



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

10



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Business

Sinotruk (Hong Kong) Limited (the “Company”) and its subsidiaries (together referred as the “Group”) specialises in the research, development and manufacture of heavy duty trucks and related key parts and components. Our principal products include cargo trucks and truck chassis with GVW over 14 tons as well as semi-tractor trucks with trailing capacity over 12 tons. Our major product series include HOWO-A7, HOWO, Sitaier King, Sitaier and Huanghe. Each is further divided into various subseries to target different market segments. We are one of the PRC heavy duty truck manufacturers who possess the most complete range of drive-type trucks with the largest variety in tonnages. Through our diverse product portfolio, we serve a wide range of all major industries customers that utilize heavy duty trucks including infrastructure, construction, container transportation, logistics, mining, steel and chemical industries.

The Group mainly manufactures complete heavy duty trucks and also produces key parts and components for own use, such as engines, cabins, axles and gear. We are able to research, develop and manufacture heavy duty truck as well as possess a comprehensive production chain. In addition to internal use, we supply truck engines and engines used in industrial and construction machineries to third parties. Our products are not only sold domestically but also exported to other districts and countries.

The Group’s businesses are classified into three operating segments according to the nature of products and services provided:

(i) Trucks

Our Trucks segment comprises of Sinotruk Ji’nan Truck Co., Ltd., Sinotruk Ji’nan Commercial Truck Co., Ltd., Sinotruk Ji’nan Axle & Transmission Co., Ltd., Sinotruk Import & Export Co., Ltd., Sinotruk Mianyang Special Vehicle Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd., Sinotruk Hubei Huawei Special Vehicle Co., Ltd. Sinotruk Ji’nan HOWO Bus Co., Ltd., Sinotruk Ji’ning Commercial Truck Co., Ltd., Sinotruk Ji’nan Ganghao Bonded Logistics Co., Ltd. and etc. They are responsible for production of heavy duty trucks and axles, domestic and export sales, truck refitting and production of special trucks.

(ii) Engines

The Engines segment mainly comprises of Sinotruk Ji’nan Power Co., Ltd., Sinotruk Hangzhou Engine Co., Ltd., Sinotruk Ji’nan Fuqiang Power Co., Ltd., Sinotruk Chongqing Fuel System Co., Ltd. and etc. They are mainly responsible for production of engines, engine parts, gear, various types of casting and forging as well as sales of engines.

(iii) Finance

Sinotruk Finance Co., Ltd. is the key subsidiary carrying out financial services. It supports the Group’s operation by providing financial services to the Group’s members and parent group companies. The financial services include deposits taking, borrowings, notes and bills discounting and provision for guaranteed vehicle consumer loans.



Corporate Information

DIRECTORS

Executive Directors:

Ma Chunji (*Chairman of the Board*)
Cai Dong (*President*)
Wei Zhihai (*Vice President*)
Wang Haotao (*Vice President*)
Wang Guangxi (*Vice President*)
Tong Jingen (*Chief economist*)
Wang Shanpo (*Chief engineer*)
Pan Qing (*Vice President*)

Non-executive Directors:

Georg Pachta-Reyhofen
Jörg Schwitalla
Lars Wrebo

Independent Non-executive Directors:

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

EXECUTIVE COMMITTEE

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

STRATEGY AND INVESTMENT COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

HEAD QUARTER

165 Yingxiongshan Road, Ji'nan,
Shandong Province, China
Postal code: 250002

REGISTERED OFFICE IN HONG KONG

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

COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

Tong Jingen
Kwok Ka Yiu

PRINCIPAL BANKERS

Industrial and Commercial Bank of
China - Ji'nan Branch,
Tianqiao Sub-branch
Bank of China - Ji'nan Branch
Agricultural Bank of China-
Ji'nan Branch, Huaiyin Sub-branch
China Construction Bank -
Ji'nan Branch, Tianqiao Sub-branch

LEGAL ADVISERS

Hong Kong
Sidley Austin

PRC
DeHeng Law Offices

AUDITOR

PricewaterhouseCoopers

SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

COMPANY WEBSITE

www.sinotruk.com

STOCK CODE

3808

INVESTOR RELATIONS

Securities Department
China: Tel (86) 531 8866 3808
Fax (86) 531 8558 2545
Hong Kong: Tel (852) 3102 3808
Fax (852) 3102 3812
Email: securities@sinotrukhk.com

PUBLIC RELATIONS CONSULTANT

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

Highlights

- Turnover at RMB22,248 million, 52.8% increase
- Heavy duty truck sales volume at 84,488 units, 50.2% increase; export volume at 4,579 units, 31.7% increase
- Profit attributable to equity holders at RMB840 million, 76.7% increase
- Basic earnings per share at RMB0.30, 36.4% increase

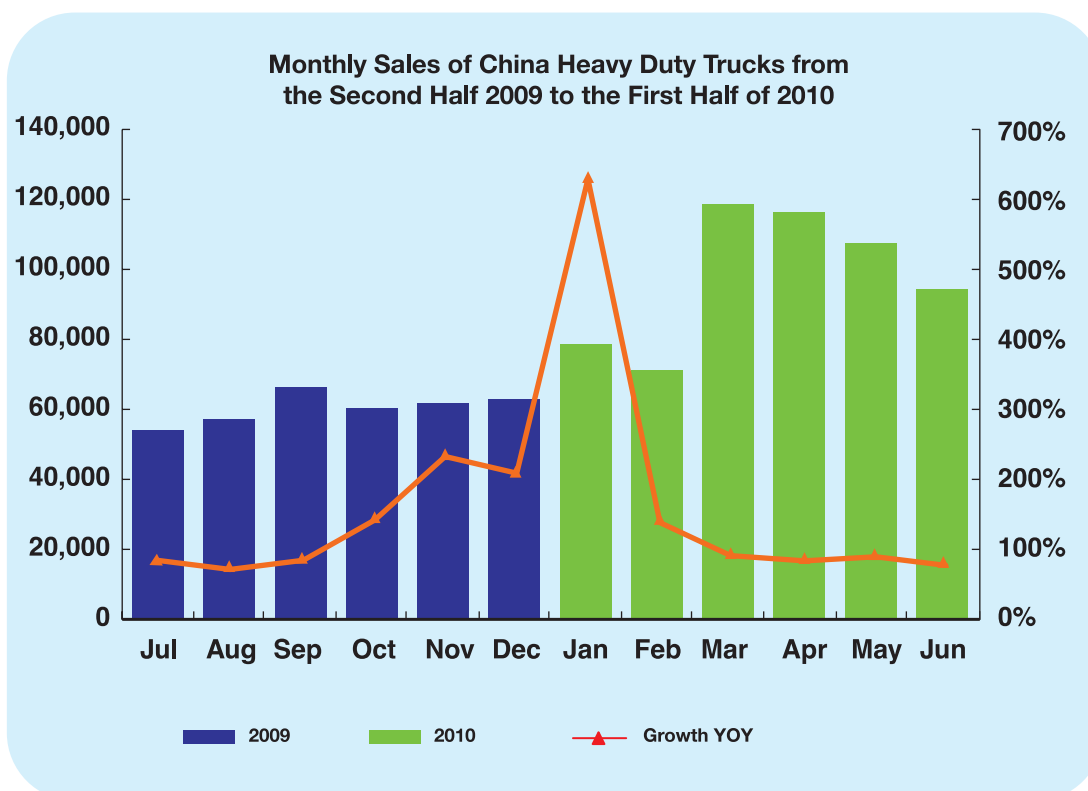
KEY INTERIM RESULTS FIGURES	2010	2009	increase/ (decrease)
Operating results (RMB million)			
Turnover	22,248	14,561	7,687
Earnings before interest and tax	1,729	908	821
Profit attributable to equity holders of the Company	840	475	365
Profitability			
Gross profit margin	15.9%	12.9%	3.0%
Operating profit margin	7.4%	5.4%	2.0%
Net profit margin	4.7%	3.9%	0.8%
Liquidity			
Current ratio (time)	1.4	1.2	0.2
Inventory turnover (days)	74.9	91.4	(16.5)
Trade receivable turnover (days)	74.7	50.2	24.5
Trade payable turnover (days)	104.4	115.0	(10.6)
Per share data			
Earnings per share - basic (RMB)	0.30	0.22	0.08
Share information (as at 30 June)			
Number of issued shares (million)	2,761	2,162	599
Market capitalisation (RMB million)	14,982	14,313	669

Management Discussion and Analysis

During the period under review, the Group has completed the acquisition of CNHTC Ji'ning Commercial Truck Co., Ltd. ("Ji'ning Commercial Truck"). The acquisition of Ji'ning Commercial Truck was considered to be a business combination under common control as the Group and Ji'ning Commercial Truck are under common control of China National Heavy Duty Truck Group Company Limited ("CNHTC") both before and after the acquisition. All operating and financial data have been restated by including those of Ji'ning Commercial Truck as if Ji'ning Commercial Truck had always been part of the Group.

MARKET OVERVIEW

In the first half of 2010, China's economy sustained its growth momentum since the end of 2009 under the spur of the government's expansionary fiscal policy and economic stimulus package. According to the National Bureau of Statistics of China, the gross domestic product of China grew by 11.1% during the period, and fixed asset investment increased by 25.0%. The implementation of infrastructural projects, provincial economy revival plans and recovery in transportation sector stimulated demand for heavy duty trucks. The demand for the models for construction projects and tractor trucks grew in tandem. According to China Association of Automobile Manufacturers (CAAM) (中國汽車工業協會), about 584,000 heavy duty trucks (of more than 14 tons) were sold in China in the first half of 2010, up 112.9% year on year.



