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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 2018

RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2018 together with the comparative figures for the previous period as follows:

Interim Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

	Note	**Unaudited Six months ended 30 June 2018**	2017
Revenue	4	**33,623,760**	26,626,150
Cost of sales		**(27,552,881)**	(21,769,504)
Gross profit		**6,070,879**	4,856,646
Distribution costs		**(1,715,171)**	(1,659,370)
Administrative expenses		**(1,523,505)**	(1,386,101)
Other gains – net		**283,831**	170,566
Operating profit	5	**3,116,034**	1,981,741
Finance income		**44,067**	22,653
Finance costs		**(42,505)**	(134,645)
Finance income/(costs) – net		**1,562**	(111,992)
Share of profits less losses of investments accounted for using the equity method		**60,905**	19,788
Profit before income tax		**3,178,501**	1,889,537
Income tax expense	6	**(618,931)**	(321,754)
Profit for the period		**2,559,570**	1,567,783

Interim Condensed Consolidated Statement of Profit or Loss (Continued)
For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June 2018	2017
Profit attributable to:			
– Owners of the Company		**2,364,739**	1,400,071
– Non-controlling interests		**194,831**	167,712
		2,559,570	1,567,783
Earnings per share for profit attributable to owners of the Company for the period (expressed in RMB per share)			
– basic and diluted	7	**0.86**	0.51

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June 2018	2017
Profit for the period		**2,559,570**	1,567,783
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		**109**	(9,680)
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties		**—**	9,735
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		**—**	10,138
Share of other comprehensive income of investments accounted for using the equity method		**1,472**	894
Currency translation differences		**(3,224)**	(350)
Other comprehensive (loss)/income for the period, net of tax		**(1,643)**	10,737
Total comprehensive income for the period		**2,557,927**	1,578,520
Attributable to:			
– Owners of the Company		**2,363,020**	1,411,659
– Non-controlling interests		**194,907**	166,861
Total comprehensive income for the period		**2,557,927**	1,578,520

Interim condensed consolidated statement of financial position

As at 30 June 2018

(All amounts in RMB thousands unless otherwise stated)

	Note	**Unaudited 30 June 2018**	Audited 31 December 2017
ASSETS			
Non-current assets			
Land use rights		**1,631,034**	1,650,123
Property, plant and equipment		**9,939,989**	9,937,766
Investment properties		**709,576**	709,576
Intangible assets		**326,758**	356,827
Goodwill		**3,868**	3,868
Deferred income tax assets		**1,552,998**	1,484,254
Investments accounted for using the equity method		**517,481**	477,827
Financial assets at fair value through other comprehensive income	8	**37,925**	—
Financial assets at fair value through profit or loss		**170,623**	—
Available-for-sale financial assets		**—**	205,533
Receivables and other assets	9	**2,365,739**	1,946,712
		17,255,991	16,772,486
Current assets			
Inventories		**13,511,566**	13,246,027
Receivables and other assets	9	**14,146,249**	15,150,697
Financial assets at amortised cost	10	**606,621**	—
Financial assets at fair value through other comprehensive income	8	**4,500,617**	—
Financial assets at fair value through profit or loss		**1,666,863**	781,981
Available-for-sale financial assets		**—**	2,340,073
Amounts due from related parties		**1,130,881**	352,768
Cash and bank balances		**14,242,242**	12,417,389
		49,805,039	44,288,935
Assets classified as held for sale		**—**	121,595
		49,805,039	44,410,530
Total assets		**67,061,030**	61,183,016

Interim condensed consolidated statement of financial position (Continued)

As at 30 June 2018

(All amounts in RMB thousands unless otherwise stated)

	Note	**Unaudited 30 June 2018**	Audited 31 December 2017
EQUITY and LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**16,717,024**	16,717,024
Other reserves		**(536,283)**	(576,483)
Retained earnings		**7,313,491**	6,616,922
		23,494,232	22,757,463
Non-controlling interests		**2,677,511**	2,673,248
Total equity		**26,171,743**	25,430,711
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**52,850**	51,398
Termination and post-employment benefit obligations		**11,131**	14,233
Deferred income		**353,364**	361,200
		417,345	426,831
Current liabilities			
Trade payables, other payables and other current liabilities	11	**33,033,309**	28,545,935
Current income tax liabilities		**414,376**	395,068
Borrowings		**3,985,000**	3,990,000
Amounts due to related parties		**1,874,542**	1,416,385
Provisions for other liabilities		**1,164,715**	978,086
		40,471,942	35,325,474
Total liabilities		**40,889,287**	35,752,305
Total equity and liabilities		**67,061,030**	61,183,016

Notes

(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 reorganization of CNHTC. 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.

The Group is principally engaged in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks 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.

Section 436 of the Companies Ordinance

The financial information relating to the year ended 31 December 2017 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017 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).

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

2. Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3. Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards of HKFRSs effective for the financial year ending 31 December 2018.

3.1 New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting the following standards are disclosed below:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

The other newly adopted standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position as at 1 January 2018.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

3. Accounting Policies (continued)

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

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as at 1 January 2018 and these comparatives will not be restated.

3.2 The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021 or when apply HKFRS 15 and HKFRS 9
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

3. Accounting Policies (continued)

3.2 The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group: (continued)

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB27,188,000. The Group estimates that approximately 49% of these relate to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary, for example, because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Revenue and segment information

The segment results for the six months ended 30 June 2018 are as follows:

	Unaudited					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Elimination	Total
Revenue from external customers						
Sales of goods	26,205,614	5,647,960	773,450	—	—	32,627,024
Provision of financing services	—	—	—	456,407	—	456,407
Rendering of services	522,603	2,476	15,250	—	—	540,329
Total revenue from external customers	26,728,217	5,650,436	788,700	456,407	—	33,623,760
Inter-segment revenue	165,082	208,087	7,363,336	237,795	(7,974,300)	—
Total segment revenue	26,893,299	5,858,523	8,152,036	694,202	(7,974,300)	33,623,760
Operating profit before unallocated expenses	1,095,307	221,913	1,479,066	434,843	(98,907)	3,132,222
Unallocated expenses						(16,188)
Operating profit						3,116,034
Finance income - net						1,562
Share of profits less losses of investments accounted for using the equity method						60,905
Profit before income tax						3,178,501
Income tax expense						(618,931)
Profit for the period						2,559,570

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Revenue and segment information (continued)

The segment results for the six months ended 30 June 2017 are as follows:

	Unaudited					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Elimination	Total
Revenue from external customers						
Sales of goods	21,108,571	4,282,310	545,378	—	—	25,936,259
Provision of financing services	—	—	—	272,297	—	272,297
Rendering of services	407,542	2,505	7,547	—	—	417,594
Total revenue from external customers	21,516,113	4,284,815	552,925	272,297	—	26,626,150
Inter-segment revenue	138,369	177,821	6,829,680	181,494	(7,327,364)	—
Total segment revenue	21,654,482	4,462,636	7,382,605	453,791	(7,327,364)	26,626,150
Operating profit before unallocated expenses	751,081	106,714	1,199,367	197,983	(263,946)	1,991,199
Unallocated expenses						(9,458)
Operating profit						1,981,741
Finance costs - net						(111,992)
Share of profits less losses of investments accounted for using the equity method						19,788
Profit before income tax						1,889,537
Income tax expense						(321,754)
Profit for the period						1,567,783

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Revenue and segment information (continued)

The segment assets and liabilities as at 30 June 2018 are as follows:

	Unaudited					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	Total
Segment assets	**48,207,608**	**5,856,747**	**18,374,463**	**31,638,091**	**2,050,906**	**106,127,815**
Elimination						**(39,066,785)**
Total assets						**67,061,030**
Segment liabilities	**31,947,834**	**3,882,913**	**7,172,085**	**25,366,176**	**5,083,649**	**73,452,657**
Elimination						**(32,563,370)**
Total liabilities						**40,889,287**

