can prevent dust pollution. In addition, the Group is developing natural gas bus and electric bus.

In July 2016, the Chinese government implements revised rules – (GB1589 – 2016) “Limits of Dimensions, axle load and masses for motor vehicles, trailers and combination vehicles”. The rules determine and standardize the outside dimensions and axle loading limits of relevant road vehicles and the relevant loading parameters of tractors and semi-tractor which assist to identify over-length and overload vehicles and illegally modified vehicles. The Group has studied the new rules in details, trained its marketing and research and development team, re-designed non-complied truck models, register and announce new models for sales.

Currently, China’s National V Emission Standards have already been implemented in certain provinces and are likely to be implemented nationwide by 1 July 2017. The Group has thus adjusted its product design and manufacturing process to comply with these standards. The Group continuously monitors the implementation and changes of laws and regulations and adjusts its product production in a timely manner to ensure compliance with such changes.

The Group requires employees to undergo a physical check-up to improve their quality of life and ensure that they can live healthy lives. The Group is committed to preventing and reducing accidents and has setup a safety and environmental protection and inspection department to handle problematic areas and reduce the risk of accidents.

In an effort to create a better society, the Group is increasing its awareness of and reducing its impact on the natural environment. The Group is focused on efficiently producing and recycling engines, waste reducing and improving energy efficiency. The Group is committed to obeying relevant environmental laws and regulations that apply to its manufacturing facilities.

The Group also participated in national disaster relief efforts and assumed social responsibility actively.

As far as the Board is aware, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

SIGNIFICANT INVESTMENTS

In January 2016, Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd. and Kodiak America LLC., an independent third party, entered into an agreement to establish Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd. by way of cash contribution in the amount of USD1,769,400 and contribution in technology in the amount of USD 1,700,000 respectively. Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd. and Kodiak America LLC. hold 51% and 49% of its equity respectively. Such company has become subsidiary of the Company and principally engages in manufacturing and sales of snow removal equipment.

In February 2016, Ji'nan Truck Company proposed to set up its wholly-owned subsidiary, Sinotruk Ji'nan Global Electronic Business Co., Ltd. in Ji'nan City, Shandong Province, the PRC with registered capital of RMB20 million for the development of internet sales, services and trading platform. Sinotruk Ji'nan Global Electronic Business Co., Ltd. has launched the Intelligent Sinotruk E-commerce Platform in April 2016.

In March 2016, the Company purchased a 0.3012% equity stake in Sinotruk Finance Company from Bank of Chongqing Co., Ltd. The transfer will be completed in 2016.

As mentioned in the 2015 annual report of the Company, the Company agreed to purchase equity in Sinotruk Finance Company from Lingxian Rural Credit Cooperative Union and Jingxian Rural Credit Cooperative Union. The Company has completed the equity transfer during the Period.

HUMAN RESOURCES

As at 30 June, 2016, the Group had a total of 25,249 employees. The Group focuses on meeting the demands of corporate development and securing talents in corporate development. The Group continues to innovate its human resources management methods, proactively attract senior executives and technical personnel, and optimize team structure and the allocation of human resources so as to provide further intellectual support and human resources for the Group's sustainable development. The Group highly values its human resources initiatives including team building and talent training. Through open and fair recruitment, the Group continued to enhance employee competence, optimize promotion and performance assessment systems including non-leadership

positions, and reform the compensation system to provide better incentives to employees. The Group organised employees to participate external seminars and training. Through relevant training, employees can gain more knowledge and understanding in the business and enhance their career development. In addition, to the extent necessary to protect the Group's intellectual property rights and other vital competitive interests, qualified employees may enjoy certain retirement and non-competition compensations.

BUSINESS STRATEGIES AND PROSPECTUS

During the second half of 2016, the global economy is expected to remain volatile with numerous uncertainties and challenges. The Chinese economy will face multiple challenges and significant downward pressure. A series of economic growth measures such as supply-end reform, "One Belt and One Road", and innovation-driven development will bring new opportunities and challenges.

