



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
2012

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OVERVIEW OF THE GROUP

BUSINESS

Sinotruk (Hong Kong) Limited (“**Sinotruk**” or the “**Company**”) and its subsidiaries (together referred to as the “**Group**”) is a leading heavy duty truck manufacturer in China, which specialises in the research, development and manufacture of heavy duty trucks, medium heavy duty trucks, light duty trucks and buses and related key parts and components. Heavy duty trucks are the key products of the Group. Through our diverse product portfolio, we serve a wide range of customers from all major industries including infrastructure, construction, container transportation, logistics, mining, steel and chemical industries.

The Group mainly manufactures trucks and also produces key parts and components such as engines, cabins, axles, steel frames and gearboxes. We have capabilities for developing and manufacturing trucks as well as have a most complete production chain. We also provide third parties with truck engines and engines used in industrial and construction machineries in addition to our own use. Our products are not only sold domestically but also exported to other countries and regions.

OPERATIONS

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

(i) Trucks Segment

Sales of trucks contribute the largest portion of the Group’s revenue. Its major products series include HOWO-A7, HOWO, Haoyun, Sitaier King, Sitaier and Huanghe, each of which is further divided into various sub-series to target different sectors of the Group’s product market. In addition, the Group engages in truck refitting and manufactures special vehicles. It diversifies from heavy duty trucks to medium heavy duty trucks (newly launched New Huanghe C5B) and light duty trucks. The production bases are located in Ji’nan, Chengdu and Fujian, the People’s Republic of China (“**China**” or “**PRC**”).

(ii) Engines Segment

The Group is one of the few heavy duty truck manufacturers in China that has the ability to produce heavy duty truck engines. Although most of the engines produced by the Group are for internal usage, the Group sells industrial and construction machinery engines to independent third parties. In addition, the Group produces other heavy duty truck key parts and components, such as cabins, gearboxes and axles, as well as various types of casting and forging. The key production bases are at Ji’nan and Hangzhou, PRC.

(iii) Finance Segment

The Finance Segment provides financial services related to the members of the Group and China National Heavy Duty Truck Group Company Limited (“**CNHTC**” or the “**Parent Company**”) and its subsidiaries excluding the Group (“**CNHTC Group**”). Services include collecting deposits, borrowings, notes and bills discounting and provision of guaranteed vehicle consumer loans. In addition, it cooperates with authorized financial institutions to provide consumer credit. It builds up a vehicle consumer credit network. At present, it has already set up 18 regional offices and extended its consumer credit business to over 20 provinces, covering most areas in the PRC.

MAJOR SHAREHOLDERS

The major shareholders of the Company are CNHTC and MAN SE. CNHTC is a PRC state-owned heavy duty truck manufacturing enterprise and indirectly holds 51% of the issued capital of the Company. MAN SE is a holding company of MAN Group and indirectly holds 25% of the issued share capital of the Company. MAN Group is one of Europe’s leading manufacturers of commercial vehicles, engines and mechanical engineering equipment with annual revenue of approximately Euro 16.5 billion and around 52,500 employees worldwide. The shares of MAN SE are listed in the Germany stock exchange (DAX).

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Ma Chunji (*Chairman*)
Cai Dong (*President*)
Wei Zhihai (*Vice President*)
Wang Haotao (*Vice President*)
Tong Jingen (*Chief Economist*)
Wang Shanpo (*Chief Engineer*)
Gao Dinggui (*Vice President*)
Kong Xiangquan (*Group Financial Controller*)

Non-executive Directors:

Georg Pachta-Reyhofen
Jörg Schwitalla

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
Tong Jingen
Wang Shanpo
Gao Dinggui
Kong Xiangquan

STRATEGY AND INVESTMENT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

Lin Zhijun (*Chairman*)
Ouyang Minggao
Chen Zheng

INCENTIVE SCHEME INDEPENDENT BOARD COMMITTEE

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

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 CODES

Equity: 3808.hk

Debt: 85900.hk

INVESTOR RELATIONS

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HIGHLIGHTS

KEY INTERIM RESULTS FIGURES

	2012	2011	Increase/(Decrease)	
Operating results (RMB million)				
Turnover	14,969	21,939	(6,970)	(31.8%)
Earnings before interest and tax	560	1,698	(1,138)	(67.0%)
Profit attributable to equity holders of the Company	182	994	(812)	(81.7%)
Profitability (%)				
Gross profit margin	14.9	16.2	(1.3)	(8.0%)
Operating profit margin	3.2	7.3	(4.1)	(56.2%)
Net profit margin	1.3	5.0	(3.7)	(74.0%)
Liquidity				
Current ratio (time)	1.3	1.4	(0.1)	(7.1%)
Inventory turnover (days)	142.5	135.9	6.6	4.9%
Trade receivable turnover (days)	162.4	115.4	47.0	40.7%
Trade payable turnover (days)	128.8	137.5	(8.7)	(6.3%)
Sales Volume (units)				
Heavy duty truck				
— Domestic	35,586	67,956	(32,370)	(47.6%)
— Export (including affiliated export)	12,337	9,089	3,248	35.7%
Total	47,923	77,045	(29,122)	(37.8%)
Medium heavy duty truck and light duty truck	17,331	12,261	5,070	41.4%
Per share data				
Earnings per share - basic (RMB)	0.07	0.36	(0.29)	(80.6%)
Share information (as at 30 June)				
Number of issued shares (million)	2,761	2,761	—	—
Market capitalisation (RMB million)	10,399	12,468	(2,069)	(16.6%)

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the first half of 2012, the PRC government adjusted the economic development targets and continued to implement controlling policies on the real estate industry, which led to a further slowdown in fixed asset investments. The continuing spread out of sovereign debt crisis in the Euro-region and the faltering global economic recovery also led to a further slowdown in export growth of Chinese products. As a result, the growth rate of PRC's GDP for the first half of 2012 was slowdown to 7.8% over the same period of the previous year, which reflected a slowdown in domestic economic growth. Hence, sales volume of heavy duty trucks saw a significant decline over the same period of the previous year. According to the China Association of Automobile Manufactures (中國汽車工業協會) (the "CAAM"), sales volume of heavy duty trucks (of more than 14 tons) in China in the first half of 2012 decreased by 31.6% year on year to approximately 372,000 units.

REVIEW OF OPERATIONS

During the period under review, the Group's revenue decreased by RMB 6,970 million year on year to RMB 14,969 million from RMB 21,939 million in the same period of the previous year. Profit before tax for the first half of 2012 decreased by RMB 1,106 million year on year to RMB 251 million from RMB 1,357 million in the same period of the previous year, mainly due to the decline in sales volume of heavy duty trucks and the Group's fixed operation costs being relatively stable.

Trucks Segment

During the period under review, the Group's heavy duty truck sales volume decreased by 37.8% year on year to 47,923 units. Medium heavy duty truck and light duty truck sales volume increased to 17,331 units, representing an increase of 41.4% year over year.

Domestic Business

During the period under review, despite the decrease of the sales volume of heavy duty trucks in the PRC on the sluggish domestic demand, according to the statistic of the CAAM, the market share of heavy duty trucks (of more than 14 tons) of the Group together with the CNHTC Group increased by 0.22 percentage points from the same period of the previous year. The Group continues to maintain its leading position in the heavy duty truck market, especially for trucks used for construction projects and specialty vehicles. Amid the slowdown in the heavy duty truck industry, the sales volume of Group's natural gas vehicles, which equipped with advanced natural gas engine technology and the proven quality, was increasing.

