



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



Every **Step** Counts
for **Success**

Interim Report

09

Group Profile

Sinotruk (Hong Kong) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) primarily specializes in the research, development and manufacturing of heavy duty trucks and related key components and parts. Headquarter and main production bases of the Group are located in Jinan, the capital of Shandong Province in the People’s Republic of China (“PRC”). The predecessor to our parent company, China National Heavy Duty Truck Group Co., Ltd. (“CNHTC” or “Parent Company”) was the first domestic manufacturer of heavy duty trucks in the PRC and built China’s first heavy duty truck in 1960. The Group, together with the Parent Company, remains the largest manufacturer of heavy duty trucks in the PRC in terms of sales volume.

The products of the Group include trucks and chassis with gross vehicle weight over 14 tons, semi-tractor trucks with trailing capacity of over 12 tons, tippers and various specialty truck chassis. The Group is one of the heavy duty truck manufacturers in the PRC which offer the most complete range of power transmission systems and the most diversified trailing capacities heavy duty trucks. The Group’s heavy duty truck products serve an extensive customer base in infrastructure, construction, container transportation, logistics, mining, steel and chemical industries. The Group has been recognized as the first batch of the National Truck Export Base Enterprise by National Development and Reform Commission and Ministry of Commerce of the PRC. The Group assembles heavy duty trucks with own manufactured key components including engines, cabins, axles and gear boxes. The Group also possesses own research and development and manufacturing capabilities and is the most complete truck manufacturer. The Group’s engines are not only for own use but also for sales to third parties for use in trucks, engineering and construction machinery.

Through years of efforts, the Group has acquired remarkable market network advantages, product advantages, technological advantages and cost advantages, and has established its corporate culture concepts with unique characteristics. The Group’s development target is to become an internationally renowned and domestically irreplaceable production base for heavy duty trucks. In order to realize the target, the Group insists on the implementation of four major strategies, i.e., internationalization strategy, technologically leading strategy, high quality at low cost strategy and regionalization strategy, thereby to achieve the internationalization of products, markets, capital, mechanism, brand name and expertise. The Group also pursues the maximization of corporate and social efficiency and builds an internationalized enterprise with the most proprietary innovation capability, core competitiveness and sustainable development.



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Corporate Information

DIRECTORS

Executive Directors:

Ma Chunji (Chairman)
Cai Dong (President)
Wang Haotao (Vice President)
Wei Zhihai (Vice President)
Wang Guangxi (Vice President)
Tong Jingen (Chief economist)
Wang Shanpo (Chief engineer)

Independent Non-executive Directors:

Shao Qihui
Lin Zhijun
Ouyang Minggao
Hu Zhenghuan
Chen Zheng
Li Xianyun

COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

Tong Jingen
Kwok Ka Yiu

LEGAL ADVISERS

Hong Kong
Sidley Austin

PRC

DeHeng Law Offices

AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Units 2102-2103
China Merchants Tower
Shun Tak Center
168-200 Connaught Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

165 Yingxiangshan Road
Jinan, Shandong Province
China
Postal code: 250002

COMPANY WEBSITE

www.sinotruk.com

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

STOCK CODE

3808

EXECUTIVE COMMITTEE

Ma Chunji (Chairman)
Cai Dong
Wang Haotao
Wei Zhihai
Wang Guangxi
Tong Jingen
Wang Shanpo

STRATEGY AND INVESTMENT COMMITTEE

Ma Chunji (Chairman)
Cai Dong
Shao Qihui
Ouyang Minggao
Hu Zhenghuan
Wang Haotao
Wang Shanpo

REMUNERATION COMMITTEE

Chen Zheng (Chairman)
Lin Zhijun
Li Xianyun
Wei Zhihai
Tong Jingen

AUDIT COMMITTEE

Lin Zhijun (Chairman)
Ouyang Minggao
Chen Zheng
Wang Guangxi
Tong Jingen

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Ltd. - Jinan Branch,
Tianqiao Sub-branch
Bank of China Limited - Jinan Branch
Agricultural Bank of China Limited- Jinan Branch, Huaiyin Sub-branch
China Construction Bank Corporation - Jinan Branch, Tianqiao Sub-branch

INVESTORS RELATIONS

SECURITIES DEPARTMENT

China: Tel (86) 531 8866 3808
Fax (86) 531 8558 2545
Hong Kong: Tel (852) 3102 3808
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PUBLIC RELATIONS CONSULTANT

Christensen
Tel (852) 2117 0861
Email: sinotruk@christensenir.com

Summary

HIGHLIGHTS

- Turnover decreased by 16.3% year on year to RMB14,160 million
- Heavy duty truck sales volume decreased by 21.4% year on year to 53,195 units
- Profit attributable to equity holders decreased by 39.8% year on year to RMB462 million
- Earnings per share decreased by 38.2% year on year to RMB0.21

KEY FIGURES

For the six months ended 30 June 2009

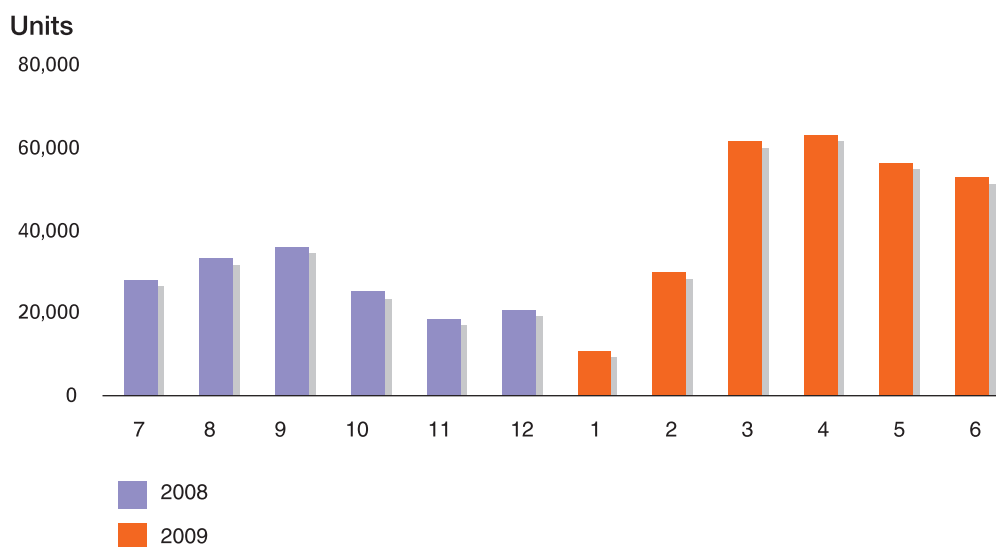
	2009	2008	Increase/ (Decrease)
Operating results (RMB million)			
Turnover	14,160	16,924	(2,764)
EBIT	894	1,396	(502)
Profit attributable to equity holders of the Company	462	768	(306)
Marginal profit/profitability			
Gross profit margin	13.0%	14.4%	(1.4%)
Operating profit margin	5.4%	7.4%	(2.0%)
Net profit margin	3.9%	5.7%	(1.8%)
Liquidity ratios			
Current ratio (time)	1.3	1.4	(0.1)
Inventory turnover (days)	86.1	54.1	32.0
Trade receivable turnover (days)	50.6	61.1	(10.5)
Trade payable turnover (days)	110.3	85.4	24.9
Per share data (RMB)			
EPS - basic	0.21	0.34	(0.13)
Share information (as at 30 June 2009)			
No. of issued shares (million)	2,162	2,275	(113)
Market capitalization (RMB million)	14,313	15,082	(769)

Management Discussion and Analysis

MARKET OVERVIEW

In the first half of 2009, the domestic economic growth slowed down as affected by the global economic recession. The Chinese government adopted active expansionary fiscal and moderately relaxed monetary policies to stimulate the country's economy and implemented large scale investment plans. As such, the China economy showed signs of gradual recovery after it bottomed at the beginning of the year. According to the National Bureau of Statistics, China's gross domestic product increased by 7.1% year on year in the first half of 2009. On the back of China's implementation of large-scale infrastructural projects and its economic recovery, the country's demand for heavy duty trucks recovered. The demand for heavy duty trucks for construction projects accounted for a higher proportion of the total demand. Since May 2009, the demand for cargo trucks rose again gradually. According to China Association of Automobile Manufacturers ("CAAM"), the heavy duty truck industry sold approximately 274,000 units of heavy duty truck (above 14 tons) in the first half of 2009, representing a year-on-year decline of approximately 28%.

Monthly Sales of China Heavy Duty Trucks from the Second Half of 2008 to the First Half of 2009



Source: China Association of Automobile Manufacturers

TRUCKS SEGMENT

In the period under review, the Group's heavy duty truck sales decreased 21.4% year on year to 53,195 units. Revenue from sales of trucks (including components and internal use) decreased 17.4% year on year to RMB13,229 million. The decrease was mainly attributable to the global financial crisis and the decline in the Group's total sale volume of trucks, particularly, the export of finished trucks.

