SINOTRUK (HONG KONG) LIMITED

中國重汽（香港）有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 3808)

Announcement on Interim Results
For the Six Months Ended 30 June 2009

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 our shareholders decreased by 39.8% year on year to RMB462 million
- Earnings per share decreased by 38.2% year on year to RMB0.21

The board (the "Board") of directors (the "Directors") of Sinotruk (Hong Kong) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2009. This unaudited consolidated results have been reviewed by the audit committee of the Company and PricewaterhouseCoopers, our auditor, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

(All amounts in RMB thousands unless otherwised stated)

	Note	**Six months ended 30 June** **2009** **Unaudited**	2008 Unaudited
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	5	**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	6	**(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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2009

(All amounts in RMB thousands unless otherwised stated)

	Note	Six months ended 30 June	
		2009	2008
		Unaudited	Unaudited
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	7	**0.21**	0.34

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2009

(All amounts in RMB thousands unless otherwised stated)

	Note	**30 June 2009 Unaudited**	31 December 2008 Audited
ASSETS			
Non-current assets			
Goodwill		**3,868**	—
Land use rights		**631,179**	441,699
Property, plant and equipment		**7,137,027**	6,498,830
Intangible assets		**40,498**	33,808
Investment properties		**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	9	**5,472,216**	5,138,973
Financial assets at fair value through profit or loss		**—**	8,622
Amounts due from related parties		**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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2009

(All amounts in RMB thousands unless otherwised stated)

	Note	**30 June 2009 Unaudited**	31 December 2008 Audited
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**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
LIABILITIES			
Non-current liabilities			
Borrowings		**810,250**	344,434
Deferred income tax liabilities		**10,977**	1,461
Termination benefits, post-employment benefits and medical insurance plan		**57,980**	64,570
		879,207	410,465
Current liabilities			
Trade and other payables	10	**10,855,498**	7,606,909
Current income tax liabilities		**122,579**	15,639
Borrowings		**9,523,502**	7,680,211
Amounts due to related parties		**25,015**	19,307
Financial liabilities at fair value through profit or loss		**7,856**	—
Provisions for other liabilities		**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

Notes to the condensed consolidated interim financial information
(All amounts in RMB thousands unless otherwised stated)

1 General information

Sinotruk (Hong Kong) Limited was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation of China National Heavy Duty Truck Group Company Limited ("CNHTC"). The Company's shares 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 Centre, 168-200 Connaught Road Central, Hong Kong.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 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.

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 steering 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 Purpose Automobile Manufacturing Co., Ltd. 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 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'.
- HK (IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 amendment), 'Financial instruments: Recognition and measurement'.
- 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'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

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.

3 Accounting policies (Continued)

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

4 Segment information

The chief operating decision-maker has been identified as the executive committee which comprising all executive directors. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. The decision-maker has determined the operating segments based on these reports.

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

(i) Trucks – Manufacture and sale of trucks;

(ii) Engines – Manufacture and sale of engines and the 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 decision-maker 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.

(All amounts in RMB thousands unless otherwised 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

(All amounts in RMB thousands unless otherwised 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 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	**14,159,742**	16,923,804

5. 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
Amortisation of land use rights	**6,782**	3,519
Depreciation of property, plant and equipment	**205,123**	177,486
Amortisation of intangible assets	**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)

(All amounts in RMB thousands unless otherwised stated)

6. 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 & Tramsmission Co., Ltd., Jinan Fuqiang Power Co., Ltd. and Sinotruk Hangzhou Engine Co., Ltd., have been recognised as the New/High Tech Enterprises in 2008. According to the tax incentives of the 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.

Sinotruk Jinan Truck Co., Ltd., one of the subsidiaries of the Group, which has been recognised as the New/High Tech Enterprises 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 Special Vehicles Co., Ltd. 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%.

7. Earnings per share

Basic

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

	For the six months ended	
	30 June 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).

8. Dividends

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

A final dividend of the Company that related to the year ended 31 December 2008 and that amounts to approximately HKD 86,477,000 (2007: HKD 161,539,000) (approximately RMB 76,153,000, 2007: RMB 145,112,000) was paid in June 2009.

The Board does not recommend an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

(All amounts in RMB thousands unless otherwised stated)

9. Trade and other receivables

	As at 30 June 2009	As at 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

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

	As at 30 June 2009	As at 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

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.

(All amounts in RMB thousands unless otherwised stated)

9. Trade and other receivables (Continued)

As at 30 June 2009, accounts receivable of approximately RMB 338,445,832 (31 December 2008: RMB 402,450,000) are secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 30 June 2009 and 31 December 2008.

10. Trade and other payables

	As at	
	30 June 2009	31 December 2008
Trade and bills 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 the trade and bills payables was 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

Management Discussion and Analysis

Market Overview

In the first half of 2009, the domestic economic growth slowed down as it was affected by the global economic recession. The Chinese government adopted fiscal and monetary policies to stimulate the country's economy and implemented large scale investment plans. As such, the Chinese 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 civil construction projects accounted for a higher proportion of the total demand. Since May 2009, the demand for cargo trucks rose again gradually which resulted in the lower proportion of demand for construction use trucks. 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 28%.