During the period under review, the Group further optimized its product mix and achieved some progress. While continues to solidify its traditional heavy duty trucks business, the Group has also successfully introduced its medium heavy duty trucks, light duty trucks and buses to the markets with significantly increase in the sales volume. Notably, a steady increase was seen in the sales of New Huanghe series C5B trucks, which are a new series of medium heavy duty trucks. The new Huanghe series C5B trucks apply configuration that are commonly used in the market and are lighter than other similar products in the market due to its light weight design. Depending on effective marketing positioning and high quality, the sales volume of the New Huanghe series C5B trucks enjoyed a steady increase.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the business of light duty truck of the Group performed well. The light duty truck division located in Ji'nan, Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. ("**Chengdu Wangpai**") and Sinotruk Fujian Haixi Vehicles Co., Ltd. ("**Fujian Haixi**"), while enhancing their market promotion and after-sales service quality, also strengthened their sales networks, which helped build the presence of new products. Also, the sales volume of the Chengdu Wangpai's series 7 trucks have been increasing since their launch and have successfully replaced the products of older generation.

During the period under review, the sales volume of buses increased. The improvement in product quality and after-sales service, expansion and optimization of the distribution network and the introduction of new financing facilities for loans promoted the sales of buses. During the period under review, the sales volume of buses recorded 445 units, increased 25.0% over total sales volume of buses of the Group in 2011.

During the period under review, the Group continued to expand and optimize its sales network which is catering all different brands. Together with the expansion of the sales network for heavy duty trucks, the Group had also built up preliminary sales, marketing, and service networks for medium heavy duty trucks and light duty trucks. As at 30 June 2012, there were 1,705 domestic distributors selling the Group's heavy duty trucks, including 265 4S centers and 265 branded stores. The Group also had 1,713 service stations providing high-quality after-sales services. In addition, the Group's light duty truck production in Ji'nan had 239 sales outlets and 322 service outlets; Chengdu Wangpai had 351 distributors and 757 service outlets, and Fujian Haixi had 70 distributors and 128 service outlets.



MANAGEMENT DISCUSSION AND ANALYSIS

International Business

During the first half of 2012, the global economy was sluggish – slowing down in emerging markets and stagnation in the developed economies. In reaction to the complicated global economic conditions and the decline in domestic demand, the Group proactively took measures to bolster its expansion in international markets. The Group adjusted its product mix for exports, expanded its geographic footprint overseas, established networks for products sales, provision for services, parts and components. The Group also improved its brand image through focusing on the marketing network quality improvement and improving after-sales service levels. The Group also made full efforts to push forward the construction of its KD projects overseas in order to better fulfill the customer needs in these markets. International markets' layout has become more balanced and diversified which promote the sales of the product overseas and ensure the sustainable development of the Group's international markets.

Currently, the Group has established 24 representative offices overseas, together with 87 distributors, 271 services outlets and 278 accessories and components outlets that sell the Group's products or provide after-sales services. During the period under review, the Group had exported (including affiliated export) 12,337 units (representing an increase of 35.7%) of heavy duty trucks and recorded a revenue of RMB 3,365 million (representing an increase of 32.0%). The Group remained the first rank in the domestic heavy duty truck industry in terms of export.

Engines Segment

The engines business caters to the Group's own trucks segment and to external third parties, including other manufacturers of heavy duty trucks, buses and construction machinery. The Group aims to increase the external sales of engines and raise the proportion of external engine sales to total engine sales in order to expand its market share in the domestic market and diversify the revenue stream.

During the period under review, the sales volume of engines decreased by 39.9% to 56,589 units. Revenue (including sales of components and own-used) decreased by 37.2% to RMB 3,563 million. External sales accounted for 22.7% of the engines segment's revenue, representing a rise of 4 percentage points from 18.7% at the same period of last year.

During the period under review, the localization of MAN's engines has been progressing smoothly. The Group had completed the sample engines for heavy duty trucks and medium heavy duty trucks on a trial basis and is currently carrying out testing, examination and verification of these samples.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Segment

During the review period, the external revenue of the Group's finance segment increased by RMB 23 million from RMB 97 million to RMB 120 million for the period under review. The increase was mainly due to the expansion of the consumer credit business of the Group, a rise in interest income from lending, and an increase interest income from interbank deposits.

During the period under review, in order to satisfy demand for taking a loan for truck purchases, Sinotruk Finance Co., Ltd. ("**Sinotruk Finance**") continued to expand its consumer credit business, with various forms of consumer credit and finance leases, to encourage sales while taking a prudent approach towards credit risk management. As at 30 June 2012, Sinotruk Finance had already set up 18 regional offices and extended its consumer credit business to most areas in the PRC. A preliminary vehicle consumer credit network was established. In the first half of 2012, the Group sold 3,232 trucks through consumer credit and finance lease, representing an increase of 106.8% from the same period last year.

Technological Upgrade

During the period under review, the Group's major investments and construction projects mainly covered the localized building production development for MAN's engines, TGA cabin, and parts and components, to enhance technology and product quality, to balance the Group's production capacity for trucks and engines, for the increase of the production capacity of forged parts, and the enhancement of the Group's overall research and development capabilities. With projects progressing smoothly, a solid foundation was laid for the Group's technology upgrades, quality improvement, and product line expansion.

Research and Development

During the period under review, the Group's technology center completed a total of 143 projects, ranging from the development of trucks, key parts and components, to experiments and testing, and trial-production of trucks.

The Group made it a strategic priority to focus on the development of hybrid, energy-saving, and new energy-related technologies to increase its market competitiveness and strengthen its research and development capabilities in natural gas vehicle technologies. The Group also improved its technology for medium heavy duty trucks and light duty trucks in reaction to market needs.

By leveraging its research and development capabilities and strengthening the cooperation with MAN Group in the development of high quality and technology engines, parts and components as well as trucks, the Group further enhanced its competitive strength.

As at 30 June 2012, the Group and its Parent Company together participated in the formulation of 48 industry standards for the PRC's heavy duty trucks and had been granted 1,853 patents which maintained leading position in the domestic heavy duty truck industry in terms of the number of patents owned.

PROSPECTS

For the second half of 2012, the debt crisis in Europe and other uncertainties will continue to affect the recovery of the global economy. The PRC government will adjust its economic policies for stabilizing economic growth, based on changes in global and domestic environments. The development of the PRC's heavy duty truck industry faces challenges in mitigating the complex situations of domestic and global economy. With that in the background, the Group will assess the situation and take all measures to ensure its healthy development, including to:

- 1) Adhere to the Group's international expansion strategy of boosting exports; make efforts to further expand its market share abroad by promoting cooperation of overseas partners and increasing brand awareness. Focus on the improvement of overseas sales network; provide better after-sales services in overseas markets; build franchised parts and components distribution networks; well prepare the promotion of new products. Moderately increase investment in the international markets and actively participate in international markets so as to form the new advantages of the Group's heavy duty truck overseas markets, and expand exports.
- 2) Aim to further optimizing the Group's product mix; make improvements in product quality and production technologies; develop a full series product to provide more competitive products to the Group's customers.
- 3) Continue to strengthen the cooperation with MAN Group by adaption and incorporation with technologies from MAN Group and boosting the localization of products; accelerate progress in co-developed projects which help introduce new products to market. Expand the scopes and areas of cooperation of the two groups according to the needs of market development.
- 4) Continue to adhere to the regionalization strategy – new breakthroughs in marketing and services network construction. Further improve the Group's marketing network both in the areas of professional standards and brand awareness building. Meanwhile, take full advantages of the Group's financial strength by developing more innovative financial support services for truck purchases in order to further boost sales.
- 5) Improve the Group's cost-efficiencies by carrying out "efficiencies improvement year" program. Lift the Group's operations level and returns by enhancing internal controls, adopting lean management structure, and pushing forward reforms in compensation, logistics, and organizational structure. Further strengthen the overall quality of management and reduce costs in the Group's operational segments through better process engineering. Adopt effective risk management systems to increase production efficiency and overall management in order to maintain a healthy and sustainable development for the Group in the years to come.