With continued policy and economic volatility in both domestic and overseas markets expected to continue, the Group will continue to face stiff competition and is implementing plans to enhance its enterprise building, adjust its operational strategies in a timely manner, and adopt various measures to ensure sound and robust growth.

1. The Group will continue to adopt brand strategy to promote SINOTRUK brand and increase its market influence. This will help to achieve product differentiation, and further optimize and adjust its product mix of HDTs, LDTs and buses to meet the demands of different customers in different regions.
2. The Group keeps implementing innovative sales and marketing strategies and optimizing its domestic distribution network with the support of the Intelligent Sinotruk E-commerce Platform to further strengthen its domestic marketing ability and capacity of provision of after-sales services. The Group will further improve the quality of its distribution network and provide innovative financing support through Sinotruk Finance Company and HOWO Auto Finance Co., Ltd. to boost product sales and increase market share.

3. The Group will further explore its international market development so as to reach the next phase development of international markets. The Group will leverage its production capacity and technology advancement abilities to expand its international market share. The Group will strengthen its overseas distribution network, provisions for spare parts and after-sales services, and increase the financing support in its international markets. The Group further explore new and innovative means in overseas markets and localize its brand by incorporating local elements. The Group will further promote the export of light duty trucks and buses.
4. The Group will continue to leverage “intelligence” to realize breakthroughs in enterprise management and adopt measures for cost control and efficiency improvement. The Group will strengthen its risk management capabilities and improve its performance so as to facilitate healthy and sustainable growth. The Group will continue to centralize bulk purchases, sorting purchases and optimizing its supply chain in order to reduce purchasing costs. The Group will increase the intelligence and automation of manufacturing and, enhance quality assurance. The Group will implement a technology-focused strategy, and fully leverage the China National Heavy Duty Truck Engineering Center to ensure that it continues to lead the heavy duty truck industry.

REVENUE, GROSS PROFIT AND GROSS PROFIT RATIO

During the Period, the Group's revenue recorded RMB15,331 million, compared with RMB14,258 million in 2015, representing an increase of RMB1,073 million or 7.5% YOY. The increase in the revenue is primarily attributable to the increase in the sales in LDTs and buses.

During the Period, gross profit was RMB2,582 million, compared with RMB2,580 million in 2015, representing an increase of RMB2 million or 0.1% YOY. Gross profit ratio (gross profit divided by revenue) for the Period was 16.8% and, compared with 18.1% in 2015, represented a decrease of 1.3 percentage points. The decrease in the gross profit ratio was mainly due to the dilution effect to overall gross profit ratio from the decrease in gross profit margin of HDTs as a result of the decrease in sales of higher profit margin HDTs export and the increase in revenue from lower profit margin LDTs sales.

DISTRIBUTION COSTS

Distribution costs decreased from RMB1,141 million for the six months ended 30 June 2015 to RMB971 million for the Period, representing a decrease of RMB170 million or 14.9% YOY. During the Period, distribution costs to revenue ratio was 6.3% and, compared to 8.0% in 2015, represented a decrease of 1.7 percentage points. The decrease was mainly due to the decrease in warranty expenses from better product quality and decrease in sea freight expenses, etc from export trading.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased from RMB1,196 million for the six months ended 30 June 2015 to RMB1,188 million for the Period, representing a decrease of RMB8 million or 0.7% YOY. The decrease was mainly due to the decrease in the provision for bad debts due to the strengthened credit risk controls over dealers lending but partly offset by the increase in research and development expenses.

OTHER GAINS – NET

There was a decrease in net other gains from RMB291 million for the six months ended 30 June 2015 to RMB114 million for the Period, representing a decrease of RMB177 million or 60.8% YOY. The decrease was mainly due to the decrease in the government grants, the decrease in foreign exchanges gains, the decrease in revenue from financial assets, and the decrease of gains from disposal of properties.