Source: CAAM



Management Discussion and Analysis

REVIEW OF OPERATIONS

Trucks Segment

During the period under review, the Group's heavy duty truck sales grew by 50.2% year on year to 84,488 units. Truck sales (including inter-segment revenue) increased by 53.2% year on year to RMB21,071 million as a result of increase in volume sold.

Domestic Business

Since the beginning of 2010, fixed asset investment has been increasing as many infrastructural projects started in China. This has boosted the demand for heavy duty trucks for construction projects such as tippers and concrete mixer trucks. The Group maintained its leadership in the market segment for heavy duty trucks for construction projects. The economic recovery and busy cargo transportation stimulated demand for tractor trucks. The Group beefed up its position in the market for tractor trucks by launching a number of new products and models. As a result, its share of such market segment increased on the back of rising sales volume of trucks for cargo transportation. In particular, sales volume of HOWO A7 grew by more than five times and thus became a new growth driver. Demand for both the Group's trucks for construction projects and cargo transportation increased significantly during the first half of 2010.

Monthly combined truck sales by the Group and its parent company remained more than 20,000 units in March, April and May 2010. In particular, the sales of more than 24,000 units in April 2010 broke the monthly record. The Group's sales growth was attributable to its technological advantage, comprehensive production chain and improvement of its network for marketing, sales and refitting in addition to the recovery of China's economy. According to CAAM, the combined sales of heavy duty trucks (of more than 14 tons) by the Group and its parent company totalled 115,548 units in the first half of 2010, or 70.0% more than that in the same period last year. Their combined market share was approximately 19.8%.

In the first half of 2010, the Group continued to improve the four networks of sales and marketing, after-sales services, component sales and refitting.

During the period under review, the Group made special efforts in four areas: 1) Finer segmentation of networks. The Group made finer segmentation of the markets and in categories by carrying out target market-oriented sales and services. 2) Expansion of network coverage. The Group extended its sales and service network to cover customers in counties and villages in which end users can easily purchase the Group's products and obtain after-sales services. 3) The Group made progress in strengthening the network for tractor truck sales. 4) The Group stepped up efforts in training its staff in order to lift the standards of its sales and services. The move met the needs of the expanding sales and after-sales networks and sales of new product types. The move also contributed to more scientific development in networking and enhanced the efficiency of the operations.



Management Discussion and Analysis

During the period under review, the refitting business made new progress. As the PRC government stepped up its efforts in investing in the infrastructural projects in the country's western region, the demand for heavy duty trucks continued to grow in tandem. The Group beefed up its capability for truck refitting, consolidated and expanded its market share in the country's western region. The Group's refitting companies such as Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd. (中國重汽集團柳州運力專用汽車有限公司) and Sinotruk Hubei Huawei Special Vehicle Co., Ltd. (中國重汽集團湖北華威專用汽車有限公司) significantly enhanced their capability for refitting. Furthermore, the Group maintains the current relationship with the existing refitting factories and at the same time cooperates with five more refitting factories, further boosting its capability for refitting. The bottleneck problem in refitting business has been minimized.

As at 30 June 2010, there were 971 distributors selling the Group's products, including 186 4S centres, 161 shops under Sinotruk's brand, and 1,211 services stations providing quality after-sales services for users of the Group's products. There were 315 shops (including 91 component sales centres) which supply the Group's components. There were also 541 second-tier outlets which source components from the Group's regional sales centres, as well as 231 refitting companies which provide refitting services to the Group's customers.

International Business

The global economy is in the trend of recovery. However, different economies have different performances. Specifically, the crisis of the sovereign bonds in Europe has shaken the capital market, adding uncertainty to the world's economic recovery. This has made the global economic recovery slow and difficult. Currently, the recovery of the global heavy duty truck market was under pressure. Moreover, the rising international trade protectionism also posed a challenge to the heavy duty truck export.

To cope with the challenges, the Group has adopted a series of measures, including optimisation of functions and structure of the import/export department; preparation of product certification to meet foreign countries' standards for imports and active exploration of emerging overseas markets. With reference to characteristics of each international market, the Group spearheads the development of overseas business units and marketing and sales network. The Group has divided its overseas business into six major geographical areas and has established 24 representative offices in different foreign countries. The overseas representative offices are responsible for planning and establishment of sales and marketing networks in their own region. There are more than 70 distributors selling the Group's products, more than 200 sales outlets, about 200 service outlets, and about 100 component sales outlets providing services for users of the Group's products in 74 countries.

In the first half of 2010, the Group actively developed existing and emerging overseas markets despite uncertainties in the international heavy duty truck market. The Group exported 4,579 heavy duty trucks, or 31.7% more than in the same period of 2009.



Management Discussion and Analysis

Technological Upgrade and Production Capacity

During the period under review, the main purpose of the Group's substantial project investments was to enhance production technology, product quality and balancing capacity for producing finished trucks, engines, gearbox and to increase forged parts production capacity, quality standard and research and development ("R&D") capability. We also put strong effort on the construction of ten-thousand ton production line of forged parts, Hangzhou R&D center and National Heavy Duty Truck Technology R&D center.

To speed up the progress of technology transfer and product localization, to further lower the production cost and launch the partnership truck model to the market as early as possible, we already started the construction of facilities of the technology upgrading and capacity expansion projects of MAN engines according to the agreement between the Group and MAN.

The Group's annual production capacity reached 160,000 units of trucks and 200,000 units of engines. We believe that we have an optimum production mix and capacity that will better meet the market demand.

Taking into account of the monthly fluctuation in market demand, the Group adjusts its forecast, re-arranges production schedule and replenishes stocks of parts accordingly. Those measures help the Group meet the changing market demand and maintain higher utilization rates of its current production capacity.

Heavy Duty Truck

With its edge in technology and marketing, the Group continues to lead the heavy duty truck industry, especially in the markets for the trucks for construction projects. Under its continuous commitment in R&D and effort in commercialization, the Group developed numerous series and sub-series of heavy duty truck products.

During the period under review, the Group successfully replaced old truck models with new product series, among which HOWO series tractors were completely replaced by the 2010 HOWO series which featured modern style, comfortable experience and improved safety. These new models contributed to the increase in the sales volume in the first half of the year.

HOWO A7 grabbed the market attention when it was launched earlier this year, with positive market response. With our continuous improvement in truck functions, the market demand for HOWO A7 increased and gradually stabilized. With tractors as a major product category, we launched various products under the HOWO A7 series. HOWO A7 successfully gained market popularity with the products' unrivaled functions, comfortable interior environment, grand exterior and safety. Going forward, the Group will further promote HOWO A7 series to increase the sales proportion of the tractors segment, to further improve the Group's competitiveness in the cargo truck segment and ultimately, improve its product mix. HOWO A7 also received positive response overseas, evidenced by the Group's recent contract with the national petroleum company in the Republic of Venezuela to supply 750 trucks, and pursuant to which, 500 of the 750 trucks were already delivered by the Group.



Management Discussion and Analysis

During the period under review, Sinotruk Ji'ning Commercial Truck Co., Ltd. successfully developed trucks powered by CNG and LNG. Presently, eight products of our Haoyun CNG new energy series were granted approval to be launched to the market by the Ministry of Industry and Information Technology of the PRC among which Haoyun heavy duty truck was highly cost efficient. In addition to technology upgrade of existing products, Sinotruk Ji'ning Commercial Truck Co., Ltd. is now in the process of developing a new series of heavy duty trucks. At present, Sinotruk Ji'ning Commercial Truck Co., Ltd. can produce trucks for transportation, construction and mining using CNG, LNG as well as petroleum in either China III or China IV emission standards. These products are mainly sold to the clients in Shandong province and its surrounding areas as well as the clients from South East Asia.

Research and Development

The Group is dedicated to R&D and will continue to invest in the innovation and development of new products. Our R&D are principally carried out in our technical centre. This centre not only has the best heavy vehicle engineering talents in China but also is equipped with advanced design platform and laboratory equipment. During the period under review, the Group underwent 72 projects relating to new product development, including heavy duty truck assembly and key parts production, parts, experiments and accreditation, pre-production assembly and procedural improvement of assembly. We are also working on the localization of introduced specific projects as planned.

Up to now, the Group and its parent company together participated to formulate 24 industry standards for China's heavy duty and had applied for 1,457 patents, of which 1,212 patents had been granted. We continued to rank first in the domestic heavy duty truck industry in terms of the number of patents owned.

During the period under review, the Group can provide up to 1,373 models with China III emission standard, accommodating the needs of various customers.

Measures to Enhance Efficiency and Quality

With scientific development, rational development, precise operation and optimal efficiency as the principles of the Group's philosophy, the Group carried out measures to enhance efficiency and quality across the board, for the sake of improving quality of people and products, reducing cost and production inefficiency. Every subsidiary of the Group implemented measures according to respective operational environment and formed task force for specific issues. The Group also shares successful experience and transforms good experience to guidelines. In addition, we strengthened our internal controls, added measures on risk control and took adopted practical approach to ensure those measures are in place on schedule. The implementation of lean management greatly improved overall management quality and core competitiveness of the Group.