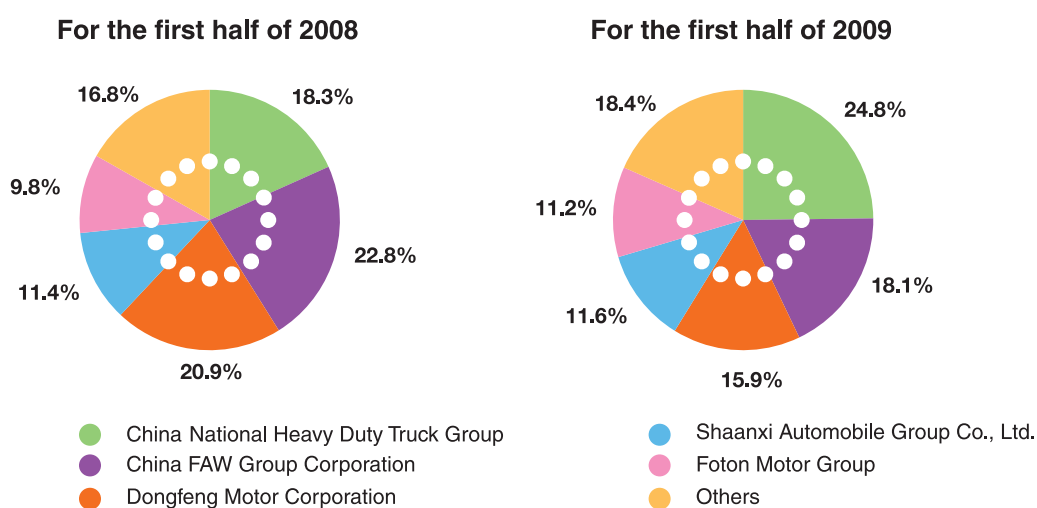
DOMESTIC BUSINESS

In the first quarter of 2009, the infrastructural investments initiated by government generated huge demand for construction use trucks such as tippers and cement mixers. As a result, the proportion of construction use trucks rose significantly. The Group was able to capitalize on this opportunity due to a series of advantages and resources, including its competitive advantages already built up in this niche market over many years, its production capacity expansion last year, and established network of sales and refitting business. As a result, the Group was able to increase its market share for construction use trucks. By March this year, the Group and its parent Company together sold a total of more than 18,000 units of heavy duty trucks, which was a record high for its monthly sales. The

Management Discussion and Analysis

Group outperformed the industry amid the slackening market. In the second quarter of this year, the demand for cargo trucks recovered, leading to the Group's continuous good sales of its construction trucks and the increased sales of its cargo trucks. According to CAAM, the Group and its Parent Company together still ranked first in terms of sales volume in the first half of 2009. They together sold 67,969 heavy duty trucks (above 14 tons), or 2.3% less than that in the same period last year which was still better than the industrial average decline of 28%. The combined market share by the Group and its Parent Company grew by 6.5 percentage points to 24.8%, maintaining its leading position in the domestic market.

The market share of heavy duty truck manufacturers in China for the first half of 2008 and the first half of 2009



Source: China Association of Automobile Manufacturers

In the first half of 2009, the Group continued to actively build up and improve its networks for sales, after-sales services, component provision and refitting, with emphasis on the establishment of 4S centers (independent shops that exclusively sells the Group's trucks and components, provide after-sales services and gather market intelligence) and Sinotruk brand franchise stores.

The Group has stepped up its efforts to introduce its new products into the market this year, and so has made greater efforts to raise the standards of the sales and after-sales services staff through more intensive training in respect of the new products. As a result, the efficiency of the sales and service network was raised.

As the government stepped up its efforts to invest in the infrastructural projects in the country's western region, the demand for heavy duty trucks continued to grow there in tandem. In order to beef up its capability for truck refitting and to consolidate and expand its market share in the country's western region, the Group established joint ventures such as Sinotruk Mianyang Special Vehicle Co., Ltd. (中國重汽集團綿陽專用汽車有限公司) and Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd. (中國重汽集團包頭新宏昌專用車有限公司), following its acquisition of Liuzhou Yunli Special Vehicle Co., Ltd. (柳州運力專用汽車有限公司) ("Liuzhou Yunli") and Hubei Huawei Special Vehicle Manufacturing Co., Ltd. (湖北華威專用汽車製造有限公司) ("Hubei Huawei"). The move will help to strengthen the Group's sales network and further increase its market share in the country's western region.

Management Discussion and Analysis

Presently, the Group has established a comprehensive sales service network that comprises of 807 distributors selling the Group's products in the country, including 153 4S centers, 154 shops under Sinotruk's own brand, 1,022 shops which provides quality after-sales services for users of the Group's products, and 494 shops which supplies the Group's components (including 41 component sales centres), and 225 refitting companies which provide services to the Group's customers.

INTERNATIONAL BUSINESS

In the first half of 2009, the global economy continued its slide and international trade fell sharply amid the aftermath of the global financial crisis of 2008. The international demand for heavy duty trucks remained sluggish. As such, China's heavy duty truck exports were seriously affected. The export sales of the Group also decreased significantly, resulting in a 59.1% year-on-year decline to 3,476 units of heavy duty truck in the first half of 2009. As the global economic downfall decelerates, the international demand for heavy duty trucks will recover. The Group will actively seek to boost its exports.

TECHNOLOGICAL UPGRADE AND PRODUCTION CAPACITY

In 2008, the group expanded its production capacity and carried out a technological and quality upgrade for production of finished trucks, engines, axles, gear boxes and cast and forged parts. As a result, the Group has more than 20 production lines for truck assembly and key parts and components, which are of advanced international standard with an annual production capacity of 150,000 trucks and 200,000 engines. In the second half of the year, the Group will carry out an overall technological reform as well as the technological upgrade of the key parts and components. The capital expenditure will mainly be spent on the relocation of production plants of Sinotruk Jinan Axles & Transportation Co., Ltd. and Hangzhou Automobile Engine Foundry Co., Ltd. The move will optimize the production chain to meet next year production needs.



Management Discussion and Analysis

CAPABILITY FOR RESEARCH AND DEVELOPMENT

The Group always sticks to its strategy of gaining competitive edge through technological innovation and continuously increases investment in enhancing capability for research and development as well as the product development. The Group has established a technological innovation system based on its technical center with the goal of developing new products and new production technology. As a result, the Group has enhanced its sustainable innovation capability. In the first half of 2009, the Group mainly focused on the research and development and technological upgrade of HOWO-A7 models, the 10-shift electronically mechanical automatic gear box and other key parts and components. Presently, the Group and its Parent Company have applied for 1,163 patents, among which 1,023 patents have been granted. The ranking of the Group and its Parent Company remains first in the PRC heavy duty truck industry in terms of the number of patents granted.



In February this year, the PRC Ministry of Science and Technology (國家科技部) approved the plan to establish the state-level research center for heavy duty truck production technology (“Research Center”) within the Group. The Research Center is the only state-level research center for heavy duty trucks in China. The establishment of the Research Center will provide support for the enhancement of the Group’s research and development capability and technological advancement. It will accelerate the research and development as well as the application of the most advanced heavy duty truck technology. It will also help to narrow the gap with the international standard, enhance the Group’s core competitive strength.

In the second half of the year, the Group will take great efforts to build its research and development base to boost its research and development capability and thus its core competitive strength for sustainable development.

ENGINES SEGMENT

During the period under review, sales volume of engine segment decreased by 3.7% to 68,995 units, and engine sales (including sales of components and internal consumption) increased by 9.2% to RMB4,279 million. External sales accounted for 22.7% of the Group’s engine sales.

Management Discussion and Analysis

FINANCE SEGMENT

During the period under review, external revenue of the Group's finance segment decreased by RMB23 million to RMB30 million, compared with RMB53 million recorded in the same period of 2008. The decrease was mainly due to cut in scale of bills discount business and decrease of bills discount rates.

SIGNIFICANT INVESTMENTS AND COOPERATIONS

In May 2009, Sinotruk Jinan Power Co., Ltd. (中國重汽集團濟南動力有限公司) ("Jinan Power") formed a joint venture, Sinotruk Mianyang Special Vehicle Co., Ltd. (中國重汽集團綿陽專用汽車有限公司), with Sichuan Fulin Industrial Group Co., Ltd. (四川富臨實業集團有限公司) and Mianyang Hi-tech Zone Heping Automobile Co., Ltd. (綿陽高新區和平車業有限公司) with a registered capital of RMB50 million. Jinan Power invested RMB30 million in the joint venture, accounting for 60% of the registered capital. Sinotruk Mianyang Special Vehicle Co., Ltd. will be principally engaged in production and sales of special and commercial vehicles and the related key parts and components.

In June 2009, Jinan Power formed a joint venture, Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd. (中國重汽集團包頭新宏昌專用車有限公司) with Sanhe City Xinhongchang Special Vehicle Co., Ltd. (三河市新宏昌專用車有限公司) with a registered capital of RMB50 million. Jinan Power invested RMB7.5 million in cash in the joint venture in July, accounting for 15% of the registered capital. Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd. will be principally engaged in production and sales of special and commercial vehicles and the related key components and parts as well as import and export business.

