SINOTRUK (HONG KONG) LIMITED

中國重汽(香港)有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 3808)

Announcement on Interim Results For the Six Months Ended 30 June 2013

Highlights

- **Turnover at RMB 14,863 million, 0.7 % decrease year on year**
- **Heavy duty trucks sales volume at 46,630 units, 2.7 % decrease year on year while the export volume (included affiliated export) was 10,318 units, 16.4 % decrease year on year; light duty trucks sales volume at 24,530 units, 41.5% increase year on year; buses sales volume at 520 units, 16.9% increase year on year**
- **Profit attributable to equity holders at RMB 193 million, 6.0% increase year on year**
- **Basic earnings per share at RMB 0.07 same as that of last year**

The Board is pleased to announce the unaudited condensed consolidated interim financial information of the Group for the Period.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2013

	Note	2013	2012
		RMB'000	RMB'000
		Unaudited	Unaudited
Turnover	4	**14,862,732**	14,969,144
Cost of sales		**(12,390,170)**	(12,737,060)
Gross profit		**2,472,562**	2,232,084
Distribution costs		**(1,058,551)**	(993,519)
Administrative expenses		**(959,218)**	(949,051)
Other gains - net		**93,706**	185,774
Operating profit	5	**548,499**	475,288
Finance income		**48,326**	84,526
Finance costs		**(238,744)**	(309,005)
Finance costs - net		**(190,418)**	(224,479)
Profit before income tax		**358,081**	250,809
Income tax expense	6	**(94,355)**	(58,244)
Profit for the period		**263,726**	192,565
Other comprehensive income			
(Losses) /gains on currency translation		**(14,704)**	2,990
Total comprehensive income for the period		**249,022**	195,555

Condensed Consolidated Statement of Comprehensive Income (Continued)
For the six months ended 30 June 2013

	Note	**2013**	2012
		RMB'000	RMB'000
		Unaudited	Unaudited
Profit attributable to			
- equity holders of the Company		**193,496**	182,291
- non-controlling interests		**70,230**	10,274
		263,726	192,565
Total comprehensive income attributable to			
- equity holders of the Company		**178,792**	185,281
- non-controlling interests		**70,230**	10,274
		249,022	195,555
Earnings per share for profit attributable to the equity holders of the Company			
(expressed in RMB per share)			
- basic and diluted	7	**0.07**	0.07

Condensed Consolidated Statement of Financial Position
As at 30 June 2013

	Note	**30 June 2013**	31 December 2012
		RMB'000	RMB'000
		Unaudited	Audited
Assets			
Non-current assets			
Land use rights		**1,496,657**	1,464,106
Property, plant and equipment		**13,066,644**	12,835,865
Investment properties		**210,966**	214,754
Intangible assets		**483,926**	546,714
Goodwill		**3,868**	3,868
Deferred income tax assets		**933,317**	880,956
Investment in an associate		**3,836**	4,564
Other receivables	8	**379,298**	360,321
		16,578,512	16,311,148
Current assets			
Inventories		**8,699,201**	7,560,531
Trade receivables, other receivables and other current assets	8	**16,221,465**	13,930,524
Financial assets at fair value through profit or loss		**1,291**	1,489
Amounts due from related parties		**88,168**	12,694
Cash and bank balances		**4,645,761**	5,933,177
		29,655,886	27,438,415
Total assets		**46,234,398**	43,749,563

Condensed Consolidated Statement of Financial Position (Continued)
As at 30 June 2013

	Note	**30 June 2013**	31 December 2012
		RMB'000	RMB'000
		Unaudited	Audited
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**261,489**	261,489
Reserves		**18,533,371**	18,387,613
		18,794,860	18,649,102
Non-controlling interests		**1,871,683**	1,806,010
Total equity		**20,666,543**	20,455,112
Liabilities			
Non-current liabilities			
Borrowings		**4,239,067**	5,618,988
Deferred income tax liabilities		**35,960**	48,807
Termination and post-employment benefits		**24,080**	22,580
Deferred income		**380,829**	394,383
Long-term payable		**6,470**	7,902
Amounts due to related parties		**168,279**	170,069
		4,854,685	6,262,729
Current liabilities			
Trade payables, other payables and other current liabilities	9	**13,776,158**	10,718,796
Current income tax liabilities		**108,645**	20,549
Borrowings		**5,950,707**	5,388,247
Amounts due to related parties		**510,370**	599,937
Provisions for other liabilities		**367,290**	304,193
		20,713,170	17,031,722
Total liabilities		**25,567,855**	23,294,451
Total equity and liabilities		**46,234,398**	43,749,563
Net current assets		**8,942,716**	10,406,693
Total assets less current liabilities		**25,521,228**	26,717,841