Engines Segment

During the period under review, Engines Segment sold a total of 114,222 engines up 65.6% year on year, revenue (including inter-segment revenue) totaled RMB7,030 million, up 64.3% year on year. External revenue accounted for 17.6% of the Group's engine sales.



Management Discussion and Analysis

In addition, the MAN engine upgrading and production expansion projects have been commenced and the project will help strengthen the competitiveness of the Group and bring market opportunity during the transitional period for adopting China IV emission standard.

Finance Segment

In the first half of 2010, the external revenue of the Finance Segment increased from RMB30 million by RMB7 million to RMB37 million. The increase was due to the expansion of the consumer credit business, the growth in lending portfolio and the increase in interest income from bill discounts.

During the period under review, the Group's sales volume of heavy duty truck rose significantly. To adapt to market changes and to satisfy the domestic consumer demand for purchasing heavy duty trucks by loans, Sinotruk Finance Co., Ltd. expended its consumer credit business, such as developing pledge business, automobile loan insurance business and comprehensive credit business. In addition, Sinotruk Finance Co., Ltd. accelerated the establishment of outlets of its consumer credit business in some regions in China to expand the scope of its coverage, the consumer credit business of the Group is enlarged as a result.

Significant Investment and Cooperation

During the period under review, Sinotruk Ji'nan Power Company Limited (中國重汽集團濟南動力有限公司) ("Ji'nan Power") had successfully acquired 100% equity interest in Ji'ning Commercial Truck from CNHTC, the parent company at a consideration of RMB81 million and the change of ownership had been completed.

In January 2010, the Group invested RMB180 million to establish Sinotruk Ji'nan HOWO Bus Co., Ltd. (中國重汽集團濟南豪沃客車有限公司) of which Ji'nan Power invested RMB135 million, accounting for 75% of the registered capital and Sinotruk (Hong Kong) International Investment Limited invested RMB45 million for the remaining 25%. Sinotruk Ji'nan HOWO Bus Co., Ltd. is principally engaged in the manufacturing and sales of bus, bus chassis and bus auto parts, as well as providing technical services.

In March 2010, Sinotruk (Hong Kong) International Investment Limited invested USD16 million to establish a wholly owned subsidiary, Sinotruk Ji'nan Ganghao Bonded Logistics Co., Ltd. (中國重汽集團濟南港豪保稅物流有限公司) ("Ji'nan Ganghao Logistics"). Ji'nan Ganghao Logistics is principally engaged in provision of storage services, bonded logistics services, local freight forwarding, related information consulting and logistics engineering. Moreover, Ji'nan Ganghao Logistics is principally engaged in the research and development, processing, manufacturing of vehicles auto parts and export and import of goods. The establishment of Ji'nan Ganghao Logistics is to help reduce the costs of import and export, increase effectiveness and build up a bonded area for providing duty-free services.



Management Discussion and Analysis

Human Resources

As at 30 June 2010, the Group had a total of 17,507 employees. Human resources are the concern of the Group in any decision making in the enterprise operation. The Group strived to hire senior management caliber individuals and professional technicians and reinforced the management of supervisor grade employees. The Group selected and recruited high caliber individuals for the key and new established positions with stringent assessment, implemented the exchange of personnel in key positions. The Group continues to evaluate various job positions, set up and modify job requirements so as to match the growth of the Group. The Group also promoted sound working environment with decent facilities and improved working standard for better management system with a view to increasing the efficiency of management.

In order to encourage employees in completing various tasks and meeting targets, the Group has improved the staff incentive program continuously, such as striving to modify the promotional system of non-leadership position, further advancing salary system to introduce high caliber individuals and avoiding outflow of talents. Meanwhile, the Group encouraged outstanding employees with high capability by providing them promotional opportunities.

The Group also focused on training and developing high caliber individuals. In order to expand the enterprise production development, the Group continued to increase investment on training resources through internal training and external site visits and increased the types of training methods to provide quality training for management and professional technicians. Meanwhile, the Group strengthened its training to sales persons who were responsible for local and overseas sales in order to satisfy the rapid development of the Group.

Prospects

In 2010, it is expected that the PRC government will continue to maintain a steady growth of the macro economy despite of the slow down in the growth rate of fixed asset investment comparing to the substantial growth of last year and the uncertainties in the domestic economy in the second half of the year. In accordance with the steady growth of the economy, the implementation of infrastructural construction projects and the increasing transportation volume of goods will further impetus the demand on heavy duty trucks. On the other hand, the international market remains uncertain due to the influence of the financial crisis, affecting the export of heavy duty trucks. In addition, the domestic heavy duty trucks industry remains keen competition due to joint ventures between local and international heavy duty trucks enterprises and the upsurge of heavy duty trucks investment of local enterprises. Although the Group encounters risks and uncertainties, challenge and development are still available, the Group will seize the opportunity of development and adopt various measures to accelerate its development.

1. To improve regional sales. The Group will further strengthen its sales network with a view to creating a sales network of 250,000 units and solving the problem of unbalanced development of different regional sales network. The Group consolidates its advantages in sales of heavy duty trucks for construction projects, and at the same time, accelerates the development of cargo trucks sales network to boost sales through closer cooperation with



Management Discussion and Analysis

distributors in order to enlarge the market share for cargo trucks. In addition, the Group will utilize resources for refitting and delivery to reinforce the refitting trucks market and to secure the concept of “Customer First” by enhancing after-sales services quality continuously.

2. To further establish and enhance brand image and increase international market share by actively developing overseas markets. The Group will increase the innovation capability of the import and export systems. Moreover, the Group will improve the component center established overseas, increase the number of distributors and sole distributors overseas, elaborate advantages of various brands and expand international market sales networks by segmenting different brands into different sales networks. The Group will also accomplish the investment of overseas KD factory for semi-production and strengthen business training for import and export department so as to enhance the quality of after-sales services and increase the exports of products.
3. Pursuant to the agreement with MAN, the Group has been actively promoting the localization of new technology and products. During the period under review, the Group made substantial progress in developing overseas markets. The Group will speed up the modeling and mass production of engines and other major parts. In order to maintain the project progress, we will also take actions to reinforce management on both production and procurement according to existing planning and product design.
4. Capitalizing on the Group’s strengths on capital, human resources, R&D capability, we will continue to focus on technological innovation to introduce new technology and new products. We will continue to implement stringent quality management and take advantage of the network of localized global parts manufacturers for truck assembly. The Group will strive to provide our customers with quality and diversified products.
5. The strategy of diversification to improve long term profitability. We will actively develop our bus project, enhance bus market research and identify investment opportunities in bus market.

DIVIDENDS

The Board does not propose interim dividends for the six months ended 30 June 2010.

FINANCIAL REVIEW

Turnover, Gross Profit and Gross Profit Margin

For the six months ended 30 June 2010, the Group’s turnover recorded RMB22,248 million, compared with that of 2009 at RMB14,561 million, representing an increase of RMB7,687 million or 52.8%. The increase in the turnover was primarily resulted from the significant increase in sales volume and increase in average selling price.



Management Discussion and Analysis

Gross profit for the six months ended 30 June 2010 increased by RMB1,666 million or 88.8%, from that of 2009 at RMB1,876 million to RMB3,542 million while gross profit margin increased by 3 percentage to 15.9%. Gross profit increases mainly due to (i) increase in average selling price, (ii) decrease in fixed costs per unit as a result of the increase in sales volume, and (iii) decrease in scrap ratio.

Distribution Costs

Distribution costs increased from RMB710 million for the six months ended 30 June 2009 to RMB1,135 million for the six months ended 30 June 2010, rising by RMB425 million or 59.9%. The increase in distribution costs was primarily attributable to the increase in the transportation costs for delivery of trucks and warranty costs as a result of increase in trucks sales.

Administrative Expenses

Administrative expenses increased from RMB491 million for the six months ended 30 June 2009 to RMB729 million for the six months ended 30 June 2010, growing by RMB238 million or by 48.5%. The increase was mainly attributable to larger scale R&D implemented and increase in amortization of intangible assets.

Other (Losses)/Gains – Net

The Group recorded net other losses at RMB 38 million during the period under review while it recorded net other gains at RMB110 million in the first half of 2009. The turnaround from net other gains to net other losses was mainly attributable to the increase in foreign exchange losses and reduction of sales of scrap materials.

Finance Costs – Net

Net finance costs increased from RMB33 million to RMB410 million during the period under review. The increase in net finance costs was resulting from the increase in exchange losses on the Group's Euro cash resources as a result of the depreciation of Euro against RMB, which demonstrate a 15.6% decline from the beginning of the year 2010.

Income Tax Expense

The income tax expense of the first half of 2010 was RMB196 million, an increase of RMB12 million or 6.5% from that of 2009 at RMB184 million. The increase was due to the increase 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 2010 increased by 82.1% from RMB568 million to RMB1,035 million. The basic earnings per share attributable to the equity holders of the Company for the period under review increased from RMB0.22 in 2009 to RMB0.30, representing an increase of 36.4%. The percentage increase is less than that of the actual profit increase because weighted average of number of ordinary shares in issue increased from 2,162 million shares to 2,761 million shares, representing an increase of 27.7%.

Cash Flow

During the six months ended 30 June 2010, net cash outflow from operating activities was about RMB2,474 million and compared with net cash inflow in the same period in 2009 at RMB2,933 million, there was cash outflow at RMB5,407 million. (Considering the increase in bank acceptance notes at RMB5,983 million at the end of period under review, the Group recorded cash inflow of RMB3,509 million in the period under review.) The change of cash flow direction was due to the increase in the percentage of receipt of bank acceptance bills from sales.