In July 2009, the Company entered into the cooperation agreements (the "Cooperation Agreements") with MAN SE, a renowned German industrial group with internationally leading truck technologies, among others, to form a long term strategic partnership involving capital investment and technology license. Under the Cooperation Agreements, the Company's controlling shareholder, Sinotruk (BVI) Limited, agreed to sell and MAN Finance and Holdings S.á.r.l. ("MAN"), a wholly-owned subsidiary of MAN SE, agreed to purchase 91,185,497 existing shares of the Company, and the Company agreed to issue and MAN agreed to subscribe the convertible note convertible into 599,062,839 new shares of the Company, with both the share purchase price and conversion price being approximately Euro 0.8113 (equivalent to approximately HK\$8.76) per share. Upon closing of the Cooperation Agreements and the full conversion of the convertible note, the Group's Parent Company will hold 51% of the then issued share capital of the Company through Sinotruk (BVI) Limited, while MAN SE will become a holder of 25% plus one share of the then issued shares of



Management Discussion and Analysis

the Company through MAN. Subject to the terms and conditions of the Cooperation Agreements, MAN Nutzfahrzeuge Aktiengesellschaft ("MN"), a wholly-owned subsidiary of MAN SE, will grant relevant members of the Group the exclusive license to use its advanced truck and engine technology in mainland China, and the parties will have shared global distribution rights in specified territories with respect to the technology-upgraded trucks manufactured by the Group utilizing MN's licensed technology. The Cooperation Agreements have been approved by the shareholders of the Company at the Company's extraordinary general meeting on 12 August 2009.

PROSPECTS

In the second half of 2009, the Chinese government will continue to adopt active expansionary fiscal policies and moderately relaxed monetary policies in order to cope with the challenges posed by the global economic slowdown to the domestic economy. As such, the domestic economy will maintain a certain growth momentum. It is expected that the demand for heavy duty trucks for the second half of this year will be higher than that of the same period of the previous year. According to the recent economic data and indicators of the developed countries, the slide of their economy will decelerate and the international demand for heavy duty trucks will recover. The Group will take advantage of its established brand, management, distribution channels, large operation scale and advanced technology to capitalize on the recovery in demand for heavy duty trucks as well as to increase its market share and consolidate its market position. It will also raise operational efficiency and improve its business structure. The Group will further develop its sales network to boost sales in both domestic and international markets. It will also enhance its core competitive strength through technological innovation. The Group endeavours to improve the quality of its products at a low cost to increase its competitive strength and sharpen the Group's edge by enhancing its management standard. The Group will strive to achieve better production and sales in the second half of the year than in the same period of the previous year and to expand its market share.

The strategic alliance with MAN SE is a significant move for the development of both the Group and the domestic heavy duty truck industry. Through the cooperation with MAN SE, the Group will be able to obtain long term internationally leading technology support in heavy duty truck, and speed up the Group's technological advancement. It will also be able to build an international platform for design and production technology of heavy duty trucks through integration of leading technology and innovation. It will be able to introduce advanced management concept by involving MAN SE in the Group's management, raising the standard of its overall management. The Group will be able to reduce cost of its products with localization of such internationally advanced technology. We believe that we will be able to enhance our competitive strength in both domestic and international markets by distributing products with most advanced technology and cost advantage. The Group expects that it can introduce its products to the high-end markets of developed countries by sharing the international sales channels with MAN SE, and thus can expand its overseas market and increase its overseas market share. This will help to enhance the Group's profitability and make it a globalized enterprise.

We endeavour to raise the Group's core competitive strength and increase its market share, to consolidate the Group's leading position in the domestic market and strive to develop into an internationally renowned and domestically irreplaceable heavy duty truck production base.

DIVIDENDS

The board (the "Board") of the directors (the "Directors") does not propose interim dividends for the six months ended 30 June 2009.

Management Discussion and Analysis

FINANCIAL REVIEW

TURNOVER, GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2009, the Group's turnover recorded RMB14,160 million, compared with that of 2008 at RMB16,924 million, representing a decrease of RMB2,764 million or 16.3%. The decrease in the turnover was primarily resulted by the drop of the Group's sales volume. Due to global financial crisis, the sales volume of both China's heavy duty truck industry and the Group decreased significantly. Particularly, the Group's export declined sharply.

Gross profit dropped by RMB592 million or 24.3%, from that of 2008 at RMB2,433 million to RMB1,841 million. Gross profit margin decreased from 14.4% in the same period in 2008 to the period under review at 13.0%. The decreases in gross profit and gross profit margin were resulted by increasing competition, greater efforts in products promotion, improvement in product quality and the decrease in export sales volume.

DISTRIBUTION COSTS

Distribution costs increased from RMB666 million for the first half of 2008 to RMB700 million for the first half of 2009, rising by RMB34 million or 5.1%. The increase in distribution costs was primarily attributable to i) the increase of marketing expenses in respect of brand promotion in domestic and overseas markets and ii) the increase in warranty expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from RMB436 million for the first half of 2008 to RMB479 million for the first half of 2009, growing by RMB43 million or by 9.9%. The increase was mainly attributable to expansion of the operating scale.

OTHER GAINS/(LOSSES) - NET

Net other gains were RMB110 million in the first half of 2009 while the Group recorded net other losses at RMB 87 million in same period last year. The turnaround from net other losses to net other gains was attributable to significant reduction of foreign exchange losses.

FINANCE (COSTS)/INCOME - NET

For the six months ended 30 June 2009, net finance costs was RMB26 million (the first half of 2008: net finance income at RMB48 million). The net finance costs resulted from the decrease of deposit interest rates and increase of the borrowings.

INCOME TAX EXPENSE

The income tax expense of the first half of 2009 was RMB190 million, an reduction of 42.9% from that of 2008 at RMB333 million. The decrease was due to i) certain subsidiaries of the Group were recognized as the New/High Tech Enterprises in 2008 or 2009 subject to a reduced corporate income tax rate of 15% (10 percentage points less when compared with that of same period last year) and ii) the decrease in profit before income tax.

Management Discussion and Analysis

PROFIT FOR THE PERIOD UNDER REVIEW AND EARNINGS PER SHARE

Profit for the six months ended 30 June 2009 decreased by 42.1% to RMB556 million from that of 2008 at RMB960 million and the basic earnings per share attributable to the equity holders of the Company decreased by 38.2% from RMB0.34 in 2008 to RMB0.21 in 2009. The decrease in the basic earnings per share attributable to the equity holders of the Company was mainly due to the decrease in profit under global financial crisis.

NET PROCEEDS FROM THE 2007 GLOBAL OFFERING (“2007 GLOBAL OFFERING”)

The shares of the Company were successfully listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in 2007. The planned usage and the actual usage of the net proceeds from the 2007 Global Offering are set out as follows:

	Planned usage HKD million	Actual usage upto 30 June 2009 HKD million
Expand the engine manufacturing capacity and enhance the technology level of Sinotruk Hangzhou Engine Co., Ltd. in the Xiaoshan district of Hangzhou	1,200.0	635.6
Expand the forging capacity and enhance the technology level at Sinotruk Jinan Power Co., Ltd. in the Zhangqiu district of Jinan	800.0	800.0
Expand the truck manufacturing capacity and enhance technology level at Sinotruk Jinan Truck Co., Ltd.	700.0	670.2
Expand the truck manufacturing capacity and enhance technology level at Sinotruk Jinan Commercial Truck Co., Ltd.	600.0	576.6
Research and development	1,232.7	761.0
Domestic and overseas market expansion	1,056.6	219.0
Repay loans	2,897.8	2,897.8
General working capital	943.0	938.0
	9,430.1	7,498.2

The Board announced on 24 August 2009 that the remaining unutilized net proceeds for the purposes other than general working capital of approximately HKD1,926.9 million will be re-allocated as general working capital of the Group.

CASH FLOW

During the six months ended 30 June 2009, net cash inflow from operating activities was about RMB2,413 million while the Group recorded cash outflow of RMB3,074 million in the same period in 2008. The change of cash flow amounted to RMB5,487 million which was mainly resulted by i) the increase of the proportion of cash sales to credit sales due to changes of business policies in the period under review and ii) the increase in use of commercial bills to settle trade debts.

Management Discussion and Analysis

Net cash outflow from investing activities for the first half of 2009 was RMB678 million, representing a decrease of RMB71 million compared to that of last year. The decrease was mainly due to less capital expenditure in plant and equipment as the bottleneck on production capacity is gradually solved.

In 2009, net cash inflow from financing activities was RMB1,955 million while it was net cash outflow from financing activities at RMB172 million in same period last year. The change from net cash outflow to net cash inflow from financing activities was mainly due to the fact that loans were repaid with the use of net proceeds from 2007 Global Offering in the first half last year while the large amount of short-term borrowings were drawn in the current period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of RMB10,412 million and bank acceptance bills of RMB2,100 million at 30 June 2009. Cash and cash equivalents recorded an increase of RMB3,691 million while bank acceptance bills recorded a net decrease of RMB18 million as compared with those at the beginning of 2009. The Group's total borrowings (including long-term and short-term borrowings) were about RMB10,334 million as at 30 June 2009. Its gearing ratio was 29.9%, which was calculated by dividing borrowings by total assets. 98.9% of borrowings were made in Renminbi. Most of the borrowings had floating rates, which were lower than the bank benchmark interest rate, and were due within one year. The current ratio (total current assets divided by total current liabilities) as at 30 June 2009 was 1.3 respectively (30 June 2008: 1.4).

As at 30 June 2009, total available credit facilities amounted to RMB19,478 million, of which RMB8,134 million had been utilised. A total net book value of RMB3,707 million of the Group's assets of which amounted to RMB3,247 million was deposits to banks for issuance of commercial bills and letter of credit was pledged to secure its issuance of commercial bills and other credit facilities. The Group has not committed to other borrowings. In order to better manage its daily cash flow and enhance its liquidity, the Group has obtained adequate short-term funding from banks and issued short-term commercial papers.