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

The Group is principally engaged in the manufacturing and sales of commercial trucks including 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 been reviewed, not audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standards ("**HKAS**") 34, 'Interim Financial Reporting' issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

Notes to the Condensed Consolidated Interim Financial Information

(Continued):

(All amounts in RMB thousands unless otherwise stated)

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 2012, 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 2013:

HKFRS 10	Consolidated financial statements
HKAS 27 (revised 2011)	Separate financial statements
HKFRS 11	Joint arrangements
HKAS 28 (revised 2011)	Associates and joint ventures
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
HKAS 19 (Amendment)	Employee benefits
HKFRS 1 (Amendment)	Government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures - Offsetting financial assets and financial liabilities
HK(IFRIC) - Int 20	Stripping costs in the production phase of a surface mine
The fourth annual improvements project published by HKICPA	

As at 30 June 2013, the Group considers these newly effective standards / amendments do not have material impact on the Group's financial information.

(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 (Continued):
(All amounts in RMB thousands unless otherwise stated)

4. Segment information

The segment results for the six months ended 30 June 2013 are as follows:

	Unaudited					
	Heavy duty trucks	**Light duty trucks and buses**	**Engines**	**Finance**	**Elimination**	**Total**
Turnover						
External segment revenue	**12,510,337**	**1,676,673**	**568,274**	**107,448**	**-**	**14,862,732**
Inter-segment revenue	**25,008**	**17,764**	**3,204,231**	**22,891**	**(3,269,894)**	**-**
Revenue	**12,535,345**	**1,694,437**	**3,772,505**	**130,339**	**(3,269,894)**	**14,862,732**
Operating profit/(loss) before unallocated expenses	**457,356**	**(102,320)**	**223,573**	**88,197**	**(105,221)**	**561,585**
Unallocated expenses						**(13,086)**
Operating profit						**548,499**
Finance costs - net						**(190,418)**
Profit before income tax						**358,081**
Income tax expense						**(94,355)**
Profit for the period						**263,726**

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

	Unaudited					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	Total
Turnover						
External segment revenue	12,805,122	1,233,567	810,072	120,383	-	14,969,144
Inter-segment revenue	10,198	7,790	2,752,629	19,562	(2,790,179)	-
Revenue	12,815,320	1,241,357	3,562,701	139,945	(2,790,179)	14,969,144
Operating profit/(loss) before unallocated income	276,019	(143,177)	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

(All amounts in RMB thousands unless otherwise stated)

4. Segment information (Continued)

	Unaudited				
	Heavy duty trucks	**Light duty trucks and buses**	**Engines**	**Finance**	**Total**
As at 30 June 2013					
Segment assets	**27,079,322**	**3,171,685**	**12,421,681**	**5,325,741**	**47,998,429**
Inter-segment elimination					**(8,155,293)**
Unallocated					**6,391,262**
Total assets					**46,234,398**

	Audited				
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Total
As at 31 December 2012					
Segment assets	24,684,351	3,093,314	11,846,110	5,716,050	45,339,825
Inter-segment elimination					(8,391,645)
Unallocated					6,801,383
Total assets					43,749,563

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

	For the six months ended	
	30 June 2013	30 June 2012
	Unaudited	Unaudited
Mainland China	**13,054,839**	13,071,587
Overseas	**1,807,893**	1,897,557
Total	**14,862,732**	14,969,144

(All amounts in RMB thousands unless otherwise stated)

5. Operating profit

The following items have been charged / (credited) to the operating profit during the six months ended 30 June 2013:

	For the six months ended	
	30 June 2013	30 June 2012
	Unaudited	Unaudited
Employee benefit expenses	**1,160,327**	996,339
Warranty expenses	**344,261**	347,095
Inventory write-downs	**49,412**	53,994
Gains on disposal of property, plant and equipment	**(4,093)**	(321)
Fair value losses on investment properties	**-**	8,378
Amortisation of land use rights	**14,437**	14,295
Depreciation of property, plant and equipment	**439,052**	388,187
Amortisation of intangible assets	**70,389**	67,431
Foreign exchange losses/ (gains), net	**35,395**	(40,371)
Government grants	**(36,552)**	(102,320)
Disposal of scraps	**(31,782)**	(26,651)