FINANCIAL REVIEW

Turnover, Gross Profit and Gross Profit Margin

For the six months ended 30 June 2012, the Group's turnover recorded RMB 14,969 million, compared with that of 2011 at RMB 21,939 million, representing a decrease of RMB 6,970 million or 31.8%. The decrease in the turnover primarily resulted from the reduction in truck sales volume.

Gross profit for the six months ended 30 June 2012 decreased by RMB 1,313 million or 37.0%, from that of 2011 at RMB 3,545 million to RMB 2,232 million. Gross profit margin decreased by 1.3 percentage points year on year to 14.9%. Gross profit and gross profit margin decreased mainly due to the reduction in sales volume leading to an increase in fixed cost per truck.



MANAGEMENT DISCUSSION AND ANALYSIS

Distribution Costs

Distribution costs decreased from RMB 1,195 million for the six months ended 30 June 2011 to RMB 994 million for the six months ended 30 June 2012, decrease by RMB 201 million or 16.8%. The decrease was primarily resulted from the reduction in sales volume.

Administrative Expenses

Administrative expenses increased from RMB 891 million for the six months ended 30 June 2011 to RMB 949 million for the six months ended 30 June 2012, growing by RMB 58 million or 6.5%. The increase was mainly attributable to the increase in research and development spendings.

Other Gains – Net

The Group recorded net other gains at RMB 144 million for the six months ended 30 June 2011 to RMB 186 million for the six months ended 30 June 2012, increasing by RMB 42 million or 29.2%. The growth was mainly attributable to the increase of the government grants and income from the disposal of scraps.

Finance Costs – Net

Net finance costs decreased from RMB 247 million for the six months ended 30 June 2011 to RMB 224 million for the six months ended 30 June 2012, representing a decrease of RMB 23 million or 9.3%. The decrease in net finance costs was due to the drop in interest expense.

Income Tax Expense

The income tax expense for the six months ended 30 June 2012 was RMB 58 million, a decrease of RMB 194 million or 77.0% from that of 2011 at RMB 252 million. The decrease was due to the reduction in profit before income tax.

Profit for the Period under Review and Earnings Per Share

Profit for the six months ended 30 June 2012 decreased by 82.5% from RMB 1,105 million to RMB 193 million. The basic earnings per share attributable to the equity holders of the Company for the period under review decreased from RMB 0.36 for the six months ended 30 June 2011 to RMB 0.07, representing a decrease of 80.6%.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow

During the six months ended 30 June 2012, net cash outflow from operating activities was about RMB 1,798 million and compared with net cash outflow in the same period in 2011 at RMB 2,610 million, there was a decrease of cash outflow by RMB 812 million. The decrease of net operating cash outflow was due to the decrease in the growth of current period trade receivables balances compared with same period last year and the cut in the inventories.

Net cash outflow from investing activities for the six months ended 30 June 2012 was RMB 71 million, representing a decrease of RMB 1,192 million compared to that of 2011. The decrease was mainly due to the reduction of current period capital expenditure spent.

The cash outflow from financing activities for the six months ended 30 June 2012 was RMB 3,382 million, compared with the cash inflow in the same period in 2011 at RMB 583 million, representing an increase of cash outflow at RMB 3,965 million, mainly due to the cut of the bank borrowings.

Liquidity and Financial Resources

The Group had cash and cash equivalents of RMB 4,325 million and bank acceptance notes of RMB 8,566 million at 30 June 2012. Cash and cash equivalents decreased by RMB 5,252 million and bank acceptance notes increased by RMB 14 million as compared with those at the beginning of 2012. The Group's total borrowings (including long-term and short-term borrowings) were about RMB 12,476 million as at 30 June 2012. Its gearing ratio (total borrowings divided by total assets) was 26.0% (at 31 December 2011: 30.0%).

As at 30 June 2012, all borrowings were made in RMB (31 December 2011: 100% in RMB). Most of the borrowings had floating rates, which were no more 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 2012 was 1.3 (31 December 2011: 1.3).

As at 30 June 2012, total available credit facilities of the Group amounted to RMB 41,917 million, of which RMB 10,033 million had been utilised. An aggregate amount of RMB 971 million of the Group's deposits and bank deposits was pledged to secure credit facilities. In addition, Sinotruk Finance has made mandatory deposits of RMB 446 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 for longer credit periods from suppliers, utilization of banking facilities and issue of bills such as short-term commercial acceptance notes and bank acceptance notes.

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. Our treasury policy prohibits the Group from participating in any speculative activities. As at 30 June 2012, most of the Group's assets and liabilities were denominated in RMB, except for restricted cash and bank deposits which in total are equivalent to approximately RMB 181 million, accounts receivable of approximately RMB 760 million, accounts payable of approximately RMB 388 million, and long term payable of approximately RMB 240 million, all of which were denominated in currencies other than RMB.

Capital Structure

As at 30 June 2012, owner's equity of the Group was RMB 20,513 million, representing a decrease of RMB 56 million or 0.3% when compared with RMB 20,569 million at the end of year 2011.

As at 30 June 2012, the Company's market capitalisation was RMB 10,399 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD 4.62 per share and at the exchange rate of 0.81522 between HKD and RMB).



DIVIDENDS

The board of the directors (the “**Directors**”) of the Company (the “**Board**”) does not propose interim dividends for the six months ended 30 June 2012.

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 RMB 82 million. During the period under review, the Group did not have any provision for legal claims.

HUMAN RESOURCES

As at 30 June 2012, the Group had a total of 22,517 employees. One of the Group’s strategic priorities is to effectively manage a great workforce and to provide its talent with the best opportunities possible. The Group has implemented a performance-based promotion system and other similar promotion mechanisms for non-leadership positions. At the same time, the Group manages outsourced workers, provides a broader platform for all types of talent, reforms the distribution system, mobilizes the enthusiasm of the staff, focuses on personnel training, and actively attracts senior management and technical personnel to provide intellectual support for the Group’s implementation of international strategy and personnel security.

OTHER INFORMATION

CORPORATE GOVERNANCE

Corporate Governance Practice

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

During the period under review, the Company has been in compliance with the CG Code, save for the deviations which are explained below.

The Company did not establish any nomination committee as the Board will, from time to time and at any time, appoint any person to be a Director for filling any vacant directorship or for increasing the number of Directors. In assessing the nominations for new Directors, the Board will consider their qualifications and biographical information, experience and potential contributions that may be brought to the Company.

All non-executive Directors and four independent non-executive Directors were unable to attend the annual general meeting of the Company held on 30 May 2012 due to other prior engagements.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors (the "Model Code"). After the Company making specific enquires with all Directors, all Directors have confirmed that they have complied with the standards required by the Model Code for the six months ended 30 June 2012.

Board of Directors

The Board is responsible for formulating group policies and business directions, and monitoring internal controls and performances. As at 30 June 2012, the Board had a total of 15 Directors comprising 7 executive Directors, Mr Ma Chunji, Mr Cai Dong, Mr Wei Zhihai, Mr Wang Haotao, Mr Tong Jingen, Mr Wang Shanpo and Mr Gao Dinggui; 2 non-executive Directors, Dr Georg Pachta-Reyhofen and Mr Jörg Schwitalla and 6 independent non-executive Directors, Dr Shao Qihui, Dr Lin Zhijun, Dr Ouyang Minggao, Dr 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.