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 finished 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 sales 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 mixer. 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 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 heavy duty trucks, which was a record high for its monthly sales. The Group outperformed the industry amid the slackening market. In the second quarter of this year, the demand for cargo trucks recovered, boosting the Group's sales of cargo trucks. Meanwhile, the Group's sales of construction use trucks continued its growth momentum. According to CAAM, the Group and its parent company together still ranked first in China in terms of the 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 also 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%.

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 sell 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") in 2008.

The move will help to strengthen the Group's sales network and further increase its market share in the country's western region.

Presently, the Group has established a comprehensive sales service network that comprises 807 distributors selling the Group's products in the country, including 153 4S centers, 154 shops under Sinotruk's own brand, 1,022 repair and maintenance 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 truck 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 just 3,476 units of heavy duty trucks 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. It has 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 upgrade 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 Axle & Transportation Co., Ltd. and Hangzhou Automobile Engine Foundry Co., Ltd. The move will optimize the production chain so as to satisfy next year's demand.

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. It builds a technological innovation system based on its technical centre with the goal of developing new products and new production technology. As a result, the Group's capability for innovation is increasing. 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 and have been granted 1,023 patents. They still ranked first in the 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 centre for heavy duty truck production technology ("Research Centre") at the Group. The Research Centre was the only state-level research centre for heavy duty trucks in China. The establishment of the Research Centre 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, enhancing the Group's core competitive strength.

In the second half of the year, the Group will take great effort to build its research and development base in order to boost its R&D capability and thus its core competitive strength for sustainable development.

Engine 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.

Finance Segment

During the period under review, external income at 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 reduction 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 parts and components 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 Holding S.à.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, China National Heavy Duty Truck Group Co., Ltd. ("CNHTC") 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 the Company through MAN. Subject to the terms and conditions of the Cooperation Agreements, MAN Nutzfahrzeuge Aktiengesellschaft ("MN"), a wholly-owned subsidiary of MAN, 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 expansionary fiscal and 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 better 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 also further develop its sales network in order to boost sales to both the domestic and international markets. It will also enhance its core competitive strength through technological innovation. The Group will also try to raise the quality of its products at a low cost to increase its competitive strength. Other measures to sharpen the Group's edge are to raise its management standard. The Group will strive to have a better sale 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 the most advanced technology 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 will continue to work hard to raise the Group's core competitive strength and increase its market share. We will consolidate the Group's leading position in the domestic market and will strive to develop the Group into an internationally renowned and strong heavy duty truck production base.

Dividends

The Board does not propose interim dividends for the six months ended 30 June 2009.

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 reduction of RMB2,764 million or 16.3%. The decrease in the turnover primarily resulted from the drop in 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 decreased by RMB592 million or 24.3%, from that of 2008 at RMB2,433 million to RMB1,841 million in the first half of 2009. 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 resulted from 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) 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 it was net other losses at RMB 87 million in same period last year. The turnaround from net other loses 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 in deposit interest income rates and increase of the borrowings.

Income tax expense

The income tax expense of the first half of 2009 was RMB 190 million, a 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 and 2009 of which their income tax rates are at a reduced corporate income tax rate of 15% (10% less when compared with that of same period last year) and ii) the decrease in operating profits.

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 the first half of 2008 to RMB0.21 in the first half of 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 worldwide 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 it was cash outflow of RMB3,074 million in that of 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 use of commercial bills to settle trade debts.

Net cash outflow from investing activities for the first half of 2009 was RMB678 million, a decrease of RMB71 million compared to that of last year. The decrease was mainly due to less capital expended in plant and equipment when the problem of 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 2008 and 2009 was 1.4 and 1.3 respectively.

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 were 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 exchange rate of 0.88153 between HKD and RMB).

Going Concern

Based on the current financial forecast and the funding that can be utilised, the Group will have sufficient financial resources to continue its operations. As a result, the financial statements were prepared under the going concern assumption.

Contingent Liabilities, Legal Proceedings and Potential Litigation

In 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, improvement of work efficiency, encouraging employees to smoothly completing 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 PRACTICE

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.

REVIEW OF INTERIM RESULTS

This unaudited condensed financial information of the Group has been reviewed by the audit committee of the Company and PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, the Company repurchased an 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
		Maximum	Minimum	
		HKD	HKD	HKD
January	11,575,000	5.97	5.29	67,723,490
Other expenses				158,474
Total payment				67,881,964

The above total payment was offset with the retained earnings. The above shares repurchased, together with the 101,693,500 shares repurchased by the Company in 2008 at a 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.

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

Beijing, the PRC 24 August 2009

As at the date of this announcement, the Board consists of seven executive directors, Mr. Ma Chunji, Mr. Cai Dong, Mr. Wang Haotao, Mr. Wei Zhihai, Mr.Wang Guangxi, Mr. Tong Jingen and Mr. Wang Shanpo and six independent non-executive directors Mr. Shao Qihui, Mr. Lin Zhijun, Mr. Ouyang Minggao, Mr. Hu Zhenghuan, Mr. Chen Zheng and Mr. Li Xianyun.