FINANCIAL MANAGEMENT AND POLICY

The finance department is responsible for financial risk management of the Group. One of our key financial policies is to manage exchange rate risk. Our financial policy prohibited the Group from participating in any speculative activities. By the end of the period under review, most of the Group's assets and liabilities were denominated in RMB, except for bank deposits of foreign currencies which are equivalent to approximately RMB576 million, accounts receivable of approximately RMB646 million, foreign currency borrowings of approximately RMB109 million and accounts payable of approximately RMB 0.4 million which were denominated in foreign currencies.

CAPITAL STRUCTURE

At the end of the period under review, owner's equity was RMB12,914 million, representing an increase of RMB470 million or 3.8% when compared with RMB12,444 million at the end of the last year.

As at 30 June 2009, the Company's market capitalisation was RMB14,313 million (calculated by issued share capital: 2,161,930,500 shares, closing price: HKD7.51 per share and at the exchange rate of 0.88153 between HKD and RMB).

Management Discussion and Analysis

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

In the first half of 2009, 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 was approximately RMB11.6 million. The total provision for legal claims was RMB2.5 million. The Group has already made full provisions for claims with high risk of loss, and, as such, it did not have other material contingent liability with respect to legal claims to declare.

HUMAN RESOURCES

As at 30 June 2009, the Group had a total of 14,889 employees. The Group places great importance to human resources and actively carries out innovative human resources management to enable the Group's high-quality talent team having further growth and development. The Group carries out continuous improvement and innovation in personnel training mechanism, strengthens the internal training and staff exchanges, trains capable and efficient technical and management personnel. In order to increase performances of the employees, improve work efficiency, encourage employees to smoothly complete various tasks and targets, the Group keeps continuous improvement in management compensation systems, reforms the job appraisal systems and standards as well as performance-linked reward systems on the performance of Group and the individuals. At the same time, the Group pays attention to employees development and works out their personal career development planning to stimulate and promote team formation to drive innovative and pioneering spirit.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Board and senior management of the Company aim to maintain a high standard of internal control by enhancing the consistency and transparency of operational and financial management through internal audit and assessable measures. In line with the expectations of the Company's shareholders, the objective is to maintain a high standard of corporate governance, formulate good corporate governance practice to improve accountability and transparency in operations, and strengthen the internal control system from time to time. The Company has been in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. After making specific enquiries with all Directors, the Company confirmed that all Directors have complied with the standards required by the Model Code during the first half of 2009.

EXECUTIVE COMMITTEE

The Board has established an executive committee (the "Executive Committee") comprising of all the executive Directors. The Executive Committee is responsible for the management and administration of the Group's business. Mr. Ma Chunji is the chairman of the committee.

STRATEGY AND INVESTMENT COMMITTEE

The strategy and investment committee of the Company (the "Strategy and Investment Committee") is mainly responsible for the formulation of medium and long term strategic plans and business development strategies including the studying and recommendation of significant investment financing initiatives and significant capital operations and asset operation projects. The Strategy and Investment Committee is currently comprising 7 members, namely Mr. Ma Chunji, Mr. Cai Dong, Mr. Shao Qihui, Mr. Ouyang Minggao, Mr. Hu Zhenghuan, Mr. Wang Haotao and Mr. Wang Shanpo. Mr. Shao Qihui, Mr. Ouyang Minggao and Mr. Hu Zhenghuan are independent non-executive Directors. Mr. Ma Chunji is the chairman of the committee.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") is mainly responsible for the appraisal of the performance by the senior management and making recommendation on their remunerations including the formulation of performance assessment standards, procedures, major proposals and mechanisms for the assessment system, rewards and penalties, as well as the stock options incentive schemes. The Remuneration Committee will also supervise the remuneration and other benefits offered by the Company to Directors. The Remuneration Committee is currently comprising 5 members, namely, Mr. Chen Zheng, Mr. Lin Zhijun, Mr. Li Xianyun, Mr. Wei Zhihai and Mr. Tong Jingen. Mr. Chen Zheng, Mr. Lin Zhijun and Mr. Li Xianyun are independent non-executive Directors of the Company. Mr. Chen Zheng is the chairman of the committee.

Corporate Governance Report

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is mainly responsible for reviewing and monitoring the financial control, internal control and risk management systems including reassessment of the financial and accounting policies, review of annual reports and accounts, interim reports, etc. In addition, the Audit Committee is responsible for the recommendation of the appointment, reappointment and removal of external auditor to the Board and review and supervision of the external auditor in respect of its independence and objectivity, the effectiveness of the audit procedures, approval of the remuneration and terms of engagement of the external auditor, formulation of policies on the provision of non-audit services by the external auditor, the handling of any issues related to the resignation of auditor or the removal of such auditor, and the communication with the external auditor on auditing matters.

The Audit Committee shall hold at least four meetings annually. Its purpose is to supervise the completeness of the Group's financial statements, and to consider the nature and scope of internal and external audits. The Audit Committee shall, together with the Company's management and external auditor, PricewaterhouseCoopers, review the accounting principles and practices adopted by the Company, discuss matters relating with the audits and financial aspects, including major financial, operational and compliance controls, and make reviews thereof.

The Audit Committee is currently comprising 5 members, namely, Mr. Lin Zhijun, Mr. Ouyang Minggao, Mr. Chen Zheng, Mr. Wang Guangxi and Mr. Tong Jingen. Mr. Lin Zhijun, Mr. Ouyang Minggao and Mr. Chen Zheng are independent non-executive Directors of the Company. Mr. Lin Zhijun is the chairman of the committee.

REVIEW OF INTERIM RESULTS

This unaudited condensed financial information of the Group for the six months ended 30 June 2009 has been reviewed by the Audit Committee and PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, the Company repurchased in aggregate of 11,575,000 ordinary shares at total consideration of HKD67,723,490 from open market. Details of the shares repurchased are disclosed as follows:

Month of share repurchase	Number of ordinary shares repurchased	Price per each ordinary share		Total consideration HKD
		Maximum	Minimum	
		HKD	HKD	
January	11,575,000	5.97	5.29	67,723,490
Other expenses				158,474
Total payment				<u>67,881,964</u>

Corporate Governance Report

The above total payment was offset with the retained earnings. The above shares repurchased, together with the 101,693,500 shares repurchased in 2008 by the Company at total of 113,268,500 shares were cancelled on 26 February 2009. The above repurchase of the Company's shares was effected by the Directors, pursuant to the mandate approved by shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Save as disclosed, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2009.

COMMUNICATIONS WITH SHAREHOLDERS

The Company considers that active communications with investors are important and provides reports with transparency and clarity in disclosures. The securities department of the Company actively promotes investor relations and enhances communications, to ensure that the investors are able to obtain the Company's information on a fair and timely basis and to assist them in making the best investment decisions. In order to cultivate good relationship with shareholders and potential investors, the Company has participated in a number of one-on-one meetings, investors' conferences and roadshows during the period. The Company has organized a number of production base site visits including the visits made by investors, fund managers and analysts to enrich their knowledge on the production operations of the Group through these activities. Investors and the public may access 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 latest business developments of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2009, so far is known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the shares of the Company, ("Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or any interests or short positions which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or any interests or short positions which have to be notified to the Company and the Stock Exchange pursuant to Mode Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Corporate Governance Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, so far as it is known to the Directors, the person (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group was as follows:

Name of shareholder	Capacity	Number of shares in which the shareholder is deemed to have interests	Percentage of shareholding (%) (Note 2)
Sinotruk (BVI) Limited <i>(Note)</i>	beneficial owner	1,499,292,100	69.35%

Note: Sinotruk (BVI) Limited is a company incorporated in the British Virgin Islands whose entire share capital is held by CNHTC. CNHTC is deemed to have an interest in all the Shares held by Sinotruk (BVI) Limited under the SFO.

Save as disclosed above, as at 30 June 2009, so far as it is known to the Directors, there was no other person (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

Beijing, the PRC, 24 August 2009

Report on Review of Interim Financial Information



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE BOARD OF DIRECTORS OF SINOTRUK (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 19 to 52, which comprises the condensed consolidated balance sheet as at 30 June 2009 and the related condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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 the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2009

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009
(All amounts in RMB thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	2009	2008
Turnover	4	14,159,742	16,923,804
Cost of sales		(12,318,575)	(14,490,895)
Gross profit		1,841,167	2,432,909
Distribution costs		(699,831)	(665,630)
Administrative expenses		(479,494)	(435,625)
Other gains/(losses) – net		109,658	(86,656)
Operating profit	6	771,500	1,244,998
Finance income		122,302	151,275
Finance costs		(147,833)	(103,646)
Finance (costs)/income – net		(25,531)	47,629
Profit before income tax		745,969	1,292,627
Income tax expense	7	(190,314)	(332,837)
Profit for the period		555,655	959,790
Other comprehensive income:			
Gains on currency translation		779	2,735
Total comprehensive income for the period		556,434	962,525
Profit attributable to:			
-equity holders of the Company		462,179	767,899
-minority interests		93,476	191,891
		555,655	959,790
Total comprehensive income attributable to:			
-equity holders of the Company		462,958	770,634
-minority interests		93,476	191,891
		556,434	962,525
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
- basic and diluted	8	0.21	0.34

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information. Details of dividends payable to equity shareholders of the Company are set out in Note 9 to this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2009