FINANCE COSTS – NET

Net finance cost increased from RMB142 million for the six months ended 30 June 2015 to RMB147 million for the Period, representing an increase of RMB5 million or 3.5% YOY. Compared with last year same period, the borrowing scale was reduced and, hence, the interest expenses decreased. However, such savings were not sufficient to cover the discount expenses from disposal of certain long-term trade receivables without recourse.

INCOME TAX EXPENSE

Income tax expense increased from RMB102 million for the six months ended 30 June 2015 to RMB115 million for the Period, representing an increase of RMB13 million or 12.7% YOY. The increase in income tax expense was mainly due to certain recognised tax losses to be lapsed in 2016.

PROFIT AND EARNINGS PER SHARE

Profit for the Period increased from RMB293 million for the six months ended 30 June 2015 to RMB304 million for the Period, representing an increase of RMB11 million or 3.8% YOY. During the Period, operating profit ratio (operating profit divided by revenue) was 3.5% (2015: 3.8%) while net profit ratio (profit divided by revenue) was 2.0% (2015: 2.1%). Profit attributable to the owners of the Company for the Period was RMB243 million, representing an increase of RMB5 million or 2.1% YOY. The basic earnings per share attributable to the owners of the Company for the Period was RMB0.09, same as that of 2015.

TRADE AND NET FINANCING SERVICE RECEIVABLES

As at 30 June 2016, the trade receivables including related parties trade receivables were increased from RMB10,563 million as at 31 December 2015 to RMB11,306 million, representing an increase of 7.0%. The trade receivables turnover (average trade receivables including related parties trade receivables divided by revenue multiplied by 182 days) was 130.9 days, representing a decrease of 5.1% YOY during the Period and was still within the Group's credit policies which are from three to twelve months to the customers. As at 30 June 2016, the trade receivables including related parties trade receivables aged not more than twelve months were RMB10,267 million or 90.8% of net trade receivables including related parties trade receivables while, as at 31 December 2015, it was 90.0%.

As at 30 June 2016, the auto financing services receivables and suppliers financing receivables increased from RMB1,854 million as at 31 December 2015 to RMB2,408 million, representing an increase of 29.9%. The finance segment of the Group has granted credit period generally from 1 to 3 years. In addition, the auto financing services receivables are secured by the vehicles together with guarantees provided by the dealers and relevant parties while suppliers financing receivables are mainly secured by the beneficial owners of these suppliers.

The Group reviews the repayment progress of large customers or customers with higher risk of default in repayment on a monthly basis and assesses impairment loss by reference to their business, actual repayment information and others.

CASH FLOW

Net cash inflow from operating activities for the Period was RMB3,082 million, compared with RMB1,716 million in 2015, representing an increase of cash inflow by RMB1,366 million which was mainly due to the significant increase of inventories during the same period last year which reduced the net cash inflow from operating activities during the same period last year, which effect was partially offset by the decrease in the growth of trade and bills payables during the Period.

Net cash outflow from investing activities for the Period was RMB2,121 million, compared with RMB1,287 million in 2015, representing an increase in cash outflow by RMB834 million, which was mainly due to the increase in the purchase of financial products during the Period.

The cash outflow from financing activities for the Period was RMB225 million, compared with RMB879 million in 2015, representing a decrease of cash outflow by RMB654 million, which was mainly due to the maintenance of reasonable borrowings leverage by reducing the net repayment of borrowings during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of RMB5,692 million and bank acceptance notes of RMB2,043 million as at 30 June 2016. Cash and cash equivalents increased by RMB746 million and bank acceptance notes decreased by RMB95 million as compared with those at the beginning of 2016. As at 30 June 2016, the Group's total borrowings (including long-term and short-term borrowings and borrowings from the related parties) were approximately RMB5,548 million and its gearing ratio (total borrowings divided by total assets) was 12.3% (31 December 2015: 13.4%). As at 30 June 2016, current ratio (total current assets divided by total current liabilities) was 1.3 (31 December 2015: 1.4).