Reconciled to entity assets and liabilities as at 30 June 2018 as follows:

	Unaudited	
	Assets	Liabilities
Segment assets/liabilities after elimination	**65,010,124**	**35,805,638**
Unallocated:		
Deferred tax assets/liabilities	**1,552,998**	**52,850**
Current tax assets/liabilities	**2,242**	**414,376**
Current borrowings	**—**	**2,985,000**
Other assets/liabilities of the Company	**495,666**	**1,631,423**
Total	**67,061,030**	**40,889,287**

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Revenue and segment information (continued)

The segment assets and liabilities as at 31 December 2017 are as follows:

	Audited					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	Total
Segment assets	48,994,733	5,278,752	17,332,626	15,258,637	1,621,239	88,485,987
Elimination						(27,302,971)
Total assets						61,183,016
Segment liabilities	32,817,847	3,349,943	7,117,232	10,196,819	3,644,201	57,126,042
Elimination						(21,373,737)
Total liabilities						35,752,305

Reconciled to entity assets and liabilities as at 31 December 2017 as follows:

	Audited	
	Assets	Liabilities
Segment assets/liabilities after elimination	59,561,777	32,108,104
Unallocated:		
Deferred tax assets/liabilities	1,484,254	51,398
Current tax assets/liabilities	3,428	395,068
Current borrowings	—	3,190,000
Other assets/liabilities of the Company	133,557	7,735
Total	61,183,016	35,752,305

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Revenue and segment information (continued)

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

	Unaudited	
	Six months ended 30 June	
	2018	2017
Mainland China	**29,901,532**	23,239,807
Overseas	**3,722,228**	3,386,343
Total	**33,623,760**	26,626,150

5 Operating profit

The following items have been charged/(credited) to the operating profit:

	Unaudited	
	Six months ended 30 June	
	2018	2017
Employee benefit expenses	**1,984,146**	1,846,406
Warranty expenses	**615,675**	600,782
Inventory write-downs	**66,473**	85,219
Amortisation of land use rights	**19,089**	20,201
Depreciation of property, plant and equipment	**559,844**	580,174
Amortisation of intangible assets	**30,815**	27,976
Gains on disposal of assets classified as held for sale	**(62,375)**	—
(Gains)/losses on disposal of property, plant and equipment	**(187)**	118
Foreign exchange losses - net	**29,607**	27,518
Gain on disposal of a subsidiary	**—**	(51,553)
Government grants	**(76,858)**	(32,466)
Gains on disposal of scraps	**(20,585)**	(11,819)

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

6 Income tax expense

	Unaudited	
	Six months ended 30 June	
	2018	2017
Current income tax		
– Hong Kong profits tax	**1,813**	1,002
– PRC corporate income tax	**684,410**	461,781
	686,223	462,783
Deferred income tax	**(67,292)**	(141,029)
	618,931	321,754

The estimated weighted average annual income tax rate expected for the full financial year is 19% (2017: 17%). Taxation on profits has been calculated on the estimated assessable profit during the six months ended 30 June 2018 at the rates of taxation prevailing in the countries/districts in which the Group operates.

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% (2017: 16.5%) on their estimated assessable profit for the year. The Company is determined as a Chinese-resident enterprise and is subject to the corporate income tax rate of 25% (2017: 25%) according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law").

Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprises in 2016. Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engines Co., Ltd. have been recognised as the High New Tech Enterprises in 2017. These companies are subject to a reduced corporate income tax rate of 15% (2017: 15%) according to the tax incentives of the CIT Law for High New Tech Enterprises.

6 Income tax expense (continued)

Sinotruk Ji'nan Fuqiang Power Co., Ltd. had been recognised as the High New Tech Enterprises in 2015 for 3 years. In 2018, the company is subject to a corporate income tax rate of 25% (2017: 15%) according to the CIT Law.

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% (2017: 15%) according to the Western Development tax incentives of the CIT Law.

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax rate of 20% (2017: 20%) according to Tax Code of the Russian Federation.

Sinotruk South Africa (Pty) Ltd. is subject to a corporate income tax rate of 28% (2017: 28%) according to South Africa Tax Law.

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax rate of 20% (2017: 20%) according to Kazakhstan Tax Law.

The remaining subsidiaries in the PRC are subject to the corporate income tax rate of 25% (2017: 25%) according to the CIT Law.

7 Earnings per share

Basic

Basic earnings per share are 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	
	Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company	**2,364,739**	1,400,071
Weighted average number of ordinary shares in issue (thousands)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**0.86**	0.51

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 2018 and 30 June 2017.

(All amounts in RMB thousands unless otherwise stated)

8 Financial assets at fair value through other comprehensive income

The Group receives acceptance notes from its customers to settle the purchase prices and intends to use these acceptance notes either to pay off its trade and other payables or to hold until maturity. These acceptance notes are classified as financial assets at fair value through other comprehensive income under HKFRS 15 during the Period while they were classified as note receivables which formed part of trade receivables in 2017.

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

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**3,156,882**	—
3 months to 6 months	**1,276,188**	—
6 months to 12 months	**67,547**	—
	4,500,617	—

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

9 Receivables and other assets

	30 June 2018 Unaudited	31 December 2017 Audited
Non-current		
Financing receivables	**2,372,859**	1,976,359
Less: Provision for impairment of financing receivables	**(36,488)**	(29,647)
Financing receivables – net	**2,336,371**	1,946,712
Prepayments for long term assets	**29,368**	—
Receivables and other assets – net	**2,365,739**	1,946,712
Current		
Accounts receivable	**7,047,907**	5,588,123
Less: Provision for impairment of accounts receivable	**(983,097)**	(803,354)
Accounts receivable – net	**6,064,810**	4,784,769
Notes receivable	**—**	2,685,325
Trade receivables – net	**6,064,810**	7,470,094
Financing receivables	**6,787,977**	5,228,935
Less: Provision for impairment of financing receivables	**(114,085)**	(90,649)
Financing receivables – net	**6,673,892**	5,138,286
Other receivables and other assets	**409,615**	1,099,044
Less: Provision for impairment of other receivables and other assets	**(56,451)**	(63,588)
Other receivables and other assets - net	**353,164**	1,035,456
Interest receivables	**47,907**	51,504
Receivables and other assets before prepaid items	**13,139,773**	13,695,340
Prepayments	**361,255**	442,393
Prepaid taxes other than income tax	**642,979**	1,009,536
Prepaid income taxes	**2,242**	3,428
Receivables and other assets - net	**14,146,249**	15,150,697

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

9 Receivables and other assets (continued)

The ageing analysis of financing receivables - net based on transaction dates at respective dates of statement of financial position is as follows:

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**3,106,600**	2,321,760
3 months to 6 months	**1,558,153**	1,818,342
6 months to 12 months	**2,936,508**	2,249,046
1 year to 2 years	**1,382,933**	695,361
2 years to 3 years	**26,069**	—
Over 3 years	**—**	489
	9,010,263	7,084,998

Financing receivables represented loans granted by finance segment to individuals and entities when they purchased commercial vehicles of the Group at an interest rate of 4.86% to 18.00% per annum, and to suppliers of the Group at an interest rate of 5.22% to 7.80% per annum. These financing receivables to those who purchased commercial vehicles of the Group were mainly secured by the vehicle together with guarantees provided by these dealers and/or its relevant parties.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

9 Receivables and other assets (continued)

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

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**5,156,098**	5,069,670
3 months to 6 months	**485,166**	1,554,192
6 months to 12 months	**319,652**	667,152
1 year to 2 years	**74,099**	117,657
2 years to 3 years	**1,941**	51,684
Over 3 years	**27,854**	9,739
	6,064,810	7,470,094

The sales policy of the Group generally requires its customers to pay a certain amount of deposits when orders of trucks are made and settle outstanding balances either in cash, on credit or by acceptance notes (now being classified as financial assets at fair value through other comprehensive income). A credit term from 3 to 12 months is granted to selected customers based on credit assessment.