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2009	Audited 31 December 2008
ASSETS			
Non-current assets			
Goodwill	5	3,868	—
Land use rights	10	631,179	441,699
Property, plant and equipment	10	7,137,027	6,498,830
Intangible assets	10	40,498	33,808
Investment properties	11	5,644	4,171
Deferred income tax assets		369,114	316,178
		8,187,330	7,294,686
Current assets			
Inventories		6,328,982	5,327,669
Trade and other receivables	12	5,472,216	5,138,973
Financial assets at fair value through profit or loss		—	8,622
Amounts due from related parties	20(b)	182,584	71,317
Restricted cash		4,001,627	3,739,575
Cash and cash equivalents		10,411,689	6,721,470
		26,397,098	21,007,626
Total assets		34,584,428	28,302,312
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	208,713	219,648
Other reserves		9,518,396	9,392,137
Retained earnings		1,904,712	1,693,707
		11,631,821	11,305,492
Minority interests		1,282,405	1,138,240
Total equity		12,914,226	12,443,732

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet (continued)

As at 30 June 2009

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2009	Audited 31 December 2008
LIABILITIES			
Non-current liabilities			
Borrowings	15	810,250	344,434
Deferred income tax liabilities		10,977	1,461
Termination benefits, post-employment benefits and medical insurance plan	16	57,980	64,570
		879,207	410,465
Current liabilities			
Trade and other payables	14	10,855,498	7,606,909
Current income tax liabilities		122,579	15,639
Borrowings	15	9,523,502	7,680,211
Amounts due to related parties	20(b)	25,015	19,307
Financial liabilities at fair value through profit or loss		7,856	—
Provisions for other liabilities	17	256,545	126,049
		20,790,995	15,448,115
Total liabilities		21,670,202	15,858,580
Total equity and liabilities		34,584,428	28,302,312
Net current assets		5,606,103	5,559,511
Total assets less current liabilities		13,793,433	12,854,197

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

(All amounts in RMB thousands unless otherwise stated)

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium, capital redemption, and other capital reserve	Statutory and discretionary reserves	Merger reserve	Translation reserve	Retained earnings	Total	Minority interests	Total equity
Balance as at 1 January 2009	219,648	8,021,320	321,782	1,045,473	3,562	1,693,707	11,305,492	1,138,240	12,443,732
Total comprehensive income for the period	—	—	—	—	779	462,179	462,958	93,476	556,434
Dividends of the Company relating to 2008 (Note 9)	—	—	—	—	—	(76,153)	(76,153)	—	(76,153)
Dividends of a subsidiary to the minority shareholder (Note 9)	—	—	—	—	—	—	—	(7,163)	(7,163)
Appropriation to reserves	—	—	114,545	—	—	(114,545)	—	—	—
Repurchase of the Company's shares (Note 13)	—	—	—	—	—	(59,725)	(59,725)	—	(59,725)
Cancellation of the shares repurchased (Note 13)	(10,935)	10,935	—	—	—	(751)	(751)	—	(751)
Capital injection from minority shareholders	—	—	—	—	—	—	—	20,000	20,000
Acquisition of a subsidiary	—	—	—	—	—	—	—	37,852	37,852
Balance as at 30 June 2009	208,713	8,032,255	436,327	1,045,473	4,341	1,904,712	11,631,821	1,282,405	12,914,226
Balance as at 1 January 2008	219,648	8,003,901	219,314	1,045,473	(4,871)	1,503,614	10,987,079	916,228	11,903,307
Total comprehensive income for the period	—	—	—	—	2,735	767,899	770,634	190,785	961,419
Dividends of the Company relating to 2007 (Note 9)	—	—	—	—	—	(145,112)	(145,112)	—	(145,112)
Acquisition of a subsidiary	—	—	—	—	—	—	—	36,616	36,616
Balance as at 30 June 2008	219,648	8,003,901	219,314	1,045,473	(2,136)	2,126,401	11,612,601	1,143,629	12,756,230

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009
(All amounts in RMB thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
Note	2009	2008
Net cash generated from/(used in) operating activities	2,413,414	(3,073,902)
Net cash used in investing activities	(677,770)	(748,792)
Net cash generated from/(used in) financing activities	1,955,041	(171,609)
Net increase/(decrease) in cash and cash equivalents	3,690,685	(3,994,303)
Cash and cash equivalents at beginning of the period	6,721,470	10,077,093
Effect of foreign exchange rate changes	(466)	(129,512)
Cash and cash equivalents at end of the period	10,411,689	5,953,278

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

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

The Company together with its subsidiaries (collectively referred to as the "Group") is principally engaged in the manufacturing and sales of heavy duty trucks, engines, and the provision of finance services. The address of the Company's registered office is Units 2102-2103, China Merchants Tower, Shun Tak Center, 168-200 Connaught Road Central, Hong Kong.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one performance statement (the statement of comprehensive income). The interim financial statements have been prepared under the revised disclosure requirements.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES *(continued)*

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the executive committee (the "Executive Committee") that makes strategic decisions.

Goodwill is allocated by management to groups of cash-generating units on a segment level. Goodwill relating to the acquisition of Hubei Huawei Special Vehicle Manufacturing Co., Ltd. ("Hubei Huawei") in the period has been allocated to the trucks segment. The change in reportable segments has not resulted in any additional goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities. Comparatives for 2008 have been restated.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.

The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009 but are not currently relevant for the Group.

- HKAS 23 (amendment), 'Borrowing costs'.
- HKFRS 2 (amendment), 'Share-based payment'.
- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HK (IFRIC) 9 (amendment), 'Reassessment of embedded derivatives'.
- HK (IFRIC) 13, 'Customer loyalty programmes'.
- HK (IFRIC) 15, 'Agreements for the construction of real estate'.
- HK (IFRIC) 16, 'Hedges of a net investment in a foreign operation'.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES *(continued)*

The following new interpretations, amendments to the standards and amendments to the interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009.
- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- HK(IFRIC) 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009.
- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.
- HKICPA's improvements to HKFRS published in May 2009:
 - Amendment to HKFRS 2 'Share-based payments', effective for periods beginning on or after 1 July 2009.
 - Amendment to HKFRS 5 'Non-current Assets held for sale and discontinued operations', effective for periods beginning on or after 1 January 2010.
 - Amendment to HKFRS 8 'Operating segments', effective for periods beginning on or after 1 January 2010.
 - Amendment to HKAS 1 'Presentation of financial statements', effective for periods beginning on or after 1 January 2010.
 - Amendment to HKAS 7 'Statement of cash flows', effective for periods beginning on or after 1 January 2010.
 - Amendment to HKAS 17 'Leases', effective for periods beginning on or after 1 January 2010.
 - Amendment to HKAS 36 'Impairment of assets', effective for periods beginning on or after 1 January 2010.
 - Amendment to HKAS 38 'Intangible assets', effective for periods beginning on or after 1 July 2009.
 - Amendment to HKAS 39 'Financial instruments: recognition and measurement', effective for periods beginning on or after 1 January 2010.
 - Amendment to HK(IFRIC) 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1 July 2009.
 - Amendment to HK(IFRIC) 16 'Hedges of a net investment in a foreign operation', effective for periods beginning on or after 1 July 2009.

The Group has already commenced an assessment of the impact of the new interpretations, amendments to the standards and amendments to the interpretations but is not yet in a position to state whether these new interpretations, amendments to standards and amendments to the interpretations would have a significant impact to the Group's results of operations and financial position.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

4 SEGMENT INFORMATION

The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee has determined the operating segments based on these reports.

The Executive Committee considers the business from both a geographic and business perspective. From a geographic perspective, the Executive Committee assesses the revenue from mainland China and overseas. From a business perspective, the Executive Committee assesses the performance of trucks, engines and finance.

- (i) Trucks - Manufacture and sale of trucks and related components and parts;
- (ii) Engines - Manufacture and sale of engines and related components and parts; and
- (iii) Finance - Taking deposits from member companies, facilitating borrowings for member companies, discounting notes of member companies and providing entrusted loan and entrusted investment between member companies.

The Executive Committee assesses the performance of the operating segments based on a measure of revenue and operating profit. This measurement is consistent with that in the annual financial statements.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated expenses.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the balance sheet. Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude income tax assets.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include borrowings and other liabilities that are incurred for financing rather than operating purpose unless the segment is engaged in financing activities. Segment liabilities do not include income tax liabilities.

Unallocated assets mainly represent deferred tax assets and the assets of the Company. Unallocated liabilities mainly represent borrowings, deferred tax liabilities, current tax liabilities and the liabilities of the Company.