On 28 August 2012, Mr Kong Xiangquan was appointed as executive Director, group financial controller and member of the Executive Committee.

The Board has set up 5 committees responsible for different nature of work.

Executive Committee

The Executive Committee is responsible for implementing the decisions made by the Board. The committee is formed by all executive Directors.

Strategy and Investment Committee

The Strategy and Investment Committee is mainly responsible for the formulation of medium and long term strategic planning and business development strategies including the studying and provision for recommendations of significant financing options, significant capital operations and asset operation projects. The committee currently comprises 8 members, namely, Mr Ma Chunji, Mr Cai Dong, Dr Shao Qihui, Dr Ouyang Minggao, Dr Hu Zhenghuan, Mr Wang Haotao, Mr Wang Shanpo and Mr Gao Dinggui who joined the committee on 28 August 2012. Mr Ma Chunji 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 formulating performance appraisal standards and procedures, mainly commenting proposals of the appraisal mechanisms, rewarding system and penalties as well as staff option schemes. The committee will supervise the remuneration and other benefits offered by the Group to Directors. In addition, the committee performs the Group's corporate government functions including the review of the compliance with the corporate governance and the disclosure in the corporate governance report in the annual report. The committee currently comprises 5 members, namely, Mr Chen Zheng, Dr Lin Zhijun, Mr Li Xianyun, Mr Wei Zihai and Mr Tong Jingen. Mr Chen Zheng 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 3 members, namely, Dr Lin Zhijun, Dr Ouyang Minggao and Mr Chen Zheng. Dr Lin Zhijun is the chairman of the committee.

Incentive Scheme Independent Board Committee

The Incentive Scheme Independent Board Committee is mainly responsible for decision making in respect of the employee share incentive scheme (the "Incentive Scheme") adopted on 28 August 2012, including the selection of the employees to join the Incentive Scheme, determination of their number of scheme shares, the vesting periods and the vesting conditions as well as deciding whether the scheme shares shall be satisfied by transfer of shares or by cash payment prior to vesting. The committee comprises of all independent non-executive Directors as appointed from time to time and currently comprises 6 members, namely, Dr Shao Qihui, Dr Lin Zhijun, Dr Ouyang Minggao, Dr Hu Zhenghuan, Mr Chen Zheng and Mr Li Xianyun.

OTHER INFORMATION

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2012 has been reviewed by the Audit Committee of the Company and by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by Hong Kong Institute of Certified Public Accountants.

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. Sinotruk Ji’nan Truck Co., Ltd. (“**Ji’nan Truck**”), the subsidiary of the Company, publishes its announcements in the website of Shenzhen Stock Exchange as required by the regulations. The Company announces quarterly key financial information of Ji’nan Truck from time to time in the Company’s website and HKExnews.

The securities department of the Company is responsible for promoting investor relations actively for increased communications and ensuring that the investors are able to obtain information about the Group on a fair and timely basis to assist them in making the best investment decisions. For cultivating good relationship with shareholders and potential investors, the Company had participated in a number of one-on-one meetings, investors’ conferences, road shows and production 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 at www.sinotruk.com for the latest information available in respect of the Group including information on the financial conditions and the business developments.

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

As at 30 June 2012, so far is known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the shares of the Company (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 Hong Kong 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 Hong Kong 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 SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, 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 was as follows:

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

Notes:

- 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 in Germany. 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.

Save as disclosed above, as at 30 June 2012, 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.

By order of the Board
Ma Chunji
Chairman
 Ji'nan, PRC, 28 August 2012

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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 set out on pages 21 to 56, which comprises the interim condensed consolidated balance sheet of Sinotruk (Hong Kong) Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2012 and the related interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flows statement for the six-month period 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, 28 August 2012

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012
(All amounts in RMB thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	2012	2011
Turnover	6	14,969,144	21,938,926
Cost of sales		(12,737,060)	(18,393,563)
Gross profit		2,232,084	3,545,363
Distribution costs		(993,519)	(1,195,230)
Administrative expenses		(949,051)	(891,008)
Other gains – net		185,774	144,306
Operating profit	7	475,288	1,603,431
Finance income		84,526	94,077
Finance costs		(309,005)	(340,934)
Finance costs – net		(224,479)	(246,857)
Profit before income tax		250,809	1,356,574
Income tax expense	8	(58,244)	(251,593)
Profit for the period		192,565	1,104,981
Other comprehensive income			
Gains/(losses) on currency translation		2,990	(14,531)
Total comprehensive income for the period		195,555	1,090,450
Profit attributable to:			
- equity holders of the Company		182,291	993,959
- non-controlling interests		10,274	111,022
		192,565	1,104,981
Total comprehensive income attributable to:			
- equity holders of the Company		185,281	979,428
- non-controlling interests		10,274	111,022
		195,555	1,090,450
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
- basic and diluted	9	0.07	0.36

The notes on pages 26 to 56 form an integral part of this condensed consolidated interim financial information. Details of dividends of the Company are set out in Note 10 to this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012
(All amounts in RMB thousands unless otherwise stated)

		Unaudited	Audited
	Note	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Land use rights	11	1,451,021	1,394,774
Property, plant and equipment	11	12,307,408	11,603,387
Investment properties	12	258,123	266,501
Intangible assets	11	610,514	675,967
Goodwill		3,868	3,868
Deferred income tax assets		909,022	820,171
Investment in an associate		5,766	6,225
Trade and other receivables	13	343,271	130,331
		15,888,993	14,901,224
Current assets			
Inventories	14	9,759,223	10,192,736
Trade receivables, other receivables and other current assets	13	16,465,874	15,543,011
Financial assets at fair value through profit or loss		6,596	5,221
Amounts due from related parties	22(b)	93,463	19,502
Restricted cash		1,416,398	1,754,753
Cash and cash equivalents		4,325,202	9,576,878
		32,066,756	37,092,101
Total assets		47,955,749	51,993,325
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	261,489	261,489
Reserves		18,448,339	18,488,150
		18,709,828	18,749,639
Non-controlling interests		1,803,409	1,818,961
Total equity		20,513,237	20,568,600

CONDENSED CONSOLIDATED BALANCE SHEET

 As at 30 June 2012
 (All amounts in RMB thousands unless otherwise stated)

		Unaudited	Audited
	Note	30 June 2012	31 December 2011
LIABILITIES			
Non-current liabilities			
Borrowings	16	2,132,100	2,106,800
Deferred income tax liabilities		40,621	42,688
Termination and post-employment benefits	17	26,520	30,810
Deferred income		535,779	605,052
Long-term payable		7,020	7,297
Amounts due to related parties	22(b)	239,642	245,741
		2,981,682	3,038,388
Current liabilities			
Trade payables, other payables and other current liabilities	18	13,351,721	13,701,462
Current income tax liabilities		44,522	76,750
Borrowings	16	10,343,541	13,498,810
Amounts due to related parties	22(b)	252,991	631,041
Provisions for other liabilities	19	468,055	478,274
		24,460,830	28,386,337
Total liabilities		27,442,512	31,424,725
Total equity and liabilities		47,955,749	51,993,325
Net current assets		7,605,926	8,705,764
Total assets less current liabilities		23,494,919	23,606,988

The notes on pages 26 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 2012
(All amounts in RMB thousands unless otherwise stated)