As at 30 June 2018, trade receivables of the Group of approximately RMB854,157,000 (31 December 2017: approximately RMB602,731,000) were secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 30 June 2018 and 31 December 2017.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

9 Receivables and other assets (continued)

In addition, trade receivables included in the amounts due from related parties as at 30 June 2018 is approximately RMB934,202,000 (31 December 2017: approximately RMB341,348,000) and its ageing analysis of trade receivables from related parties based on invoice date at respective dates of statement of financial position is as follows:

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**904,508**	325,056
3 months to 6 months	**29,694**	16,281
6 months to 12 months	**—**	—
1 year to 2 years	**—**	11
	934,202	341,348

10 Financial assets at amortised cost

The finance segment provides bills discounting services. Receivables from bills discounting services included in the financial assets at amortised cost as at 30 June 2018 is approximately RMB2,664,000.

The aging analysis of receivables from bills discounting services based on transaction dates at the respective dates of statement of financial position is as follows:

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**1,872**	—
3 months to 6 months	**—**	—
6 months to 12 months	**792**	—
	2,664	—

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

11 Trade payables, other payables and other current liabilities

	30 June 2018 Unaudited	31 December 2017 Audited
Trade and bills payables	**24,211,691**	22,413,165
Contract liabilities	**2,298,846**	—
Advances from customers	**—**	2,744,023
Dividends payables	**1,639,180**	5,689
Accrued expenses	**1,222,502**	848,793
Staff welfare and salaries payable	**722,145**	563,861
Taxes liabilities other than income tax	**227,404**	142,856
Other payables	**2,711,541**	1,827,548
	33,033,309	28,545,935

As at 30 June 2018, other payables include guarantee deposits from dealers for lending to their customers, quality guarantee deposits from suppliers, payable from purchase of property, plant and equipment, etc.

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

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**20,524,761**	20,038,522
3 months to 6 months	**3,508,414**	2,125,755
6 months to 12 months	**83,404**	162,225
1 year to 2 years	**80,794**	66,581
2 years to 3 years	**7,265**	10,624
Over 3 years	**7,053**	9,458
	24,211,691	22,413,165

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

11 Trade payables, other payables and other current liabilities (continued)

In addition, trade payables included in the amounts due to related parties as at 30 June 2018 is approximately RMB476,406,000 (31 December 2017: approximately RMB23,359,000) and its ageing analysis of trade payables to related parties based on invoice date at respective dates of statement of financial position is as follows:

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**474,684**	22,709
3 months to 6 months	**373**	—
6 months to 12 months	**1,337**	650
1 year to 2 years	**12**	—
	476,406	23,359

MANAGEMENT DISCUSSION AND ANALYSIS — REVIEW OF OPERATIONS

MARKET OVERVIEW

TRUCKS MARKET

In the first half of 2018, the national economy maintained stability and achieved steady growth. The shifting of growth momentum was accelerated, domestic demand was increased, and the contribution of the service industry to economic growth continued to increase. In the first half of 2018, China's GDP grew by 6.8% HoH.

The demand for trucks has been driven by the growth of infrastructure construction investment, the construction of major engineering projects, the "Working Plan for Car Delivery Vehicles" (《車輛運輸車治理工作方案》) (i.e. since 1 July 2018, car delivery vehicles that do not meet the requirements for the length and width will be prohibited to run), restrictions in use of China's National III vehicles by various local government, the acceleration of urbanization, etc. As a result, the domestic truck market continued to grow in the first half of 2018, with sales reaching a record high. According to statistics from the CAAM, in the first half of 2018, sales of heavy duty trucks increased by 15.11% HoH to approximately 671,800 units for the Period; sales of light duty trucks increased by 16.15% HoH to approximately 974,900 units for the Period.

LOANS MARKET

In the first half of 2018, the Chinese government continued to implement its prudent and neutral monetary policy. During the Period, the base interest rates for RMB denominated loan with a term of not more one year and RMB denominated loan with a term of over one year but not more than five years maintained at 4.35% and 4.75%, respectively, flat on the same period last year.

REVIEW OF OPERATIONS

The Group has adhered to taking the market and users as the center to optimize product structure, improve product quality, cultivate segment markets, and successfully exceeded various performance indicators. During the Period, the Group's trucks sales volume was 162,375 units, representing an increase of 25.4% HoH; revenue was RMB33,624 million, representing an increase of 26.3% HoH; net profit attributable to shareholders was RMB2,365 million, representing an increase of 68.9% HoH.

HEAVY DUTY TRUCKS SEGMENT

During the Period, HDT sales volume was 93,527 units, representing an increase of 25.0% HoH. Revenue from the HDTs segment increased to RMB26,893 million, representing an increase of 24.2% HoH. The segment profit margin was 4.1%, representing an increase of 0.6 percentage points HoH.

Domestic Business

Adhering to the business philosophy of "market-oriented, user-centered", the Group improved and upgraded products in response to changes in market conditions and user demands, and achieved good results. The domestic marketing capability has been further improved. During the Period, the Group sold 74,522 HDTs in the PRC, representing an increase of 24.9% HoH.

Benefiting from the concentrated implementation of construction of large-scale infrastructure projects, the demand for construction vehicles in the first half of the year has exploded. The Group's construction vehicle business continued to lead the market, with the sales volume of tipper trucks increasing 73.1% HoH and the sales volume of mixer trucks increasing 92.1% HoH. Under the influence of the gradual recession of large-scale policy dividends (GB1589 and strict anti-overloading policies) and the weaker demand caused by the substantial pre-buying activity in the previous period, the demand in the tractor market declined. Products equipped with MAN technology are well recognised in the markets and have a certain influence in the high-end logistics truck market such as express, hazardous chemicals transportation and high value-added product transportation.

During the Period, the Group's smart trucks and high-end market development made progress, and the I-Generation smart HDT integrated with the five functions of rear-end accidents prevention (防追尾AEBS), preventing rollover (防側翻ESC+EBS), preventing lane departure (防躥道LDWS), preventing sliding (防溜車HSA), and adaptive cruise control (自適應巡航ACC) have been launched and are widely recognized by the market. The delivery of the Euro VI street washing trucks to Hong Kong SAR Government marks a milestone the China brand's Euro VI HDT has achieved sales breakthrough in the Hong Kong market.

During the Period, the Group seized the opportunity of shifting market demand, adjusted our marketing strategy timely to focus on classic vehicles, promoted the set up of ecosystem construction, achieved sales breakthroughs in segment markets, and pushed domestic marketing capabilities to a new level. The Group expanded our "Full Life-cycle Service" ("全生命週期服務") and continued to promote the socialized "Non-stop Services" ("不停車服務"). Accordingly, our brand's influence and reputation continued to improve.

As at 30 June 2018, the Group had a total of 967 HDT dealerships (including 151 4S centers and 94 SINOTRUK-branded dealerships), 1,434 service centers providing high quality after-sales service, and 141 refitting companies to provide truck refitting services to HDTs in the PRC.

International Business

In the first half of 2018, the presence of trade protectionism posed a major challenge to the recovering world economy.

During the Period, the Group's export volume of HDTs (including affiliated exports) was 19,005 units, representing an increase of 25.8% HoH. Export revenue (including affiliated exports) was RMB4,881 million, representing an increase of 20.4% HoH.

During the Period, the Group seized opportunities to expand international market, recording new high export volume. Both Africa and Southeast Asia & Oceania divisions recorded export orders of over 10,000 units, breaking their historical high records. Developments in potential regional markets made new progresses, with batch orders made from Chile and Russia. Seizing the opportunity of rapid development of infrastructure construction in "One Belt, One Road" initiative countries, the Group recorded significant sales growth in Central Asia. The Group maintained the leading position in the HDT export in China.

As at 30 June 2018, the Group had 106 primary distributor sales centers in over 60 countries and regions. Through cooperation with overseas distributors, the Group established 100 service outlets and 107 spare parts and accessory stores.