Net cash outflow from investing activities for the first half of 2010 was RMB108 million, representing a decrease of RMB585 million compared to that of 2009. The decrease was mainly due to less capital expenditure spent.

The cash inflow from financing activities for the six months ended 30 June 2010 was RMB1,928 million, representing an increase of RMB293 million compared to that of year 2009. The increase was due to more borrowings made by the Group.

Liquidity and Financial Resources

The Group had cash and cash equivalents of RMB10,548 million, fixed deposits at RMB773 million and bank acceptance notes of RMB9,336 million at 30 June 2010. Cash and cash equivalents decreased by RMB991 million, fixed deposit decreased by RMB266 million and bank acceptance bills increased by RMB5,983 million as compared with those at the beginning of 2010. The Group's total borrowings (including long-term and short-term borrowings) were about RMB10,842 million as at 30 June 2010. Its gearing ratio was 22.7% (at 31 December 2009: 22.2%), which was calculated as borrowings divided by total assets. 96.8% of borrowings (at 31 December 2009: 87.9%) were made in RMB. 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 2010 was 1.4 (at 31 December 2009: 1.5).

As at 30 June 2010, total available credit facilities amounted to RMB28,811 million, of which RMB10,027 million had been utilised. An aggregate amount of RMB1,921 million of the Group's deposits and bank deposits was pledged to secure credit facilities. In addition, Sinotruk Finance Co., Ltd. has made mandatory deposits RMB150 million to People's Bank of China for its financial operations. The Group meets the daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application of longer credit periods from suppliers, utilization of banking facilities and issue of bills such as short-term commercial acceptance notes and bank acceptance notes.



Management Discussion and Analysis

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. Any speculative activity is prohibited under the financial policy of the Group. As at 30 June 2010, most of the Group's assets and liabilities were denominated in RMB, except for foreign currency fixed deposits, restricted cash and bank deposits which in total are equivalent to approximately RMB1,915 million, accounts receivable of approximately RMB418 million, foreign currency borrowings of approximately RMB348 million, accounts payable of approximately RMB1 million, other payables of approximately RMB149 million and long-term payable of approximately RMB356 million which were denominated in foreign currencies.

Capital Structure

As at 30 June 2010, owner's equity was RMB18,965 million, representing an increase of RMB788 million or 4.3% when compared with that at the end of year 2009 at RMB18,177 million.

As at 30 June 2010, the Company's market capitalisation was RMB14,982 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD6.22 per share and at the exchange rate of 0.87239 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

During the period under review, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a materially adverse effect on its financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB27 million. The total provision for legal claims was RMB3 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.

EVENTS AFTER BALANCE SHEET DATE

In August 2010, Ji'nan Power entered into a joint venture agreement with Chengdu Dachenggong Mechanics Company Limited (成都大成功機械股份有限公司) to acquire 80% equity interest in a joint venture company, Sinotruk Chengdu Wangpai Commercial Truck Co., Ltd. (中國重汽集團成都王牌商用車有限公司) ("Chengdu Wangpai Commercial Truck") at a cash consideration of approximately RMB325 million. Chengdu Wangpai Commercial Truck is principally engaged in the research, development, manufacture and sale of commercial vehicles and commercial vehicle frames, automobile components, general mechanical products and tractors; leasing of vehicles, sub-contracting construction projects, development of real estates; import and export of goods and technical services.



Other Information

CORPORATE GOVERNANCE

Corporate Governance Practice

The board (“Board”) and senior management of the Company commit to maintain a high standard of corporate governance, to formulate good corporate governance practice for improvement of accountability and transparency in operations, and to strengthen the internal control system from time to time so as to ensure to meet with the expectations of the Company’s shareholders. The Company has adopted the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Rules Governing of the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code of corporate governance. During the period under review, the Company has been in compliance with the CG Code.

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 for the six months ended 30 June 2010.

Board of Directors

The Board is responsible for formulating group policies and business directions, and monitoring internal controls and performances. As at 30 June 2010, the Board comprises of eight executive Directors, Mr Ma Chunji, Mr Cai Dong, Mr Wei Zihai, Mr Wang Haotao, Mr Wang Guangxi, Mr Tong Jingen, Mr Wang Shanpo and Mr Pan Qing; three non-executive Directors, Dr. Georg Pachta-Reyhofen, Mr Jörg Schwitalla and Mr Lars Wrebo 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. Mr Ma Chunji is the chairman of the Board and Mr Cai Dong is the president of the Company.

Executive Committee

The Executive Committee is responsible for implementing the decisions made by the Board. President is responsible for daily operation. The committee is formed by eight executive Directors including Mr Ma Chunji, Mr Cai Dong, Mr Wei Zihai, Mr Wang Haotao, Mr Wang Guangxi, Mr Tong Jingen, Mr Wang Shanpo and Mr Pan Qing.

Strategy and Investment Committee

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 provision for recommendations of significant investment and financing initiatives, significant capital operations and asset operation projects. The committee currently comprises of 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 Ouyang Minggao, Mr Shao Qihui and Mr Hu Zhenghuan are independent non-executive Directors. Mr Ma Chunji is the chairman of the committee.

Audit Committee

The Audit Committee is mainly responsible for reviewing and monitoring the financial control, internal control systems and risk management systems, including assessment of the financial and accounting policies, review of interim reports, annual reports and accounts and etc. In addition, the committee is responsible for the appointment, re-appointment and removal of external auditor, and for reporting to the Board on the recommendation, assessment and supervision of the external auditor in respect of its independence and objectivity, the effectiveness of the audit procedures, 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 committee currently comprises of 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. Mr Lin Zhijun is the chairman of the committee.

Remuneration Committee

The Remuneration Committee is mainly responsible for the appraisal of the senior management performance and making recommendation on their remuneration including to formulating performance appraisal standards and procedures, mainly commenting proposals of the appraisal mechanisms, rewarding system and penalties as well staff option schemes. The committee will also supervise the remuneration and other benefits offered by the Company to Directors. The committee currently comprises 5 members, namely, Mr Chen Zheng, Mr Lin Zhijun, Mr Li Xianyun, Mr Wei Zihai and Mr Tong Jingen. Mr Chen Zheng, Mr Lin Zhijun and Mr Li Xianyun are independent non-executive Directors. Mr Chen Zheng is the chairman of the committee.



Other Information

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2010 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period under review.

COMMUNICATIONS WITH SHAREHOLDERS

The Company considers that active communications with investors are important and provides reports with transparency and clarity in disclosures. Any significant events fall to be disclosed will be published in a timely, accurate and complete manner through the Company’s website and HKExnews, website of Hong Kong Exchanges and Clearing Limited, so as to safeguard shareholders’ rights of information and participation. In addition, the Company publishes all announcements made by its subsidiary, Sinotruk Ji’nan Truck Co., Ltd. on Shenzhen Stock Exchange in such websites.

The Securities Department of the Company is responsible for promoting investor relations actively for increased communications and ensuring that the investors are able to obtain information about the Company on a fair and timely basis to assist them in making the best investment decisions. For cultivating good relationship with shareholders and potential investors, the Company had participated in a number of one-on-one meetings, investors’ conferences, road shows and production base site visits during the period under review. Analysts and fund managers may enrich their knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company 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 2010, 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, 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 Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

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

As at 30 June 2010, so far as it is known to the Directors, the persons (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 interest 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:

A) The Company

Name of shareholder	Capacity	Number of ordinary shares in which the shareholder is deemed to have interests	Percentage of shareholding (%)
Sinotruk (BVI) Limited (<i>Note 1</i>)	beneficial owner	1,408,106,603	51%
MAN Finance and Holding S.à.r.l. (<i>Note 2</i>)	beneficial owner	690,248,336	25%

Note:

- 1) 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.
- 2) MAN Finance and Holding S.à.r.l. is a company incorporated in Luxembourg whose entire issued share capital is held by MAN SE, a company incorporated under the laws of Germany and listed on the Frankfurt Stock Exchange. MAN SE is deemed to have an interest in all the Shares held by MAN Finance and Holding S.à.r.l. under the SFO.