(All amounts in RMB thousands unless otherwise stated)

6. Income tax expense

	For the six months ended	
	30 June 2013	30 June 2012
	Unaudited	Unaudited
Current income tax		
- Hong Kong profits tax	**-**	1,069
- PRC corporate income tax	**159,564**	122,900
	159,564	123,969
Deferred income tax	**(65,209)**	(65,725)
	94,355	58,244

The Company and Sinotruk (Hong Kong) International Investment Limited are subject to Hong Kong profits tax at the rate of 16.5% (2012: 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 PRC, which has been calculated based on the corporate income tax rate of 25% (2012: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the six months ended 30 June 2013 at the rates of taxation prevailing in the countries in which the Group operates.

Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engine Co., Ltd. have been recognised as the High New Tech Enterprises in 2011; Sinotruk Ji'nan Fuqiang Power Co., Ltd. has been recognised as the High New Tech Enterprise in 2012. According to the tax incentives of the Corporate Income Tax Law of the PRC (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., Chengdu Wangpai and Sinotruk Mianyang Special Vehicles 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% (2012: 25%).

7. Earnings per share

Basic

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

	For the six months ended	
	30 June 2013	30 June 2012
	Unaudited	Unaudited
Profit attributable to equity holders of the Company	**193,496**	182,291
Weighted average number of ordinary shares in issue (thousands)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**0.07**	0.07

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 2013 and 30 June 2012.

(All amounts in RMB thousands unless otherwise stated)

8. Trade receivables, other receivables and other current assets

	As at 30 June 2013	As at 31 December 2012
	Unaudited	Audited
Non-current		
Other receivables	**383,520**	363,791
Less: Provision for impairment of other receivables	**(4,222)**	(3,470)
Other receivables - net	**379,298**	360,321
Current		
Accounts receivable	**6,654,077**	5,613,024
Less: Provision for impairment of accounts receivable	**(209,104)**	(174,196)
Accounts receivable - net	**6,444,973**	5,438,828
Notes receivable		
- Bank acceptance notes	**7,291,383**	6,225,560
- Commercial acceptance notes	**7,700**	32,000
Notes receivable - total	**7,299,083**	6,257,560
Trade receivables - net	**13,744,056**	11,696,388
Other receivables	**1,685,710**	1,338,120
Less: Provision for impairment of other receivables	**(22,948)**	(18,360)
Other receivables - net	**1,662,762**	1,319,760
Interest receivables	**18,188**	12,049
Prepayments	**411,315**	412,945
Prepaid taxes other than income tax	**307,662**	398,256
Prepaid income taxes	**77,482**	91,126
Other current assets - total	**814,647**	914,376
Trade receivables, other receivables and other current assets – net	**16,221,465**	13,930,524

(All amounts in RMB thousands unless otherwise stated)

8. Trade receivables, other receivables and other current assets (Continued)

The ageing analysis of net trade receivables at respective dates of statement of financial position are as follows:

	As at 30 June 2013	As at 31 December 2012
	Unaudited	Audited
Less than 3 months	**10,712,091**	8,228,007
3 months to 6 months	**2,416,277**	2,770,116
6 months to 12 months	**244,913**	295,447
1 year to 2 years	**358,285**	340,188
Over 2 years	**12,490**	62,630
	13,744,056	11,696,388

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 2013, trade receivables of approximately RMB 1,018,844,000 (31 December 2012: RMB 1,171,812,000) are secured by certain letters of credit. No provision is provided against these receivables as at 30 June 2013 and 31 December 2012.