LIGHT DUTY TRUCKS SEGMENT

During the Period, the sales volume of the Group's LDTs increased by 25.8% HoH to 68,848 units, far exceeding the industry average of 16.2% HoH. Revenue from the LDTs segment increased to RMB5,859 million, representing an increase of 31.3% HoH. The segment profit margin was 3.8%, representing an increase of 1.4 percentage points.

The Ji'nan LDT division promoted complete value chain marketing and services to enhance network operation quality. Adhering to the market–centered strategy, the Ji'nan LDT division explored customer demands by closely studying end users. Project management model was promoted to identify user demands and target population, as well as to set segment market and product positioning, significantly improving the marketing and marketing management capabilities of the Ji'nan LDT division, resulting in breakthrough in sales volume. Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd ("Chengdu Wangpai Company") transformed its marketing model and promoted precise marketing for its distribution network to reach wider range of end users. Chengdu Wangpai Company also launched a "Quality Product" marketing model by market expansion and quality improvement. Sinotruk Fujian Haixi Vehicles Co., Ltd ("Fujian Haixi Company") implemented a market-oriented strategy and enhanced marketing channel management to steadily expand the market for its products. The market competitiveness of the products of Fujian Haixi Company was dramatically improved with the implementation of quality product project and optimization of product mix.

As of 30 June 2018, the Group had a total of 1,777 LDT dealerships (including 37 4S centers and 366 Sinotruk-branded dealerships), 2,012 service centers providing high quality after-sales service, and 40 refitting companies to provide truck refitting services to LDTs in the PRC.

ENGINES SEGMENT

During the Period, the sales volume of the engine segment increased by 10.7% HoH to 103,911 units. Segment revenue increased by 10.4% HoH to RMB8,152 million. External sales accounted for 9.7% of the segment revenue of engines, representing an increase of 2.2 percentage points HoH. The segment margin accounted for 18.1%, representing an increase of 1.9 percentage points HoH. The increase was due to large demand of engines resulting from significant increase in sales of the Group's HDTs and the increase of the ratio of sales of WD engines to all engines which have higher profit margin.

The Group is committed to research and development of engine technologies. The Group benchmarked its engine development with international standards, implemented strict quality controls, expanded the application of MAN engines technology and provided customers with high-tech products that are reliable and fuel-efficient. Aside from supplying engines for the Group's own production, the Group also sold engines to other heavy-duty truck, bus and construction machinery manufacturers.

FINANCE SEGMENT

During the Period, finance segment revenue was RMB694 million, representing an increase of 52.9% HoH, and segment external revenue was RMB456 million, representing an increase of 67.6% HoH. The segment profit margin was 62.7%, representing an increase of 19.1 percentage points HoH. The increase was mainly due to vigorous development of automobile financing and supply chain financing and more income from management of liquid funds as well as the increase of capital base during the Period to reduce the cost of financing.

The Group continued to develop its innovative business model by boosting sales with financing services, and by taking full advantage of national policies and its experienced auto financing services platform. The Group promoted consumer credit services to meet demand for truck financing, along with targeted marketing and emergency repair services to meet market demand so as to significantly boost the Group's truck sales. During the Period, the Group sold 15,364 trucks through its financing services, representing an increase of 46.2% HoH. The Group also actively expanded its profit growth areas, and provided supply chain financing which helped to optimize the allocation of funds and further enhance its profitability.

As at 30 June 2018, the Group has established 22 regional offices and extended its auto financing services business coverage to over 30 provinces, covering most parts of China, and further improved its auto financing services network.

PRINCIPAL RISKS AND SOLUTIONS

The Group continuously improves the risk management system and defines major risks with a risk assessment mechanism and develops corresponding plans to manage principal risks. As the internal and external environment changes, the risks faced by the Group will also change. The Group enhances its risk management control ability by monitoring the changes in these principal risks and timely adjusting the relevant risk management plans.

The principal risks the Group faced and the mitigation measures adopted during the Period are:

1. Quality Risks:

    During the products and services life cycle, the quality of the products and services designed, produced, sold and provided by the Group shall face uncertainty which may bring negative effects and impact on the competitiveness and reputation of the Group.

    Mitigation Measures:

    - Rigorously implementing a quality improvement system focusing on quality responsibilities, strictly implementing the quality performance assessments, defining key leaders of the business units from design and production departments being the first person responsible for the quality issues;
    - Strengthening quality checking in the manufacturing progress of products and provision for services, and improving the level of online testing;
    - Improving the alert system of the quality of the products and services, establishing a practical and operable after-sales service quality feedback system and contingency plans for quality issues;
    - Strengthening the quality of procurement of spare parts and components, and regularly communicating with suppliers;

- For quality issues that had significant impact on the Group, or that caused significant economic losses to the Group or its customers, immediately reporting to the relevant person and superior organization in charge according to relevant regulations, formulating quality issues solutions with the relevant business units or customers and thus minimizing the loss of the Group and the customers brought by the quality issues; clarifying the facts through a press conference, announcement or other forms in a timely manner to minimize negative impact on the Group's reputation;

- Preparing reports for any quality issues according to the time, place, causes, loss and results, penalizing the units causing the quality issues according to relevant regulations and educating them to avoid the re-occurrence; and

- Implementing the Follow up of Quality Issues policy「質量回頭看」to review past quality issues, analyzing the causes from technical aspect and production management level, develop correction and prevention actions plans, and having a third party to carry out supervision and reviewing the follow up of quality issues.

For details of the warranty expenses, please refer to the paragraph headed "DISTRIBUTION COSTS" under "FINANCIAL REVIEW".

2. Foreign Exchange Risks:

Currently, the Group's international trades are transacted in USD or Euro. If there are any significant exchange rate fluctuations of RMB against these currencies, the Group may face the uncertainty not existed when subject to fixed exchange rates. The Group could be exposed to foreign exchange losses leading to a decline in investment income.

Mitigation Measures:

- Selecting a favorable invoicing currency, such as RMB as the settlement currency if conditions permit amid the internationalization process of RMB;

- For high foreign exchange risk business, providing a foreign exchange fluctuation protection mechanism in the sales contracts to safeguard the interests of the customers and the Group;
- Arranging for advance or delayed foreign exchange settlement through reasonable settlement methods;
- Utilizing foreign currency denominated financing to hedge foreign exchange risks associated with currency income receipts; and
- Using financial derivatives to lock in applicable exchange rates and hedge against foreign exchange risks

For the impacts of foreign exchange risks, please refer to the paragraph headed "FINANCIAL MANAGEMENT AND POLICY" under "FINANCIAL REVIEW".

3. Overseas Market Risk:

The Group is at risk of uncontrollable events of overseas markets, such as changes in government, wars, riots and economic crises, which can cause devaluation of local currencies of these markets, unregulated market chaos and deteriorated social security brought by domestic political instability. These events can cause debtors to refuse or to be unable to pay their debts, thus causing the Group to suffer economic losses from trading with such countries.

Mitigation Measures:

- Keeping in touch with embassies and consulates in relevant countries where the Group exports products to, as well as Chinese-funded or European and American financial institutions, collecting relevant information through their official and professional channels and collecting information on political situations, social stability and other relevant news for countries where the Group exports through various means, such as newspapers, television, and the Internet;

- Making full use of publications such as “The Handbook of Country Risk” and other risk reports issued by authoritative institutions to improve the Group’s knowledge of the political and economic changes and to evaluate product demand; and

- For importing countries experiencing political turmoil, seeking large international banks with high credibility to endorse letters of credit and requiring for export credit insurance.

For the operations of overseas market, please refer to the paragraph headed “INTERNATIONAL BUSINESS” under “HEAVY DUTY TRACKS SEGMENT”.