Other Information

B) Members of the Group

Name of equity holder	Capacity	Name of member of the Group	Percentage of equity interest held (%)
Sichuan Fulin Industrial Group Co., Ltd.	Beneficial owner	Sinotruk Mianyang Special Vehicle Co., Ltd.	30%
Mianyang Hi-tech Zone Heping Automobile Co., Ltd.	Beneficial owner	Sinotruk Mianyang Special Vehicle Co., Ltd.	10%
Liuzhou Yunli Assets Investment and Guarantee Co., Ltd.	Beneficial owner	Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd.	40%
Suizhou Huawei Investment Holdings Co., Ltd.	Beneficial owner	Sinotruk Hubei Huawei Special Vehicle Co., Ltd.	40%

Save as disclosed above, as at 30 June 2010, 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 interest 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

Ma Chunji

Chairman

Ji'nan, PRC, 27 August 2010

Report on Review of Interim Financial Information



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor 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 22 to 56, which comprises the condensed consolidated balance sheet as at 30 June 2010 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 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, 27 August 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

(All amounts in RMB thousands unless otherwise stated)

		Six months ended 30 June	
		2010	2009
		Unaudited	Restated
	Note		
Turnover	4	22,247,760	14,561,412
Cost of sales		(18,705,875)	(12,685,507)
Gross profit		3,541,885	1,875,905
Distribution costs		(1,134,888)	(709,540)
Administrative expenses		(728,601)	(491,379)
Other (losses)/gains – net		(37,715)	110,066
Operating profit	6	1,640,681	785,052
Finance income		88,491	122,468
Finance costs		(498,336)	(155,027)
Finance costs – net		(409,845)	(32,559)
Profit before income tax		1,230,836	752,493
Income tax expense	7	(196,098)	(184,122)
Profit for the period		1,034,738	568,371
Other comprehensive income:			
(Losses)/gains on currency translation		(3,485)	779
Total comprehensive income for the period		1,031,253	569,150
Profit attributable to:			
- equity holders of the Company		839,615	475,108
- non-controlling interests		195,123	93,263
		1,034,738	568,371
Total comprehensive income attributable to:			
- equity holders of the Company		836,130	475,887
- non-controlling interests		195,123	93,263
		1,031,253	569,150
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	0.30	0.22

The notes on page 27 to 56 form an integral part of this condensed consolidated interim financial information. Details of dividends of the Company are set out in Note 9 to this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2010

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2010	Restated 31 December 2009
ASSETS			
Non-current assets			
Land use rights	10	983,087	889,972
Property, plant and equipment	10	7,962,142	7,999,129
Investment properties	11	5,803	5,609
Intangible assets	10	810,280	361,273
Goodwill		3,868	3,868
Deferred income tax assets		525,698	354,298
Investment in an associate		6,835	7,500
		10,297,713	9,621,649
Current assets			
Inventories		9,608,260	5,789,585
Trade and other receivables	12	14,338,204	7,205,040
Financial assets at fair value through profit or loss		190	14,731
Amounts due from related parties	20(b)	66,041	79,712
Fixed deposits		772,511	1,038,492
Restricted cash		2,072,071	4,087,468
Cash and cash equivalents		10,547,655	11,538,194
		37,404,932	29,753,222
Total assets		47,702,645	39,374,871

Condensed Consolidated Balance Sheet

As at 30 June 2010

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2010	Restated 31 December 2009
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	261,489	261,489
Reserves		17,240,823	16,631,528
		17,502,312	16,893,017
Non-controlling interests		1,462,735	1,283,832
Total equity		18,965,047	18,176,849
LIABILITIES			
Non-current liabilities			
Borrowings	15	1,626,850	1,500,250
Deferred income tax liabilities		5,966	10,880
Termination benefits, post-employment benefits and medical insurance plan	16	45,730	51,760
Deferred income		393,733	329,321
Amounts due to related parties	20(b)	356,017	—
		2,428,296	1,892,211
Current liabilities			
Trade and other payables	14	15,791,332	11,257,729
Current income tax liabilities		302,696	112,030
Borrowings	15	9,214,960	7,250,297
Amounts due to related parties	20(b)	521,617	464,941
Provisions for other liabilities	17	478,697	220,814
		26,309,302	19,305,811
Total liabilities		28,737,598	21,198,022
Total equity and liabilities		47,702,645	39,374,871
Net current assets		11,095,630	10,447,411
Total assets less current liabilities		21,393,343	20,069,060

The notes on page 27 to 56 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 2010
(All amounts in RMB thousands unless otherwise stated)

	Unaudited										Total equity		
	Attributable to equity holders of the Company											Non-controlling interests	
	Share capital	Share premium	Capital redemption reserve	Other capital reserve	Property revaluation reserve	Statutory reserve	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance at 1 January 2010 as previously reported	261,469	16,444,600	10,935	(3,691,986)	1,053	457,420	104,294	1,045,473	6,099	2,281,771	16,921,148	1,233,632	16,204,980
Adoption of merger accounting (Note 5(a))	—	—	—	—	—	—	—	56,857	—	(84,988)	(28,131)	—	(28,131)
As restated	261,469	16,444,600	10,935	(3,691,986)	1,053	457,420	104,294	1,102,330	6,099	2,196,783	16,893,017	1,233,632	16,176,949
Total comprehensive income for the period	—	—	—	—	—	—	—	—	(3,465)	839,615	836,130	195,123	1,031,253
Transactions with owners in their capacity as owners	—	—	—	—	—	—	—	—	—	(145,623)	(145,623)	—	(145,623)
Dividends of the Company relating to 2009	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends of subsidiaries to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(16,220)	(16,220)
Effect of business combination of a subsidiary under common control (Note 5(a))	—	—	—	—	—	—	—	(81,212)	—	—	(81,212)	—	(81,212)
Total transactions with owners	—	—	—	—	—	—	—	(81,212)	—	(145,623)	(226,835)	(16,220)	(243,055)
Appropriation to reserves	—	—	—	—	—	29,364	—	—	—	(29,364)	—	—	—
Balance at 30 June 2010	261,469	16,444,600	10,935	(3,691,986)	1,053	486,784	104,294	1,021,118	2,614	2,861,411	17,502,312	1,462,735	16,965,047
Balance at 1 January 2009 as previously reported	219,648	11,727,145	—	(3,706,876)	1,053	321,782	—	1,045,473	3,562	1,693,707	11,305,492	1,138,240	12,443,732
Adoption of merger accounting	—	—	—	—	—	—	—	51,000	—	(80,586)	(29,586)	5,857	(23,729)
As restated	219,648	11,727,145	—	(3,706,876)	1,053	321,782	—	1,096,473	3,562	1,613,121	11,275,906	1,144,097	12,420,003
Total comprehensive income for the period	—	—	—	—	—	—	—	—	779	475,108	475,887	93,263	569,150
Transactions with owners in their capacity as owners	—	—	—	—	—	—	—	—	—	(76,153)	(76,153)	—	(76,153)
Dividends of the Company relating to 2008	—	—	—	—	—	—	—	—	—	—	—	(7,163)	(7,163)
Dividends of certain subsidiary to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—
Repurchase of the Company's shares	—	—	—	—	—	—	—	—	—	(59,725)	(59,725)	—	(59,725)
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	20,000	—	20,000
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	37,852	37,852
Total transactions with owners	—	—	—	—	—	—	—	—	—	(135,678)	(135,678)	50,689	(85,189)
Appropriation to reserves	—	—	—	—	—	114,545	—	—	—	(114,545)	—	—	—
Cancellation of the shares repurchased (Note 13)	(10,935)	—	10,935	—	—	—	—	—	—	(751)	(751)	—	(751)
Balance at 30 June 2009	208,713	11,727,145	10,935	(3,706,876)	1,053	436,327	—	1,096,473	4,341	1,837,055	11,615,164	1,288,049	12,903,213

The notes on page 27 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2010 Unaudited	2009 Restated
Net cash (used in)/generated from operating activities	(2,474,241)	2,932,646
Net cash used in investing activities	(107,560)	(692,969)
Net cash generated from financing activities	1,927,902	1,635,039
Net (decrease)/increase in cash and cash equivalents	(653,899)	3,874,716
Cash and cash equivalents at beginning of the period	11,538,194	6,810,119
Exchange losses	(336,640)	(466)
Cash and cash equivalents at end of the period	10,547,655	10,684,369

The notes on page 27 to 56 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 reorganisation of China National Heavy Duty Truck Group Company Limited (“CNHTC”). The Company’s shares were listed on the Stock Exchange of Hong Kong Limited in November 2007.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. 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.

Key events

In May 2010, the Group acquired from CNHTC 100% equity interests in CNHTC Ji’ning Commercial Truck Co., Ltd. (“Ji’ning Commercial Truck”), at a consideration of approximately RMB 81,212,000.

The Group and Ji’ning Commercial Truck are under common control of CNHTC. The Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) to account for the purchases of the equity interests in the Ji’ning Commercial Truck, as if the acquisitions had been occurred from 1 January 2009, the beginning of the earliest financial period presented. Accordingly, this condensed consolidated interim financial information included the financial information of the Group and Ji’ning Commercial Truck as if they had been combined from the beginning of the earliest financial period presented. The comparative amounts in the condensed consolidated interim financial information is restated and presented as if the entities or businesses had been combined as at 1 January 2009. The impact on the consolidated reserves of the Group arising from the common control combination is disclosed in Note 5 to this condensed consolidated interim financial information.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, 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 2009, 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.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

3 Accounting policies (Continued)

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- 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', are 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.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

These newly effective/adopted standards do not have any material impact to the Group's financial information for the six months ended 30 June 2010.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered this amendment did not have any impact to the Group as all the leases of land should still be classified as operating lease under the HKAS 17 (amendment).

3 Accounting policies (Continued)

The following standards, amendments and interpretations to existing standards are effective in 2010 but not relevant to the Group.

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009.
- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010.
- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009.
- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010.
- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.
- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

The following new standards, new interpretations and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

- HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013.
- HKAS 24 (Revised) 'Related party disclosures' supersedes HKAS 24 'Related party disclosures' issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011.
- Under 'Classification of rights issues' (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment should be applied for annual periods beginning on or after 1 February 2010.
- Amendments to HK(IFRIC) Int-14 'Prepayments of a minimum funding requirement' corrects an unintended consequence of HK(IFRIC) Int-14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. The amendments are effective for annual periods beginning 1 January 2011.
- HK(IFRIC) –Int 19 'Extinguishing financial liabilities with equity instruments' . The interpretation is effective for annual periods beginning on or after 1 July 2010.
- 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters' (Amendment to HKFRS 1). This is required to be applied for annual periods beginning on or after 1 July 2010.
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

4 Segment information

The chief operating decision-maker has been identified as the board of directors (“Board”) of the Company, while it delegates the executive committee (“Executive Committee”) comprising all executive directors to execute its decisions. 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;
- (ii) Engines – Manufacture and sale of engines and related 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 costs.