Notes to the Condensed Consolidated Interim Financial Information

(Continued):

(All amounts in RMB thousands unless otherwise stated)

9. Trade payables, other payables and other current liabilities

	As at 30 June 2013	As at 31 December 2012
	Unaudited	Audited
Trade and bills payables	**9,136,742**	6,445,515
Advances from customers	**1,185,904**	1,319,853
Accrued expenses	**519,386**	416,395
Staff welfare and salaries payable	**243,115**	194,907
Taxes liabilities other than income tax	**117,417**	151,477
Other payables	**2,573,594**	2,190,649
Trade payables, other payables and other current liabilities	**13,776,158**	10,718,796

The ageing analysis of the trade and bills payables at respective dates of statement of financial position are as follows:

	As at 30 June 2013	As at 31 December 2012
	Unaudited	Audited
Less than 3 months	**6,973,591**	5,168,978
3 months to 6 months	**2,125,529**	1,231,132
6 months to 12 months	**23,446**	25,297
1 year to 2 years	**8,812**	13,032
Over 2 years	**5,364**	7,076
	9,136,742	6,445,515

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the first half of 2013, China's growth rate continued to slow down from quarter to quarter as a result of the economic structural adjustments and economic cyclical trends. During the Period, the sales volume of heavy duty trucks in China grew slightly due to growing investment in infrastructure, the continued development of inter-city logistics networks and the purchase in advance of trucks before the anticipated implementation of China's National IV emission standards.

REVIEW OF OPERATIONS

During the Period, the Group's sales were recorded at RMB 14,863 million, a decrease of RMB 106 million year on year compared with RMB 14,969 million in the same period last year. Profit before income tax was RMB 358 million, an increase of RMB 107 million year on year compared with RMB 251 million in same period last year. The increase was primarily due to the cost controls implemented by the Group.

Heavy Duty Trucks Segment

During the Period, the Group's heavy duty truck sales volume decreased by approximately 2.7% year on year to 46,630 units.

Domestic Business

During the Period, the Group gained momentum in its efforts to optimize the product mix. The foundations with focus on heavy duty trucks supplemented with light duty trucks and buses were preliminarily developed. Leveraging our advanced technology, the Group's competitiveness in the medium and high-end market segments further grew. SITRAK, jointly developed by the Group and MAN Group, is one of the Group's high-end brands and has been launched recently. The brand and product quality of SITRAK are gradually gaining customer approval. The Group's engineering and specialty vehicles enjoy significant advantages and have maintained its leading status in the heavy duty truck industry. In view of advanced technology in natural gas engines and reliable quality, sales volume of the Group's natural gas vehicles increased constantly. In early 2013, the heavy duty trucks - HOWO-T7H and Haohan were launched and have since received positive customer reviews.

During the Period, the Group continued to optimize the sales network for heavy duty trucks. As at 30 June 2013, the Group had a total of 1,085 heavy duty truck dealerships, of which 245 dealerships are 4S centers, 193 Sinotruk branded stores and 647 general dealerships while there were 1,994 service centers providing high quality after-sales services, 197 refitting companies offering refitting service and 66 accessories sales centers forming and supporting accessories networks for different customers. The sales network of all series products was steady.

International Business

During the first half of 2013, global economic conditions remained volatile. The progress of economic recovery in each region was different. Impacted by the increasing operational costs, the appreciation of RMB and the deterioration in trade and commerce environment, China's export has come under substantial pressure. As a result, the export of heavy duty trucks had been restricted and affected.

The performances in different overseas markets varied. The Group stably increased export to South Africa market but recorded the drop in different amplitudes in other overseas markets due to local political turmoil and trade protectionism.

The Group continued to fulfill the Hong Kong order of 300 Euro V heavy duty trucks, marking the bulk sales of Group's Euro V heavy duty trucks in the Hong Kong market. This demonstrates that the Group's Euro V heavy duty trucks have gradually gained acceptance from the market. It will help the Group in export business.

As at 30 June 2013, the Group had overseas sales centers in more than 40 countries and regions along with 86 primary distributors and 145 secondary distributors in more than 80 countries. The Group also helped its overseas distributors to build a total of 343 service outlets and 319 accessories and components outlets. During the Period, the Group exported 10,318 heavy duty trucks (including affiliated export), a decrease of 16.4% when compared to same period last year and recorded export revenue (including affiliated export) at RMB 2,929 million, a decrease of 13.0% when compared to that of same period last year. The Group still maintained its leading status in the industry.

Light Duty Trucks and Buses Segment

During the Period, the Group's light duty truck sales volume increased by approximately 41.5% year on year to 24,530 units while bus sales volume increased by 16.9% year on year to 520 units.