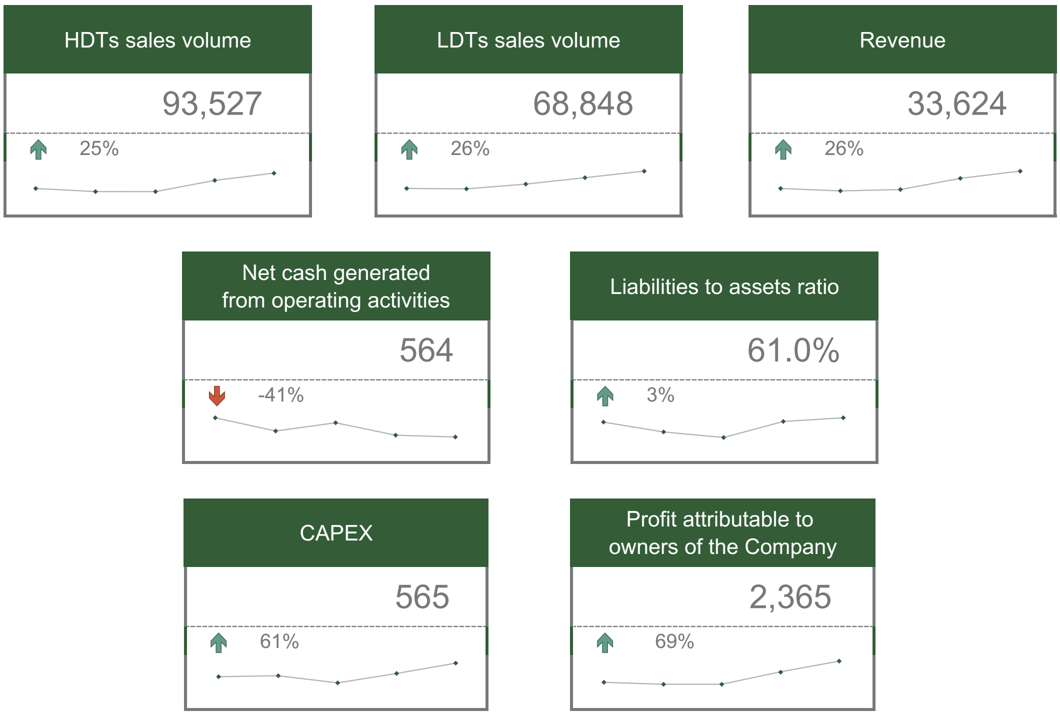
KEY PERFORMANCE INDICATORS

(All amounts of the indicators in RMB million unless otherwise stated)

Directors focus on the sustainability and continuing development of the Group and interests of the Shareholders. Directors use financial and non-financial measures as benchmarks and assist to make assessments and decisions. Sales volume of HDTs and LDTs as well as revenue show actual operating results and performance. Cash is essential for survival and net cash generated from operating activities provides insight how much cash to be generated from ongoing operating activities. Liabilities to assets ratio shows the management how to balance the use of equity and debts financing when maintaining the Group’s liquidity. Capital expenditure (“CAPEX”) provides information for medium to long term development of the Group. Profit attributable to owners of the Company provides the return to the Shareholders for the current reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS — REVIEW OF OPERATIONS (continued)

The following charts and table present these key performance indicators for the six months ended 30 June of the following years:



Key performance indicators	2018	2017	2016	2015	2014
HDTs sales volume	93,527	74,792	42,937	43,157	51,130
LDTs sales volume	68,848	54,739	40,111	27,522	27,830
Revenue	33,624	26,626	15,331	14,258	16,746
Net cash generated from operating activities	564	964	3,082	1,716	3,906
Liabilities to assets ratio	61.0%	59.4%	51.6%	54.5%	58.7%
CAPEX	565	350	205	320	306
Profit attributable to owners of the Company	2,365	1,400	243	238	322

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES AND OTHERS

The Group adheres to Producing Quality Products with Integrity and Selling Quality Products to Market「用人品打造精品, 用精品奉獻社會」 as the core values of the Group. The Group promotes its safety and corporate social responsibility ideas while learning from advanced upstream and downstream supply chain enterprises, to promote continuous improvement for supply chain enterprises and achieve its social responsibilities in environmental protection, safety and health sectors.

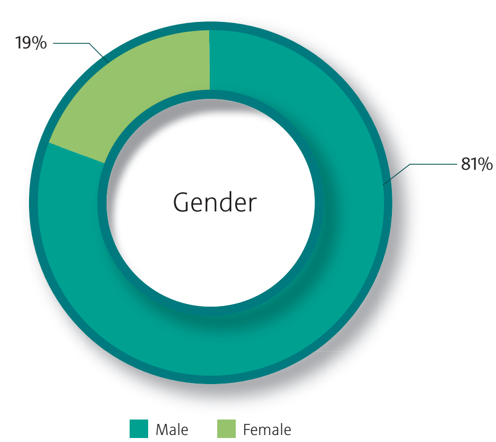
The Group strives to provide its customers with comprehensive services and formulated a Service Manual「親人服務手冊」to establish a service brand 「親人」. The Group established a three-level service system consisting of customer service centers, regional dealers and special service stations, set up a 24-hour 400 service hotline and launched the Smart Sinotruk app 「智慧重汽」to manage customer complaints and feedback. The Group also established the Customer Satisfaction Survey and Analysis Procedure「顧客滿意度調查分析程序」 to conduct annual customer satisfaction surveys and get an in-depth understanding of customer feedback, which are ultimately used in the preparation of the satisfaction survey research and analysis evaluation report.

Supply chain is a critical part of our operations. Our suppliers must meet our selection criteria, which include safety, cost and delivery. Our selection criteria of suppliers are also based on their reliability and quality of products, and with whom we can build long-term relationships.

The Group considers its employees as the most valuable asset of the enterprise. The Group provides a complete career path, ensures the safety of employees, and provides trainings to help intertwine employees' personal growth with enterprise development. The Group insists on rewarding based on efforts, and focuses on efficiency and fairness in formulating the Positions, Performances and Wages System 「崗位績效工資制度」, which performs as a comprehensive staff remuneration system, providing competitive wages and remuneration to our staff members. The Group formulated Administrative Measures for Reporting and Payment of Social Insurance Premiums「社會保險費申報繳納管理辦法」to make reporting and payments for basic pension insurance, basic medical insurance, unemployment insurance, industrial injury insurance premiums, maternity insurance and other social insurances. In addition, the Group provides free health examination for newly recruited employees, and high-temperature and lunch subsidies for all employees. Also, the Group adopts the Recruitment and Management Methods of Personnel of the Supervisor-grades 《主管級人員聘任管理辦法》 and nominates supervisor-grade personnel through methods including public recruitment and appointment. The Group also adopts the Implementation of Promotion Management of Non-leadership Positions at Level 8 and above《非領導職務八崗及以上崗位晉升管理實施辦法》, which provides another promotion path for staff who are not in leadership positions.

As at 30 June 2018, the Group had a total of 24,831 employees which are classified by function and gender as follows:

	Number of employees	%
Management team	215	0.87
Technical staff	2,734	11.01
Research and development staff	923	3.72
Production staff	15,377	61.93
Sales staff	1,610	6.48
Marketing staff	217	0.87
Administrative staff	3,755	15.12
Total	24,831	100.00



ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

The Group's global operations require strict compliance with laws, social norms, code of professional ethics and internal regulations. The laws and regulations that have a significant impact on the operations of the Group include but not limited to Company Law of the PRC (《中華人民共和國公司法》), Contract Law of the PRC (《中華人民共和國合同法》), Labor Law of the PRC (《中華人民共和國勞動法》), Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), Product Quality Law of the PRC (《中華人民共和國產品質量法》), Administration Measures on the Manufacture Consistency of Motor Vehicles Manufacturing Enterprise and Products (《車輛生產企業及產品生產一致性監督管理辦法》), Regulations on Recall of Defective Automobile Products (《缺陷汽車產品召回管理條例》), Trademark Law of the PRC (《中華人民共和國商標法》), Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and Production Safety Law of the PRC (《中華人民共和國安全生產法》). At the same time, the Group publishes Regulation Bulletin「法治簡報」on a monthly basis to continue following up on related law and regulation updates. In the manufacturing process of products, engines and other parts and components of vehicles, the Group strictly complies with the requirements stipulated in Product Quality Law of the PRC (《中華人民共和國產品質量法》), Administration Measures on the Manufacture Consistency of Motor Vehicles Manufacturing Enterprise and Products (《車輛生產企業及產品生產一致性監督管理辦法》), Regulations on Recall of Defective Automobile Products (《缺陷汽車產品召回管理條例》), to ensure that the production and sales of automotive products continue to meet mandatory standards and regulatory requirements. The Group controls product quality in a timely manner and actively take corrective and preventive measures so as to safeguard the interests of customers.