Sales between segments are carried out on terms mutually agreed amongst these business segments.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

4 SEGMENT INFORMATION *(continued)*

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

	Trucks	Engines	Finance	Elimination	Total
Turnover					
External revenue	13,158,099	971,761	29,882	—	14,159,742
Inter-segment revenue	70,632	3,307,112	15,046	(3,392,790)	—
Revenue	13,228,731	4,278,873	44,928	(3,392,790)	14,159,742
Operating profit before unallocated expenses	654,989	224,681	37,203	(131,011)	785,862
Unallocated expenses					(14,362)
Operating profit					771,500
Finance costs - net					(25,531)
Profit before income tax					745,969
Income tax expense					(190,314)
Profit for the period					555,655

The segment results for the six months ended 30 June 2008 are as follows:

	Trucks	Engines	Finance	Elimination	Total
Turnover					
External revenue	15,954,401	916,365	53,038	—	16,923,804
Inter-segment revenue	52,612	3,001,515	21,865	(3,075,992)	—
Revenue	16,007,013	3,917,880	74,903	(3,075,992)	16,923,804
Operating profit before unallocated expenses	1,074,680	155,850	46,716	105,869	1,383,115
Unallocated expenses					(138,117)
Operating profit					1,244,998
Finance income - net					47,629
Profit before income tax					1,292,627
Income tax expense					(332,837)
Profit for the period					959,790

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

4 SEGMENT INFORMATION *(continued)*

	Trucks	Engines	Finance	Unallocated	Total
As at 30 June 2009					
Segment assets	23,161,901	12,498,648	1,868,617	964,547	38,493,713
Elimination					(3,909,285)
Total assets					34,584,428
As at 31 December 2008					
Segment Assets	18,103,909	11,217,900	2,374,688	1,157,318	32,853,815
Elimination					(4,551,503)
Total assets					28,302,312

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

	For the six months ended	
	30 June 2009	30 June 2008
Mainland China	13,324,411	15,070,906
Overseas	835,331	1,852,898
Total revenue	14,159,742	16,923,804

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

5 BUSINESS COMBINATIONS

On 4 March 2009, the Group acquired 60% of the shares in Hubei Huawei, a company that refits and sells heavy duty trucks, for a cash consideration of RMB60,000,000.

The acquired business contributed revenues of approximately RMB137,637,000 and net profit of approximately RMB5,635,000 to the Group for the period from the acquisition to 30 June 2009. If the acquisition had occurred on 1 January 2009, consolidated revenue and consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2009 would have been approximately RMB14,299,868,000 and RMB463,677,000 respectively.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:

– cash paid

60,000

Total purchase consideration

60,000

Fair value of net identifiable assets acquired,
attributable to equity holders of the Company

56,132

Goodwill recognized

3,868

The goodwill is attributable to Hubei Huawei's position and profitability in its market and the synergies expected to arise after its acquisition by the Group. The goodwill is attributable to the trucks segment.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

5 BUSINESS COMBINATIONS *(continued)*

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
Cash and cash equivalents	67,305	67,305
Property, plant and equipment (Note 10)	54,742	71,821
Land use rights (Note 10)	8,736	25,999
Intangible assets (Note 10)	2,388	7,908
Inventories	51,998	51,998
Receivables	62,698	62,698
Payables	(150,915)	(150,442)
Employee benefit liabilities, including pensions	(1,259)	(1,206)
Borrowings (Note 15)	(32,000)	(32,000)
Deferred tax liabilities arising from the acquisition	—	(10,097)
Minority interest	(430)	(430)
Net identifiable assets acquired	63,263	93,554
Inflow of cash to acquire business, net of cash acquired:		
– cash and cash equivalents in the subsidiary acquired		67,305
– cash consideration		(60,000)
Net cash inflow from the acquisition		7,305

On 31 May 2008, the Group acquired 60% of the shares in Liuzhou Yunli Special Vehicle Co., Ltd. ("Liuzhou Yunli"), a company that refits and sells heavy duty trucks, for a cash consideration of approximately RMB 49,249,000.

The acquired business contributed revenues of approximately RMB 82,672,000 and net profit of approximately RMB 2,991,000 to the Group for the period from the acquisition to 30 June 2008. If the acquisition had occurred on 1 January 2008, consolidated revenue and consolidated profit for the half-year ended 30 June 2008 would have been approximately RMB 17,112,834,000 and RMB 953,508,000 respectively.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
– cash paid	49,249
Total purchase consideration	49,249
Fair value of net identifiable assets acquired, attributable to equity holders of the Company	54,923
Gain recognized	(5,674)

The excess of the Group's share of the fair value of Liuzhou Yunli's net identifiable assets, over the purchase consideration is recognized as other gains.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

5 BUSINESS COMBINATIONS *(continued)*

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
Cash and cash equivalents	66,839	66,839
Financial assets at fair value through profit or loss	360	367
Property, plant and equipment (Note 10)	75,021	77,257
Land use rights (Note 10)	18,941	21,563
Intangible assets (Note 10)	120	1,950
Inventories	90,095	104,158
Receivables	52,629	58,822
Payables	(176,244)	(176,244)
Employee benefit liabilities, including pensions	(933)	(933)
Borrowings (Note 15)	(59,000)	(59,000)
Net deferred tax assets/(liabilities) arising from the acquisition	784	(3,241)
Net identifiable assets acquired	68,612	91,538
Inflow of cash to acquire business, net of cash acquired:		
– cash and cash equivalents in the subsidiary acquired		66,839
– cash consideration		(49,249)
Net cash inflow from the acquisition		17,590

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

6 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2009 and 2008:

	For the six months ended	
	30 June 2009	30 June 2008
Inventory write-down	45,055	3,167
Loss on disposal of property, plant and equipment	1,742	18,319
Amortization of land use rights (Note 10)	6,782	3,519
Depreciation of property, plant and equipment (Note 10)	205,123	177,486
Amortization of intangible assets (Note 10)	3,147	1,090
Foreign exchange (gain)/loss, net	(2,233)	164,684
Government grants	(18,959)	(250)
Disposal of scraps	(83,936)	(82,988)

7 INCOME TAX EXPENSE

	For the six months ended	
	30 June 2009	30 June 2008
Current income tax		
- Hong Kong profits tax	179	273
- PRC enterprise income tax	243,652	293,108
	243,831	293,381
Deferred income tax	(53,517)	39,456
	190,314	332,837

The Company and Sinotruk (Hong Kong) International Investment Limited, one of the subsidiaries of the Group, are subject to Hong Kong profits tax at the rate of 16.5% (2008: 16.5%) on their estimated assessable profit.

Taxation on overseas profits has been calculated on the estimated assessable profit during the six months ended 30 June 2009 at the rates of taxation prevailing in the countries in which the Group operates.

The Group's four subsidiaries, Sinotruk Jinan Power Co., Ltd., Sinotruk Jinan Axle & Transmission Co., Ltd., Jinan Fuqiang Power Co., Ltd. and Sinotruk Hangzhou Engine Co., Ltd., have been recognized as the New/High Tech Enterprises in 2008. According to the tax incentives of the new Corporate Income Tax Law ("new CIT Law") for New/High Tech Enterprises, these subsidiaries are subject to a reduced corporate income tax rate of 15% for the three years from 2008 to 2010.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

7 INCOME TAX EXPENSE *(continued)*

Sinotruk Jinan Truck Co., Ltd., one of the subsidiaries of the Group, which has been recognized as the New/High Tech Enterprise in 2009, is subject to a reduced corporate income tax rate of 15% for the three years from 2009 to 2011.

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

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

8 EARNINGS PER SHARE

Basic

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

	For the six months ended	
	30 June 2009	30 June 2008
Profit attributable to equity holders of the Company	462,179	767,899
Weighted average number of ordinary shares in issue (thousands)	2,161,994	2,275,199
Basic earnings per share (RMB per share)	0.21	0.34

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 2009 (six months ended 30 June 2008: Nil).

9 DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil). The final dividend of the Company for the year ended 31 December 2008 at approximately HKD86,477,000 equivalent to approximately RMB76,153,000 (for the year ended 31 December 2007: approximately HKD161,539,000 equivalent to approximately RMB145,112,000) was proposed and paid in June 2009.

During the six months ended 30 June 2009, one of the Group's non-wholly owned subsidiaries had paid dividends to the minority shareholder of approximately RMB 7,163,000 (six months ended 30 June 2008: Nil).

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

10 CAPITAL EXPENDITURES

	Property, plant and equipment	Land use rights	Intangible assets
Six months ended 30 June 2009			
Balance as at 1 January 2009	6,498,830	441,699	33,808
Additions	888,479	78,865	1,929
Acquisition of a subsidiary (Note 5)	71,821	25,999	7,908
Transfers	(91,398)	91,398	—
Disposals	(25,582)	—	—
Depreciation and amortization (Note 6)	(205,123)	(6,782)	(3,147)
Balance as at 30 June 2009	7,137,027	631,179	40,498
Six months ended 30 June 2008			
Balance as at 1 January 2008	4,187,580	319,204	5,901
Additions	1,077,334	414	3,561
Acquisition of a subsidiary (Note 5)	77,257	21,563	1,950
Disposals	(23,859)	—	—
Depreciation and amortization (Note 6)	(177,486)	(3,519)	(1,090)
Balance as at 30 June 2008	5,140,826	337,662	10,322

11 INVESTMENT PROPERTIES

	Investment properties
Balance as at 1 January 2009	4,171
Fair value gains	1,473
Balance as at 30 June 2009	5,644
Balances as at 1 January 2008 and 30 June 2008	—

The investment properties are located in Hong Kong and valued at fair value as at 30 June 2009, comprising market value based on the assessment of the management of the Group.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

12 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2009	31 December 2008
Accounts receivable	2,069,325	1,678,702
Less: Provision for impairment of accounts receivable	(105,272)	(102,788)
Accounts receivable - net	1,964,053	1,575,914
Notes receivable		
– Bank acceptance notes	2,099,880	2,117,562
– Commercial acceptance notes	38,670	76,940
Notes receivable - total	2,138,550	2,194,502
Trade receivables - net	4,102,603	3,770,416
Other receivables	387,692	384,172
Less: Provision for impairment of other receivables	(3,631)	(4,858)
Other receivables - net	384,061	379,314
Prepayments	747,132	481,083
Interest receivables	71,249	138,554
Prepaid taxes other than income tax	133,697	261,199
Prepaid income taxes	33,474	108,407
Trade and other receivables	5,472,216	5,138,973

As at 30 June 2009 and 31 December 2008, the ageing analysis of net trade receivables is as follows:

	As at	
	30 June 2009	31 December 2008
Less than 3 months	2,804,952	2,132,946
3 months to 6 months	1,030,304	1,476,883
6 months to 12 months	216,184	149,720
1 year to 2 years	51,163	10,867
Trade receivables - net	4,102,603	3,770,416

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

12 TRADE AND OTHER RECEIVABLES *(continued)*

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

As at 30 June 2009, accounts receivable of approximately RMB 338,446,000 (31 December 2008: RMB 402,450,000) were secured by certain letters of credit issued by overseas third parties. No provision was provided against these receivables as at 30 June 2009 and 31 December 2008.