During the Period, the "Golden-Triangle" of light duty truck products was forged. Light duty truck division in Ji'nan ("Ji'nan Light Duty Truck Division") accelerated the construction of its sales network, expanded and strengthened marketing activities and successfully introduced the HOWO light duty truck series to market. Chengdu Wangpai continued to innovate technologically and expand its marketing capabilities with the launch of its "7 series" products which lead to increased sales growth both domestically and internationally. Fujian Haixi production facilities and sales network developed as planned, which is making well preparation for the introduction of the Group's new "Fuluo" branded products. During the Period, the Group strengthened the exploration of buses business by putting more effort in developing the markets of school buses and light buses.

During the Period, sales and service network for light duty trucks and buses were preliminarily formed. The Group's Ji'nan Light Duty Truck Division and Fujian Haixi sales network have been integrated which had 860 sales outlets, of which 11 dealerships are 4S centers, 380 Sinotruk branded dealerships and 469 general dealerships while there were 1,419 service centers providing high quality after-sales services, 9 refitting companies offering refitting service and 641 accessories sales centers supporting accessories networks. Chengdu Wangpai had 601 stores and 907 service centers. The Group has 34 bus dealerships with 94 service stations providing after-sales services.

Engines Segment

During the Period, the Group's annual engine production capacity was 250,000 units. The engine business caters the Group's own truck segments and external third parties, including other manufacturers of heavy duty trucks, buses and construction machinery. The Group is dedicated to engine technological innovation and to deliver reliable, fuel efficient products to various customers. To diversify its sources of profits, the Group targeted to increase revenue from external engine sales and expand its domestic market share.

During the Period, the engine sales volume was 58,909 units. Segment revenue increased by 5.9% to RMB 3,773 million. External sales accounted for 15.1% of the Engines Segment's revenue, a decrease of 7.6 percentage points.

The localization of MAN Group's engine technology progresses smoothly and is on schedule. Prototype engines for heavy duty trucks are produced, tested, examined and verified. Some products are ready for bulk production.

The Group is devoting resources towards the development of green energy-saving products, and is working constantly to improve the technologies behind its natural gas engines for heavy duty trucks and improve fuel efficiency of engines. Such green energy-saving products are equipped in different models and series of trucks to fit customer's needs. The market share of the Group's T12 natural gas engine was increasing due to its excellent performance and reputation among users.

Technological Upgrade

During the Period, the Group's major investment and construction projects were made for the national heavy duty automobile engineering technology research center project, light duty truck production facilities, the enhancement of production techniques and quality control standards, as well as the strengthening of innovation capabilities.

The construction of Ji'nan light duty trucks project of the Group is basically completed and is ready for bulk production. Major investment and construction projects, including light duty truck projects of Chengdu Wangpai and Fujian Haixi, remain on schedule. These investments have created a solid foundation for the technological upgrade and enrichment of products of the Group.

Research and Development

The Group remains committed to its strategy of building the technological edge by leveraging finance and human resources, research and development platform, investment in development and upgrades on technology. By strengthening its cooperation with MAN Group in the development of technologically advanced engines, parts and components, the Group further enhanced its competitive strength. During the Period, the technology center completed a total of 186 projects, ranging from the research and development of trucks, key parts and components, to experiments and testing, and the trial-production of trucks.

As at 30 June 2013, the Group and CNHTC together participated in the formulation of 53 industry standards for China's heavy duty trucks and have been granted 2,403 patents; maintaining its leading position in the domestic heavy duty truck industry in terms of the number of patents owned.

During the Period, the Group was able to supply 4,999 products to serve various customers' needs.

Finance Segment

During the Period, external revenue of the Group's finance segment was RMB 107 million, a decrease of RMB 13 million compared to the RMB 120 million of the same period last year. The decrease was primarily due to the decrease in interest income from interbank deposits and the decrease in bills discounting income.

The Group pays attention to the development of sales model in respect of provision for auto finance services. In order to satisfy demand for financing for truck purchases and boost the Group's sales, Sinotruk Finance continued to expand its consumer credit business with various forms of consumer credit and leases financing while take a prudent approach towards credit risk management. As at 30 June 2013, Sinotruk Finance has established 19 regional offices and extended its consumer credit business coverage to over 20 provinces; covering most parts of China. During the Period, the Group sold 2,920 trucks through provision of consumer credit, a decrease of 9.7% when compared to that of the same period last year.