	Unaudited											Non-controlling interests	Total equity
	Attributable to equity holders of the Company										Total		
	Share capital	Share premium	Capital redemption reserve	Other capital reserve	Property revaluation reserve	Statutory reserve	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings			
Balance as at 1 January 2012	261,489	16,444,600	10,935	(3,672,704)	63,245	739,886	104,294	1,144,582	(58,859)	3,712,171	18,749,639	1,818,961	20,568,600
Total comprehensive income for the period	-	-	-	-	-	-	-	-	2,990	182,291	185,281	10,274	195,555
Transactions with owners in their capacity as owners													
Dividends of the Company relating to 2011	-	-	-	-	-	-	-	-	-	(225,092)	(225,092)	-	(225,092)
Dividends of subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(25,826)	(25,826)
Total transactions with owners	-	-	-	-	-	-	-	-	-	(225,092)	(225,092)	(25,826)	(250,918)
Appropriation to reserves	-	-	-	-	-	145,870	22,949	-	-	(168,819)	-	-	-
Balance as at 30 June 2012	261,489	16,444,600	10,935	(3,672,704)	63,245	885,756	127,243	1,144,582	(55,869)	3,500,551	18,709,828	1,803,409	20,513,237
Balance as at 1 January 2011	261,489	16,444,600	10,935	(3,691,986)	1,053	613,955	104,294	1,144,582	(13,450)	3,251,906	18,127,378	1,632,693	19,760,071
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(14,531)	993,959	979,428	111,022	1,090,450
Transactions with owners in their capacity as owners													
Dividends of the Company relating to 2010	-	-	-	-	-	-	-	-	-	(415,982)	(415,982)	-	(415,982)
Dividends of subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(41,092)	(41,092)
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	90,488	90,488
Total transactions with owners	-	-	-	-	-	-	-	-	-	(415,982)	(415,982)	49,396	(366,586)
Appropriation to reserves	-	-	-	-	-	48,836	-	-	-	(48,836)	-	-	-
Balance as at 30 June 2011	261,489	16,444,600	10,935	(3,691,986)	1,053	662,791	104,294	1,144,582	(27,981)	3,781,047	18,690,824	1,793,111	20,483,935

The notes on pages 26 to 56 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

For the six months ended 30 June 2012
(All amounts in RMB thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2012	2011
Net cash used in operating activities	(1,797,738)	(2,610,404)
Net cash used in investing activities	(71,403)	(1,262,771)
Net cash (used in)/generated from financing activities	(3,381,844)	582,792
Net decrease in cash and cash equivalents	(5,250,985)	(3,290,383)
Cash and cash equivalents at beginning of the period	9,576,878	11,561,472
Exchange (losses)/gains	(691)	59,176
Cash and cash equivalents at end of the period	4,325,202	8,330,265

The notes on pages 26 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

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 address of the Company’s registered office is Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in the manufacturing and sales of commercial trucks including heavy duty trucks, medium heavy duty trucks, light duty trucks and buses and also produces and sells key parts and components such as engines and axles, and the provision of finance services.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standards (“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 2011, 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 2011, as described in those annual financial statements.

- (a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- (b) The following new amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012 and relevant to the Group:
 - HKAS 12 (Amendment), ‘Income taxes’, to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

There are no other amended HKFRS or HK (IFRIC) interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

- (c) There are certain new and amended standards that have been issued but are not yet effective. The Group is assessing the impact of those new and amended standards and considers those new and amended standards would not have material impact on the Group currently.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes (see Note 8).

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There have been no material changes in the risk management policies since last year end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Repayment period				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years
As at 30 June 2012					
Borrowings	10,346,165	2,060,000	—	80,100	—
Interests payments on borrowings (a)	393,222	72,494	1,802	1,708	—
Trade and other payables (b)	10,126,223	—	—	—	—
Amounts due to related parties	252,991	82,645	82,645	82,645	—
	21,118,601	2,215,139	84,447	164,453	—

	Repayment period				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 year
As at 31 December 2011					
Borrowings	13,498,810	1,200,000	800,000	—	106,800
Interests payments on borrowings (a)	626,699	70,856	6,815	2,403	612
Trade and other payables (b)	10,255,053	—	—	—	—
Amounts due to related parties	631,041	83,346	82,366	80,029	—
	25,011,603	1,354,202	889,181	82,432	107,412

(a) The interest on borrowings is calculated based on borrowings held as at 30 June 2012 and 31 December 2011 respectively without taking into account of future issues. Floating-rate interest is estimated using current interest rate as at 30 June 2012 and 31 December 2011 respectively.

(b) Trade and other payables include trade and bills payables and other payables as stated in Note 18.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group’s assets that are measured at fair value at 30 June 2012.

	Unaudited			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	6,596	—	—	6,596

The following table presents the Group’s assets that are measured at fair value at 31 December 2011.

	Audited			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	5,221	—	—	5,221

During the six months ended 30 June 2012, there were no significant changes in the business or economic circumstances that affect the fair value of the Group’s financial assets.

During the six months ended 30 June 2012, there were no reclassifications of financial assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors (the “Board”) of the Company, while it delegates the executive committee (the “Executive Committee”) comprising all executive directors to execute its decisions. The Executive Committee reviews the Group’s internal reports 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 operating segments 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 – Provision for deposits taking, borrowings, bills and notes discounting and entrustment loans to the members of the Group and the members of CNHTC and its subsidiaries excluding the Group (“CNHTC Group”).

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2012 are as follows:

	Unaudited				Total
	Trucks	Engines	Finance	Elimination	
Turnover					
External segment revenue	14,038,689	810,072	120,383	—	14,969,144
Inter-segment revenue	17,988	2,752,629	19,562	(2,790,179)	—
Revenue	14,056,677	3,562,701	139,945	(2,790,179)	14,969,144
Operating profit before unallocated income	132,842	227,787	91,064	15,309	467,002
Unallocated income					8,286
Operating profit					475,288
Finance costs - net					(224,479)
Profit before income tax					250,809
Income tax expense					(58,244)
Profit for the period					192,565

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2011 are as follows:

	Unaudited				Total
	Trucks	Engines	Finance	Elimination	
Turnover					
External segment revenue	20,779,331	1,062,539	97,056	—	21,938,926
Inter-segment revenue	41,467	4,610,721	7,283	(4,659,471)	—
Revenue	20,820,798	5,673,260	104,339	(4,659,471)	21,938,926
Operating profit before unallocated income	967,571	698,395	87,126	(170,766)	1,582,326
Unallocated income					21,105
Operating profit					1,603,431
Finance costs - net					(246,857)
Profit before income tax					1,356,574
Income tax expense					(251,593)
Profit for the period					1,104,981

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

	Unaudited			
	Trucks	Engines	Finance	Total
As at 30 June 2012				
Segment assets	32,053,107	12,562,257	4,407,818	49,023,182
Inter-segment elimination				(8,006,599)
Unallocated				6,939,166
Total assets				47,955,749
	Audited			
	Trucks	Engines	Finance	Total
As at 31 December 2011				
Segment Assets	34,680,422	15,071,734	6,075,182	55,827,338
Inter-segment elimination				(9,058,362)
Unallocated				5,224,349
Total assets				51,993,325

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

	Unaudited	
	Six months ended 30 June	
	2012	2011
Mainland China	13,071,587	19,957,639
Overseas	1,897,557	1,981,287
Total	14,969,144	21,938,926

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

7 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2012:

	Unaudited	
	Six months ended 30 June	
	2012	2011
Employee benefit expenses	996,339	1,015,900
Warranty expenses (Note 19)	347,095	415,988
Inventory write-downs	53,994	125,559
Gain on disposal of property, plant and equipment	(321)	(803)
Fair value loss/(gain) on investment properties (Note 12)	8,378	(23)
Amortisation of land use rights (Note 11)	14,295	16,317
Depreciation of property, plant and equipment (Note 11)	388,187	419,876
Amortisation of intangible assets (Note 11)	67,431	65,616
Foreign exchange gain, net	(40,371)	(69,444)
Government grants	(102,320)	(22,252)
Disposal of scraps	(26,651)	(9,470)

8 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2012	2011
Current income tax		
– Hong Kong profits tax	1,069	—
– PRC corporate income tax	122,900	428,921
	123,969	428,921
Deferred income tax	(65,725)	(177,328)
	58,244	251,593

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

8 INCOME TAX EXPENSE (Continued)

The Company and Sinotruk (Hong Kong) International Investment Limited are subject to Hong Kong profits tax at the rate of 16.5% (2011: 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 the People’s Republic of China (“PRC”), which has been calculated based on the corporate income tax rate of 25% (2011: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the six months ended 30 June 2012 at the rates of taxation prevailing in the countries in which the Group operates.

Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognized as the High New Tech Enterprise in 2010. Sinotruk Ji’nan Power Co., Ltd. and Sinotruk Hangzhou Engine Co., Ltd. have been recognised as the High New Tech Enterprises in 2011. According to the tax incentives of the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”) for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., Nanchong Sinotruk Wangpai Shuncheng Mechanics Co., Ltd. and Sichuan Sinotruk Wangpai Xingcheng Hydraulic Parts Co., Ltd. are subject to a corporate income tax rate of 15% according to the Western Development tax incentives of the CIT Law.

The remaining subsidiaries are subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2011: 25%).

9 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.

	Unaudited	
	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company	182,291	993,959
Weighted average number of ordinary shares in issue (thousands)	2,760,993	2,760,993
Basic earnings per share (RMB per share)	0.07	0.36

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 2012 and 30 June 2011.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

10 DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2012 (2011: Nil). The final dividend of the Company for the year ended 31 December 2011 of approximately HKD 276,099,000 (equivalent to approximately RMB 225,092,000) (2010: HKD 496,979,000 (equivalent to approximately RMB 415,982,000)) was paid in June 2012.

During the six months ended 30 June 2012, certain Group's non-wholly owned subsidiaries have paid dividends to non-controlling shareholders amounting to approximately RMB 25,826,000 (2011: RMB 41,092,000).

11 CAPITAL EXPENDITURES

	Unaudited		
	Land use rights	Property, plant and equipment	Intangible assets
Six months ended 30 June 2012			
Balance as at 1 January 2012	1,394,774	11,603,387	675,967
Additions	70,542	1,093,266	1,978
Disposals	—	(1,058)	—
Depreciation and amortisation (Note 7)	(14,295)	(388,187)	(67,431)
Balance as at 30 June 2012	1,451,021	12,307,408	610,514
Six months ended 30 June 2011			
Balance as at 1 January 2011	1,398,436	9,359,943	761,093
Additions	166,262	1,318,741	47,898
Transfers	22,429	(22,429)	—
Disposals	—	(47,663)	(4,519)
Depreciation and amortisation (Note 7)	(16,317)	(419,876)	(65,616)
Balance as at 30 June 2011	1,570,810	10,188,716	738,856

As at 30 June 2012, the Group is in the process of applying certificate of ownership for the buildings with net book amount of approximately RMB 44,387,000 (31 December 2011: RMB 69,712,000). As at the date of these condensed consolidated financial statements were approved, the process is still undergoing.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

12 INVESTMENT PROPERTIES

	Unaudited
Six months ended 30 June 2012	
Balance as at 1 January 2012	266,501
Fair value loss	(8,378)
Balance as at 30 June 2012	258,123
Six months ended 30 June 2011	
Balance as at 1 January 2011	6,492
Fair value gain	23
Balance as at 30 June 2011	<u>6,515</u>

The investment properties are located in Hong Kong and valued at fair value as at 30 June 2012 and 30 June 2011. The fair values of the investment properties were assessed by the management of the Group with reference to the market value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

13 TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Non-Current		
Accounts receivable	34,768	—
Other receivables	311,619	131,647
Less: Provision for impairment of other receivables	(3,116)	(1,316)
Other receivables – net	308,503	130,331
Trade and other receivables – net	343,271	130,331
Current		
Accounts receivable	5,152,334	4,604,431
Less: Provision for impairment of accounts receivable	(120,047)	(120,614)
Accounts receivable – net	5,032,287	4,483,817
Notes receivable		
– Bank acceptance notes	8,566,370	8,552,252
– Commercial acceptance notes	23,170	21,401
Notes receivable - total	8,589,540	8,573,653
Trade receivables - net	13,621,827	13,057,470
Other receivables	1,765,684	1,019,484
Less: Provision for impairment of other receivables	(21,343)	(11,900)
Other receivables - net	1,744,341	1,007,584
Interest receivables	33,889	34,540
Prepayments	622,260	876,398
Prepaid taxes other than income tax	379,401	419,709
Prepaid income taxes	64,156	147,310
Other current assets - total	1,099,706	1,477,957
Trade receivables, other receivables and other current assets - net	16,465,874	15,543,011

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

**13 TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS
(Continued)**

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

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Less than 3 months	8,759,443	7,815,859
3 months to 6 months	4,320,853	4,709,078
6 months to 12 months	452,434	258,114
1 year to 2 years	59,451	228,532
2 years to 3 years	64,351	43,053
Over 3 years	63	2,834
	13,656,595	13,057,470

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 delivery either in cash or bank acceptance notes with a tenure of usually three to six months, which represents the credit term granted to the customers who pay by bank acceptance notes. Credit terms in the range within six months are granted to those customers with good payment history.

As at 30 June 2012, accounts receivable of approximately RMB 973,025,000 (31 December 2011: RMB 798,765,000) are secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 30 June 2012 and 31 December 2011.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

14 INVENTORIES

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Raw materials	1,507,038	2,074,055
Work in progress	657,157	693,201
Finished goods - parts and components	508,732	719,734
Finished goods - trucks	7,331,947	6,977,391
	10,004,874	10,464,381
Less: write-down of inventories to net realisable value	(245,651)	(271,645)
	9,759,223	10,192,736

15 SHARE CAPITAL

	Unaudited		
	Number of ordinary shares	Amount	
	Share capital	Share premium	
Balance at 1 January 2012 and at 30 June 2012	2,760,993,339	261,489	16,444,600
Balance at 1 January 2011 and at 30 June 2011	2,760,993,339	261,489	16,444,600

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

16 BORROWINGS

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Non-current		
Long-term bank borrowings - unsecured	2,132,100	2,106,800
Current		
Long-term bank borrowings, current portion – unsecured	826,700	26,700
RMB bonds – unsecured (a)	2,697,376	2,693,586
	3,524,076	2,720,286
Short-term bank borrowings		
– secured (b)	—	20,000
– unsecured	6,819,465	10,758,524
	6,819,465	10,778,524
	10,343,541	13,498,810
Total borrowings	12,475,641	15,605,610

(a) The RMB bonds were issued by the Company on 29 October 2010, at a face value of RMB 2,700,000,000, due for full repayment in October 2012. The bonds are unsecured and carry an effective interest rate of 3.71% per annum, with the interest being payable semi-annually.

(b) As at 31 December 2011, bank borrowings of approximately RMB 20,000,000 were secured by certain bank deposits of the Group with carrying value of approximately RMB 20,504,000.