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 2010 are as follows:

	Unaudited				Total
	Trucks	Engines	Finance	Elimination	
Turnover					
External segment revenue	20,977,081	1,234,063	36,616	—	22,247,760
Inter-segment revenue	93,497	5,795,890	16,473	(5,905,860)	—
Revenue	21,070,578	7,029,953	53,089	(5,905,860)	22,247,760
Operating profit before unallocated expenses	1,637,523	726,287	41,347	(754,027)	1,651,130
Unallocated expenses					(10,449)
Operating profit					1,640,681
Finance costs - net					(409,845)
Profit before income tax					1,230,836
Income tax expense					(196,098)
Profit for the period					1,034,738

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

	Trucks	Engines	Restated		Total
			Finance	Elimination	
Turnover					
External segment revenue	13,683,946	847,583	29,883	—	14,561,412
Inter-segment revenue	70,632	3,431,290	15,045	(3,516,967)	—
Revenue	13,754,578	4,278,873	44,928	(3,516,967)	14,561,412
Operating profit before unallocated expenses	685,039	224,965	37,203	(147,793)	799,414
Unallocated expenses					(14,362)
Operating profit					785,052
Finance costs - net					(32,559)
Profit before income tax					752,493
Income tax expense					(184,122)
Profit for the period					568,371

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (Continued)

	Unaudited			
	Trucks	Engines	Finance	Total
As at 30 June 2010				
Segment assets	31,351,155	15,608,636	4,739,120	51,698,911
Inter-segment elimination				(6,551,624)
Unallocated				2,555,358
Total assets				47,702,645
	Restated			
	Trucks	Engines	Finance	Total
As at 31 December 2009				
Segment assets	22,418,006	11,706,865	3,751,368	37,876,239
Inter-segment elimination				(3,536,346)
Unallocated				5,034,978
Total assets				39,374,871

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

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Mainland China	21,343,289	13,726,081
Overseas	904,471	835,331
Total	22,247,760	14,561,412

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

5 Business combinations

(a) Business combination in the six months ended 30 June 2010

As mentioned in Note 1, on 31 May 2010, the Group acquired 100% of equity interest in Ji'ning Commercial Truck from CNHTC.

The following is a reconciliation of the effect arising from the common control combination in respect of the acquisition of Ji'ning Commercial Truck on the consolidated balance sheets.

No significant adjustments were made to the net assets or net results to Ji'ning Commercial Truck as a result of the common control combination to achieve consistency of accounting policies.

The consolidated balance sheet as at 30 June 2010:

	The Group, excluding Ji'ning Commercial Truck	Ji'ning Commercial Truck	Adjustments	Consolidated
Investment in Ji'ning Commercial Truck	81,212	—	(81,212)	—
Other assets - net	18,983,663	17,352	(35,968)	18,965,047
Net assets	19,064,875	17,352	(117,180)	18,965,047
Share capital	261,489	100,000	(100,000)	261,489
Share premium	16,444,600	—	—	16,444,600
Other reserves	(2,040,833)	—	(24,355)	(2,065,188)
Retained earnings	2,936,884	(82,648)	7,175	2,861,411
Non-controlling interests	1,462,735	—	—	1,462,735
	19,064,875	17,352	(117,180)	18,965,047

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

5 Business combinations (Continued)

(a) Business combination in the six months ended 30 June 2010 (Continued)

The consolidated balance sheet as at 31 December 2009:

	The Group, as previously reported	Ji'ning Commercial Truck	Adjustments	Consolidated
Investment in Ji'ning Commercial Truck	—	—	—	—
Other assets - net	18,204,980	2,333	(30,464)	18,176,849
Net assets	18,204,980	2,333	(30,464)	18,176,849
Share capital	261,489	100,000	(100,000)	261,489
Share premium	16,444,600	—	—	16,444,600
Other reserves	(2,066,712)	—	56,857	(2,009,855)
Retained earnings	2,281,771	(97,667)	12,679	2,196,783
Non-controlling interests	1,283,832	—	—	1,283,832
	18,204,980	2,333	(30,464)	18,176,849

(b) Business combination in the six months ended 30 June 2009

On 4 March 2009, the Group acquired 60% of the shares in Hubei Huawei Special Vehicle Co., Ltd., a company that refits and sells heavy duty trucks, for a cash consideration of RMB 60,000,000. Details of this business combination were disclosed in note 6 of the Group's annual financial statements for the year ended 31 December 2009.

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 2010:

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Inventory write-down	235,022	45,055
(Gain)/Loss on disposal of property, plant and equipment	(34)	1,742
Amortisation of land use rights (Note 10)	12,430	7,250
Depreciation of property, plant and equipment (Note 10)	359,102	207,381
Amortisation of intangible assets (Note 10)	45,194	3,170
Foreign exchange loss/(gain), net	63,355	(2,233)
Government grants	(24,840)	(18,959)
Disposal of scraps	(42,987)	(83,936)

7 Income tax expense

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Current income tax		
- Hong Kong profits tax	—	179
- PRC corporate income tax	372,132	244,641
	372,132	244,820
Deferred income tax	(176,034)	(60,698)
	196,098	184,122

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% (2009: 16.5%) on their estimated assessable profit. In addition, the Company is determined as Chinese-resident enterprise and, accordingly, is subject to corporate income tax of People's Republic of China ("PRC"), which has been calculated based on the corporate income tax rate of 25% (2009: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the six months ended 30 June 2010 at the rates of taxation prevailing in the countries in which the Group operates.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

7 Income tax expense (Continued)

Sinotruk Ji'nan Power Co., Ltd., Sinotruk Ji'nan Axle & Transmission Co., Ltd., Sinotruk Ji'nan Fuqiang Power Co., Ltd. and Sinotruk Hangzhou Engine Co., Ltd. have been recognised as the New/High Tech Enterprises in 2008. Sinotruk Ji'nan Truck Co., Ltd. and Sinotruk Ji'nan Commercial Truck Co., Ltd. have been recognised as the New/High Tech Enterprise in 2009. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for New/High Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

Sinotruk Hubei Huawei Special Vehicle Co. Ltd. is subject to a corporate income tax rate of 25%. According to the Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises and other policies related to income tax relief, Sinotruk Hubei Huawei Special Vehicle Co., Ltd. is exempted from corporate income tax for two years, starting from its first profitable year, which was 2006, and is then entitled to a 50% reduction in corporate income tax for three years thereafter until 2010.

Sinotruk Chongqing Fuel System Co., Ltd. and Sinotruk Liuzhou Yunli Special Vehicle 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% (2009: 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 2010 Unaudited	30 June 2009 Restated
Profit attributable to equity holders of the Company	839,615	475,108
Weighted average number of ordinary shares in issue (thousands)	2,760,993	2,161,994
Basic earnings per share (RMB per share)	0.30	0.22

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 2010 (six months ended 30 June 2009: Nil).

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

9 Dividends

The Board does not recommend an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil). The final dividend of the Company for the year ended 31 December 2009 at approximately HKD 165,660,000 equivalent to approximately RMB 145,623,000 (for the year ended 31 December 2008: approximately HKD 86,477,000 equivalent to approximately RMB 76,153,000) was paid in May 2010.

During the six months ended 30 June 2010, certain Group's non-wholly owned subsidiaries have paid dividends to non-controlling shareholders of approximately RMB 16,221,000 (six months ended 30 June 2009: approximately RMB 7,163,000).

Pursuant to the CIT law, the Company is determined as a Chinese-resident enterprise and is required to withhold and pay Corporate Income Tax at the specific tax rates according to CIT law for its non-PRC resident enterprise shareholders to whom the Company pays dividend. Accordingly, the Company has withheld Corporate Income Tax for the final dividend in respect of the year 2009 for its non-PRC resident enterprise shareholders at RMB 14,049,000 (2008: RMB 7,381,000)(Note 14).

10 Capital expenditures

	Property, plant and equipment	Land use rights	Intangible assets
Six months ended 30 June 2010 (Unaudited)			
Balance as at 1 January 2010	7,999,129	889,972	361,273
Additions	491,884	—	437,733
Transfers	(162,013)	105,545	56,468
Disposals	(7,756)	—	—
Depreciation and amortisation (Note 6)	(359,102)	(12,430)	(45,194)
Balance as at 30 June 2010	7,962,142	983,087	810,280
Six months ended 30 June 2009 (Restated)			
Balance as at 1 January 2009	6,590,770	481,436	33,808
Additions	893,010	78,865	1,995
Acquisition of a subsidiary	71,821	25,999	7,908
Transfers	(91,398)	91,398	—
Disposals	(25,599)	—	—
Depreciation and amortisation (Note 6)	(207,381)	(7,250)	(3,170)
Balance as at 30 June 2009	7,231,223	670,448	40,541

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

11 Investment properties

	Investment properties
Six months ended 30 June 2010 (Unaudited)	
Balance as at 1 January 2010	5,609
Fair value gains	194
Balance as at 30 June 2010	5,803
Six months ended 30 June 2009 (Restated)	
Balance as at 1 January 2009	4,171
Fair value gains	1,473
Balance as at 30 June 2009	5,644

The investment properties are located in Hong Kong and valued at fair value as at 30 June 2010 and 30 June 2009, comprising market value by the assessment of the management of the Group.