Quality Upgrade and Efficiency Enhancement

The Group puts quality as the first priority while efficiency is the key task. It continues to implement “Lean Management” in order to enhance and improve quality controls by carrying out the programs, “Quality and Efficiency Year” and “Performance Excellence Management Model” to strengthen our enterprise risk management ability and upgrade quality efficiency. The Group further increases employees’ awareness of importance of quality, develops product quality improvement plans, focuses the roles of quality improvement committee of the Group, implements product quality improvement, optimizes product quality control system, performs effective quality checking, strengthens staff training, strictly implements quality evaluation system, and vigorously improves product quality. It carries out comprehensive cost reduction exercises, actively explores and implements new ways for cost reduction and efficiency improvement particularly during the manufacturing processes, optimizes personnel structure, improves equipment utilization, performs cost controls and lowers costs of finance. With the implementation of such quality improvement and efficiency enhancement programs, it improves the quality of the products and efficiency of the Group which attributes to the healthy development of the Group.

Significant Investments

During the Period, the Company injected approximately RMB 1.4 million in cash into and capitalized production equipment at approximately RMB 36.6 million to its wholly owned subsidiary, Sinotruk Ji’nan Power Co., Ltd. The Group had injected HKD 530.8 million in cash into Ji’nan Ganghao Development Co., Ltd., a wholly owned subsidiary and also injected approximately USD 7.4 million in cash into and capitalized production equipment, properties and land use rights at the approximately USD 22.3 million to Sinotruk Ji’nan Fuqiang Power Co., Ltd., a wholly owned subsidiary.

Human Resources

As at 30 June 2013, the Group had a total of 23,044 employees. The Group highly values human resources. The Group continuously works to improve its employee portfolio for matching its development, focuses on talent management and training of technical personnel to uplift quality of employees, and continues the optimization of promotion opportunities through a performance assessment system and middle management promotion system. In addition, the Group enhanced its compensation system to provide further incentives to employees. In support of its expansion and personnel team, the Group adopts the open competition and merit-based recruitment system, hires high caliber senior management and technical professional, and develops employees' international perspective. In additions, to the extent necessary to protect the Group's intellectual property rights and other vital competitive interest, qualified employees may enjoy certain retirement and non-compete compensation.

Prospectus

For the second half of 2013, the global economy is still complicated with uncertainties. China's economy will face the risks of slow economy growth. The Chinese government's efforts to enact economic reform are expected to accelerate both intensity and efficiency in order to stabilize economic conditions. In summary, the domestic and overseas demand of heavy duty truck industry will be sluggish under the slow recovery of the global economy and further lower of the growth rate of China economy. Under such circumstance, the Group will well prepare itself, adjust operational strategies from time to time and introduce various initiatives to ensure its operations being stable.

1. To further optimize product mix and develop full series of commercial vehicle platforms with focus on heavy duty trucks. Capitalizing on its technological advantages with proper product mix and market positioning, the Group will continue to upgrade the technology of all its products into a higher level so as to increase efforts in new product promotion, brand development, product awareness and product recognition as well as offer more competitive products to customers.

2. To vigorously promote innovation in marketing strategies and to pay more attention to quality of the sales network. The Group will further streamline and integrate sales resources with the aim to realize complementary advantages among the sales divisions, implement tailor-made marketing strategy by highlighting the unique characteristics of its products, increase the level of professionalism of its marketing staff in order to enhance its service quality and continue to innovate strategic marketing model by establishing strategic partnerships with major enterprises in the industry. The Group also boosts sales by way of provision for innovative financial support and expands its consumer credit business while maintaining stringent credit risk controls.

3. To adhere to the Group's international development strategy. The Group will work towards raising its brand equity, awareness and influence. This will aid the Group's expansion into overseas markets, develop overseas KD (Knock-down) assembly projects, and construct supply networks for key components and parts. In addition, the Group will improve the quality of overseas after-sales services, product promotion and enhance export sales. The Group will further consolidate and explore its traditionally strong markets, while taking proactive stance in exploring emerging markets such as South America. The Group is determined to strengthen cooperation with its international clients and enhance market presence in weak regions. By doing so, the Group hopes to achieve a stable global market composition, a more diversified client base and competitive edge in product sales as well as in after- sales services.