The Group's borrowings are repayable as follows:

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Within 1 year	10,343,541	13,498,810
Between 1 year and 2 years	2,052,000	1,200,000
Between 2 years and 5 years	80,100	906,800
	12,475,641	15,605,610

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

16 BORROWINGS (Continued)

Movements in borrowings are analyzed as follow:

	Unaudited
Six months ended 30 June 2012	
Balance as at 1 January 2012	15,605,610
Proceeds from borrowings	6,190,255
Repayments of borrowings	(9,320,224)
Balance as at 30 June 2012	12,475,641
Six months ended 30 June 2011	
Balance as at 1 January 2011	14,207,174
Proceeds from borrowings	6,891,292
Repayments of borrowings	(6,037,929)
Foreign exchange gain	(879)
Balance as at 30 June 2011	15,059,658

Interest expenses on borrowings for the six months ended 30 June 2012 were approximately RMB 338,755,000 (2011: RMB 343,659,000), out of which approximately RMB 61,164,000 (2011: RMB 25,996,000) 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 5.74% per annum (2011: 5.36% per annum) was used, representing the weighted average rate of the borrowing cost of the loans used to finance the projects.

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Floating rate – expiring within one year	3,610,586	3,249,301

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

17 TERMINATION AND POST-EMPLOYMENT BENEFITS

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Termination benefits	18,630	22,330
Post-employment benefits	6,110	6,390
Post-employment medical insurance plan	1,780	2,090
	26,520	30,810

18 TRADE PAYABLES, OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Trade and bills payables	8,851,508	9,180,233
Advances from customers	2,332,942	2,452,927
Accrued expenses	525,516	573,905
Staff welfare and salaries payable	211,924	215,214
Taxes liabilities other than income tax	155,116	204,363
Other payables	1,274,715	1,074,820
	13,351,721	13,701,462

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

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Less than 3 months	6,765,074	4,830,401
3 months to 6 months	1,995,289	4,240,625
6 months to 12 months	79,106	92,723
1 year to 2 years	7,994	6,955
2 years to 3 years	2,040	1,618
Over 3 years	2,005	7,911
	8,851,508	9,180,233

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

19 PROVISIONS FOR OTHER LIABILITIES

	Unaudited		
	Legal claims	Products warranties	Total
Six months ended 30 June 2012			
Balance as at 1 January 2012	—	478,274	478,274
Additional provisions	—	347,095	347,095
Utilised during the period	—	(357,314)	(357,314)
Balance as at 30 June 2012	—	468,055	468,055
Six months ended 30 June 2011			
Balance as at 1 January 2011	3,030	539,125	542,155
Additional provisions	—	415,988	415,988
Utilised during the period	(3,030)	(331,114)	(334,144)
Balance as at 30 June 2011	—	623,999	623,999

20 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 as provisions in Note 19.

21 CAPITAL COMMITMENTS

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

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Purchase of property, plant and equipment and intangible assets		
– Contracted but not provided for	1,642,168	1,451,066

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

22 RELATED PARTY TRANSACTIONS

Sinotruk (BVI) Limited, a company incorporated in British Virgin Islands, is the immediate holding company of the Group. The ultimate holding 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, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group (“Other State-owned Enterprises”). On that basis, related parties include CNHTC and its subsidiaries (other than the Group), other state-owned entities and their subsidiaries, other entities and corporations in which the Group is able to control or exercise significant influence and key management personnel of the Company and CNHTC as well as their close family members.

Name of related party	Nature of relationship
CNHTC (中國重型汽車集團有限公司)	The ultimate holding company
CNHTC Qingdao Heavy Industry Co., Ltd. (中國重汽集團青島重工有限公司)	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 (中國重型汽車集團房地產開發公司)	Subsidiary of CNHTC
CNHTC Wuzhishan Luohai Real Estates Co., Ltd. (中國重汽集團五指山濼海房地產有限公司)	Subsidiary of CNHTC
Shandong Xin Hai Guarantee Co., Ltd. (山東鑫海擔保有限公司)	Subsidiary of CNHTC
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 Management 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
CNHTC Datong Gear 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 (杭州汽車發動機廠)	Subsidiary of CNHTC
Ji’nan Automobile Test Center (濟南汽車檢測中心)	Subsidiary of CNHTC
MAN Truck & Bus AG	Common key management personnel
Sinotruk Baotou Xinhongchang Special Vehicles Co., Ltd. (中國重汽集團包頭新宏昌專用車有限公司)	Associate of the Group

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (Continued)

In addition to the related party information and transactions disclosed elsewhere in the condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties (excluding other State-owned Enterprises).

(a) Significant related party transactions

	Unaudited	
	Six months ended 30 June	
	2012	2011
Sales of trucks		
CNHTC Qingdao Heavy Industry Co., Ltd.	43,030	77,491
CNHTC Ji'nan Special Truck Co., Ltd.	19,004	37,382
CNHTC	8,675	974
CNHTC Taian Wuyue Special Truck Co., Ltd.	5,270	4,677
CNHTC Datong Gear Co., Ltd.	5,282	—
CNHTC Ji'nan Investment Co., Ltd.	915	23,825
CNHTC Lease Firm	77	5,710
	82,253	150,059
Purchases of trucks		
CNHTC Qingdao Heavy Industry Co., Ltd.	232,297	211,290
CNHTC Taian Wuyue Special Truck Co., Ltd.	171,854	118,096
CNHTC Ji'nan Investment Co., Ltd.	112,762	202,854
CNHTC Ji'nan Special Truck Co., Ltd.	104,508	94,853
Sinotruk Baotou Xinhongchang Special Vehicles Co., Ltd.	61,059	102,300
	682,480	729,393

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (Continued)
(a) Significant related party transactions (Continued)

	Unaudited	
	Six months ended 30 June	
	2012	2011
Sales of spare parts		
CNHTC Ji'nan Investment Co., Ltd.	210,370	349,421
CNHTC Datong Gear Co., Ltd.	3,680	896
CNHTC Ji'nan Bus Co., Ltd.	1,901	9,632
CNHTC Ji'nan Construction Co., Ltd.	957	2,312
CNHTC Taian Wuyue Special Truck Co., Ltd.	808	3,506
CNHTC Ji'nan Special Truck Co., Ltd.	85	—
CNHTC Ji'nan Realty Management Co., Ltd.	23	—
Ji'nan Automobile Test Center	1	—
	217,825	365,767
Purchases of spare parts		
CNHTC Datong Gear Co., Ltd.	242,347	383,312
CNHTC Ji'nan Bus Co., Ltd.	61,032	99,196
CNHTC Taian Wuyue Special Truck Co., Ltd.	9,414	81
CNHTC Ji'nan Investment Co., Ltd.	6,174	30,956
CNHTC Qingdao Heavy Industry Co., Ltd.	2,881	—
CNHTC Ji'nan Construction Co., Ltd.	720	12,908
CNHTC Ji'nan Realty Management Co., Ltd.	100	33
MAN Truck & Bus AG	—	8,572
CNHTC Ji'nan Special Truck Co., Ltd.	—	181
Ji'nan Automobile Test Center	—	47
	322,668	535,286