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Amount	
		Share capital	Share premium
Balance as at 1 January 2009	2,275,199,000	219,648	11,727,145
Cancellation of the shares repurchased	(113,268,500)	(10,935)	—
Balance as at 30 June 2009	2,161,930,500	208,713	11,727,145
Balance as at 1 January 2008	2,275,199,000	219,648	11,727,145
Balance as at 30 June 2008	2,275,199,000	219,648	11,727,145

The total authorised share capital is HKD10,000 million divided into 100,000 million shares at a par value of HKD 0.1 each. All issued shares are fully paid.

On 2 January 2009, the Company repurchased 11,575,000 ordinary shares of the Company at an aggregate consideration of HKD 67,723,490 (approximately RMB 59,725,000) through the Stock Exchange of Hong Kong Limited.

On 26 February 2009, the Company cancelled 113,268,500 ordinary shares repurchased. Directly attributable expenses of approximately HKD 798,000 (RMB 751,000) relating to the cancellation were charged against the retained earnings of the Company. After the cancellation, the Company's ordinary shares in issue were reduced from 2,275,199,000 to 2,161,930,500.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

14 TRADE AND OTHER PAYABLES

	As at	
	30 June 2009	31 December 2008
Trade and bill payables	8,742,580	6,194,129
Advances from customers	698,688	567,230
Staff welfare and salaries payable	163,148	153,280
Taxes liabilities other than income tax	96,620	73,512
Accrued expenses	329,571	220,379
Other payables	824,891	398,379
	10,855,498	7,606,909

As at 30 June 2009 and 31 December 2008, the ageing analysis of trade and bill payables is as follows:

	As at	
	30 June 2009	31 December 2008
Less than 3 months	6,930,470	4,477,371
3 months to 6 months	1,620,909	1,510,727
6 months to 12 months	150,219	172,935
1 year to 2 years	25,041	20,128
2 years to 3 years	8,281	6,370
Over 3 years	7,660	6,598
	8,742,580	6,194,129

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

15 BORROWINGS

	As at	
	30 June 2009	31 December 2008
Non-current		
Long-term bank borrowings		
- secured (b)	—	10,784
- unsecured	810,250	333,650
	810,250	344,434
Current		
Long-term bank borrowings, current portion		
- secured (b)	—	1,306
- unsecured	636,000	596,000
	636,000	597,306
Short-term bank borrowings		
- guaranteed (a)	40,000	20,000
- secured (b)	4,568,402	1,677,000
- unsecured	4,279,100	5,385,905
	8,887,502	7,082,905
	9,523,502	7,680,211
Total borrowings	10,333,752	8,024,645

(a) As at 30 June 2009, bank borrowings of approximately RMB 40,000,000 are guaranteed by a minority shareholder of a subsidiary (31 December 2008: RMB 20,000,000).

(b) As at 30 June 2009, bank borrowings of approximately RMB 4,568,402,000 (31 December 2008: RMB 1,677,000,000) are secured by certain bank deposits carrying at approximately RMB 2,485,000,000 (31 December 2008: RMB 1,793,984,000). As at 30 June 2009, no bank borrowings are secured by land use rights or property, plant and equipment (31 December 2008: RMB 12,090,000 are secured by certain land use rights carrying at approximately RMB 21,425,000 and property, plant and equipment carrying at approximately RMB 2,472,000).

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

15 BORROWINGS (Continued)

As at 30 June 2009 and 31 December 2008, the Group's borrowings are repayable as follows:

	As at	
	30 June 2009	31 December 2008
Within 1 year	9,523,502	7,680,211
Between 1 and 2 years	570,000	41,306
Between 2 and 5 years	240,250	297,568
Wholly repayable within 5 years	10,333,752	8,019,085
Over 5 years	—	5,560
	10,333,752	8,024,645

Movements in borrowings are analysed as follow:

Six months ended 30 June 2009

Balance as at 1 January 2009	8,024,645
Acquisition of a subsidiary (Note 5)	32,000
Proceeds from borrowings	9,338,245
Repayments of borrowings	(7,061,296)
Foreign exchange loss	158
Balance as at 30 June 2009	10,333,752

Six months ended 30 June 2008

Balance as at 1 January 2008	5,381,615
Acquisition of a subsidiary (Note 5)	59,000
Proceeds from borrowings	4,010,666
Repayments of borrowings	(4,034,266)
Foreign exchange loss	1,112
Balance as at 30 June 2008	5,418,127

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

15 BORROWINGS *(Continued)*

Interest expenses on borrowings for the six months ended 30 June 2009 were approximately RMB 119,658,000 (six months ended 30 June 2008: RMB 81,350,000), out of which approximately RMB 44,031,000 (six months ended 30 June 2008: RMB 14,040,000) arising on financing for the construction of plant and equipments were capitalized during the period and were included in "additions" in property, plant and equipment in Note 10. A capitalization rate of 4.70% per annum (six months ended 30 June 2008: 5.95% per annum) was used, representing the weighted average rate of the borrowing cost of the loans used to finance the projects.

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2009	31 December 2008
Floating rate - expiring within one year	2,237,000	2,859,000

16 TERMINATION BENEFITS, POST-EMPLOYMENT BENEFITS AND MEDICAL INSURANCE PLAN

	As at	
	30 June 2009	31 December 2008
Termination benefits	46,180	52,010
Post-employment benefits	8,090	8,500
Medical insurance plan	3,710	4,060
	57,980	64,570

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

17 PROVISION FOR OTHER LIABILITIES

	Legal claims	Products warranties	Total
Six months ended 30 June 2009			
Balance as at 1 January 2009	2,764	123,285	126,049
Additional provisions	—	284,380	284,380
Utilised during the period	(276)	(153,608)	(153,884)
Balance as at 30 June 2009	2,488	254,057	256,545
Six months ended 30 June 2008			
Balance as at 1 January 2008	2,209	150,417	152,626
Additional provisions	230	196,633	196,863
Utilised during the period	—	(185,518)	(185,518)
Balance as at 30 June 2008	2,439	161,532	163,971

18 CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liability will arise from the contingent liabilities.

19 CAPITAL COMMITMENTS

Capital expenditure committed at the balance sheet date but not yet incurred was as follows:

	As at	
	30 June 2009	31 December 2008
Purchases of property, plant and equipment		
- Contracted but not provided for	1,126,016	869,960

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2009 and 2008, the directors were of the view that the following entities and persons are related parties of the Group:

Name of related party	Nature of relationship
CNHTC (中國重型汽車集團有限公司)	The ultimate parent company
Sinotruk (BVI) Limited (中國重汽(維爾京群島)有限公司)	Parent company
CNHTC Special Vehicle Company (重汽集團專用汽車公司)	Subsidiary of CNHTC
CNHTC Jinan Bus Co., Ltd. (重汽集團濟南客車有限責任公司)	Subsidiary of CNHTC
CNHTC Taian Wuyue Special Truck Co., Ltd. (中國重型汽車集團泰安五岳專用汽車有限公司)	Subsidiary of CNHTC
CNHTC Lease Firm (中國重型汽車集團租賃商社)	Subsidiary of CNHTC
CNHTC Jining Commercial Truck Co., Ltd. (中國重汽集團濟寧商用車有限公司)	Subsidiary of CNHTC
CNHTC Jinan Investment Co., Ltd. (中國重汽集團濟南投資有限公司)	Subsidiary of CNHTC
CNHTC Real Estates Company (中國重汽集團房地產開發公司)	Subsidiary of CNHTC
Shandong Xin Hai Guarantee Co., Ltd. (山東鑫海擔保有限公司)	One of the senior management of CNHTC is Chairman of Shandong Xin Hai Guarantee Co., Ltd.
Tianqiao District Xin Hai Small-sum Loan Co., Ltd. (天橋區鑫海小額貸款有限公司)	Subsidiary of CNHTC
CNHTC Jinan Realty Management Co., Ltd. (中國重汽集團濟南物業有限公司)	Subsidiary of CNHTC
CNHTC Jinan Special Truck Co., Ltd. (中國重汽集團濟南專用車有限公司)	Subsidiary of CNHTC
CNHTC Datong Gear Co., Ltd. (中國重汽集團大同齒輪有限公司)	Subsidiary of CNHTC
CNHTC Jinan Construction Co., Ltd. (中國重汽集團濟南建設有限公司)	Subsidiary of CNHTC
Hangzhou Engine Factory (杭州發動機廠)	Subsidiary of CNHTC
Jinan Automobile Test Center (濟南汽車檢測中心)	Subsidiary of CNHTC