12 Trade and other receivables

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Accounts receivable	2,777,582	2,189,859
Less: Provision for impairment of accounts receivable	(121,343)	(102,244)
Accounts receivable - net	2,656,239	2,087,615
Notes receivable		
- Bank acceptance notes	9,336,205	3,353,487
- Commercial acceptance notes	126,701	697,890
Notes receivable - total	9,462,906	4,051,377
Trade receivables - net	12,119,145	6,138,992
Other receivables	575,224	236,093
Less: Provision for impairment of other receivables	(3,412)	(5,999)
Other receivables - net	571,812	230,094
Prepayments for purchase of inventories	1,252,018	598,404
Interest receivables	35,694	80,950
Prepaid taxes other than income tax	347,159	128,755
Prepaid income taxes	12,376	27,845
Trade and other receivables	14,338,204	7,205,040

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

12 Trade and other receivables (Continued)

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

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Less than 3 months	6,984,587	4,888,506
3 months to 6 months	4,986,290	1,002,996
6 months to 12 months	134,059	190,189
1 year to 2 years	14,209	57,301
	12,119,145	6,138,992

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 2010, accounts receivable of approximately RMB 351,032,000 (31 December 2009: RMB 246,498,000) are secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 30 June 2010 and 31 December 2009.

13 Share capital

	Number of ordinary shares	Amount Unaudited	
		Share capital	Share premium
Balance at 1 January 2010 and at 30 June 2010	2,760,993,339	261,489	16,444,600
Opening balance at 1 January 2009	2,275,199,000	219,648	11,727,145
Cancellation of the shares repurchased (i)	(113,268,500)	(10,935)	—
At 30 June 2009	2,161,930,500	208,713	11,727,145

The total authorised number of ordinary shares is 100,000 million shares with a par value of HKD 0.1 per share. All issued shares are fully paid.

- (i) On 26 February 2009, the Company cancelled 113,268,500 ordinary shares repurchased. Directly attributable expenses of approximately HKD 798,000 (approximately 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 2010 Unaudited	31 December 2009 Restated
Trade and bill payables	12,385,039	9,079,215
Advances from customers	1,783,551	868,257
Staff welfare and salaries payable	164,689	138,962
Taxes liabilities other than income tax	30,188	105,794
Accrued expenses	556,497	369,927
Withholding tax on dividends to non-PRC resident enterprise shareholders (Note 9)	21,430	7,381
Other payables	849,938	688,193
	15,791,332	11,257,729

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

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Less than 3 months	10,639,408	6,459,420
3 months to 6 months	1,637,739	2,490,507
6 months to 12 months	87,111	72,503
1 year to 2 years	9,570	43,504
2 years to 3 years	6,864	4,867
Over 3 years	4,347	8,414
	12,385,039	9,079,215

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

15 Borrowings

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Non-current		
Long-term bank borrowings		
- unsecured	1,626,850	1,500,250
Current		
Long-term bank borrowings, current portion		
- unsecured	920,000	40,000
Short-term bank borrowings		
- guaranteed (a)	—	20,000
- secured (b)	547,891	2,918,707
- unsecured	7,747,069	4,271,590
	8,294,960	7,210,297
	9,214,960	7,250,297
Total borrowings	10,841,810	8,750,547

- (a) As at 31 December 2009, bank borrowing of RMB 20,000,000 was guaranteed by a minority shareholder of a subsidiary.
- (b) As at 30 June 2010, bank borrowings of approximately RMB 547,891,000 (31 December 2009: RMB 2,918,707,000) are secured by certain bank deposits carrying at approximately RMB 560,724,000 (31 December 2009: RMB 1,793,640,000).

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

15 Borrowings (Continued)

The Group's borrowings were repayable as follows:

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Within 1 year	9,214,960	7,250,297
Between 1 and 2 years	1,626,850	1,500,250
	10,841,810	8,750,547

Movements in borrowings were analysed as follow:

Six months ended 30 June 2010 (Unaudited)

Opening amount as at 1 January 2010	8,750,547
Proceeds from borrowings	9,443,502
Repayments of borrowings	(7,351,770)
Foreign exchange gain	(469)
Closing amount as at 30 June 2010	10,841,810

Six months ended 30 June 2009 (Restated)

Opening amount as at 1 January 2009	8,507,997
Acquisition of a subsidiary	32,000
Proceeds from borrowings	9,338,245
Repayments of borrowings	(7,381,298)
Foreign exchange loss	158
Closing amount as at 30 June 2009	10,497,102

Interest expenses on borrowings for the six months ended 30 June 2010 were approximately RMB 181,793,000 (30 June 2009: RMB 126,852,000), out of which approximately RMB 27,042,000 (30 June 2009: RMB 44,031,000) arising on financing for the construction of plant and equipments were capitalised during the period and were included in "additions" in property, plant and equipment. A capitalisation rate of 4.32% per annum (six months end 30 June 2009: 4.70% per annum) was used, representing the weighted average rate of the borrowing cost of the loan used to finance the project.

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Floating rate – expiring within one year	2,926,100	3,564,000

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

16 Termination benefits, post-employment benefits and medical insurance plan

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Termination benefits	35,380	40,680
Post-employment benefits	7,310	7,680
Post-employment medical insurance plan	3,040	3,400
	45,730	51,760

17 Provision for other liabilities

	Legal claims	Products warranties	Total
Six months ended 30 June 2010 (Unaudited)			
Balance as at 1 January 2010	3,030	217,784	220,814
Additional provisions	—	502,554	502,554
Utilised during the period	—	(244,671)	(244,671)
Balance as at 30 June 2010	3,030	475,667	478,697
Six months ended 30 June 2009 (Restated)			
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

18 Contingent liabilities

The Group has certain 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 other than those provided in Note 17.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

19 Capital commitments

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

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Purchase of property, plant and equipment and intangible assets - Contracted but not provided for	621,442	1,175,173

20 Related party transactions

Sinotruk (BVI) Limited (“Sinotruk BVI”), a company incorporated in British Virgin Islands, is the parent company of the Group. The ultimate parent company of the Group is CNHTC, a company incorporated in the PRC.

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government.

In accordance with HKAS 24 “Related Party Disclosures”, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group (“Other State-owned Enterprises”). For the purpose of related party transactions disclosure, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including Other State-owned Enterprises, during the six months ended 30 June 2010 and 2009 and balances arising from related party transactions as at 30 June 2010 and 31 December 2009.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

20 Related party transactions (Continued)

In addition to Other State-owned Enterprises, the Directors were of the view that the following entities and person 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 Ji'nan Bus Co., Ltd. (中國重汽集團濟南客車有限公司)	Subsidiary of CNHTC
CNHTC Taian Wuyue Special Truck Co., Ltd. (中國重汽集團泰安五嶽專用汽車有限公司)	Subsidiary of CNHTC
CNHTC Lease Firm (中國重型汽車集團租賃商社)	Subsidiary of CNHTC
CNHTC Ji'nan 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.
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd. (濟南市天橋區鑫海小額貸款有限公司)	Subsidiary of CNHTC
CNHTC Ji'nan Realty Co., Ltd. (中國重汽集團濟南物業有限公司)	Subsidiary of CNHTC
CNHTC Ji'nan Special Truck Co., Ltd. (中國重汽集團濟南專用車有限公司)	Subsidiary of CNHTC
Ji'nan Feicui Realty Management Co., Ltd. (濟南翡翠物業管理有限公司)	Subsidiary of CNHTC
CNHTC Datong Gear Group Co., Ltd. (中國重汽集團大同齒輪有限公司)	Subsidiary of CNHTC
CNHTC Ji'nan 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
Ji'nan Automobile Test Center (濟南汽車檢測中心)	Subsidiary of CNHTC
CNHTC Xingtai Special Truck Co., Ltd. (中國重汽集團邢台特種車製造有限公司)	Subsidiary of CNHTC
MAN Nutzfahrzeuge AG	The directors of MAN Nutzfahrzeuge AG are the directors of the Company
Sinotruk Baotou Xinhongchang Special Vehicle Company (中國重汽集團包頭新宏昌專用車有限公司)	Associate of the Company

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 2010 Unaudited	30 June 2009 Restated
Sale of trucks		
CNHTC Taian Wuyue Special Truck Co., Ltd.	89,897	37,756
CNHTC Special Vehicle Company	44,697	35,429
CNHTC Lease Firm	4,076	17,043
CNHTC Ji'nan Special Truck Co., Ltd.	128	10,746
CNHTC Ji'nan Investment Co., Ltd.	—	3,795
	138,798	104,769

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Purchases of trucks		
CNHTC Special Vehicle Company	297,961	157,723
CNHTC Taian Wuyue Special Truck Co., Ltd.	161,540	72,878
CNHTC Ji'nan Investment Co., Ltd.	150,040	46,860
CNHTC Ji'nan Special Truck Co., Ltd.	87,430	52,511
Sinotruk Baotou Xinhongchang Special Vehicle Company	17,624	—
	714,595	329,972