4. To continue improvement in quality and efficiency. The Group will strictly implement quality upgrade by improvement and optimization of its quality management systems, learn and practice advanced quality control concepts and management policies and enhance awareness of risk prevention. The Group believes these measures will help to further improve profitability by lower operational costs, increasing efficiency, better risk conscious as well as maintain a healthy development.

5. To continue to strengthen the cooperation with MAN Group. The Group will co-operate with MAN Group in the launch of the co-developed products into the market and further expand the scope and areas of the co-operation in accordance with the market needs.

FINANCIAL REVIEW

Turnover, Gross Profit and Gross Profit Margin

For the six months ended 30 June 2013, the Group's turnover recorded RMB 14,863 million, compared with that of 2012 at RMB 14,969 million, representing a decrease of RMB 106 million or 0.7%. The decrease in the turnover primarily resulted from the reduction in Heavy duty truck sales volume.

Gross profit for the six months ended 30 June 2013 increased by RMB 241 million or 10.8%, from that of 2012 at RMB 2,232 million to RMB 2,473 million. Gross profit margin increased by 1.7 percentage points year on year to 16.6%. Gross profit and gross profit margin increased mainly due to the results of the costs efficiency exercises, reduction of purchase costs, reduction of controllable costs, etc.

Distribution Costs

Distribution costs increased from RMB 994 million for the six months ended 30 June 2012 to RMB 1,059 million for the six months ended 30 June 2013, increased by RMB 65 million or 6.5%. The increase was primarily due to optimize marketing network and increase in sales promotion activities.

Administrative Expenses

Administrative expenses increased from RMB 949 million for the six months ended 30 June 2012 to RMB 959 million for the six months ended 30 June 2013, growing by RMB 10 million or 1.1%. The increase was mainly attributable to the increase in remuneration of administrative staff and research and development expenditure.

Other Gains – Net

Net other gains decreased from RMB 186 million for the six months ended 30 June 2012 to RMB 94 million for the six months ended 30 June 2013, decreased by RMB 92 million or 49.5%. The decrease was mainly attributable to the decrease in the government grants and net exchange losses.

Finance Costs – Net

Net finance costs decreased from RMB 224 million for the six months ended 30 June 2012 to RMB 190 million for the six months ended 30 June 2013, representing a decrease of RMB 34 million or 15.2%. The decrease in net finance costs was due to the reduction in borrowing scale and the optimization of borrowing portfolio which led to the drop in interest expense.

Income Tax Expense

The income tax expense for the six months ended 30 June 2013 was RMB 94 million, an increase of RMB 36 million or 62.1% from that of 2012 at RMB 58 million. The increase was due to the increase in profit before income tax.

Profit for the Period and Earnings Per Share

Profit for the six months ended 30 June 2013 increased by 36.8% from RMB 193 million to RMB 264 million. Profit attributable to equity holders was RMB 193 million, increased by 6.0%. The basic earnings per share attributable to the equity holders of the Company was RMB 0.07 for the six months ended 30 June 2013 which was same as that of 2012.

Cash Flow

During the six months ended 30 June 2013, net cash outflow from operating activities was about RMB 487 million (with considering the amount of bank acceptances notes increased by RMB 1,066 million, the net cash inflow from operating activities during the period was RMB 579 million) and compared with net cash outflow in the same period in 2012 at RMB 1,798 million, there was a reduction of cash outflow by RMB 1,311 million. The decrease of net operating cash outflow was due to the increase in the growth of current period trade and bills payables balances compared with same period last year.

Net cash outflow from investing activities for the six months ended 30 June 2013 was RMB 474 million, representing an increase in cash outflow by RMB 403 million compared to that of 2012. The increase was mainly due to the increase in current period capital expenditure payment.

The cash outflow from financing activities for the six months ended 30 June 2013 was RMB 860 million, compared with that of 2012 at RMB 3,382 million, representing a decrease of cash outflow by RMB 2,522 million. It was mainly due to the speed of reduction of size of bank borrowings being slower than the same period last year.

Liquidity and Financial Resources

The Group had cash and cash equivalents of RMB 3,152 million and bank acceptance notes of RMB 7,291 million as at 30 June 2013. Cash and cash equivalents decreased by RMB 1,823 million and bank acceptance notes increased by RMB 1,065 million as compared with those at the beginning of 2013. The Group's total borrowings (including long-term and short-term borrowings) were about RMB 10,190 million as at 30 June 2013. Its gearing ratio (total borrowings divided by total assets) was 22.0% (31 December 2012: 25.2%).