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant related party transactions

(i) Significant transactions with related parties except for other state-owned enterprises

	For the six months ended	
	30 June 2009	30 June 2008
Sale of trucks		
CNHTC Taian Wuyue Special Truck Co., Ltd.	36,867	72,157
CNHTC Special Vehicle Company	23,013	135,487
CNHTC Lease Firm	5,448	13,059
CNHTC Jining Commercial Truck Co., Ltd.	4,888	—
CNHTC Jinan Investment Co., Ltd.	3,795	3,415
CNHTC Jinan Special Truck Co., Ltd.	541	—
CNHTC Jinan Realty Management Co., Ltd.	—	103
	74,552	224,221

	For the six months ended	
	30 June 2009	30 June 2008
Purchases of trucks		
CNHTC Special Vehicle Company	157,723	221,086
CNHTC Taian Wuyue Special Truck Co., Ltd.	72,878	58,918
CNHTC Jinan Special Truck Co., Ltd.	52,511	—
CNHTC Jinan Investment Co., Ltd.	46,860	147,580
CNHTC Jining Commercial Truck Co., Ltd.	2,513	—
	332,485	427,584

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant related party transactions *(Continued)*

(i) Significant transactions with related parties except for other state-owned enterprises *(Continued)*

	For the six months ended	
	30 June 2009	30 June 2008
Sale of spare parts		
CNHTC Jining Commercial Truck Co., Ltd.	268,524	464,923
CNHTC Jinan Investment Co., Ltd.	156,016	215,876
CNHTC Datong Gear Co., Ltd.	9,064	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	4,269	56
CNHTC Jinan Construction Co., Ltd.	2,422	1,496
CNHTC Jinan Bus Co., Ltd.	202	416
CNHTC Lease Firm	1	—
Hangzhou Engine Factory	—	1,066
CNHTC	—	2,010
	440,498	685,843

	For the six months ended	
	30 June 2009	30 June 2008
Purchases of spare parts		
CNHTC Jinan Bus Co., Ltd.	53,500	49,735
CNHTC Datong Gear Co., Ltd.	46,040	—
CNHTC Jinan Investment Co., Ltd.	28,226	33,400
CNHTC Jinan Construction Co., Ltd.	5,207	779
CNHTC Taian Wuyue Special Truck Co., Ltd.	7,026	—
Jinan Automobile Test Center	1,340	—
Hangzhou Engine Factory	518	3,732
CNHTC Special Vehicle Company	317	386
CNHTC Jining Commercial Truck Co., Ltd.	281	—
CNHTC	—	2,505
	142,455	90,537

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant related party transactions *(Continued)*

(i) Significant transactions with related parties except for other state-owned enterprises *(Continued)*

	For the six months ended	
	30 June 2009	30 June 2008
Sales of services		
CNHTC Special Vehicle Company	832	953
CNHTC Jinan Special Truck Co., Ltd.	53	—
CNHTC Jinan Construction Co., Ltd.	10	123
CNHTC Jinan Bus Co., Ltd.	3	14
CNHTC Jinan Investment Co., Ltd.	2	32
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	67
CNHTC Jining Commercial Truck Co., Ltd.	—	49
	900	1,238

	For the six months ended	
	30 June 2009	30 June 2008
Purchases of services		
CNHTC	21,707	28,502
CNHTC Jinan Realty Management Co., Ltd.	4,523	4,837
CNHTC Jinan Construction Co., Ltd.	2,632	—
CNHTC Jining Commercial Truck Co., Ltd.	1,528	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	291	—
CNHTC Jinan Investment Co., Ltd.	230	89
Jinan Automobile Test Center	93	1,446
CNHTC Jinan Bus Co., Ltd.	—	15
	31,004	34,889

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant related party transactions *(Continued)*

(i) Significant transactions with related parties except for other state-owned enterprises *(Continued)*

	For the six months ended	
	30 June 2009	30 June 2008
Sales of property, plants and equipment		
CNHTC Special Vehicle Company	282	—
Rental income		
CNHTC Jinan Special Truck Co., Ltd.	1,060	—
Jinan Automobile Test Center	314	315
Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	141	—
Shandong Xin Hai Guarantee Co., Ltd.	—	75
	1,515	390
Rental expenses		
CNHTC	5,959	7,202
Hangzhou Engine Factory	1,710	6,050
CNHTC Jinan Special Truck Co., Ltd.	1,251	—
CNHTC Special Vehicle Company	35	—
	8,955	13,252
Construction supervision services income		
CNHTC Real Estates Company	1,180	—

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant related party transactions *(Continued)*

(i) Significant transactions with related parties except for other state-owned enterprises *(Continued)*

	For the six months ended	
	30 June 2009	30 June 2008
Construction services fee expenses		
CNHTC Jinan Construction Co., Ltd.	81,826	—

(ii) Significant transactions with other state-owned enterprises

	For the six months ended	
	30 June 2009	30 June 2008
Sale of trucks	325,929	165,141
Purchases of spare parts	1,260,352	2,482,866
Purchases of property, plant and equipment	6,702	—
Purchases of services	697	1,633
Interest expense on bank borrowings	119,658	81,353
Interest income from bank deposits	122,302	151,275

(iii) Key management compensation

	For the six months ended	
	30 June 2009	30 June 2008
Key management compensation		
Directors and supervisors		
- Basic salaries, bonus, housing allowances and other allowances	2,393	2,367
Senior management		
- Basic salaries, bonus, housing allowances and other allowances	555	574
	2,948	2,941

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

(i) Balances with related parties except for other state-owned enterprises

	As at	
	30 June 2009	31 December 2008
Trade and other receivables		
Trade receivables due from		
CNHTC Jining Commercial Truck Co., Ltd.	84,716	14,429
CNHTC Taian Wuyue Special Truck Co., Ltd.	57,696	—
CNHTC Jinan Investment Co., Ltd.	13,006	27,327
CNHTC Jinan Construction Co., Ltd.	1,829	6
CNHTC Jinan Special Truck Co., Ltd.	1,803	—
CNHTC Real Estates Company	89	—
CNHTC	—	143
	159,139	41,905

	As at	
	30 June 2009	31 December 2008
Other receivables due from		
Hangzhou Engine Factory	1,513	27,807

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties *(Continued)*

(i) Balances with related parties except for other state-owned enterprises *(Continued)*

	As at	
	30 June 2009	31 December 2008
Trade and other payables		
Trade payables due to		
CNHTC Jinan Special Truck Co., Ltd.	10,069	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	7,028	52
CNHTC Special Vehicle Company	3,304	527
CNHTC Jining Commercial Truck Co., Ltd.	718	—
CNHTC Jinan Investment Co., Ltd.	389	—
CNHTC Jinan Construction Co., Ltd.	—	777
Hangzhou Engine Factory	—	10
	21,508	1,366

	As at	
	30 June 2009	31 December 2008
Other payables due to		
CNHTC Jinan Special Truck Co., Ltd.	889	—
CNHTC Special Vehicle Company	523	523
CNHTC Taian Wuyue Special Truck Co., Ltd.	400	400
CNHTC	234	—
	2,046	923

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

(i) Balances with related parties except for other state-owned enterprises (Continued)

	As at	
	30 June 2009	31 December 2008
Prepayments		
CNHTC Datong Gear Co., Ltd.	19,803	—
CNHTC Jinan Realty Management Co., Ltd.	1,124	600
CNHTC Jinan Bus Co., Ltd.	1,005	1,005
	21,932	1,605

	As at	
	30 June 2009	31 December 2008
Advances from customers		
CNHTC Special Vehicle Company	1,155	398
CNHTC Lease Firm	306	285
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	16,335
	1,461	17,018

(ii) Balances with other state-owned enterprises

	As at	
	30 June 2009	31 December 2008
Trade receivables	132,954	137,253
Trade payables	174,670	239,035
Other payables	6,748	—
Prepayments	199,166	44,939
Advances from customers	658	2,517
Restricted cash	3,671,526	3,739,575
Cash and cash equivalents	9,889,269	6,681,574
Borrowings	10,333,752	8,024,645

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

21 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 15 July 2009, the Board announced on the Stock Exchange of Hong Kong Limited the proposed cooperation project between, among others, the Company and MAN SE, a company incorporated under the laws of Germany and listed on the Frankfurt Stock Exchange. Upon closing of the whole cooperation project, the Company, MAN SE and their respective affiliates are expected to achieve a long-term strategic cooperation relating to i) the related license of the licensed technology and know-how, ii) the production and assembly of technologically advanced medium- to heavy-duty trucks and related parts and components by the licensees in the PRC, iii) the sale and distribution of the contract products and technology-upgraded trucks, and iv) the strategic investments by MAN, a wholly-owned subsidiary of MAN SE, in the Company.

On 12 August 2009, the extraordinary general meeting approved i) the transactions with MAN SE and its affiliates, ii) a specific mandate for the creation and issue of the convertible note and the allotment and issue for conversion shares, and iii) the relevant amendments to the articles of association of the Company.

22 APPROVAL ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was approved by the Board on 24 August 2009.



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