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	Unaudited	
	Six months ended 30 June	
	2012	2011
Supply of auxiliary production services		
CNHTC Ji'nan Bus Co., Ltd.	552	1,498
CNHTC Ji'nan Realty Management Co., Ltd.	480	599
CNHTC Qingdao Heavy Industry Co., Ltd.	182	212
CNHTC Ji'nan Investment Co., Ltd.	123	32
CNHTC Datong Gear Co., Ltd.	10	4
CNHTC Ji'nan Construction Co., Ltd.	—	324
	1,347	2,669
Purchases of general services		
CNHTC	21,077	31,054
CNHTC Realty Management Co., Ltd.	14,324	14,497
CNHTC Ji'nan Investment Co., Ltd.	4,936	3,999
CNHTC Ji'nan Construction Co., Ltd.	2,219	4,947
CNHTC Ji'nan Bus Co., Ltd.	494	2,034
CNHTC Datong Gear Co., Ltd.	193	259
CNHTC Ji'nan Special Truck Co., Ltd.	91	—
Ji'nan Automobile Test Center	61	68
	43,395	56,858

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	Unaudited	
	Six months ended 30 June	
	2012	2011
Rental income		
CNHTC Qingdao Heavy Industry Co., Ltd.	3,585	3,595
CNHTC Ji'nan Bus Co., Ltd.	1,893	1,654
Ji'nan Automobile Test Center	315	315
	5,793	5,564
Rental expenses		
CNHTC	8,260	6,554
Shandong Xin Hai Guarantee Co., Ltd.	648	—
	8,908	6,554
Purchases of construction and project management services		
CNHTC Ji'nan Construction Co., Ltd.	63,271	45,385
Provision for construction supervision design services		
CNHTC Qingdao Heavy Industry Co., Ltd.	2,700	2,000
CNHTC Real Estates Company	1,175	—
CNHTC Ji'nan Special Truck Co., Ltd.	800	200
CNHTC Datong Gear Co., Ltd.	505	4,427
CNHTC Ji'nan Investment Co., Ltd.	—	50
	5,180	6,677

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	Unaudited	
	Six months ended 30 June	
	2012	2011
Aggregate of interest expenses for deposits taking services		
CNHTC	696	210
CNHTC Real Estates Company	113	111
CNHTC Ji'nan Investment Co., Ltd.	112	39
CNHTC Ji'nan Realty Management Co., Ltd.	83	14
Ji'nan Tianqiao District Xin Hai Small-Sum Loan Co., Ltd.	67	19
CNHTC Qingdao Heavy Industry Co., Ltd.	50	77
Ji'nan Automobile Test Center	39	21
CNHTC Datong Gear Co., Ltd.	36	21
CNHTC Ji'nan Bus Co., Ltd.	27	29
CNHTC Taian Wuyue Special Truck Co., Ltd.	19	62
CNHTC Ji'nan Special Truck Co., Ltd.	19	38
CNHTC Ji'nan Construction Co., Ltd.	6	6
Shandong Xin Hai Guarantee Co., Ltd.	1	24
CNHTC Wuzhishan Luohai Real Estates Co., Ltd.	1	1
Hangzhou Engine Factory	—	1
	1,269	673
Sales of fixed assets		
CNHTC Ji'nan Investment Co., Ltd.	2	—
CNHTC Ji'nan Bus Co., Ltd.	—	552
	2	552

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	Unaudited	
	Six months ended 30 June	
	2012	2011
Purchases of fixed assets		
CNHTC Ji'nan Bus Co., Ltd.	62	—
CNHTC Ji'nan Special Truck Co., Ltd.	—	176
CNHTC	—	29
Hangzhou Engine Factory	—	1
	62	206
Key management compensation		
Directors	2,839	2,597
Senior management	512	538
	3,351	3,135

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Amounts due from related parties		
Trade receivables	71,765	14,204
Prepayments	21,698	5,298
	93,463	19,502
Amounts due to related parties		
Non-current		
Long-term payables	239,642	245,741
Current		
Long-term payables - current portion	79,562	85,706
Trade payables	11,814	2,996
Other payables	50,210	78,400
Advances from customers	10,257	11,707
Deposits taking	101,148	452,232
	252,991	631,041

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Trade receivables		
CNHTC Ji'nan Investment Co., Ltd.	63,811	3,200
CNHTC Datong Gear Co., Ltd.	7,954	2,125
CNHTC Ji'nan Construction Co., Ltd.	—	4,096
CNHTC Ji'nan Special Truck Co., Ltd.	—	4,004
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	779
	71,765	14,204

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

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Prepayments		
CNHTC Ji'nan Investment Co., Ltd.	10,539	30
CNHTC Qingdao Heavy Industry Co., Ltd.	5,667	538
CNHTC Ji'nan Construction Co., Ltd.	5,355	4,730
MAN Truck & Bus AG	137	—
	21,698	5,298

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Long-term payables under technology license agreement		
Non-current		
MAN Truck & Bus AG	239,642	245,741
Current		
MAN Truck & Bus AG	79,562	85,706
	319,204	331,447
Trade payables		
CNHTC Datong Gear Co., Ltd.	11,482	890
CNHTC Taian Wuyue Special Truck Co., Ltd.	180	129
Sinotruk Baotou Xinhongchang Special Vehicles Co., Ltd.	112	1,059
CNHTC Ji'nan Special Truck Co., Ltd.	40	—
MAN Truck & Bus AG	—	918
	11,814	2,996

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)

22 RELATED PARTY TRANSACTIONS (Continued)
(b) Balances with related parties (Continued)

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Other payables		
CNHTC Ji'nan Construction Co., Ltd.	45,611	75,811
CNHTC Ji'nan Realty Management Co., Ltd.	1,980	472
CNHTC Ji'nan Special Truck Co., Ltd.	889	889
CNHTC Taian Wuyue Special Truck Co., Ltd.	700	700
CNHTC Qingdao Heavy Industry Co., Ltd.	523	524
Sinotruk Baotou Xinhongchang Special Vehicles Co., Ltd.	500	—
MAN Truck & Bus AG	4	—
Ji'nan Automobile Test Center	3	4
	50,210	78,400
Advances from customers		
CNHTC Qingdao Heavy Industry Co., Ltd.	8,323	8,549
CNHTC Ji'nan Special Truck Co., Ltd.	1,141	—
Sinotruk Baotou Xinhongchang Special Vehicles Co., Ltd.	480	—
MAN Truck & Bus AG	165	—
CNHTC Ji'nan Bus Co., Ltd.	124	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	16	—
CNHTC Lease Firm	8	3,158
	10,257	11,707

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

22 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Deposits taking		
CNHTC Ji'nan Investment Co., Ltd.	28,143	45,523
CNHTC	13,313	336,223
CNHTC Ji'nan Special Truck Co., Ltd.	10,322	1,222
CNHTC Real Estates Company	9,667	19,873
CNHTC Ji'nan Realty Management Co., Ltd.	8,121	1,913
CNHTC Datong Gear Co., Ltd.	7,305	562
CNHTC Qingdao Heavy Industry Co.,Ltd.	6,915	9,150
CNHTC Ji'nan Bus Co., Ltd.	5,115	1,113
Ji'nan Automobile Test Center	4,144	1,581
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	3,516	25,520
CNHTC Taian Wuyue Special Truck Co., Ltd.	2,343	8,409
CNHTC Ji'nan Construction Co., Ltd.	1,577	572
Shandong Xin Hai Guarantee Co., Ltd.	657	567
Hangzhou Engine Factory	6	1
CNHTC Wuzhishan Luohai Real Estates Co., Ltd.	4	3
	101,148	452,232

(c) Balances and transaction with Other State-owned Enterprises

As at 30 June 2012 and 31 December 2011, majority of the Group's bank balances and borrowings are with state-owned banks. The Group also has transactions with Other State-owned Enterprises including but not limited to sales of products, purchase of raw material and services. The directors of the Company are of the opinion that these transactions are conducted in the ordinary business of the Group and no disclosure is presented.

23 APPROVAL ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved for issue by the Board on 28 August 2012.



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