As at 30 June 2013, all borrowings were made in RMB (31 December 2012: all in RMB). Most of the borrowings were charged with reference to banks' preferential floating rates and were due within one year to two years. The current ratio (total current assets divided by total current liabilities) as at 30 June 2012 was 1.4 (31 December 2012: 1.6).

As at 30 June 2013, total available credit facilities of the Group amounted to RMB 43,834 million, of which RMB 6,649 million had been utilised. An aggregate amount of RMB 889 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 570 million to PBOC 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.

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 2013, most of the Group's assets and liabilities were denominated in RMB, except for restricted cash and bank deposits which in total were equivalent to approximately RMB 462 million, accounts receivable of approximately RMB 1,088 million and accounts payable of approximately RMB 271 million, all of which were denominated in currencies other than RMB.

Capital Structure

As at 30 June 2013, owner's equity of the Group was RMB 20,667 million, representing an increase of RMB 212 million or 1.0% when compared with RMB 20,455 million at the end of year 2012.

As at 30 June 2013, the Company's market capitalisation was RMB 8,357 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD 3.8 per share and at the exchange rate of 0.79655 between HKD and RMB).

DIVIDENDS

The Board does not propose interim dividends for the six months ended 30 June 2013.

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, 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 44 million. During the Period, the Group did not make any provision for legal claims.

CORPORATE GOVERNANCE PRACTICE

The Board and senior management of the Company commit to maintain a high standard of corporate governance, to formulate good corporate governance practice for improvement of accountability and transparency in operations, and to strengthen the internal control system from time to time so as to ensure to meet with the expectations of the Shareholders. The Company has adopted the Corporate Government Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules as its own code of corporate governance (“**CG Code**”).

During the Period, 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, to appoint any person to be a Director for filling any vacant directorship or for increasing the number of Directors. In assessing the nominations of new Directors, the Board will consider their relevant qualification 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 22 May 2013 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 enquiries with all Directors, all Directors have confirmed that they have compiled with the standards required by the Model Code for the six months ended 30 June 2013.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2013 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 HKICPA.

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.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context indicates otherwise:

"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Chengdu Wangpai"	Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., a non wholly owned subsidiary of the Company
"China" or "PRC"	the People's Republic of China, and for the purpose in this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CNHTC"	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
"CNHTC Group"	CNHTC and its subsidiaries other than the Group
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company" or "Sinotruk"	Sinotruk (Hong Kong) Limited
"Director(s)"	the director(s) of the Company
"Fujian Haixi"	Sinotruk Fujian Haixi Vehicles Co., Ltd., a non wholly owned subsidiary of the Company
"Group"	the Company and its subsidiaries

"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Ji'nan Truck"	Sinotruk Ji'nan Truck Co., Ltd., a non wholly owned subsidiary of the Company and its shares listed on the Shenzhen Stock Exchange in PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAN Group"	MAN SE and its subsidiaries
"MAN SE"	MAN SE, a company incorporated under the laws of Germany, the shares of which are listed on the German Stock Exchange in Frankfurt, Germany (ISIN DE 0005937007, WKN 593700) and the beneficiary owner of 25% of the issued share capital of the Company plus one Share
"Period"	the six months ended 30 June 2013
"PBOC"	The Peoples' Bank of China
"RMB"	Renminbi, the lawful currency of PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the Company's capital with a nominal value of HKD 0.10 each
"Shareholder(s)"	holder(s) of the Share(s) from time to time

"Sinotruk Finance"	Sinotruk Finance Co., Ltd., a non wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By Order of the Board

Sinotruk (Hong Kong) Limited

Ma Chunji

Chairman

Ji'nan, PRC, 27 August 2013

As at the date of this announcement, the Board consists of eight executive directors including Mr. Ma Chunji, Mr. Cai Dong, Mr. Wei Zhihai, Mr. Wang Haotao, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Gao Dinggui and Mr. Kong Xiangquan; three non-executive directors including Dr. Georg Pachta-Reyhofen, Mr. Anders Olof Nielsen and Mr. Jörg Astalosch; and three independent non-executive directors including Dr. Lin Zhijun, Dr. Ouyang Minggao and Mr. Chen Zheng.