In respect of employee management, the Group effectively protects employees' legal rights and interests by complying with the applicable laws and regulations, including Labor Law of the PRC (《中華人民共和國勞動法》), Contract Law of the PRC (《中華人民共和國合同法》) and Implementation Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》).

MANAGEMENT DISCUSSION AND ANALYSIS — REVIEW OF OPERATIONS (continued)

In respect of environmental protection, the Group strictly observes Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Conserving Energy Law of the PRC (《中華人民共和國節約能源法》), Water Law of the PRC (《中華人民共和國水法》), Prevention and Control of Environmental Noise Pollution Law of the PRC (《中華人民共和國環境噪聲污染防治法》), Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC (《中華人民共和國固體廢棄物污染環境防治法》) and other relevant environmental protection laws and regulations on the national, provincial and municipal levels.

During the Period, as far as the Company is aware, there was no material breaches or non-compliances with applicable laws and regulations by the Group, which had a significant impact on the business and operations of the Group.

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

BUSINESS STRATEGIES AND PROSPECTS

Looking forward to the second half of 2018, with regard to the world economy, the global economic recovery has continued since 2017, but the rising international trade protectionism, Sino-US trade frictions and other factors will still bring uncertainty to economic development. In terms of the domestic economy, the GDP growth rate in the first half of the year was 6.8%, and has remained in the range of 6.7%-6.9% for 12 consecutive quarters. On 31 July 2018, the PRC Government analyzed the current economic situation and pointed out that the current economic operation has remained steady, but underwent some negative changes, some new problems and new challenges also emerged, with the external environment having undergone significant changes, therefore, promoting high-quality development will be a tough task. For the HDT industry, the State Council issued the “Three-Year Plan On Defending the Blue Sky” which clarified the timetable for switching to China VI Emission Standard. In January 2019, some cities will implement the China VI Emission Standard in advance. Overall, it is expected that the HDT market will have greater uncertainty in the second half of 2018, the overall demand will fall, and the competition will be more intense. Under this situation, the Group will focus on the following tasks:

1. Seizing the market opportunities, continuing to carry out innovation of marketing models, adjusting product structure in a scientific way, in order to gradually improve the capabilities of expanding in domestic market.

   We will continue to push forward the innovation of marketing and service models, actively explore ways to achieve new breakthroughs in online and offline cooperation between those enterprises on “Internet + Logistics” platforms and the distributors, and vigorously carry out cooperation with “Non-Truck Operator Common Carrier (NTOCC)” enterprises. We will try to seize the opportunities around the replacement of the China III Emission Standard vehicles in the new round of market changes. Relying on the smart heavy truck and intelligent communication platform, the data service will be fully developed to enhance the user experience. We will focus on optimizing product structure, scientifically plan market segments, aim at opportunities brought by the tractor sector which are now transforming in the direction of high-powered economy type, in order to vigorously promote high-powered affordable-luxury tractors. We will seriously conduct the research and development for product seriation, optimization and upgrading of gas vehicles, make greater efforts to promote and market MT13 engines. We will focus our efforts on expanding the LDT product chain, conduct product research and development according to high standards, vigorously carry out R&D for LDTs which meet China VI Emission Standards, and speed up product trial and verification.

2. Making efforts to improve the strategic layout of business internationalization, seizing the opportunity created by the “One Belt, One Road” initiative, deepening the explorations in overseas market, and striving to meet international needs in the new era.

   We will continue to push forward the set up of overseas production bases, reduce export costs, enhance our ability to cover different markets, improve the deployment of overseas after-sales service outlets, guarantee spare parts supply and after-sales technical support and seek to achieve business breakthroughs in Central Asia and South Africa. We will aim at the goal of continuous large-scale sales and long-term market share, strengthen the cultivation and maintenance of the distribution system. We will also create targeted classic truck models and strive to cultivate more markets with sustainability.

3. Implementing the quality improvement plan and continuously strengthening quality system management.

   We will try our best to achieve satisfactory results in all aspects related to the operation of quality management system, continuously improve management measures, ensure the goal of expected improvement is met, and continue to push forward the special rectification plan for premium truck models and assembly parts, so as to improve product quality.

MANAGEMENT DISCUSSION AND ANALYSIS — FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period recorded RMB33,624 million, representing an increase of RMB6,998 million or 26.3% HoH. The increase in the revenue is primarily attributable to the respective increase of sales volume of HDTs and LDTs by 25.0% and 25.8% and the optimization of sales mix.

The Group's gross profit for the Period was RMB6,071 million, representing an increase of RMB1,214 million or 25.0% HoH. Gross profit margin for the Period decreased by 0.1 percentage point to 18.1% (gross profit divided by revenue). The decrease in gross profit margin for the Period was mainly due to the increase in materials costs, certain transportation expenses classified as cost of sales, and the changes of sales mix. With the adoption of new accounting standards, transportation costs at the amount of approximately RMB155 million are classified as cost of sales instead of distribution costs during the Period.

DISTRIBUTION COSTS

Distribution costs for the Period was RMB1,715 million, representing an increase of RMB56 million or 3.4% HoH. The increase primarily resulted from the increase in warranty expenses, transportation expenses and employee remuneration. During the Period, distribution costs to sales and service income of trucks and engines ratio was 5.2%, representing a decrease of 1.1%. The decrease in the ratio is mainly due to the increase of warranty expenses and transportation expenses being 2.5% and 0.7% HoH respectively which is lower than the increase of sales and services income of trucks and engines at 25.9% HoH.

Warranty expenses accounted for 1.9% of revenue of trucks and engines for the Period, representing a decrease of 0.4 percentage points. The decrease was mainly due to the improvement of the products quality which resulted in less warranty claims during the Period.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB1,524 million, representing an increase of RMB138 million or 10.0% HoH. The increase was mainly due to increase in research and development costs and employee remuneration. During the Period, administrative expenses to revenue ratio was 4.5%, representing a decrease of 0.7 percentage points. The decrease in the ratio is mainly due to the stringent controls over administrative expenses which resulted in the growth of administrative expense slower when compared to the growth of sales revenue.

OTHER GAINS - NET

Net other gains for the Period was RMB284 million, representing an increase of RMB113 million or 66.1% HoH. The increase was mainly due to the increase in various types of income from wealth management products and gains on disposal of assets classified as held for sale.

FINANCE INCOME/(COSTS) – NET

Net finance income for the Period was RMB2 million while it was net finance costs in last year same period, representing an increase of RMB114 million in net finance increase. The increase was mainly due to the significant reduction of interest costs by RMB50 million in line with the decrease in borrowing scale, increase in interest income from bank deposits by RMB21 million and increase in net foreign exchange gains by RMB40 million.

SHARE OF PROFITS LESS LOSSES OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The net profit of investments accounted for using the equity method for the Period was RMB61 million, representing an increase of profit of RMB41 million. The increase was mainly due to the increase of profit from the group of Prinx (Cayman) Holdings Limited.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB619 million, representing an increase of RMB297 million or 92.2% HoH. The increase was due to the significant increase in profit before income tax.