As at 30 June 2016, 99.0% of borrowings were made in RMB (31 December 2015: 97.7%). Most of the borrowings were charged with reference to banks' preferential floating rates and were due within one year to two years.

As at 30 June 2016, total available credit facilities of the Group amounted to RMB34,479 million, of which RMB5,404 million had been utilised. An aggregate amount of RMB427 million of the Group's guarantee deposits and bank deposits was pledged to secure credit facilities. In addition, Sinotruk Finance Company has made mandatory deposits of RMB848 million to PBOC 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.

As at 30 June 2016, most of the Group's assets and liabilities were denominated in RMB, except for restricted cash and bank deposits which in total were equivalent to approximately RMB431 million, financial assets at fair value through profit or loss of approximately RMB125 million, accounts receivable and other receivable of approximately RMB1,143 million, borrowings of approximately RMB53 million, accounts payable and other payables of approximately RMB38 million and amounts due to related parties of approximately RMB0.01 million, all of which were denominated in currencies other than RMB.

CAPITAL STRUCTURE

As at 30 June 2016, total equity of the Group was RMB21,889 million, representing an increase of RMB173 million or 0.8% when compared with RMB21,716 million at the end of 2015.

As at 30 June 2016, the Company's market capitalisation was RMB7,882 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD3.34 per share and at the exchange rate of 0.85467 between HKD and RMB).

DIVIDENDS

The Board does not propose the declaration of any interim dividends for the six months ended 30 June 2016.

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, 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 RMB175 million. During the Period, the Group did not make any provision for legal claims.

Disclaimer:

Non-GAAP measures

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

CORPORATE GOVERNANCE PRACTICE

The Board and senior management of the Company are committed 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 Shareholders. The Company has adopted the corporate governance codes as set out in Appendix 14 “Corporate Governance Code and Corporate Governance Report” to the Listing Rules as its own code of corporate governance (the “**CG Code**”).

During the Period, the Company has been in compliance with the CG Code, save for the Company did not establish a nomination committee. According to article 82 of the Articles of Association, the Board is entitled, from time to time and at any time, to appoint any person to be a Director for filling any vacant directorship or for increasing the number of Directors. In assessing the nominations of new Directors, the Board will consider their relevant experience, professional and educational background, and potential contributions that may be brought to the Company. The Board takes up all functions of nomination committee as required under the Listing Rules.

Compliance of Rule 3.10A, 3.11 and 3.21 of the Listing Rules

Upon the resignation of Dr. Ouyang Minggao, Dr. Lu Bingheng and Dr. Huang Shaoan as INEDs on 11 December 2015, the Board comprised fourteen members including three INEDs. As a result, the number of INEDs had fallen below one-third of the Board as required under Rule 3.10A of the Listing Rules. In addition, after the resignation of Dr. Ouyang Minggao, the number of members of the Audit Committee was two which the number of the members of the Audit Committee had fallen below three as required under Rule 3.21 of the Listing Rules.

On 9 March 2016, the Company appointed Dr. Wang Dengfeng as an INED and a member of the Audit Committee. On 11 April 2016, the Company appointed Mr. Zhao Hang as an INED and a member of the Strategy and Investment Committee. After such appointments, the Board comprised sixteen members including five INEDs with the number of INEDs had still fallen below one-third of the Board. The Company had therefore failed to comply with Rules 3.10A and 3.11 of the Listing Rules by not having appointed a sufficient number of INEDs and not being able to do so within the required time frame. After the appointment of Dr. Wang Dengfeng as a member of the Audit Committee, the Audit Committee has sufficient number of the members, being three members as required under Rule 3.21 of the Listing Rules.