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 2010 Unaudited	30 June 2009 Restated
Sale of spare parts		
CNHTC Ji'nan Investment Co., Ltd.	297,284	156,016
CNHTC Ji'nan Construction Co., Ltd.	15,918	2,422
CNHTC Taian Wuyue Special Truck Co., Ltd.	8,328	4,269
CNHTC Datong Gear Group Co., Ltd.	6,869	9,064
CNHTC Ji'nan Special Truck Co., Ltd.	1,144	—
CNHTC Ji'nan Realty Co., Ltd.	331	—
CNHTC Ji'nan Bus Co., Ltd.	197	202
Hangzhou Engine Factory	85	—
CNHTC Lease Firm	—	1
	330,156	171,974

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Purchases of spare parts		
CNHTC Datong Gear Group Co., Ltd.	479,201	46,040
CNHTC Ji'nan Bus Co., Ltd.	86,258	55,151
CNHTC Ji'nan Investment Co., Ltd.	45,189	28,226
CNHTC Ji'nan Construction Co., Ltd.	18,457	5,207
MAN Nutzfahrzeuge AG	1,192	—
CNHTC Ji'nan Realty Co., Ltd.	259	—
CNHTC Special Vehicle Company	—	7,919
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	7,064
Ji'nan Automobile Test Center	—	1,340
Hangzhou Engine Factory	—	518
	630,556	151,465

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 2010 Unaudited	30 June 2009 Restated
Sales of services		
CNHTC Ji'nan Construction Co., Ltd.	531	10
CNHTC Ji'nan Investment Co., Ltd.	306	2
CNHTC Special Vehicle Company	126	832
CNHTC Ji'nan Special Truck Co., Ltd.	34	53
CNHTC Ji'nan Bus Co., Ltd.	8	3
CNHTC Ji'nan Realty Co., Ltd.	1	—
	1,006	900

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Purchases of services		
CNHTC	29,785	21,707
CNHTC Ji'nan Realty Co., Ltd.	6,987	4,523
CNHTC Ji'nan Construction Co., Ltd.	4,671	2,632
CNHTC Ji'nan Bus Co., Ltd.	1,110	—
Ji'nan Feicui Realty Management Co., Ltd.	890	—
Ji'nan Automobile Test Center	177	93
CNHTC Ji'nan Investment Co., Ltd.	152	230
CNHTC Special Vehicle Company	100	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	291
	43,872	29,476

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 2010 Unaudited	30 June 2009 Restated
Rental income		
CNHTC Special Vehicle Company	3,600	—
CNHTC Ji'nan Special Truck Co., Ltd.	1,645	1,060
Ji'nan Automobile Test Center	315	314
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	—	141
	5,560	1,515

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Rental expenses		
CNHTC	6,079	5,959
Hangzhou Engine Factory	2,330	1,710
CNHTC Special Vehicle Company	35	35
CNHTC Ji'nan Special Truck Co., Ltd.	—	1,251
	8,444	8,955

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Purchases of construction services		
CNHTC Ji'nan Construction Co., Ltd.	40,617	81,826

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 2010 Unaudited	30 June 2009 Restated
Provision for construction supervision design services		
CNHTC	300	—
CNHTC Ji'nan Investment Co., Ltd.	50	—
CNHTC Real Estates Company	—	1,180
	350	1,180

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Aggregate of interest expenses for deposit taking services; interest income from bank bill discounting services and fee income from arrangement of entrustment loans		
CNHTC	168	—
CNHTC Real Estates Company	53	—
CNHTC Xingtai Special Truck Co., Ltd.	50	—
CNHTC Special Vehicle Company	43	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	40	—
CNHTC Ji'nan Investment Co., Ltd.	31	—
CNHTC Ji'nan Bus Co., Ltd.	28	—
CNHTC Ji'nan Special Truck Co., Ltd.	10	—
CNHTC Datong Gear Group Co., Ltd.	10	—
CNHTC Ji'nan Realty Co., Ltd.	9	—
CNHTC Ji'nan Construction Co., Ltd.	7	—
Ji'nan Automobile Test Center	5	—
Shandong Xin Hai Guarantee Co., Ltd.	3	—
	457	—

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 2010 Unaudited	30 June 2009 Restated
Sales of fixed assets		
CNHTC Ji'nan Special Truck Co., Ltd.	18	—
CNHTC Special Vehicle Company	—	282
	18	282

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Purchases of fixed assets		
CNHTC Ji'nan Bus Co., Ltd.	73	—

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Technology license agreement		
MAN Nutzfahrzeuge AG	495,300	—

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)

(ii) Significant transactions with other state-owned enterprises

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Sale of trucks	203,593	325,929
Purchases of spare parts	1,339,625	1,335,447
Purchase of property, plant and equipment	29,120	6,702
Purchases of services	2,768	697
Interest expense on bank borrowings	161,697	119,665
Interest income from bank deposits	88,491	122,302

(iii) Key management compensation

	For the six months ended	
	30 June 2010 Unaudited	30 June 2009 Restated
Key management compensation		
Directors	2,376	2,393
Senior management	523	555
	2,899	2,948

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 2010 Unaudited	31 December 2009 Restated
Trade and other receivables		
Trade receivables due from		
CNHTC Ji'nan Investment Co., Ltd.	41,331	45,894
CNHTC Ji'nan Construction Co., Ltd.	1,515	375
CNHTC Ji'nan Realty Co., Ltd.	80	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	6,491
CNHTC Datong Gear Group Co., Ltd.	—	33
	42,926	52,793

The ageing of above trade receivables due from related parties are all within 1 year.

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Prepayments		
CNHTC Taian Wuyue Special Truck Co. Ltd.	10,155	26,919

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Other receivables due from		
CNHTC	12,960	—

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 2010 Unaudited	31 December 2009 Restated
Long-term payables due to		
MAN Nutzfahrzeuge AG	356,017	—

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Trade and other payables		
Other payables due to		
MAN Nutzfahrzeuge AG	148,873	150,630
Hangzhou Engine Factory	39,993	4,473
CNHTC Ji'nan Special Truck Co., Ltd.	1,389	889
CNHTC Special Vehicle Company	1,023	523
CNHTC Taian Wuyue Special Truck Co., Ltd.	700	400
CNHTC Ji'nan Construction Co., Ltd.	3	—
CNHTC	—	102,722
	191,981	259,637

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 2010 Unaudited	31 December 2009 Restated
Deposit taking		
CNHTC Special Vehicle Company	92,538	19,556
CNHTC	43,906	44,833
CNHTC Ji'nan Investment Co., Ltd.	36,799	7,874
CNHTC Xingtai Special Truck Co., Ltd.	27,751	27,701
CNHTC Real Estates Company	27,674	8,703
CNHTC Ji'nan Special Truck Co., Ltd.	25,622	22,225
CNHTC Ji'nan Bus Co., Ltd.	13,803	24,852
CNHTC Ji'nan Realty Co., Ltd.	11,894	7,548
CNHTC Ji'nan Construction Co., Ltd.	4,902	22,131
Ji'nan Automobile Test Center	4,890	3,276
CNHTC Datong Gear Group Co., Ltd.	1,755	5,612
Shandong Xin Hai Guarantee Co., Ltd.	1,035	55
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	1	—
	292,570	194,366

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Trade payables due to		
CNHTC Special Vehicle Company	17,692	3,166
CNHTC Ji'nan Investment Co., Ltd.	9,296	3,372
CNHTC Ji'nan Special Truck Co., Ltd.	2,227	172
CNHTC Datong Gear Group Co., Ltd.	1,717	—
CNHTC Ji'nan Construction Co., Ltd.	754	677
CNHTC Ji'nan Bus Co., Ltd.	664	—
Sinotruk Baotou Xinhongchang Special Vehicle Company	524	—
CNHTC Ji'nan Realty Co., Ltd.	52	313
	32,926	7,700

The ageing of above trade payables due to related parties are all within 1 year.

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 2010 Unaudited	31 December 2009 Restated
Advances from customers		
CNHTC Special Vehicle Company	3,125	2,170
CNHTC Taian Wuyue Special Truck Co., Ltd.	741	—
CNHTC Ji'nan Special Truck Co., Ltd.	274	301
CNHTC Lease Firm	—	668
CNHTC Real Estates Company	—	99
	4,140	3,238

(ii) Balances with other state-owned enterprises

	As at	
	30 June 2010 Unaudited	31 December 2009 Restated
Trade receivables	65,343	181,649
Other receivables	60	60
Trade payables	100,072	100,924
Other payables	8,667	12,751
Prepayments	163,817	116,672
Advances from customers	658	7,774
Restricted cash	2,072,071	4,087,618
Cash and cash equivalents	9,832,621	9,929,876
Borrowings	10,841,810	8,526,101

21 Events after the balance sheet date

In August 2010, Sinotruk Jinan Power Co., Ltd. entered into an agreement with Chengdu Dachenggong Mechanics Company Limited to acquire 80% equity interests in Sinotruk Chengdu Wangpai Commercial Truck Co., Ltd. ("Chengdu Wangpai Commercial Truck") at a cash consideration of approximately RMB325 million. Chengdu Wangpai Commercial Truck is principally engaged in the manufacturing and sales of vehicles. The detailed information of aforementioned acquisition was disclosed in the relevant announcement made by the Company on 27 August 2010.

22 Approval on the condensed consolidated interim financial information

This condensed consolidated interim financial information was approved by the Board on 27 August 2010.



中国重汽
SINOTRUK