PROFIT FOR THE PERIOD AND BASIC EARNINGS PER SHARE

Profit for the Period was RMB2,560 million, representing an increase of RMB992 million or 63.3% HoH. During the Period, operating profit ratio (operating profit divided by revenue) was 9.3% (2017: 7.4%) while net profit ratio (profit divided by revenue) was 7.6% (2017: 5.9%). Profit attributable to owners of the Company for the Period was RMB2,365 million, representing an increase of RMB965 million or 68.9% HoH. The basic earnings per share attributable to owners of the Company for the Period was RMB0.86, representing an increase of RMB0.35 or 68.6% HoH.

TRADE AND FINANCING RECEIVABLES

As at 30 June 2018, the trade receivables including related parties trade receivables were RMB6,999 million, compared to the balance as at 31 December 2017, representing an increase of RMB1,873 million or 36.5%. As 30 June 2018, notes acceptance at the amount of RMB4,501 million was not classified as trade receivables under the new financial report standards.

The trade receivables turnover (average trade receivables including related parties trade receivables divided by revenue multiplied by 181 days) for the Period was 33.1 days (2017 calculated under new financial report standards: 49.8 days), representing a decrease of 33.5% HoH and was still within the Group's credit policies which are from three to twelve months to the customers.

As at 30 June 2018, the trade receivables including related parties trade receivables aged not more than twelve months were RMB6,895 million or 98.5% of all trade receivables including related parties trade receivables.

At 30 June 2018, notes receivables received from trading and bills discounting services at the amount of RMB4,503 million (classified as financial assets either at amortised cost or at fair value through other comprehensive income) aged not more than 1 year.

As at 30 June 2018, the financing receivables was RMB9,010 million, compared to the balance as at 31 December 2017, representing an increase of RMB1,925 million or 27.2%. The finance segment of the Group has granted credit period generally from one year to three years. In addition, the auto financing services receivables are secured by the vehicles together with guarantees provided by the dealers and/or relevant parties while suppliers financing receivables are mainly secured by the beneficial owners of these applicants of financing services. The Group reviews the repayment progress of key customers or customers with higher risk of default in repayment on monthly basis and assesses impairment loss by reference to their business, actual repayment information and other assessments.

During the Period, Ji'nan Truck Company had made loss allowance of trade receivables for 2 trade debtors which resulted the decrease in the net profit by the amount of approximately RMB112.8 million.

TRADE PAYABLES

As at 30 June 2018, the trade payables including related parties trade payables were RMB24,688 million, compared to the balance as at 31 December 2017, representing an increase of RMB2,251 million or 10.0%.

The trade payables turnover (average trade payables including related parties trade payables divided by costs of sales of trucks and engines segments multiplied by 181 days) for the Period was 155.0 days (2017: 162.1 days), representing a decrease of 4.4% HoH.

CASH FLOW

Net cash inflow from operating activities for the Period was RMB564 million, compared with net cash inflow in last year same period, representing a decrease of cash inflow by RMB400 million or 41.5% HoH. The net cash inflow from operating activities for the Period decreased because of the increase in payment of income tax.

Net cash inflow generated from investing activities for the Period was RMB1,598 million, compared with cash outflow in last year same period, representing an increase of cash inflow of RMB3,589 million. The increase was mainly due to the receipts of the proceeds from the liquidation of and maturity of large amount of financial products and wealth management products during the Period.

Cash outflow from financing activities for the Period was RMB377 million, compared with the cash inflow in last year same period, representing an increase of cash outflow of RMB2,321 million. During the Period, in addition to the payment of dividends to non-controlling interests, the Group further cut its bank borrowings by RMB205 million while increased its bank borrowing by RMB2,195 million in last year same period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, the Group had cash and cash equivalents of RMB11,656 million and unrestricted bank acceptance notes of RMB4,503 million. Cash and cash equivalents increased and unrestricted bank acceptance notes increased by RMB1,816 million and RMB1,821 million respectively as compared with these balances of the beginning of 2018. The Group's total borrowings (including long-term and short-term borrowings as well as borrowings from the related parties) were about RMB4,021 million as at 30 June 2018. Its gearing ratio (total borrowings divided by total assets) was 6.0% (31 December 2017: 6.6%). As at 30 June 2018, current ratio (total current assets divided by total current liabilities) was 1.2 (31 December 2017: 1.3).

As at 30 June 2018, all borrowings were denominated in RMB (31 December 2017: all in RMB) and most of the borrowings are charged with reference to bank's preferential floating rates and were due within one year. The maturity profile of all borrowings were:

	As at 30 June 2018	As at 31 December 2017
Repayable within one year	**RMB4,021 million**	RMB4,026 million

As at 30 June 2018, owner's consolidated equity of the Company was RMB26,172 million, representing an increase of RMB741 million or 2.9% when compared the balance as at 31 December 2017.

As at 30 June 2018, the Company's market capitalisation was RMB30,075 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD12.92 per Share and at the exchange rate of 1: 0.84310 between HKD and RMB).

As at 30 June 2018, total available credit facilities of the Group from the banks amounted to RMB31,613 million, of which RMB7,002 million had been utilized (31 December 2017: RMB5,400 million); an aggregate amount of RMB888 million (31 December 2017: RMB467 million) of security deposits and restricted bank deposits was pledged to secure various credit facilities. In addition, the finance segment has made mandatory deposits of RMB1,691 million to PBOC for its financial operations. The Group meets its daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, utilization of banking facilities and issuance of bills such as short-term commercial acceptance notes and bank acceptance notes.

SIGNIFICANT INVESTMENTS

Investments in Subsidiaries

During the Period, the Group had completed the capital injection at the amount of RMB957.2 million to HOWO Auto Finance Company and increased its equity interest in HOWO Auto Finance Company from 50% to approximately 82.15%. Details of the capital injection were disclosed in the Company's announcement dated 1 March 2018.

External Securities Investments

The Group's securities investments are classified into long-term equity investments for the Group's business operations and short-term securities investment for trading purposes. As at 30 June 2018, the long-term equity investments and short-term equity investments amounted to RMB555 million and RMB123 million respectively, representing 0.8% and 0.2% of the total assets respectively. Long-term equity investments are investments accounted for using the equity method and equity investment in financial assets at fair value through other comprehensive income and profit or loss. Equity investment in financial assets are mainly unlisted equity investment and the amount involved was not material to the Group's assets. Short-term equity investments are used by the Group to manage liquidity and increase income, and mainly consists of listed securities investment in Hong Kong and Shanghai and their fair values kept changing from time to time depending on but not limit to their operation results, economic situations and stock markets sentiments.

Performance and details of investments accounted for using the equity method are disclosed in the section headed "Share of profits less losses of investments accounted for using the equity method".