On 19 May 2016, Mr. Anders Olof Nielsen resigned as NED. Following the resignation of Mr. Nielsen, the Board comprised fifteen members including eight executive directors, two NEDs and five INEDs. The number of INEDs on the Board represents one-third of the members of the Board and, therefore, was in compliant with the requirement of the number of INEDs under Rule 3.10A of the Listing Rules but failed to comply with Rule 3.11 of the Listing Rules by having appointed a sufficient number of INEDs within the required time frame.

Upon the appointment of Mr. Matthias Gründler as a NED by the Company on 1 July 2016, the Board comprised sixteen members including five INEDs. As a result, the number of INEDs had fallen below one-third of the Board as required under Rule 3.10A of the Listing Rules.

On 30 August 2016, the Company has announced the appointment of Mr. Liang Qing as an INED of the Company with effect from 1 September 2016. After such appointment, the Board will comprise seventeen members including six INEDs and the number of INEDs will be in compliance with the requirement under Rule 3.10A of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Appendix 10 “Model Code for Securities Transactions by Directors of Listed Issuers” to the Listing Rules as the code of conduct for securities transactions by the Directors (the “**Model Code**”). After making specific enquires with all Directors by the Company, all Directors have confirmed that they have complied with the standards required by the Model Code for the Period.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2016 has been reviewed by the Audit Committee 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 HKICPA.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this announcement are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained in this announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.sinotruk.com>. The 2016 Interim Report will be published on the HKEx's website and the Company's website and will be despatched to the shareholders of the Company in due course.

DEFINITIONS

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

"Articles of Association"	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CAAM"	China Association of Automobile Manufacturers
"Chengdu Wangpai Company"	中國重汽集團成都王牌商用車有限公司 Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
"China" or "PRC"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CNHTC"	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
"CNHTC Group"	CNHTC and its subsidiaries other than the Group
"Companies Ordinance"	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company" or "Sinotruk"	Sinotruk (Hong Kong) Limited
"Director(s)"	the director(s) of the Company
"ED(s)"	the executive Director(s)

“Ferdinand Porsche”	Ferdinand Porsche Familien-Privatstiftung, a corporation incorporated under the laws of Austria, being the beneficial owner of 25% of the entire issued share capital of the Company plus 1 Share
“Fujian Haixi Company”	中國重汽集團福建海西汽車有限公司 Sinotruk Fujian Haixi Vehicles Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HDT(s)”	heavy duty truck(s) and medium-heavy duty truck(s).
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“INED(s)”	the independent non-executive Director(s)
“Ji’nan Truck Company”	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji’nan Truck Co., Ltd.), a joint stock company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
“LDT(s)”	light duty truck(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAN Group”	MAN SE and its subsidiaries
“MAN SE”	MAN SE, a company incorporated under the laws of Germany, being a non-wholly owned subsidiary of Ferdinand Porsche and the shares of which are listed on the German Stock Exchange in Germany (stock code: ISIN DE 0005937007, WKN 593700)
“NED(s)”	the non-executive Director(s)
“PBOC”	The Peoples’ Bank of China
“Period”	the six months ended 30 June 2016
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time

“Shenzhen Stock Exchange”	Shenzhen Stock Exchange in the PRC
“Sinotruk Finance Company”	中國重汽財務有限公司 (Sinotruk Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) whether incorporated in Hong Kong or elsewhere and “subsidiaries” shall be construed accordingly
“%”	per cent

By Order of the Board
Sinotruk (Hong Kong) Limited
Ma Chunji
Chairman

Beijing, PRC, 30 August 2016

As at the date of this announcement, the Board consists of the eight executive Directors including Mr. Ma Chunji, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin and Mr. Franz Neundlinger; three non-executive Directors including Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees and Mr. Matthias Gründler; and five independent non-executive Directors, Dr. Lin Zhijun, Mr. Chen Zheng, Mr. Yang Weicheng, Dr. Wang Dengfeng and Mr. Zhao Hang.