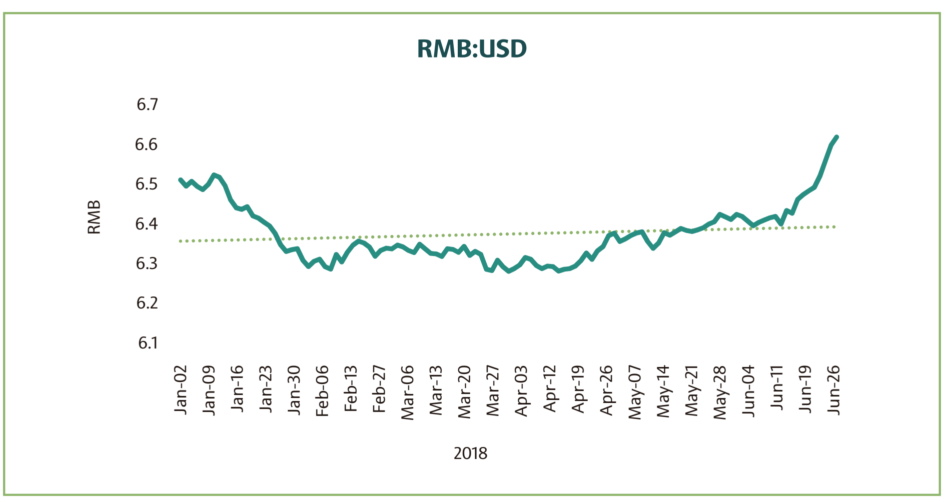
CHARGES ON GROUP ASSETS

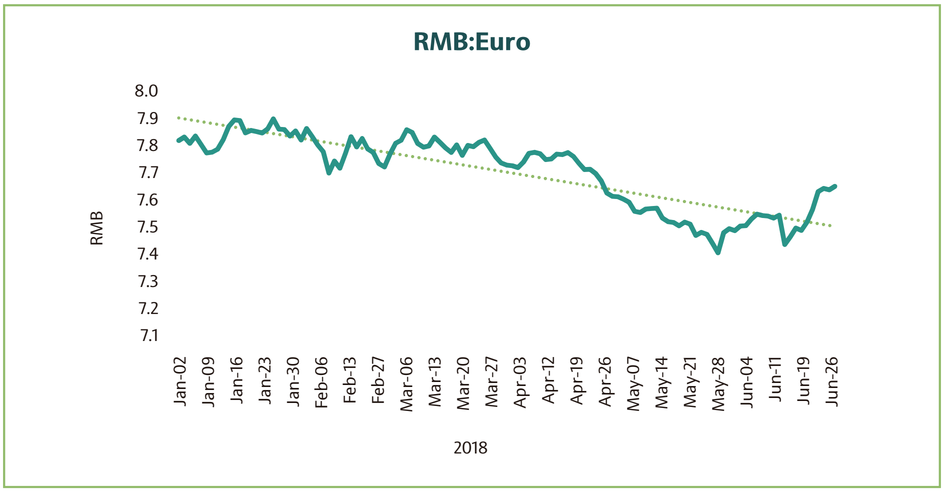
Save as disclosed, as at 30 June 2018, there were no assets of the Group being pledged to secure credit facilities (31 December 2017: nil).

FINANCIAL MANAGEMENT AND POLICY

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

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





Central parity rates of RMB was depreciated against USD by 1.3% and appreciated against Euro by 1.9% in the PRC when compared these exchanges rates as at 29 December 2017 and 29 June 2018. During the Period, the central parity rates of RMB against USD experienced different trends including the appreciation against USD at the beginning of the Period but depreciation against USD in June 2018 while the central parity rates of RMB against Euro appreciated.

As at 30 June 2018, most of the Group's assets and liabilities were denominated in RMB, except for cash and bank deposits which in total were equivalent to approximately RMB2,195 million, financial assets at fair value through profit or loss of approximately RMB122 million, accounts receivable and other receivable of approximately RMB2,228 million, accounts and other payables of approximately RMB163 million, all of which were denominated in currencies other than RMB.

During the Period, the Group recorded foreign exchange losses at RMB30 million in operating profit but was offset by foreign exchange gains at RMB30 million in finance costs. The potential foreign exchange impacts to the USD and Euro denominated net assets of the Group as at 30 June 2018 are:

	USD denominated net assets	**Euro denominated net assets**
5% strength/ weakness by RMB	Loss/Gain before tax of RMB186 million	Loss/Gain before tax of RMB10 million

GOING CONCERN

Based on the current financial forecast and the funding that can be utilized, the Group will have sufficient financial resources to continue its operations. 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 material adverse effect on the Group's financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB88 million. There was no provision for legal claims as at 30 June 2018.

SUBSEQUENT EVENTS

In August 2018, Sinotruk Ji'nan Power Co., Ltd., a wholly-owned subsidiary of the Company, and Beijing Changjiu Logistics Co. Ltd. entered into an agreement to set up Shandong Changjiu Sinotruk Logistics Co., Ltd. for the primary purpose of providing the premier delivery services in respect of the Group's products. Sinotruk Ji'nan Power Co., Ltd. and Beijing Changjiu Logistics Co. Ltd. will inject RMB5 million and RMB15 million in cash for 25% and 75% equity of Shandong Changjiu Sinotruk Logistics Co., Ltd. respectively.

Disclaimer

Non-GAAP (non generally accepted accounting principles) measures

Certain non-GAAP 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.

OTHER INFORMATION

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 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 as the Board takes up all functions of nomination committee as required under the Listing Rules.

The Board is responsible for reviewing its structure, size, composition (including the skills, knowledge and experience) and diversity regularly and making any changes to complement the Company's corporate strategy, including the selection of individuals nominated for directorships, the appointment or re-appointment of Directors, succession planning for Directors and accessing the independence of independent non-executive Directors.

Directors' Securities Transactions

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

Dividends

The Board does not propose the declaration of any interim dividends for the six months ended 30 June 2018.

Review of Interim Results

This unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2018 has been reviewed by the Audit Committee and by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

Past Performance and Forward-Looking Statements

The performance and the results of operations of the Group contained in this report 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 report 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 report; 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

The Company has not redeemed any of its Shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any Shares during the Period.

Communications with Shareholders

The Company considers that active communications with investors are important and provides reports with transparency and clarity in disclosures. Any significant events fall to be disclosed will be published in a timely, accurate and complete manner through the website of the Company and HKExnews, the website of Hong

Kong Exchanges and Clearing Limited, so as to safeguard shareholders' rights of information and participation. Ji'nan Truck Company publishes its announcements in the website of Shenzhen Stock Exchange as required by the regulations. The Company announces the latest financial information of Ji'nan Truck Company from time to time in the website of the Company and HKExnews.

The securities department of the Company is responsible for promoting investor relations actively for increased communications and ensuring that the investors are able to obtain information about the Group on a fair and timely basis to assist them in making the best investment decisions. For cultivating good relationship with shareholders and potential investors, the Company had participated in a number of one-on-one meetings, investors' conferences, road shows and production plants visits during the Period. Analysts and fund managers may enrich their knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company at www.sinotruk.com for the latest information available in respect of the Group including information on the financial conditions and the business developments.

The 2018 AGM was successfully held on 27 June 2018 where certain members of the Board and external auditors were present and communicated with the Shareholders.

Constitutional Documents

There has been no changes in the Articles during the Period.

Publication of the 2018 Interim Results and the Interim Report

The interim results announcement for the six months ended 30 June 2018 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinotruk.com). The interim report for the six months ended 30 June 2018 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:

"AGM"	the annual general meeting of the Company or any adjournment thereof
"Articles"	the articles of association of the Company, as amended, supplemented, modified or otherwise adopted from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CAAM"	China Association of Automobile Manufacturers
"China" or "PRC"	the People's Republic of China, and for the purpose of this annual report, excludes 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 company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"or "Sinotruk"	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the securities of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"Euro"	the lawful currency of the European Union
"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
"HoH"	the Period over the six months ended 30 June 2017
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HOWO Auto Finance Company"	山東豪沃汽車金融有限公司 (ShanDong HOWO Auto Finance Co., Ltd.), a company established under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company

"Ji'nan Truck Company"	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji'nan Truck Co., Ltd.), a joint stock company 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
"PBOC"	The Peoples' Bank of China
"Period"	the six months ended 30 June 2018
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange in the PRC

"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 whether incorporated in Hong Kong or elsewhere and "Subsidiaries" shall be construed accordingly
"USD"	United States dollars, the lawful currency of the United States of America
"%"	per cent

By order of the Board
Sinotruk (Hong Kong) Limited
Wang Bozhi
Chairman

Beijing, PRC, 31 August 2018

As at the date of this announcement, the Board consists of seven executive directors of the Company including Mr. Wang Bozhi, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei and Mr. Liu Peimin; two non-executive directors of the Company including Mr. Andreas Hermann Renschler and Mr. Joachim Gerhard Drees; and six independent non-executive directors of the Company including Dr. Lin Zhijun, Mr. Chen Zheng, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing.