



**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 2017







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## FINANCIAL FIGURES

KEY INTERIM RESULTS FIGURES	2017	2016	Increase/(Decrease)	
				%
<b>Operating results (RMB million)</b>				
Revenue	26,626	15,331	11,295	73.7
Gross profit	4,857	2,582	2,275	88.1
Operating profit	1,982	537	1,445	269.1
Profit attributable to owners of the Company	1,400	243	1,157	476.1
<b>Profitability and Liquidity</b>				
Gross profit ratio (%)	18.2	16.8	1.4	8.3
Operating profit ratio (%)	7.4	3.5	3.9	111.4
Net profit ratio (%)	5.9	2.0	3.9	195.0
Current ratio (time)	1.2	1.3	(0.1)	(7.7)
Trade receivables turnover (days)	71.7	130.9	(59.2)	(45.2)
<b>Sales volume (units)</b>				
HDTs				
— Domestic	59,680	30,314	29,366	96.9
— Export (including affiliated export)	15,112	12,623	2,489	19.7
Total	74,792	42,937	31,855	74.2
LDTs	54,739	40,111	14,628	36.5
Buses	16	897	(881)	(98.2)
Trucks sold under consumer credit	10,508	5,059	5,449	107.7
<b>Per share data</b>				
Earnings per share - basic (RMB)	0.51	0.09	0.42	466.7
<b>Share information (as at 30 June)</b>				
Number of issued ordinary shares (million)	2,761	2,761	—	—
Market capitalisation (RMB million)	13,587	7,882	5,705	72.4



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

“Articles”	the articles of association of the Company, as amended, supplemented, modified or otherwise adopted from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CAAM”	China Association of Automobile Manufacturers
“China” or “PRC”	the People’s Republic of China, and for the purpose of this report, excludes 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 company 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”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company” or “Sinotruk”	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the securities of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“ED(s)”	the executive Director(s)
“Executive Committee”	the executive committee of the Company
“Ferdinand Porsche”	Ferdinand Porsche Familien-Privatstiftung, a corporation incorporated under the laws of Austria, being the beneficiary owner of 25% of the entired issued share capital of the Company plus 1 Share
“Ferdinand Porsche Group”	Ferdinand Porsche and its subsidiaries including Volkswagen AG and MAN SE
“Group”	the Company and its subsidiaries
“HDT(s)”	heavy duty truck(s) and medium-heavy duty truck(s)
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong



## DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HOWO Auto Finance Company”	山東豪沃汽車金融有限公司 (Shandong HOWO Auto Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
“INED(s)”	the independent non-executive Director(s)
“Ji’nan Truck Company”	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji’nan Truck Co., Ltd.), a joint stock company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
“LDT(s)”	light duty truck(s)
“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, being a non-wholly owned subsidiary of Ferdinand Porsche and the shares of which are listed on the German Stock Exchange in Germany (stock code: ISIN DE 0005937007, WKN 593700)
“NED(s)”	the non-executive Director(s)
“PBOC”	The People’s Bank of China
“Period”	the six months ended 30 June 2017
“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Stock Exchange”	Shanghai Stock Exchange in the PRC
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange in the PRC



“Sinotruk Finance Company”	中國重汽財務有限公司(Sinotruk Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy and Investment Committee”	the strategy and investment committee of the Company
“Subsidiary”	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and “Subsidiaries” shall be construed accordingly
“Volkswagen AG”	Volkswagen AG, a company incorporated under the laws of Germany, being a non-wholly owned subsidiary of Ferdinand Porsche and an intermediate holding company of MAN SE and the shares of which are listed on German Stock Exchange (stock code: ISIN DE0007664005, WKN 766400)
“Volkswagen Group”	Volkswagen AG and its subsidiaries, including MAN Group
“YOY”	the Period over the six months ended 30 June 2016
“%”	per cent



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors:

Mr. Ma Chunji (*Chairman*)  
 Mr. Cai Dong (*President*)  
 Mr. Tong Jingen  
 Mr. Wang Shanpo  
 Mr. Kong Xiangquan  
 Mr. Liu Wei  
 Mr. Liu Peimin  
 Mr. Franz Neundlinger

#### Non-executive Directors:

Mr. Andreas Hermann Renschler  
 Mr. Joachim Gerhard Drees  
 Mr. Matthias Gründler

#### Independent Non-executive Directors:

Dr. Lin Zhijun  
 Mr. Chen Zheng  
 Mr. Yang Weicheng  
 Dr. Wang Dengfeng  
 Mr. Zhao Hang  
 Mr. Liang Qing

### EXECUTIVE COMMITTEE

Mr. Ma Chunji (*Chairman*)  
 Mr. Cai Dong  
 Mr. Tong Jingen  
 Mr. Wang Shanpo  
 Mr. Kong Xiangquan  
 Mr. Liu Wei  
 Mr. Liu Peimin  
 Mr. Franz Neundlinger

### STRATEGY AND INVESTMENT COMMITTEE

Mr. Ma Chunji (*Chairman*)  
 Mr. Cai Dong  
 Mr. Wang Shanpo  
 Mr. Franz Neundlinger  
 Mr. Zhao Hang

### REMUNERATION COMMITTEE

Mr. Chen Zheng (*Chairman*)  
 Dr. Lin Zhijun  
 Mr. Yang Weicheng  
 Mr. Liang Qing  
 Mr. Tong Jingen  
 Mr. Liu Wei

### AUDIT COMMITTEE

Dr. Lin Zhijun (*Chairman*)  
 Mr. Chen Zheng  
 Dr. Wang Dengfeng

### HEADQUARTERS

Sinotruk Tower  
 No. 777 Hua'ao Road  
 Innovation Zone  
 Ji'nan City  
 Shandong Province  
 PRC  
 Postal code: 250101

### 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

Mr. Tong Jingen  
 Mr. Kwok Ka Yiu

### PRINCIPAL BANKERS

Industrial and Commercial Bank of  
 China Limited  
 Bank of China Limited  
 Agricultural Bank of China Limited  
 China Construction Bank Limited

### LEGAL ADVISERS

#### Hong Kong

Ropes & Gray

#### PRC

DeHeng Law Offices

### AUDITOR

PricewaterhouseCoopers

### SHARE REGISTRAR

Computershare Hong Kong Investor  
 Services Limited

### COMPANY WEBSITE

[www.sinotruk.com](http://www.sinotruk.com)

### SECURITIES CODE

Equity: 3808.hk

### INVESTOR RELATIONS

Securities Department

PRC: Tel (86) 531 5806 2545  
 Fax (86) 531 5806 2545

Hong Kong: Tel (852) 3102 3808  
 Fax (852) 3102 3812

Email: [securities@sinotruk.hk](mailto:securities@sinotruk.hk)

### PUBLIC RELATIONS CONSULTANT

Christensen China Limited  
 Tel: (852) 2117 0861  
 Email: [sinotruk@christensenir.com](mailto:sinotruk@christensenir.com)





## BUSINESS

The Group is one of the leading commercial manufacturers in the PRC which specialises in the research, development and manufacture of HDTs and LDTs and related key parts and components. Through our diversified product portfolio, we serve a wide range of customers from different major industries including infrastructure, construction, container transportation, logistics, mining, steel, chemical, etc.

The Group mainly manufactures trucks and also produces key parts and components such as engines, cabins, axles, steel frames, gearboxes, etc. The Group is a truck manufacturer which has its independent research and development and production capability in trucks as well as the most complete production chain. The Group sells truck engines and engines for use in industrial and construction machineries to independent third parties in addition to our own use. Our products are not only sold domestically but also exported to other countries and regions in the world.

## OPERATIONS

The Group's businesses are classified into four operating segments according to the nature of products and services:

### (i) Heavy Duty Trucks Segment

Sales of HDTs contribute the largest portion of the Group's revenue. Its major products series include SITRAK, HOWO-T7H, HOWO-A7, HOWO, Haoyun, Steyr and Hohan, each of which is further divided into various sub-series to target different sectors of the Group's product market. The key production bases are located at Ji'nan, the PRC. In addition, the Group engages in truck refitting and manufactures specialty vehicles.

### (ii) Light Duty Trucks Segment

The Group's LDT products mainly include HOWO, Huanghe, Fuluo, Haoman and Wangpai "7 series" products, which production bases are located at Ji'nan, Chengdu and Fujian, the PRC.

### (iii) Engines Segment

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

### (iv) Finance Segment

The finance segment mainly provides financial services to the Group members and the CNHTC Group. Financial services include deposits taking, borrowings, commercial notes and bank bills discounting. The finance segment also provides auto financing services and supply chain financing services. Auto financing services mainly aim to serve the Group's products and the CNHTC Group's products. At present, it has already set up 19 regional offices and extended its financing services to over 30 provinces, covering most areas in the PRC.



## SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the Company are CNHTC and Ferdinand Porsche. CNHTC is a PRC state-owned HDT manufacturing enterprise and indirectly holds 51% of the entire issued capital of the Company. Ferdinand Porsche indirectly holds 25% of the entire issued share capital of the Company plus one Share. The Ferdinand Porsche Group, comprising Volkswagen Group, is one of the world's leading automobile manufacturers in commercial vehicles and passenger cars. Volkswagen Group comprises of twelve brands from seven European countries: Volkswagen, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN.

# MANAGEMENT DISCUSSION AND ANALYSIS



## MARKET OVERVIEW

### Trucks Market

In the first half of 2017, China's GDP grew 6.9% as the economy continued to maintain medium to high speed growth. National fixed asset investment grew 8.6% YOY while the growth of manufacturing investment and private investment picked up. Consumer market growth accelerated and expanding domestic demand has become an important driving force of economic growth in China.

Due to the implementing of national standard (《汽車、掛車及汽車列車外廓尺寸、軸荷及質量限值》(GB1589-2016), specifying the standards of the automobile, trailer and train in respect of size, dimensions, etc.), switching higher emission standards to National V, implementing strict controls of overloading and prohibiting yellow-label trucks (trucks being not comply with the required emission standards), etc., China's truck industry has continued to grow since the fourth quarter of last year.

Due to a robust logistics industry, tractor sales have seen consistent growth resulting an increase in its market share in the heavy duty trucks sector and became the leading growth driver of the heavy duty trucks market. Benefitting from the gradual turnaround of infrastructure investment, sales of engineering trucks recovered significantly, and their sales percentage in the heavy duty trucks market improved. Overall, according to statistics from the CAAM, sales of heavy duty trucks increased by 71.5% YOY to approximately 583,700 units for the first half of 2017. As a result of the steady growth of China's economy, the increasing urbanization, and other factors such as higher emission standards and the increased elimination of yellow-label trucks (trucks being not comply with the required emission standards), sales of light duty trucks achieved positive YOY growth. According to statistics from the CAAM, sales of light duty trucks increased by 9.6% YOY to approximately 852,600 units for the Period.

### Loans Market

In the first half of 2017, the Chinese government continued to maintain a stable monetary policy and lending interest rates remained steady. According to the Balance of Credit of Financial Institutions published by the PBOC, the outstanding amount of operating loans grew slightly during the Period. Compared with that at the end of 2016, the outstanding amount of operating loans at the end of June 2017 increased by 4.7%.

## REVIEW OF OPERATIONS

During the Period, the Group's commercial vehicles sales volume was 129,547 units, an increase of 54.3% YOY; revenue was RMB26,626 million, an increase of 73.7% YOY; profit attributable to owners of the Company was RMB1,400 million, an increase of 476.1% YOY. For the HDTs segment, sales of trucks equipped with MAN technology continued to rise, becoming one of the key products and these trucks established a high-end brand image. Additionally, the results of product mix optimizations and adjustments were noticeable as the market share of tractors further increased. The export of heavy duty trucks achieved growth on a YOY basis as well, as the Group continued to dominate in exports of HDTs. The LDTs segment achieved healthy development and substantial breakthroughs, with further improvements in market share and brand influence, expanding to gradually to become a stable profit growth driver for the Group.



## HEAVY DUTY TRUCKS SEGMENT

During the Period, HDT sales volume was 74,792 units, representing an increase of 74.2% YOY. Revenue from the HDTs segment increased to RMB21,654 million, representing an increase of 83.4% YOY. The segment profit margin was 3.5%, representing an increase of 0.9 percentage points because the average fixed costs per units were diluted by the significant increase in sales volume.

### Domestic Business

During the Period, the Group's product mix became more balanced. On the basis of maintaining its leading position in the construction vehicle market, the Group shifted from single key HDT product to two main products - logistics trucks and construction vehicles. The Group's market share for mixer trucks and tipper trucks maintained a dominant position in the PRC market. MAN technology products provided the Group a strong force for development. By leveraging on the advantages of high reliability, low fuel consumption and low noise, MAN technology products gradually became a leader in the domestic logistics truck market. SITRAK series were well received in the market, and the sales volume of SITRAK achieved growth on a YOY basis. The Group's multi-brand strategy showed positive signs, which helped further improve market recognition.

During the Period, the Group continued to innovate marketing initiatives and strengthened and optimized its distribution network to create local area network advantages. By taking advantage of advanced and high-quality MAN technology, a high level of market recognition, a strong service network system, and supply capacity for parts, the Group further launched 「不停車」 (“Non-stop Services”) to enhance product and services level. “Non-stop Services” is provided to the Group's tractors equipped with MAN technology when such kind of tractors have mechanical breakdown during delivery of goods and cannot continue to drive. If emergency repair services of 「親人」 (“Qinren”) preliminarily determine such breakdown cannot be repaired within 24 hours, in order to ensure the effectiveness and efficiency of the delivery of goods, the Group will coordinate third parties to deliver such goods to the destination and bear third parties delivery costs. The Group also promoted lean operation improvements throughout the complete value chain, and further developed lean marketing, lean research and development, lean production and lean management to raise its enterprise comprehensive ability.

During the Period, the Group sold 59,680 HDTs in the PRC, representing an increase of 96.9% YOY.

As at 30 June 2017, the Group had a total of 924 HDT dealerships (including 173 4S centers and 117 SINOTRUK-branded dealerships), 1,370 service centers providing high quality after-sales service, and 128 refitting companies to provide truck refitting services to HDTs in the PRC.

### International Business

During the first half of 2017, the global economy continued its modest recovery, as major developed economies saw an apparent rebound and emerging economies registered growth momentum.

During the Period, the Group tailored its strategies to align with the “One Belt, One Road” initiative, and continuously consolidated and expanded traditional trade exports focusing on countries along “One Belt, One Road” such as Southeast Asia, South Asia, Central Asia and Africa to accelerate overseas market expansion and to build its brand image internationally. In markets with more comprehensive sales network, the Group optimized its distributor management, expanded sales channels and improved efficiency through in-depth marketing, while gradually delivering new products to the markets to achieve sales growth. In line with different characteristics in international regional markets, the Group optimized and enhanced its international marketing and service network to create specialized local area networks. The Group also strengthened the construction of overseas parts stores to improve overseas services and support functions and enhance its international brand image.



During the Period, the Group's export volume of HDTs (including affiliated exports) was 15,112 units, representing an increase of 19.7% YOY. Export revenue (including affiliated exports) was RMB4,054 million, representing an increase of 15.5% YOY. Affiliated exports are those sales of trucks to domestic dealers which directly exported such products to their overseas customers and such dealers provided the Group the export documents as evidence. The Group continued to dominate in exports of HDTs.

As at 30 June 2017, the Group had 173 primary distributor sales centers in over 90 countries and regions. Through cooperation with overseas distributors, the Group established 253 service outlets and 228 spare parts and accessory stores.

## LIGHT DUTY TRUCKS SEGMENT

During the Period, the Group's LDTs recorded a break through. The Group's LDTs sales volume increased 36.5% YOY to 54,739 units, far exceeding the industry average of 9.6% YOY. During the Period, revenue from the LDTs segment increased to RMB4,463 million, representing an increase of 31.5% YOY. The segment profit margin was 2.4%, representing an increase of 0.5 percentage points. The increase was due to the significant increase in sales volume which diluted the average production costs and the disposal of low profit margin buses business during the Period which improved its profit margin.

During the Period, the Group's LDTs business continued to increase its market position and became one of the Group's stable growth drivers. The Group's Ji'nan LDTs division implemented product differentiation based on customer characteristics and demand in different niche markets to promote complete value chain marketing and services for pushing the sales. Concurrently, Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. focused on refining marketing job allocation, enriching its product portfolio and deepening exploration of markets to promote new network construction, improve network quality and strengthen promotion of new clean energy vehicles. In addition, Sinotruk Fujian Haixi Vehicles Co., Ltd. focused on implementing its 'Innovation Upgrade Action Plan' to optimize product structure and distribution network. Its sales volume increased steadily and made breakthroughs in both domestic and international regions.

As at 30 June 2017, the Group had a total of 951 LDT dealerships (including 12 4S centers and 122 SINOTRUK branded dealerships), 1,887 service centers providing high quality after-sales services for LDTs, and 78 refitting companies providing refitting related services to LDTs in the PRC.

The Group had disposed of its wholly-owned subsidiary 中國重汽集團濟南豪沃客車有限公司 (Sinotruk Ji'nan HOWO Bus Co., Ltd.) to CNHTC and, thereafter, the Group ceased to carry on any business in the manufacturing and sales of own-branded bus and bus auto parts. Details of the disposal were disclosed in the Company's announcement dated 29 March 2017. Hence, the segment has renamed from "Light Duty Trucks and Buses" to "Light Duty Trucks".



## ENGINES SEGMENT

During the Period, the sales volume of the engine segment increased by 98.4% YOY to 93,838 units. Segment revenue increased by 109.9% YOY to RMB7,383 million. External sales accounted for 7.5% of the segment revenue of engines, representing a decrease of 1.4 percentage points. The segment profit margin was 16.2%, representing an increase of 12.7 percentage points. The increase was due to large demand of engines resulting from significant increase in sales of HDTs and the increase in production volume lowering the average fixed production costs.

The Group took full advantage of its research platforms to develop new engine technologies. The Group benchmarked its engine development with international requirements, implemented strict quality controls, improved its product technology and quality, expanded the application of MAN engines and provided customers with high-tech products that are reliable, fuel-efficient, low noise and environmentally friendly. Aside from supplying engines for the Group's own production, Sinotruk also sold engines to other heavy duty truck, buses and construction machinery manufacturers. During the Period, the Group focused on enhancing its ability to innovate, further improving its capacity for technological research and development. The Group succeeded in trials of its 9L engine (for medium to heavy duty trucks) equipped with MAN technology which further enhanced its core technology competitiveness.

## RESEARCH AND DEVELOPMENT

The Group remained committed to its technology-focused strategy. With the launch of a national heavy duty truck engineering technology research center, the Group enhanced its capacity for product research and development, product examination, and testing. The Group took full advantage of its research platforms and increased investment in the research and development of technology to strengthen its technological development and innovation capacity. By strengthening its cooperation with the MAN Group and other reputable international companies, the Group developed high quality engines, parts and components as well as whole truck designs to further grow its industrial competitive edge. During the Period, the Group's research and development included development and application of 「歐VI 重型柴油機開發及應用」 (the Euro-VI Heavy Duty Diesel Engine) supported by the 'National Technology Support Plan', and projects related to the national key project, 「道路應急搶通關鍵技術研究與應用規範」 (Emergency Road Rescue Technology Research and Application Specification). During the Period, the Group's technology center completed a total of 51 projects, ranging from the development of trucks, key parts and components, conduct of experiments and verification, to trial production of vehicles and fine tuning.

As at 30 June 2017, the Group and CNHTC participated in the formulation of 60 industry standards for China's heavy duty trucks and were granted 2,603 patents, maintaining its leading position in the heavy duty trucks industry within the country as measured by the number of patents.

## FINANCE SEGMENT

During the Period, the segment revenue was RMB454 million, representing an increase of 91.6% YOY and the segment external revenue was RMB272 million, representing an increase of 117.6% YOY. The segment profit margin was 43.6%, representing a decrease of 2.8 percentage points. The decrease was due to the increase in statutory provisions for impairment losses made for increased loans and receivables from financing services.



The Group continued to develop its innovative business model by boosting sales with financing services, and by taking full advantage of national policies and its experienced automobile financing service platform. The Group promoted consumer credit to meet demand for truck financing, which helped boost the Group's truck sales. During the Period, the Group sold 10,508 trucks using its financing services, representing an increase of 107.7% YOY. The Group also actively expanded profit growth areas, and provided supply chain financing which helped to further enhance profitability.

As at 30 June 2017, the segment had established 19 regional offices and extended its consumer credit business coverage to over 30 provinces, covering most parts of China, and further improved its automobile consumer credit network.

## SIGNIFICANT INVESTMENTS

### Internal Equity Investments

In February 2017, the Company had acquired 0.3012% equity in Sinotruk Finance Company at the consideration of RMB7,442,000.

In March 2017, the Group had committed to make a capital contribution in Sinotruk Finance Company for approximately RMB1,389 million. After the capital contribution, the equity interest of the Group in Sinotruk Finance Company will increase from approximately 91.60% to 94.49%. Details of the capital contribution were disclosed in the Company's announcement dated 29 March 2017.

In March 2017, the Company had announced that the Group would dispose of a wholly-owned subsidiary, Sinotruk Ji'nan HOWO Bus Co., Ltd. The disposal had been completed in May 2017.

### External Securities Investments

The Group's securities investments are classified into long-term equity investments for the Group's business operations and short-term securities investment for trading purposes.

As at 30 June 2017, the long-term equity investments and short-term equity investments amounted to RMB500 million and RMB132 million respectively, representing 0.9% and 0.2% of the total assets respectively. Long-term equity investments are investments accounted for using the equity method and equity investment in non-current available-for-sale financial assets. Performance and details of investments accounted for using the equity method are disclosed in the section headed "Share of profits less losses of investments accounted for using the equity method" and in the note 7 to the condensed consolidated interim financial information respectively. Equity investment in non-current available-for-sale financial assets mainly are unlisted equity investment and the amount involved was not material to the Group's assets. Short-term equity investments are used by the Group to manage liquidity and increase income, and mainly consists of listed securities investment in Hong Kong, Shanghai and New York and their fair values are changed from time to time depending on but not limit to their operation results, economic situations and stock markets sentiments.

## PRINCIPAL RISK AND SOLUTIONS

The Group defines significant principal risks through risk assessment mechanisms and develops corresponding plans to manage principal risks. As the internal and external environment changes, the risks faced by the Group will change. The Group enhances its risk management control ability by monitoring the changes in these principal risks and timely adjusting the relevant risk management plans.



The principal risks the Group faced and the mitigation measures adopted during the Period are:

1. Quality

Risks:

During life cycle, the quality of the products and services that Group designs, produces, sells and provides face uncertainty which may bring negative effects and impact the competitiveness and reputation of the Group.

Mitigation Measures:

- Implement a quality improvement system focusing on quality responsibilities, strictly implement the quality performance assessments, define key leaders of the business units being the first person responsible for the quality
- Strengthen quality checking in the progress of manufacture of products and provision for services, and improve the level of online testing
- Improve the alert system of the quality of the products and services, establish a practical and operable after-sales service quality feedback system and contingency plans for quality issues
- Strengthen the quality of procurement of spare parts and components, and regularly communicate with suppliers
- For quality issues that had significant impact on the Group, or that caused significant economic losses to the Group or customers, immediately report to the relevant person in charge, formulate quality issues solutions with the relevant business units or customers, thus minimize the loss to the Group and the customers brought by the quality issues; clarify the facts through a press conference, announcement or other forms in a timely manner, to minimize negative impact on the Group's reputation
- Prepare reports for any quality issues according to the time, place, causes, loss and results, penalize the units causing the quality issues and educate them to avoid the re-occurrence
- Implement 「質量回頭看」 (Follow up of quality issues) to review past quality issues, analyze the causes from two different aspects - technical and management level, develop correction and prevention actions plans, and have a third party to carry out supervision and review the follow up of quality issues

2. Foreign exchange

Risks:

Currently, the Group's international trades are transacted in US dollars or Euro. If there are any significant exchange rate fluctuations of RMB against these currencies, the Group may face the uncertainty not existed under fixed exchange rates manner. The Group could be exposed to exchange losses and decline in investment income. During the Period, the Group suffered exchange loss of approximately RMB28 million.





Mitigation Measures:

- Select a favorable invoicing currency, such as RMB as the settlement currency if conditions permit amid the internationalization process of RMB
- For high foreign exchange risk business, provide a foreign exchange fluctuation protection mechanism in the sales contracts to safeguard the interests of the customers and the Group
- Through reasonable arrangements to earlier or delay convert foreign currencies into RMB
- Use foreign currency loans against foreign currency receipts
- Use financial derivatives to fix exchange rates and hedge foreign exchange risks

3. Overseas Market

Risk:

The Group is at risk from uncontrollable events of overseas markets, such as changes of government, wars and riots, which can cause devaluation of local currencies of these markets, unregulated market chaos and deteriorated social security brought by domestic political instability. These events can cause debtors to refuse or be unable to pay their debts, thus causing the Group to suffer economic losses from trading with such countries.

Mitigation Measures:

- Keep in touch with embassies and consulates in relevant countries where the Group exports products, collect relevant information through their official channels and collect information on political situations, social stability and other relevant news for countries where the Group exports through various means, such as newspapers, television, and the Internet
- Make full use of publications such as “The Handbook of Country Risk” and other risk reports issued by authoritative institutions to improve the Group’s political and economic sensitivity and evaluate product demand
- For importing countries experiencing political turmoil, ask for large international banks with high credibility to endorse letters of credit and export credit insurance will also be required

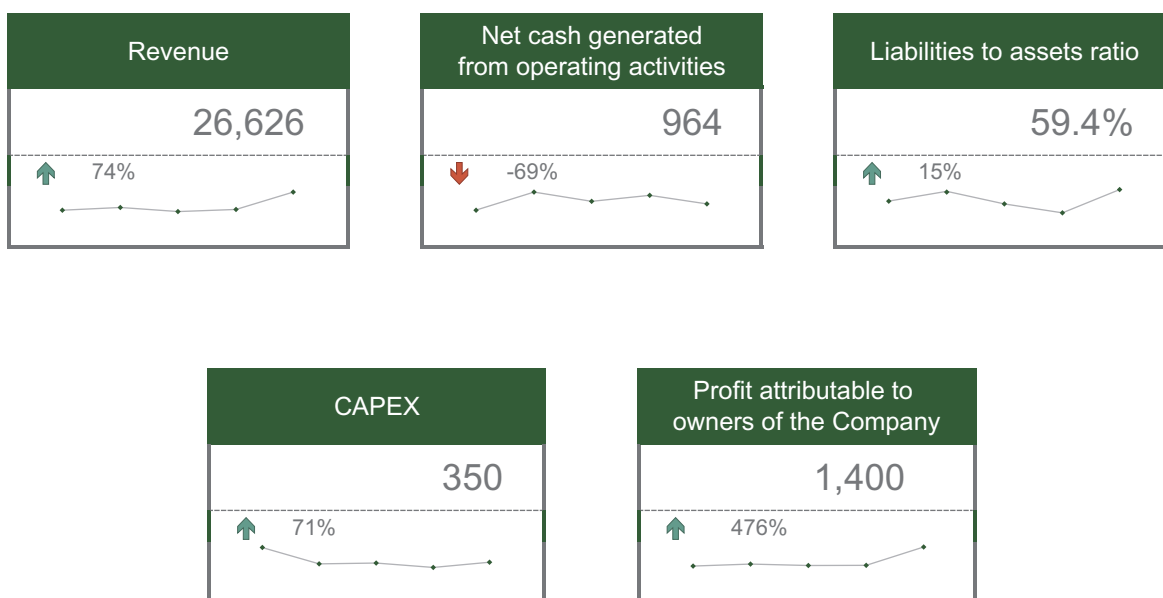


## MANAGEMENT DISCUSSION AND ANALYSIS

### KEY FINANCIAL INDICATORS

(All amounts of the indicators in RMB millions unless otherwise stated)

Directors focus on the sustainability and continuing development of the Group and interests of the Shareholders. They consider key financial indicators from various aspects including revenue, ability of cash generating from operating activities, borrowing levels, capital expenditure (“**CAPEX**”) and return to the Shareholders.



Financial Indicators for the six months ended 30 June	2017	2016	2015	2014	2013
Revenue	26,626	15,331	14,258	16,746	14,863
Net cash generated from operating activities	964	3,082	1,716	3,906	(490)
Liabilities to assets ratio (note)	59.4%	51.6%	54.5%	58.7%	55.3%
CAPEX	350	205	320	306	742
Profit attributable to owners of the Company	1,400	243	238	322	193

Note: Liabilities to assets ratio means total liabilities over total assets as at 30 June.



### Key Relationships with Customers, Suppliers and Employees and Others

The Group adheres to 「用人品打造精品,用精品奉獻社會」 (Producing Quality Products with Integrity and Selling Quality Products to Market) as the core values of the Group. The Group values relationships, and have maintained good relationships with business partners (including suppliers and distributors), customers and the employees of the Group. The Group believes that building long-term beneficial relationships with each of them is of paramount importance to establish mutual trust, loyalty and business development, and on which the Company's success and sustainability depend.

The Group provides a comprehensive set of services 「親人」 for users, including customers, 4S stores, maintenance service stations, etc., to provide a complete set of truck sales, use of truck, after-sales services and training solutions so as to reduce users' costs. Services include a 24 hours technical support hotline, "Non-Stop Services", quick delivery of spare parts, arrangement of recycling old parts, strengthening communication with users, etc. In addition, the Group selects famous international enterprises as the long-term suppliers.

The Group is committed to a people-oriented management style as we deem our employees as the most valuable asset of the enterprise. The Group provides a complete career path that closely intertwines employees' personal growth with enterprise development. Employees' growth boost enterprise strength, and the enterprise shares its achievements with its people to enhance their sense of belonging and effectively guarantee their interests. The Group insists on rewarding based on efforts, and focuses on efficiency and fairness in formulating the 《中國重汽（香港）有限公司崗位績效工資制度》 (Sinotruk (Hong Kong) Limited Positions, Performances and Wages System), which performs as a comprehensive staff remuneration system, providing competitive wages and remuneration to our staff members. In addition, the Group furthered the building of a team of international talents, and set out guidelines for managing overseas employee recruitment as well as sending employees to be stationed at overseas production units, which actively promotes internationalization strategies and safeguards international talent building efforts.

The Group bases its trainings on three levels: the group level, the subsidiaries level (including group management system), and the production and work site level, and adopts three-level training management mode with the characteristic of unified planning, coordinative arrangement, and each party's own respective roles and responsibilities. It arranges a series of training courses, including middle and senior management training, high-level technical employees training, engineering, marketing and management employees training, advanced technical worker training, on-site sub-department head (sub-department head directly under the Group) training, and workshop supervisor training, etc.

As at 30 June 2017, the Group had a total of 24,711 employees:

	Employees	
	Number	%
Management team	256	1.0
Technical staff	2,613	10.6
Research and development staff	898	3.6
Production staff	14,968	60.6
Sales staff	1,624	6.6
Marketing staff	204	0.8
Administrative staff	4,148	16.8
<b>Total</b>	<b>24,711</b>	<b>100.0</b>



During the period, the Group did not have any share option schemes nor share reward schemes.

In addition, to the extent necessary to protect the Group's intellectual property rights and other vital competitive interests, certain qualified employees may enjoy certain retirement and non-competition compensations.

## ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

In compliance with various applicable national, provincial and local laws and regulations including the Law of Environmental Protection of the People's Republic of China, the Group formulated the Environmental Protection Management Policy and conducts unified governance over pollutants, pollution sources, treatment facilities and environmental equipment of construction projects, etc., which lays a solid foundation for environmental protection and pollution prevention and control and leads to better performance in both economic and environmental terms. In addition, the Group complies with the requirements of ISO14001 and conducts real-time environmental monitoring, performs regular environmental assessments, provides relevant training and carries out internal environmental audit on regular basis, so as to enhance its environmental performance.

All production entities of the Group comply with national, provincial and local laws and regulations in treating and discharging pollutants from industrial activities such as effluent, waste gases, solid waste, etc. Such pollutants will be discharged when they are met discharge standards. The Group pays pollutants fee pursuant to the laws and executes the task of reducing emissions.

Based on the "Energy Performance Parameters, Benchmarks, Targets, Indicators of Control Procedures", the Group determines energy targets, indicators and implementation programs and makes them consistent with the energy policy. The Group assesses and monitors these energy targets and implementation performances through the energy internal audit. If there are problems in achieving these energy goals and indicators in the implementation, the relevant business units are responsible for analyzing the reasons, put forward corrective measures and preventive measures. Once the representatives of the energy manager approve, the relevant business units execute such measures to ensure that the objectives are met.

As far as the Board is aware, the Group has complied in material respects with all relevant laws and regulations as per the business and operations of the Group.

## BUSINESS STRATEGIES AND PROSPECTS

For the second half of 2017, the global economy is expected to continue to grow, though will still be pressured by factors including the rise of protectionism, and the Fed's earlier-than-expected interest rate hike and unwind its balance sheet (tapering). In the second half of 2017, China's economy is expected to extend its steady performance from the first half, and continue to perform within a reasonable range. The heavy duty truck industry is expected to grow steadily during the second half of 2017.

The Group will continue to focus on market needs, and expand its efforts in prospective market feasibility study in order to increase its market competitiveness and create new business advantages. Efforts will be made to drive reform and innovation under an improved operational mechanism. The Group will consolidate its achievements to forge ahead with further improvements in brand image, product quality, and enterprise efficiency, striving to lay a solid foundation for sustainable and healthy development of the enterprise.

## MANAGEMENT DISCUSSION AND ANALYSIS



1. The Group will focus on key models and conduct in-depth studies of key market segments and users. The Group intends to maximize its competitive advantages via differentiated strategies and targeted policies to meet the need of mainstream users. The Group will strive to promote T/C series trucks by leveraging on intelligent categories and customized models across the full life-cycle of products. The “Internet Plus” action plan encourages constructive cooperation with well-known domestic logistics platform, and will help build up T/C series’ position in the field of high-end logistics in China.
2. The Group will gear its technology towards market needs for technological innovation. Scientific developments and steadily rollout of new products will be done through an “intelligence” strategy, which revolves around a focus on “high reliability, energy saving, and lightweight”. These measures will lead to product and adaptability improvements. Technology-wise, the Group will lay out the market introduction arrangements for the MC09 series medium-heavy duty truck engine and MC04 series light duty truck engine products under a well-organized timetable, ensuring adequate time to improve product reliability and stability. Looking ahead, the Group will look to promote green development, and will enhance efforts in research and development of new energy vehicles to expand the application of new energy technologies to the Group’s full range of commercial vehicles.
3. The Group will continue to improve and innovate its quality control system. Quality-conscious improvement call for “Quality Craftsmanship” and the persistence in valuing quality first. The Group will vigorously carry out the “lean management improvement” activities, and incorporate lean management related ideas and methods into departments including product research and development, marketing and management services. The lean management approach will be carried out along the whole process of production and operation across the whole value chain and all business segments, aiming at enhancing enterprise capability via comprehensive promotion of lean management in marketing, research and development, production and management. The Group will further elevate the level of standardization, automation and intelligence throughout the production process, with support from big data and the manufacturing execution system (HMES).
4. The Group will continue implementing innovative sales and marketing strategies to optimize the sales network and to create regional advantages. The Group will also gear up to integrate sales and marketing services to develop new services model, study customers’ high level requirements and enhance new services “Non-stop Service”. The Group’s “Intelligent Sinotruk E-commerce Platform” will be used to help refine the marketing strategy and improve product promotions. The Group will make full use of the combination of its auto finance company and social finance to further increase its financing support in promoting its sales activities. The Group will drive innovative new sales with financial support models, and upgrade its financial support program by centering on user needs to boost market effectiveness.
5. The Group will further explore international market development opportunities so as to strengthen its foothold globally. The Group will also strengthen its marketing planning efforts in international markets to build up unique regional networks and improve the sales and after-sales support networks. In conjunction, the Group will explore new and innovative means to increase the financing support in its international markets. The Group will innovate new cooperation models in oversea markets by promoting the development of overseas production plants through the KD projects. Additionally, the Group will localize its brand by incorporating local elements. Efforts will continuously be made to enhance overseas spare parts centers so as to improve the overseas network service functions and brand image.



## FINANCIAL REVIEW

### Revenue, gross profit and gross profit margin

The Group's revenue for the Period recorded RMB26,626 million, representing an increase of RMB11,295 million or 73.7% YOY. The increase in the revenue is primarily attributable to the respective increase of sales volume of heavy duty trucks and light duty trucks by 74.2% and 36.5% and the optimization of sales mix.

The Group's gross profit for the Period was RMB4,857 million, representing an increase of RMB2,275 million or 88.1% YOY. Gross profit margin for the Period increased by 1.4 percentage point to 18.2% (gross profit divided by revenue). The increase in gross profit margin for the Period was mainly due to the optimization of sales mix and the increase in sales of volume of trucks lowering the fixed costs absorbed per truck.

### Distribution costs

Distribution costs for the Period was RMB1,659 million, representing an increase of RMB688 million or 70.9% YOY. The increase primarily resulted from the increase in warranty costs and transportation expenses due to the increase in sales volume. During the Period, distribution costs to revenue ratio was 6.2%, representing a decrease of 0.1 percentage points. The decrease in the ratio is mainly due to both revenue and distribution costs increase at the same pace resulting no significant changes.

### Administrative expenses

Administrative expenses for the Period was RMB1,386 million, representing an increase of RMB198 million or 16.7% YOY. The increase was mainly due to increase in research and development costs and employee remuneration. During the Period, administrative expenses to revenue ratio was 5.2%, representing a decrease of 2.5 percentage points. The decrease in the ratio is mainly due to the stringent controls over administrative expenses which resulted in the growth of administrative expense slower when compared to the growth of sale revenue.

### Other gains - net

The other net gains for the Period was RMB171 million, representing an increase of RMB57 million or 50.0% YOY. The increase was mainly due to gain on disposal of a subsidiary at RMB52 million, significant increase in investment income from financial products by RMB34 million YOY, increase in rental income, other income and gains at total RMB27 million YOY but part of these increases was offset by the exchange fluctuations at losses of RMB53 million YOY.

### Finance costs - net

Net finance cost for the Period was RMB112 million, representing a decrease of RMB35 million or 23.8% YOY. The decrease was mainly due to the average outstanding borrowings for the Period lower than that of 2016, hence interest expenses reduced. During the Period, finance costs to revenue ratio was 0.4%, representing a decrease of 0.6 percentage points. The decrease in the ratio is mainly due to the decrease of finance costs as a reduction of borrowings scale and the growth of sale revenue.

### Share of profits less losses of investments accounted for using the equity method

The net profit of investments accounted for using the equity method for the Period was RMB20 million, representing a decrease of profit of RMB8 million or 28.6% YOY. The decrease was mainly due to the decrease of profits resulted by an associate offsetting the increase of profits attributed by joint ventures.



### Income tax expense

Income tax expense for the Period was RMB322 million, representing an increase of RMB207 million or 180.0 % YOY. The increase was due to the significant increase in profit before income tax but certain increase was offset by the recognition of tax losses in deferred income tax.

### Profit for the Period and basic earnings per share

Profit for the Period was RMB1,568 million, representing an increase of RMB1,264 million or 415.8% YOY. During the Period, operating profit ratio (operating profit divided by revenue) was 7.4 % while net profit ratio (profit divided by revenue) was 5.9%. Profit attributable to owners of the Company for the Period was RMB1,400 million, representing an increase of RMB1,157 million or 476.1%. The basic earnings per share attributable to owners of the Company for the Period was RMB0.51, representing an increase of RMB0.42 or 466.7% YOY.

### Trade and net financial services receivables

As at 30 June 2017, the trade receivables including related parties trade receivables were RMB10,828 million, compared to the balance as at 31 December 2016, representing an increase of RMB775 million or 7.7% YOY. The trade receivables turnover (average trade receivables including related parties trade receivables divided by revenue multiplied by 181 days) for the Period was 71.7 days, representing a decrease of 45.2% YOY and was still within the Group's credit policies which are from three to twelve months to the customers. As at 30 June 2017, the trade receivables including related parties trade receivables aged not more than twelve months were RMB10,351 million or 95.6% of all trade receivables including related parties trade receivables.

As at 30 June 2017, the auto financing services receivables and suppliers financing receivables was RMB5,288 million, compared to the balance as at 31 December 2016, representing an increase of RMB1,913 million or 56.7% YOY. The finance segment of the Group has granted credit period generally from one year to three years. In addition, the auto financing services receivables are secured by the vehicles together with guarantees provided by the dealers and relevant parties while suppliers financing receivables are mainly secured by the beneficial owners of these applicants of financing services.

The Group reviews the repayment progress of key customers or customers with higher risk of default in repayment on a monthly basis and assesses impairment loss by reference to their business, actual repayment information and other assessments.

### Cash flow

Net cash inflow from operating activities for the Period was RMB964 million, compared with net cash inflow in last year same period, representing a decrease of cash inflow by RMB2,118 million or 68.7%. Although the profit for the Period significantly increased, the net cash inflow from operating activities for the Period decreased because there was a cash outflow at RMB1,275 million caused by the changes in working capital of operating activities for the Period, while the same period in 2016 had cash inflow at RMB2,011 million. The cash outflow in working capital of operating activities for the Period was mainly due to the increase of inventories as well as trade and other receivables at RMB7,297 million which was partly offset by the increase in trade and other payables at RMB4,516 million.



## MANAGEMENT DISCUSSION AND ANALYSIS

Net cash outflow used in investing activities for the Period was RMB1,991 million, compared with cash outflow in last year same period, representing a decrease of cash outflow of RMB130 million or 6.1% YOY. The decrease was mainly due to the decrease in cash used in purchasing financial products but its decrease was partly offset by increased capital expenditure. In addition, there was net cash outflows from the disposal of a subsidiary at RMB30 million.

Cash inflow from financing activities for the Period was RMB1,944 million, compared with the cash outflow in last year same period, representing an increase of cash inflow of RMB2,169 million or 964.0% YOY which was mainly due to the increase in net borrowing instead of net repayment of borrowings in 2016, but the increase was partly offset by the dividend payment. Before the disposal, Sinotruk Ji'nan HOWO Bus Co., Ltd. had borrowed from bank at RMB1,870 million in order to repay the loans from and amounts due to the Group.

### Liquidity, financial resources and capital structure

As at 30 June 2017, the Group had cash and cash equivalents of RMB8,078 million and unrestricted bank acceptance notes of RMB4,643 million. Cash and cash equivalents increased by RMB907 million and unrestricted bank acceptance notes increased by RMB2,929 million as compared with the beginning of 2017. The Group's total borrowings (including long-term and short-term borrowings and borrowings from the related parties) were about RMB5,073 million as at 30 June 2017. Its gearing ratio (total borrowings divided by total assets) was 8.7% (31 December 2016: 9.2%). As at 30 June 2017, current ratio (total current assets divided by total current liabilities) was 1.2 (31 December 2016: 1.3).

As at 30 June 2017, total borrowings were denominated in RMB (31 December 2016: all in RMB) and not made at fixed interest rates. Most of the borrowings are charged with reference to bank's preferential floating rates and were due within one year to two years. The maturity profile of total borrowings were:

	<u>As at 30 June 2017</u>	<u>As at 31 December 2016</u>
Repayable within one year	<u>RMB5,073 million</u>	<u>RMB4,548 million</u>

As at 30 June 2017, total available credit facilities of the Group from the banks amounted to RMB31,833 million, of which RMB7,034 million had been utilised. An aggregate amount of RMB524 million of security deposits and restricted bank deposits (31 December 2016: RMB835 million) was pledged to secure various credit facilities. In addition, Sinotruk Finance Company and Shandong HOWO Auto Finance Co., Ltd. have made mandatory deposits of RMB1,859 million to PBOC for their financial operations.

The Group meets its 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 issuance of bills such as short-term commercial acceptance notes and bank acceptance notes.

As at 30 June 2017, owner's consolidated equity of the Company was RMB23,658 million, representing an increase of RMB1,319 million or 5.9% when compared the balance as at 31 December 2016.

As at 30 June 2017, the Company's market capitalisation was RMB13,587 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD5.67 per Share and at the exchange rate of 1: 0.86792 between HKD and RMB).

### Charges on Group Assets

Save as disclosed above, as at 30 June 2017, there were no other assets of the Group being charged (31 December 2016: RMB237 million bank acceptance notes).

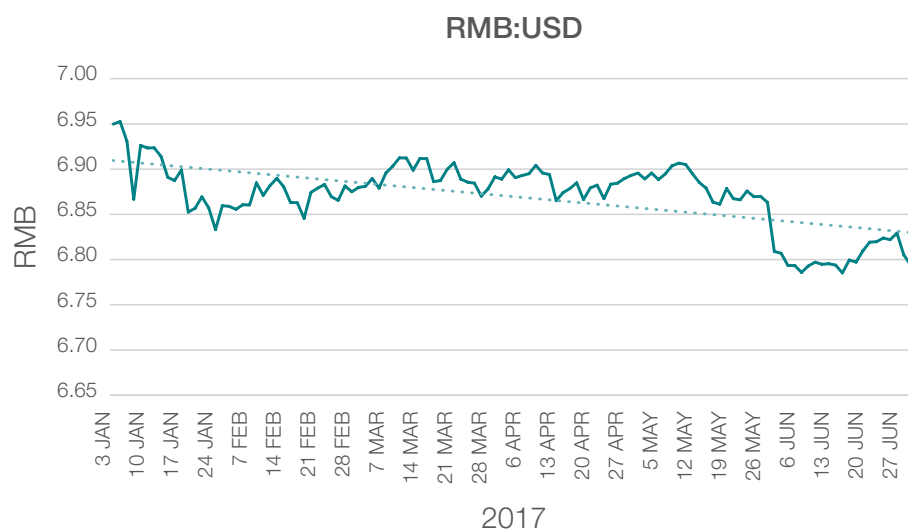




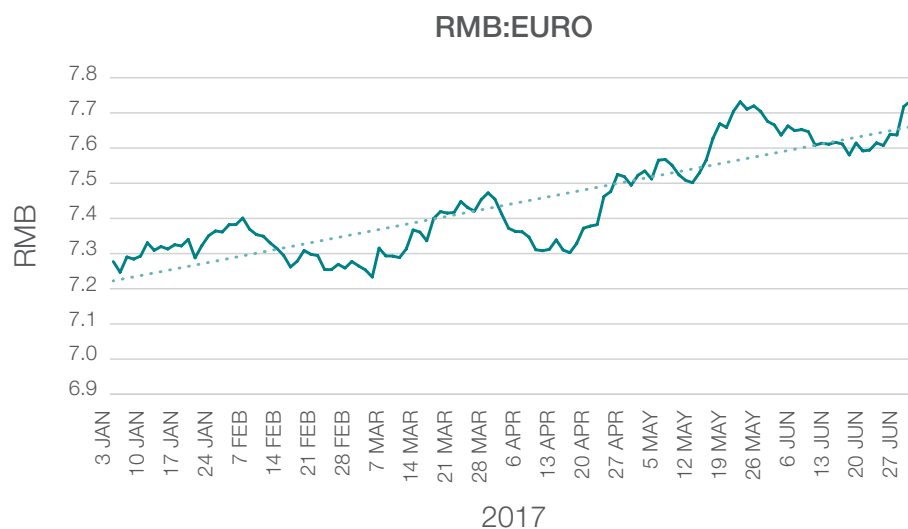
## Financial Management and Policy

The finance department is responsible for the financial risk management of the Group. One of the primary objectives of our financial policies is to manage exchange rate risk. The major foreign exchange risk exposure arises from its exporting and importing activities, business operations outside the PRC as well as the financing activities in Hong Kong. The treasury policy of the Group is to prohibit the Group from participating in any speculative activities but the Group uses forward contracts to manage the foreign exchange risk.

RMB was appreciated against USD by 2.5% and depreciated against Euro by 6.5% in the PRC when compared the exchanges rates as at 3 January 2017 and 30 June 2017. During the Period, RMB trended appreciated against USD while trended depreciated against Euro. During the Period, the net foreign exchange losses was RMB28 million because of the appreciation of RMB against USD.



Central parity rates of RMB against USD in the PRC during the Period\*.



Central parity rates of RMB against Euro in the PRC during the Period\*.

\* Source: State Administration of Foreign Exchange, the PRC.



As at 30 June 2017, 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 RMB1,513 million, financial assets at fair value through profit or loss of approximately RMB130 million, accounts receivable and other receivable of approximately RMB1,520 million, accounts payable and other payables of approximately RMB378 million, all of which were denominated in currencies other than RMB.

## DIVIDENDS

The Board does not propose the declaration of any interim dividends for the six months ended 30 June 2017.

## GOING CONCERN

Based on the current financial forecast and the funding that can be utilized, 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 material adverse effect on the Group's financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB125 million. There was no provision for legal claims as at 30 June 2017.

## SUBSEQUENT EVENTS

As mentioned in the section headed "Significant Investment", the Group committed to make a capital contribution to Sinotruk Finance Company for approximately RMB1,389 million. The Group had completed the capital contribution in August 2017.

On 30 August 2017, the Company's non-wholly owned subsidiary, HOWO Auto Finance Company had entered a capital increase agreement with the Company, Shandong International Equity Trust Co., Ltd. and CNHTC under which they agreed to inject approximately RMB675 million, approximately RMB304 million and approximately RMB36 million respectively into HOWO Auto Finance Company. Details of the capital contribution were disclosed in the Company's announcement dated 30 August 2017.

### Disclaimer:

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as export revenue (including affiliated exports), are used for assessing the Group's performance.

These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally, since the Group has historically reported certain non-GAAP results to investors, it is considered the inclusion of non-GAAP measures provides consistency in the Group's financial reporting.



## 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 Shareholders. The Company has adopted the corporate governance codes as set out in Appendix 14 “Corporate Governance Code and Corporate Governance Report” to the Listing Rules as its own code of corporate governance (the “**CG Code**”).

During the Period, the Company has been in compliance with the CG Code, save for the Company did not establish a nomination committee as the Board takes up all functions of nomination committee as required under the Listing Rules.

The Board is responsible for reviewing its structure, size, composition (including the skills, knowledge and experience) and diversity regularly and making any changes to complement the Company’s corporate strategy, including the selection of individuals nominated for directorships, the appointment or re-appointment of Directors, succession planning for Directors and accessing the independence of independent non-executive Directors.

### Directors’ Securities Transactions

The Company has adopted the Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code of conduct for securities transactions by the Directors (the “**Model Code**”). The Company has made specific enquiries with all Directors and all Directors confirm that they have complied with the standards required by the Model Code during the Period.

### Board

The Board is responsible for formulating group policies and business directions, and monitoring risk management, internal controls and performances. The EDs and the Executive Committee are delegated with the responsibilities of the day-to-day management of the Group and making operational and business decisions within the control of and delegation framework of the Group. The NEDs and INEDs contribute valuable views and proposals for the Board’s deliberation and decisions.

As at 30 June 2017, the Board had a total of seventeen Directors comprising eight executive Directors, Mr. Ma Chunji, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin and Mr. Franz Neundlinger; three non-executive Directors, Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees and Mr. Matthias Gründler and six independent non-executive Directors, Dr. Lin Zhijun, Mr. Chen Zheng, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing. Mr. Ma Chunji is the chairman of the Board and Mr. Cai Dong is the president of the Company.



## OTHER INFORMATION

### Executive Committee

The Executive Committee has been formed by all the EDs as appointed from time to time and is responsible for implementing the decisions made by the Board including but not limit to financing operations, operating strategies, business development, etc. and managing daily operations.

As at 30 June 2017, the Executive Committee comprised eight members, namely, Mr. Ma Chunji, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin and Mr. Franz Neundlinger. Mr. Ma Chunji is the chairman of the Executive Committee.

### Strategy and Investment Committee

The Strategy and Investment Committee is mainly responsible for the formulation of medium and long term strategic plans and business development strategies of the Group including the study and recommendation of significant investment financing initiatives and significant capital operations and asset operation projects.

As at 30 June 2017, the Strategy and Investment Committee comprised five members, namely, Mr. Ma Chunji, Mr. Cai Dong, Mr. Wang Shanpo, Mr. Franz Neundlinger and Mr. Zhao Hang. Mr. Ma Chunji, Mr. Cai Dong, Mr. Wang Shanpo and Mr. Franz Neundlinger are EDs. Mr. Zhao Hang is an INED. Mr. Ma Chunji is the chairman of the Strategy and Investment Committee.

### Remuneration Committee

The Remuneration Committee is mainly responsible for the appraisal of the Directors and senior management performance and making recommendation to the Board on their remuneration including the formulation of performance assessment standards, procedures, major proposals and mechanisms of the assessment systems, rewards and penalties. The Remuneration Committee also supervises the remuneration and other benefits offered by the Group to the Directors.

As at 30 June 2017, the Remuneration Committee comprised six members, namely, Mr. Chen Zheng, Dr. Lin Zhijun, Mr. Yang Weicheng, Mr. Liang Qing, Mr. Tong Jingen and Mr. Liu Wei. Mr. Chen Zheng, Dr. Lin Zhijun, Mr. Yang Weicheng and Mr. Liang Qing are INEDs while Mr. Tong Jingen and Mr. Liu Wei are EDs. Mr. Chen Zheng is the chairman of the Remuneration Committee.

### Audit Committee

The Audit Committee is mainly responsible for reviewing and monitoring the financial control, internal control and risk management systems, including reassessment of the financial and accounting policies, review of interim reports, annual reports and financial statements of the Group, review of the risk management and internal control systems, the effectiveness of the internal audit function, etc. In addition, the Audit Committee is responsible for the appointment, re-appointment and removal of external auditor, and for reporting to the Board on the recommendation, review and supervision of the external auditor in respect of its independence and objectivity, the effectiveness of the audit procedures, the 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.

As at 30 June 2017, the Audit Committee comprised three members, namely, Dr. Lin Zhijun, Mr. Chen Zheng and Dr. Wang Dengfeng who are all INEDs. Dr. Lin Zhijun is the chairman of the Audit Committee.



## REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2017 has been reviewed by the Audit Committee 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.

## PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this report are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained in this report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its Shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any Shares during the Period.

## 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 website of the Company and HKExnews, the website of Hong Kong Exchanges and Clearing Limited, so as to safeguard shareholders’ rights of information and participation. Ji’nan Truck Company publishes its announcements in the website of Shenzhen Stock Exchange as required by the regulations. The Company announces the latest financial information of Ji’nan Truck Company from time to time in the website of the Company 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 plants visits during the Period. 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](http://www.sinotruk.com) for the latest information available in respect of the Group including information on the financial conditions and the business developments.



## OTHER INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the Directors and chief executives of the Company and their associates (as defined in the Listing Rules) had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

### Associated corporation

Ordinary shares in Ji'nan Truck Company – subsidiary of the Company

### Long positions

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of shareholding
Mr. Cai Dong	Family interest	34,000	0.0051%
Mr. Wang Shanpo	Beneficial interest	6,700	0.0010%
Mr. Kong Xiangquan	Beneficial interest	30,000	0.0045%

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.



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

As at 30 June 2017, other than the interests of the Directors and chief executives of the Company as disclosed above, the Company has been notified of the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO:

### A) The Company

#### Long position

Name of Shareholder	Nature of interests	Note	Number of Shares held	Approximate percentage of shareholding
CNHTC	Corporate interests	(a)	1,408,106,603	51%
Sinotruk (BVI) Limited	Beneficial interest		1,408,106,603	51%
Ferdinand Porsche	Corporate interests	(b)	690,248,336	25%
Ferdinand Porsche Familien-Holding GmbH	Corporate interests	(c)	690,248,336	25%
Ferdinand Alexander Porsche GmbH	Corporate interests	(d)	690,248,336	25%
Familie Porsche Beteiligung GmbH	Corporate interests	(e)	690,248,336	25%
Porsche Automobil Holding SE	Corporate interests	(f)	690,248,336	25%
Volkswagen AG	Corporate interests	(g)	690,248,336	25%
Volkswagen Truck & Bus GmbH	Corporate interests	(h)	690,248,336	25%
MAN SE	Corporate interests	(i)	690,248,336	25%
MAN Finance and Holding S.A.	Beneficial interest		690,248,336	25%

#### Notes:

- (a) CNHTC holds the entire issued share capital of Sinotruk (BVI) Limited. CNHTC is deemed to have interest in all the Shares held (or deemed to be held) by Sinotruk (BVI) Limited under the SFO.
- (b) Ferdinand Porsche holds 90% interest in Ferdinand Porsche Familien-Holding GmbH. Ferdinand Porsche is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Porsche Familien-Holding GmbH under the SFO.
- (c) Ferdinand Porsche Familien-Holding GmbH holds 73.85% interest in Ferdinand Alexander Porsche GmbH. Ferdinand Porsche Familien-Holding GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Alexander Porsche GmbH under the SFO.



## OTHER INFORMATION

- (d) Ferdinand Alexander Porsche GmbH holds 100% interest in Familie Porsche Beteiligung GmbH. Ferdinand Alexander Porsche GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Familie Porsche Beteiligung GmbH under the SFO.
- (e) Familie Porsche Beteiligung GmbH holds 51.69% interests in Porsche Automobil Holding SE. Familie Porsche Beteiligung GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Porsche Automobil Holding SE under the SFO.
- (f) Porsche Automobil Holding SE holds 50.73% interest in Volkswagen AG. Porsche Automobil Holding SE is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen AG under the SFO.
- (g) Volkswagen AG holds 100% interest in Volkswagen Truck & Bus GmbH. Volkswagen AG is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen Truck & Bus GmbH under the SFO.
- (h) Volkswagen Truck & Bus GmbH holds 75.28% interest in MAN SE. Volkswagen Truck & Bus GmbH is deemed to have interest in all the Shares held (or deemed to be held) by MAN SE under the SFO.
- (i) MAN SE holds 100% interest in MAN Finance and Holding S.A., which is formerly known as “MAN Finance and Holding S.A.R.L.”. MAN SE is deemed to have interest in all the Shares held (or deemed to be held) by MAN Finance and Holding S.A. under the SFO.

**B) Members of the Group****Long position**

<b>Name of equity holder</b>	<b>Nature of interests</b>	<b>Name of the member of the Group</b>	<b>Percentage of equity interest held</b>
Liuzhou Yunli Assets Investment and Guarantee Co., Ltd.	Beneficial owner	Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd.	40%
Yongan Fudi Investment Co., Ltd.	Beneficial owner	Sinotruk Fujian Haixi Vehicles Co., Ltd.	20%
Chengdu Dachenggong Mechanics Co., Ltd.	Beneficial owner	Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd.	20%
Suizhou Huawei Investment Holdings Co., Ltd.	Beneficial owner	Sinotruk Hubei Huawei Special Vehicle Co., Ltd.	40%
Shandong International Equity Trust Co., Ltd.	Beneficial owner	Shandong HOWO Auto Finance Co., Ltd.	30%
CNHTC	Beneficial owner	Shandong HOWO Auto Finance Co., Ltd.	20%
Kodiak America LLC.	Beneficial owner	Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd.	49%
China-Africa Manufacturing and Investment Limited	Beneficial owner	Sinotruk (Hong Kong) Hongye Limited <sup>(Note)</sup>	35%

Note: Sinotruk (Hong Kong) Hongye Limited is the joint venture company of the Company but is classified as a subsidiary of the Company under the SFO and the Companies Ordinance.





Save as disclosed above, as at 30 June 2017, no other persons had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## SPECIFIC PERFORMANCE BY THE CONTROLLING SHAREHOLDER

On 21 February 2014, the Company had entered into a facility agreement (the “**Facility Agreement**”) with Bank of China (Hong Kong) Limited and other financial institutions for the borrowing of RMB1,000,000,000 for 36 months (the “**Facility**”).

Pursuant to the Facility Agreement, it will be an event of default if CNHTC is no longer the beneficial owner (directly or indirectly) of more than 50% of the entire issued share capital of the Company. In case of an occurrence of an event of default which is continuing, the agent of the Facility may by notice to the Company (a) cancel the Facilities whereupon such Facility shall be immediately cancelled; (b) declare that all or part of the loans made or to be made under the Facility or the principal amount outstanding for the time being of this loan (the “**Loan**”), together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement and other documents designated as finance documents under the Facility Agreement by the agent and the Company be immediately due and payable, whereupon such Loan and other amounts shall immediately become due and payable; and/or (c) declare that all or part of the Loan be payable on demand, whereupon such Loan shall immediately become payable on demand by the agent.

The Loan had been fully repaid on maturity date.

## CONSTITUTIONAL DOCUMENTS

There has been no changes in the Articles during the Period.

By order of the Board  
**Ma Chunji**  
*Chairman*

Beijing, PRC, 30 August 2017



# 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 33 to 76, which comprises the interim condensed consolidated statement of financial position of Sinotruk (Hong Kong) Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows 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, 30 August 2017

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# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2017	2016
<b>Revenue</b>	6	26,626,150	15,330,582
Cost of sales		(21,769,504)	(12,748,629)
<b>Gross profit</b>		4,856,646	2,581,953
Distribution costs		(1,659,370)	(970,535)
Administrative expenses		(1,386,101)	(1,187,771)
Other gains – net		170,566	113,732
<b>Operating profit</b>	8	1,981,741	537,379
Finance income		22,653	28,285
Finance costs		(134,645)	(175,696)
Finance costs – net		(111,992)	(147,411)
Share of profits less losses of investments accounted for using the equity method	7	19,788	28,489
<b>Profit before income tax</b>		1,889,537	418,457
Income tax expense	9	(321,754)	(114,934)
<b>Profit for the period</b>		1,567,783	303,523
<b>Profit attributable to:</b>			
– Owners of the Company		1,400,071	242,614
– Non-controlling interests		167,712	60,909
		1,567,783	303,523
<b>Earnings per share for profit attributable to owners of the Company for the period</b> (expressed in RMB per share)			
– basic and diluted	10	0.51	0.09

The notes on pages 41 to 76 form an integral part of this condensed consolidated interim financial information.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2017	2016
<b>Profit for the period</b>		<b>1,567,783</b>	303,523
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of termination and post-employment benefit obligations		(9,680)	—
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties		9,735	—
<i>Items that may be reclassified to profit or loss</i>			
Changes in value of available-for-sale financial assets		10,138	3,032
Share of other comprehensive income of investments accounted for using the equity method		894	—
Currency translation differences		(350)	18,549
<b>Other comprehensive income for the period, net of tax</b>		<b>10,737</b>	21,581
<b>Total comprehensive income for the period</b>		<b>1,578,520</b>	325,104
<b>Attributable to:</b>			
– Owners of the Company		1,411,659	264,195
– Non-controlling interests		166,861	60,909
<b>Total comprehensive income for the period</b>		<b>1,578,520</b>	325,104

The notes on pages 41 to 76 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



As at 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2017	Audited 31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	12	1,642,950	1,651,677
Property, plant and equipment	12	9,873,620	10,165,398
Investment properties	13	673,282	642,561
Intangible assets	12	326,943	350,216
Goodwill		3,868	3,868
Deferred income tax assets		1,309,298	1,249,218
Investments accounted for using the equity method	7	462,344	466,427
Available-for-sale financial assets		352,760	353,135
Trade receivables and other receivables	15	1,480,365	795,105
		<b>16,125,430</b>	<b>15,677,605</b>
<b>Current assets</b>			
Inventories	14	11,307,337	8,371,852
Trade receivables, other receivables and other current assets	15	16,445,647	14,030,393
Financial assets at fair value through profit or loss		878,215	125,692
Available-for-sale financial assets		1,898,835	1,676,090
Amounts due from related parties	26(b)	1,092,543	415,301
Cash and bank balances	16	10,507,149	9,188,410
		<b>42,129,726</b>	<b>33,807,738</b>
<b>Total assets</b>		<b>58,255,156</b>	<b>49,485,343</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	17	16,717,024	16,717,024
Other reserves		(830,208)	(888,242)
Retained earnings		5,244,381	4,083,027
		<b>21,131,197</b>	<b>19,911,809</b>
<b>Non-controlling interests</b>		<b>2,526,791</b>	<b>2,427,288</b>
<b>Total equity</b>		<b>23,657,988</b>	<b>22,339,097</b>



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2017	Audited 31 December 2016
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		41,340	40,912
Termination and post-employment benefit obligations	19	16,920	10,530
Deferred income		365,065	323,549
		423,325	374,991
<b>Current liabilities</b>			
Trade payables, other payables and other current liabilities	21	27,483,412	20,810,567
Current income tax liabilities		298,751	132,998
Borrowings	18	5,036,500	4,511,787
Amounts due to related parties	26(b)	474,953	727,346
Provisions for other liabilities	20	880,227	588,557
		34,173,843	26,771,255
<b>Total liabilities</b>		<b>34,597,168</b>	<b>27,146,246</b>
<b>Total equity and liabilities</b>		<b>58,255,156</b>	<b>49,485,343</b>

The notes on pages 41 to 76 form an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 33 to 76 was approved by the Board of Directors on 30 August 2017 and was signed on its behalf.

Ma Chunji  
Director

Kong Xiangquan  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

	Unaudited							Non-controlling interests	Total equity		
	Attributable to owners of the Company										
Note	Share capital	Capital reserve	Revaluation reserve	Statutory reserves	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance at 1 January 2016	16,717,024	(3,632,871)	4,484	1,209,854	104,294	1,144,582	(83,519)	3,824,272	19,338,120	2,377,550	21,715,670
Profit for the period	-	-	-	-	-	-	-	242,614	242,614	60,909	303,523
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Changes in value of available-for-sale financial assets	-	-	3,032	-	-	-	-	-	3,032	-	3,032
Currency translation differences	-	-	-	-	-	-	18,549	-	18,549	-	18,549
Total other comprehensive income for the period	-	-	3,032	-	-	-	18,549	-	21,581	-	21,581
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	(70,231)	(70,231)	-	(70,231)
Dividends of the Company relating to 2015	-	-	-	-	-	-	-	-	-	(41,452)	(41,452)
Dividends of subsidiaries distributed to non-controlling interests	-	-	-	-	-	-	-	-	-	(48,749)	(48,749)
Changes in ownership interests in subsidiaries without change of control	-	9,029	-	-	-	-	-	-	9,029	-	(39,720)
Total transactions with owners in their capacity as owners	-	9,029	-	-	-	-	-	(70,231)	(61,202)	(90,201)	(151,403)
Appropriation to reserves	-	-	-	1,764	-	-	-	(1,764)	-	-	-
Balance at 30 June 2016	16,717,024	(3,623,842)	7,516	1,211,618	104,294	1,144,582	(14,970)	3,994,891	19,541,113	2,348,258	21,889,371



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

	Unaudited										Total equity
	Attributable to owners of the Company									Non-controlling interests	
	Share capital	Capital reserve	Revaluation reserve	Statutory reserves	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance at 1 January 2017	16,717,024	(3,623,842)	52,414	1,412,826	104,294	1,144,582	21,484	4,083,027	19,911,809	2,427,288	22,339,097
Profit for the period	—	—	—	—	—	—	—	1,400,071	1,400,071	167,712	1,567,783
Other comprehensive income	—	—	(7,670)	—	—	—	—	—	(7,670)	(2,910)	(9,680)
Remeasurements of termination and post-employment benefit obligations	—	—	—	—	—	—	—	—	—	—	—
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property	—	—	9,048	—	—	—	—	—	9,048	687	9,735
Changes in value of available-for-sale financial assets	—	—	9,666	—	—	—	—	—	9,666	472	10,138
Share of other comprehensive income of investments accounted for using the equity method	—	—	—	—	—	—	894	—	894	—	894
Currency translation differences	—	—	—	—	—	—	(350)	—	(350)	—	(350)
Total other comprehensive income for the period	—	—	11,044	—	—	—	544	—	11,588	(851)	10,737
Transactions with owners in their capacity as owners	—	—	—	—	—	—	—	(193,029)	(193,029)	—	(193,029)
Dividends of the Company relating to 2016	—	—	—	—	—	—	—	—	—	(62,562)	(62,562)
Dividends of subsidiaries distributed to non-controlling interests	—	—	—	—	—	—	—	—	—	3,404	3,404
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—
Changes in ownership interests in subsidiaries without change of control	—	758	—	—	—	—	—	—	758	(8,200)	(7,442)
Total transactions with owners in their capacity as owners	—	758	—	—	—	—	—	(193,029)	(192,271)	(67,358)	(259,629)
Appropriation to reserves	—	—	—	45,688	—	—	—	(45,688)	—	—	—
Balance at 30 June 2017	16,717,024	(3,623,084)	63,458	1,458,514	104,294	1,144,582	22,028	5,244,381	21,131,197	2,526,791	23,657,988

Note

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The notes on pages 41 to 76 form an integral part of this condensed consolidated interim financial information.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2017	2016
<b>Cash flows from operating activities</b>			
Cash generated from operations		1,392,752	3,351,705
Interest paid		(129,917)	(205,869)
Income tax paid		(299,135)	(63,520)
<b>Net cash generated from operating activities</b>		<b>963,700</b>	<b>3,082,316</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(221,871)	(165,928)
Proceeds from disposals of property, plant and equipment		1,643	32,065
Purchase of intangible assets		(2,266)	(440)
Purchase of wealth management products with principal and interests guaranteed		(1,371,094)	(1,150,000)
Proceeds from disposal of wealth management products with principal and interests guaranteed		502,764	757,034
Purchase of financial assets at fair value through profit or loss		(760,019)	(1,731)
Proceeds from disposal of financial assets at fair value through profit or loss		14,383	4,352
Purchase of available-for-sale financial assets		(1,664,500)	(31,704)
Purchase of other current financial assets		—	(1,697,481)
Proceeds from disposal of available-for-sale financial assets		1,486,561	104,623
Interest received		19,935	23,991
Dividends received from an associate		24,765	4,023
Interest from available-for-sale financial assets		8,713	—
Net cash outflows for disposal of a subsidiary	22	(30,199)	—
<b>Net cash used in investing activities</b>		<b>(1,991,185)</b>	<b>(2,121,196)</b>



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2017	2016
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	18	9,741,744	2,562,862
Repayments of borrowings	18	(7,547,031)	(2,722,887)
Acquisition of non-controlling interests	23(a)	(7,442)	(35,113)
Dividends paid to the owners of the Company		(186,475)	—
Dividends paid to non-controlling interests		(56,426)	(29,869)
<b>Net cash generated from/(used in) financing activities</b>		<b>1,944,370</b>	<b>(225,007)</b>
<b>Net increase in cash and cash equivalents</b>		<b>916,885</b>	<b>736,113</b>
Cash and cash equivalents at beginning of the period		7,171,365	4,946,080
Exchange (losses)/gains on cash and cash equivalents		(10,275)	9,360
<b>Cash and cash equivalents at end of the period</b>	16	<b>8,077,975</b>	<b>5,691,553</b>

The notes on pages 41 to 76 form an integral part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 1 GENERAL INFORMATION

Sinotruk (Hong Kong) Limited (the “Company”) was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation of China National Heavy Duty Truck Group Company Limited (“CNHTC”). The 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 Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is principally engaged in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks and related key parts and components including engines, cabins, axles, steel frames and gearbox, and the provision of finance services.

This condensed consolidated interim financial information has been reviewed, not audited.

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2017 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

- (a) New and amended standards that have been issued and are effective for periods commencing on 1 January 2017:

Amendments to HKAS 12 “Income taxes” clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKAS 7 “Statement of cash flows” introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKFRS 12 “Disclosure of interest in other entities” clarify that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information.

The adoption of the above new and amended standards did not give rise to any significant impact on the Group’s results of operations and financial position for the six months ended 30 June 2017.

- (b) New and amended standards that have been issued and are effective for annual periods commencing on or after 1 January 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 15	“Revenue from contracts with customers”	1 January 2018
HKFRS 9	“Financial instruments”	1 January 2018
Amendments to HKFRS 4	Insurance Contracts	1 January 2018
	“Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts”	
Amendment to HKFRS 1	“First time adoption of HKFRS”	1 January 2018
Amendment to HKAS 28	“Investments in associates and joint ventures”	1 January 2018
HK (IFRIC) 22	“Foreign Currency Transactions and Advance Consideration”	1 January 2018
HKFRS 16	“Leases”	1 January 2019
Amendments to HKFRS 10 and HKAS 28	“Sale or contribution of assets between an investor and its associate or joint venture”	To be determined

The Group will apply the new standards and amendments when they become effective. The Group is in the process of making an assessment on the impact of these new standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group’s results of operations and financial position.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

### 3 ACCOUNTING POLICIES (CONTINUED)

- (b) New and amended standards that have been issued and are effective for annual periods commencing on or after 1 January 2018 and have not been early adopted by the Group: (continued)

(i) HKFRS 15, Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group had carried out assessment of the effects to revenue based on the existing terms of the sales contracts and after-sales repair and maintenance contracts upon the implementation of HKFRS 15 and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

(ii) HKFRS 9, Financial Instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group expects that, under the new guidance, wealth management products with interest rates non-guaranteed that are currently classified as available-for-sale financial assets through other comprehensive income appear to satisfy the conditions for classification as at fair value through profit or loss. In this case, these assets will be reclassified as financial assets at fair value through profit or loss upon the implement of HKFRS 9 and continue to be measured at fair value. Cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss at the reclassification date.

The Group does not expect the new guidance to have significant impact on the classification and measurement of its other financial assets as:

- wealth management products with principal preservation and floating return based on quoted prices in active markets that are currently classified as fair value through profit or loss will likely continue to be measured on the same basis under HKFRS 9
- A fair value through other comprehensive income election is available for the equity instruments which are currently classified as available-for-sale financial assets
- equity investment currently measured at fair value through profit or loss will likely continue to be measured on the same basis under HKFRS 9

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The changes in the fair value due to changes in the liability's own credit risk are recognized in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 3 ACCOUNTING POLICIES (CONTINUED)

- (b) New and amended standards that have been issued and are effective for annual periods commencing on or after 1 January 2018 and have not been early adopted by the Group: (continued)

- (ii) HKFRS 9, Financial Instruments (continued)

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. The Group does not have any hedge instruments. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- (iii) HKFRS 16, Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of approximately RMB33,084,000. The Group does not anticipate that these commitments will result in material impact on the recognition of an asset and a liability for future payments or on the Group's profit and classification of cash flows when HKFRS 16 become effective.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

### 4 ESTIMATES

The preparation of interim financial information 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 information, 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 2016 with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of unusual items.

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 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 condensed consolidated interim 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 2016.

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (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 date of the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Unaudited Repayment period		
	Less than 1 year	Between 1 and 2 years	Total
<b>As at 30 June 2017</b>			
Borrowings	5,036,500	—	5,036,500
Interests payments on borrowings (a)	120,585	—	120,585
Trade and other payables (b)	25,093,801	—	25,093,801
Amounts due to related parties	462,709	—	462,709
Interests payments on borrowings from related parties	611	—	611
	<b>30,714,206</b>	<b>—</b>	<b>30,714,206</b>
	Audited Repayment period		
	Less than 1 year	Between 1 and 2 years	Total
<b>As at 31 December 2016</b>			
Borrowings	4,511,787	—	4,511,787
Interests payments on borrowings (a)	61,739	—	61,739
Trade and other payables (b)	18,859,760	—	18,859,760
Amounts due to related parties	711,926	—	711,926
Interests payments on borrowings from related parties	1,259	—	1,259
	<b>24,146,471</b>	<b>—</b>	<b>24,146,471</b>

(a) The interests on borrowings are calculated based on borrowings held as at the dates of statement of financial position (excluding the accrued interest payable balance in accrued expenses) without taking into account of future issues. Floating-rate interest is estimated using current interest rate as at the dates of statement of financial position.

(b) Trade and other payables include trade and bills payables, accrued expenses and other payables as stated in Note 21.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
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## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (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 financial assets that are measured at fair value at 30 June 2017:

	Unaudited			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial assets at fair value through profit or loss	132,114	746,101	—	878,215
Available-for-sale financial assets – Wealth management products	—	—	2,213,670	2,213,670
<b>Total assets</b>	<b>132,114</b>	<b>746,101</b>	<b>2,213,670</b>	<b>3,091,885</b>

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016:

	Audited			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial assets at fair value through profit or loss	125,692	—	—	125,692
Available-for-sale financial assets – Wealth management products	—	—	1,991,300	1,991,300
<b>Total assets</b>	<b>125,692</b>	<b>—</b>	<b>1,991,300</b>	<b>2,116,992</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### 5.3 Fair value estimation (continued)

During the six months ended 30 June 2017, 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 2017, there were no reclassifications of financial assets, no transfers among different levels and no other changes in valuation techniques.

Level 1 financial assets at fair value through profit or loss comprises equity investment traded in The Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange and New York Stock Exchange. Their fair values are based on closing prices.

Level 2 financial assets at fair value through profit or loss comprise wealth management products acquired from banks with principal preservation and floating return. The investment principals are RMB740 million and interest rates are determined based on the range of foreign exchange rate of AUD/USD, interest rate of USD 3M-LIBOR or price of gold that are quoted in active market.

Level 3 available-for-sale financial assets include wealth management products acquired from a trust company at a principal of RMB302 million and from banks at principals of RMB1,872 million respectively with interest rates non-guaranteed. Their fair values are estimated by using a discounted cash flow approach and main inputs used by the Group are estimated yield rates written in contracts by the counterparties.

### 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 heavy duty trucks, light duty trucks, engines and finance.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 6 SEGMENT INFORMATION (CONTINUED)

- (i) Heavy duty trucks – Manufacture and sale of heavy duty trucks, medium-heavy duty trucks and related components;
- (ii) Light duty trucks – Manufacture and sale of light duty trucks and related components;
- (iii) Engines – Manufacture and sale of engines and related parts; and
- (iv) Finance – Provision for deposits taking, borrowings, bills and notes discounting and entrustment loans mainly to the members of the Group, CNHTC and its members excluding the Group (“CNHTC Group”), auto financing services and supply chain financing services.

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 consolidated financial statements.

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

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the statement of financial position. Segment assets consist primarily of land use rights, property, plant and equipment, investment properties, intangible assets, goodwill, investments accounted for using the equity method, available-for-sale financial assets, inventories, receivables, financial assets at fair value through profit or loss and operating cash. They exclude income tax assets.

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

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

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

### 6 SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2017 are as follows:

	Unaudited					Total
	Heavy duty trucks	Light duty trucks	Engines	Finance	Elimination	
<b>External segment revenue</b>						
Sales of goods	21,108,571	4,282,310	545,378	—	—	25,936,259
Provision of financing services	—	—	—	272,297	—	272,297
Rendering of services	407,542	2,505	7,547	—	—	417,594
<b>Total</b>	<b>21,516,113</b>	<b>4,284,815</b>	<b>552,925</b>	<b>272,297</b>	<b>—</b>	<b>26,626,150</b>
Inter-segment revenue	138,369	177,821	6,829,680	181,494	(7,327,364)	—
<b>Segment revenue</b>	<b>21,654,482</b>	<b>4,462,636</b>	<b>7,382,605</b>	<b>453,791</b>	<b>(7,327,364)</b>	<b>26,626,150</b>
Operating profit/(loss) before unallocated expenses	751,081	106,714	1,199,367	197,983	(263,946)	1,991,199
Unallocated expenses						(9,458)
<b>Operating profit</b>						<b>1,981,741</b>
Finance costs - net						(111,992)
Share of profits less losses of investments accounted for using the equity method						19,788
<b>Profit before income tax</b>						<b>1,889,537</b>
Income tax expense						(321,754)
<b>Profit for the period</b>						<b>1,567,783</b>





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

### 6 SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 30 June 2017 is as follows:

	Unaudited					Total
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	
<b>Segment assets</b>	50,137,782	4,895,679	15,899,234	32,281,791	1,852,358	105,066,844
Elimination						(46,811,688)
<b>Total assets</b>						58,255,156
<b>Segment liabilities</b>	31,754,140	3,244,737	6,289,799	28,923,578	5,203,216	75,415,470
Elimination						(40,818,302)
<b>Total liabilities</b>						34,597,168

Reconciled to entity assets and liabilities as follows:

	Unaudited	
	Assets	Liabilities
<b>Segment assets/liabilities after elimination</b>	56,402,798	29,393,952
Unallocated:		
Deferred tax assets/liabilities	1,309,298	41,340
Current tax assets/liabilities	44,901	298,751
Current borrowings	—	4,836,500
Other assets/liabilities of the Company	498,159	26,625
<b>Total</b>	58,255,156	34,597,168

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 6 SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 31 December 2016 is as follows:

	Audited					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	Total
<b>Segment assets</b>	38,493,183	5,938,896	12,777,506	22,491,339	1,737,295	81,438,219
Elimination						(31,952,876)
<b>Total assets</b>						<u>49,485,343</u>
<b>Segment liabilities</b>	21,711,841	4,286,589	3,658,470	19,251,391	4,712,138	53,620,429
Elimination						(26,474,183)
<b>Total liabilities</b>						<u>27,146,246</u>

Reconciled to entity assets and liabilities as follows:

	Audited	
	Assets	Liabilities
<b>Segment assets/liabilities after elimination</b>	47,748,048	22,434,108
Unallocated:		
Deferred tax assets/liabilities	1,249,218	40,912
Current tax assets/liabilities	42,797	132,998
Current borrowings	—	4,511,787
Other assets/liabilities of the Company	445,280	26,441
<b>Total</b>	<u>49,485,343</u>	<u>27,146,246</u>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 6 SEGMENT INFORMATION (CONTINUED)

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

	Unaudited Six months ended 30 June	
	2017	2016
Mainland China	23,239,807	12,739,223
Overseas	3,386,343	2,591,359
<b>Total</b>	<b>26,626,150</b>	<b>15,330,582</b>

### 7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognized in the interim condensed consolidated statement of financial position are as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Associates	310,113	324,915
Joint venture	152,231	141,512
	<b>462,344</b>	<b>466,427</b>

The amounts recognized in profit or loss are as follows:

	Unaudited Six months ended 30 June	
	2017	2016
Associates	9,069	24,465
Joint venture	10,719	4,024
	<b>19,788</b>	<b>28,489</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

### (a) Investment in associates

	Six months ended 30 June	
	2017	2016
At 1 January (Audited)	324,915	270,474
Share of profits less losses	9,069	24,465
Share of other comprehensive income	894	—
Dividend received	(24,765)	(4,023)
Exchange differences	—	4,556
At 30 June (Unaudited)	310,113	295,472

### (b) Investment in a joint venture

	Six months ended 30 June	
	2017	2016
At 1 January (Audited)	141,512	127,618
Share of profits less losses	10,719	4,024
Exchange differences	—	2,647
At 30 June (Unaudited)	152,231	134,289

The summarized financial information of the Group's joint venture are as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Assets	747,073	357,495
Liabilities	512,871	139,784
Revenue	822,594	502,541
Profit	16,491	16,237
% interest held	65%	65%



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 8 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit:

	Unaudited	
	Six months ended 30 June	
	2017	2016
Employee benefit expenses	1,846,406	1,378,081
Warranty expenses (Note 20)	600,782	272,655
Inventory write-downs	85,219	57,057
Amortisation of land use rights (Note 12)	20,201	20,071
Depreciation of property, plant and equipment (Note 12)	580,174	599,677
Amortisation of intangible assets (Note 12)	27,976	87,319
Losses/(gains) on disposal of property, plant and equipment	118	(10,745)
Foreign exchange losses/(gains) - net	27,518	(25,150)
Gain on disposal of a subsidiary (Note 22)	(51,553)	—
Government grants	(32,466)	(33,104)
Gains on disposal of scraps	(11,819)	(8,492)

### 9 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2017	2016
Current income tax		
– Hong Kong profits tax	1,002	4,189
– PRC corporate income tax	461,781	171,451
	462,783	175,640
Deferred income tax	(141,029)	(60,706)
	321,754	114,934

The estimated weighted average annual tax rate expected for the full financial year is 17% (the estimated tax rate for the six months ended 30 June 2016 was 29%) and the decrease is due to the utilisation of previously unrecognised tax losses.

The Company, Sinotruk (Hong Kong) International Investment Limited and Sinotruk (Hong Kong) Capital Holding Limited are subject to Hong Kong profits tax at the rate of 16.5% (2016: 16.5%) on their estimated assessable profit for the year. The Company is also determined as a 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% (2016: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the six months ended 30 June 2017 at the rates of taxation prevailing in the countries in which the Group operates.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



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## 9 INCOME TAX EXPENSE (CONTINUED)

Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engines Co., Ltd. have been recognised as the High New Tech Enterprises in 2014 and both of them are in process to renew the status of the High New Tech Enterprises. Sinotruk Ji'nan Fuqiang Power Co., Ltd. has been recognised as the High New Tech Enterprises in 2015. 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% in 2017 (2016: 15%).

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. 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 (2016: 15%).

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax rate of 20% according to Tax Code of the Russian Federation (2016: 20%).

Sinotruk South Africa (Pty) Ltd. is subject to a corporate income tax rate of 28% according to South Africa Tax Law (2016: 28%).

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax rate of 20% according to Kazakhstan Tax Law (2016: 20%).

The remaining subsidiaries are subject to the PRC corporate income tax, which have been calculated based on the corporate income tax rate of 25% (2016: 25%).

## 10 EARNINGS PER SHARE

### Basic

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company	1,400,071	242,614
Weighted average number of ordinary shares in issue (thousands)	2,760,993	2,760,993
Basic earnings per share (RMB per share)	0.51	0.09



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 10 EARNINGS PER SHARE (CONTINUED)

#### 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 2017 and 30 June 2016.

### 11 DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2017 (2016: Nil). The final dividend of the Company for the year ended 31 December 2016 was approximately HKD220,879,000 or approximately RMB193,029,000 (year 2015 final dividend: approximately HKD82,830,000 or approximately RMB70,231,000). The relevant final dividend and withholding dividend tax were paid in June and July 2017 respectively.

During the six months ended 30 June 2017, certain Group's non-wholly owned subsidiaries have approved dividends to non-controlling interests amounting to approximately RMB62,562,000 (2016: approximately RMB41,452,000).

### 12 CAPITAL EXPENDITURES

	Land use rights	Property, plant and equipment	Intangible assets
<b>Six months ended 30 June 2017</b>			
At 1 January 2017 (Audited)	1,651,677	10,165,398	350,216
Additions	—	344,068	5,669
Transfers	11,474	(31,584)	—
Disposals	—	(1,761)	—
Depreciation and amortisation (Note 8)	(20,201)	(580,174)	(27,976)
Disposal of a subsidiary (Note 22)	—	(22,327)	(966)
At 30 June 2017 (Unaudited)	1,642,950	9,873,620	326,943
<b>Six months ended 30 June 2016</b>			
At 1 January 2016 (Audited)	1,776,640	11,093,673	474,367
Additions	484	203,982	440
Transfers	—	(36,318)	502
Disposals	—	(21,320)	—
Depreciation and amortisation (Note 8)	(20,071)	(599,677)	(87,319)
At 30 June 2016 (Unaudited)	1,757,053	10,640,340	387,990

As at 30 June 2017, the Group is in the process of applying certificate of ownership for the buildings with net book amount of approximately RMB202,916,000 (31 December 2016: approximately RMB182,108,000). As at the date of these condensed consolidated interim financial information was approved, the process is still undergoing.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



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(All amounts in RMB thousands unless otherwise stated)

### 13 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2017	2016
At 1 January (Audited)	642,561	206,940
Transfers	20,110	35,816
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property	10,611	—
Exchange differences	—	3,838
At 30 June (Unaudited)	673,282	246,594

(a) Investment properties are located in the Hong Kong, Shandong province, Guangxi province and Chongqing, PRC. Investment properties in Hong Kong are held on leases over 50 years. Investment properties in Mainland China are held on leases between 35 to 50 years.

(b) Fair value hierarchy

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers among levels during the period.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 13 INVESTMENT PROPERTIES (CONTINUED)

#### (b) Fair value hierarchy (continued)

The following table analyses the investment properties carried at fair value, by valuation method.

#### Fair value hierarchy

Description	Unaudited Fair value measurements as at 30 June 2017		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements:			
– Warehouses	—	—	66,088
– Factories	—	—	288,394
– Office units	—	235,811	82,989
	—	235,811	437,471

Description	Audited Fair value measurements as at 31 December 2016		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements:			
– Warehouses	—	—	66,088
– Factories	—	—	288,394
– Office units	—	235,811	52,268
	—	235,811	406,750

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 13 INVESTMENT PROPERTIES (CONTINUED)

### (c) Valuation techniques

Level 2 fair values of the investment properties have been generally derived using sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square foot or per square meter.

Level 3 fair values of the investment properties are based on income capitalization approach (term and reversionary method) which largely used unobservable inputs (rental value and capitalization rate) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

There were no changes in valuation techniques during the period.

## 14 INVENTORIES

	30 June 2017 Unaudited	31 December 2016 Audited
Raw materials	1,412,624	1,209,359
Work in progress	540,879	1,055,455
Finished goods - engines, parts and components	141,383	236,765
Finished goods - trucks	9,524,953	6,169,917
	<b>11,619,839</b>	8,671,496
Less: write-down of inventories to net realisable value	<b>(312,502)</b>	(299,644)
	<b>11,307,337</b>	8,371,852



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 15 TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	30 June 2017 Unaudited	31 December 2016 Audited
<b>Non-Current</b>		
Accounts receivable (a)	–	42,835
Loans and receivables from financing services	1,496,398	760,040
Less: Provision for impairment of loans and receivables from financing services	(16,033)	(7,770)
Loans and receivables from financing services – net (c)	1,480,365	752,270
Trade receivables and other receivables	1,480,365	795,105
<b>Current</b>		
Accounts receivable	6,233,577	8,931,414
Less: Provision for impairment of accounts receivable	(674,312)	(768,624)
Accounts receivable – net	5,559,265	8,162,790
Notes receivable (b)	4,647,157	1,732,628
Trade receivables – net (a)	10,206,422	9,895,418
Loans and receivables from financing services	3,896,949	2,691,596
Less: Provision for impairment of loans and receivables from financing services	(88,912)	(69,281)
Loans and receivables from financing services – net (c)	3,808,037	2,622,315
Other receivables and other current assets (d)	1,180,939	319,127
Less: Provision for impairment of other receivables	(43,745)	(30,119)
Other receivables and other current assets – net	1,137,194	289,008
Interest receivables	55,743	36,444
Receivables and other current assets before prepaid items	15,207,396	12,843,185
Prepayments	357,970	397,732
Prepaid taxes other than income tax	835,380	746,679
Prepaid income taxes	44,901	42,797
Trade receivables, other receivables and other current assets – net	16,445,647	14,030,393



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 15 TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS (CONTINUED)

- (a) The ageing analysis of accounts and notes receivables - net based on invoice date at respective dates of statement of financial position is as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Less than 3 months	7,194,133	5,616,007
3 months to 6 months	1,793,804	1,505,553
6 months to 12 months	741,127	1,052,869
1 year to 2 years	332,617	1,467,173
2 years to 3 years	46,137	164,322
Over 3 years	98,604	132,329
	<b>10,206,422</b>	<b>9,938,253</b>

The credit policy of the Group generally requires customers to pay a certain amount of deposits when orders are made and settle purchase price either in cash or acceptance notes with a tenure of usually 3 to 6 months, which represents the credit terms granted to the customers who pay by acceptance notes. A credit period from 3 to 12 months is granted to selected customers based on credit assessment.

As at 30 June 2017, accounts receivable of the Group of approximately RMB899,755,000 (31 December 2016: approximately RMB344,629,000) are secured by certain letters of credit issued by overseas third parties. As at 30 June 2017, approximately RMB1,360,526,000 (31 December 2016: approximately RMB738,360,000) were guaranteed by China Export and Credit Insurance Corporation. No provision is provided against these receivables as at 30 June 2017 and 31 December 2016.

- (b) The notes receivable are analysed as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Bank acceptance notes (i)	4,643,167	1,713,728
Commercial acceptance notes	3,990	18,900
	<b>4,647,157</b>	<b>1,732,628</b>

- (i) As at 30 June 2017, no bank acceptance notes (31 December 2016: RMB237,292,000) were pledged as collaterals for the Group's bank borrowings (Note 18(a)).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 15 TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS (CONTINUED)

- (c) The ageing analysis of loans and receivables from financing services - net based on transaction dates at respective dates of statement of financial position is as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Less than 3 months	1,947,437	1,534,708
3 months to 6 months	1,231,068	577,804
6 months to 12 months	1,733,070	921,002
1 year to 2 years	371,898	315,473
2 years to 3 years	4,138	20,744
Over 3 years	791	4,854
	<b>5,288,402</b>	<b>3,374,585</b>

Auto loans and receivables from financing services were granted to individuals and entities when they purchased commercial vehicles from dealers at an interest rate of 4.4%-9.3% per annum and the auto loans and these receivables were secured by the vehicle together with guarantees provided by such dealers and their relevant parties. Loans were granted to suppliers at an interest rate of 4.35%-7.20% per annum and they were secured by the guarantee from their beneficiary owners.

- (d) As at 30 June 2017, the balance of other receivables includes three wealth management products with principals amounting to RMB871,094,000 (31 December 2016: Nil) acquired from banks with both principals and interest rates guaranteed and no provision is provided against these wealth management products.

### 16 CASH AND BANK BALANCES

	30 June 2017 Unaudited	31 December 2016 Audited
Restricted cash	2,429,174	2,017,045
Cash and cash equivalents	8,077,975	7,171,365
	<b>10,507,149</b>	<b>9,188,410</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 17 SHARE CAPITAL

### Ordinary shares, issued and fully paid:

	Unaudited	
	Number of shares	Share capital
<b>Balance at 1 January 2017 and at 30 June 2017</b>	<b>2,760,993,339</b>	<b>16,717,024</b>
Balance at 1 January 2016 and at 30 June 2016	2,760,993,339	16,717,024

## 18 BORROWINGS

	30 June 2017 Unaudited	31 December 2016 Audited
<b>Current</b>		
Long-term bank borrowings, current portion		
– unsecured	598,500	1,946,787
Short-term bank borrowings		
– secured (a)	—	200,000
– unsecured	4,438,000	2,365,000
<b>Total borrowings</b>	<b>5,036,500</b>	<b>4,511,787</b>

- (a) As at 30 June 2017, none of bank borrowings (31 December 2016: RMB200,000,000) were secured.
- (b) Interest expenses on borrowings for the six months ended 30 June 2017 were approximately RMB123,815,000 (2016: approximately RMB179,706,000), out of which approximately RMB1,414,000 (2016: approximately RMB2,265,000) arising on financing for the construction of plant and equipment were capitalised during the period and were included in “additions” in property, plant and equipment. A capitalisation rate of 3.87% per annum (2016: 3.80%) was used, representing the weighted average rate of the borrowing cost of the loans used to finance the projects.

The Group’s borrowings are repayable as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Within 1 year	5,036,500	4,511,787



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

### 18 BORROWINGS (CONTINUED)

Movements in borrowings are analyzed as follow:

	Six months ended 30 June	
	2017	2016
At 1 January (Audited)	4,511,787	5,670,980
Proceeds from borrowings	9,941,744	2,562,862
Repayments of borrowings	(7,547,031)	(2,722,887)
Disposal of a subsidiary (Note 22)	(1,870,000)	—
Exchange loss	—	1,101
At 30 June (Unaudited)	5,036,500	5,512,056

The Group has the following undrawn borrowing facilities:

	30 June 2017 Unaudited	31 December 2016 Audited
Expiring within one year	2,956,871	3,167,800

### 19 TERMINATION AND POST-EMPLOYMENT BENEFITS

	30 June 2017 Unaudited	31 December 2016 Audited
Termination benefits	9,370	4,210
Post-employment benefits	7,120	5,810
Post-employment medical insurance plan	430	510
	16,920	10,530

### 20 PROVISIONS FOR OTHER LIABILITIES

	Products Warranties Six months ended 30 June	
	2017	2016
At 1 January (Audited)	588,557	316,168
Additional provisions (Note 8)	600,782	272,655
Utilised during the period	(309,112)	(196,514)
At 30 June (Unaudited)	880,227	392,309

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 21 TRADE PAYABLES, OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	30 June 2017 Unaudited	31 December 2016 Audited
Trade and bills payables	22,536,322	16,348,199
Advances from customers	1,709,741	1,472,841
Accrued expenses	813,360	574,982
Staff welfare and salaries payable	487,374	316,245
Taxes liabilities other than income tax	192,496	161,721
Other payables (a)	1,744,119	1,936,579
	<b>27,483,412</b>	<b>20,810,567</b>

(a) As at 30 June 2017, other payables include the deposits from dealers and suppliers, payable from purchase of property, plant and equipment, dividends payable, etc.

The ageing analysis of trade and bills payables based on invoice date at respective dates of statement of financial position is as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Less than 3 months	16,547,033	14,442,715
3 months to 6 months	5,333,173	1,799,155
6 months to 12 months	554,602	76,650
1 year to 2 years	85,705	17,309
2 years to 3 years	6,403	5,748
Over 3 years	9,406	6,622
	<b>22,536,322</b>	<b>16,348,199</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 22 DISPOSAL OF A SUBSIDIARY

On 10 May 2017, the Group completed the disposal of 100% equity interest in Sinotruk Ji'nan HOWO Bus Co., Ltd. ("HOWO Bus") to CNHTC, the parent company, at a net consideration of approximately RMB2,303,500. Upon completion of the disposal, the Group lost its control over HOWO Bus.

An analysis on gain on disposal of a subsidiary is as follows:

Consideration satisfied by:

	Unaudited
Net Cash consideration	2,304
Less: Net liabilities disposed of:	
Property, plant and equipment - net	22,327
Intangible assets - net	966
Deferred income tax assets	78,570
Inventories	27,036
Trade receivables, other receivables and other current assets	2,257,232
Cash and cash equivalents	32,503
Accrued liabilities and other payables	(597,883)
Bank borrowings (Note 18)	(1,870,000)
	(49,249)
Gain on disposal of a subsidiary	51,553

An analysis on net cash flows effects arising from the disposal:

Net cash consideration	2,304
Less: cash and cash equivalents disposed of	(32,503)
Net cash outflows from disposal of a subsidiary	(30,199)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 23 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

### (a) Acquisition of additional interest in a subsidiary

In February 2017, the Company completed the acquisition of an additional 0.3012% of the issued equity of Sinotruk Finance Co., Ltd. for a purchase consideration of RMB7,442,000. The effect of changes in the ownership interest of Sinotruk Finance Co., Ltd. on the equity attributable to owners of the Company during the period is summarised as follows:

	Unaudited Six months ended 30 June 2017
Carrying amount of non-controlling interests acquired	8,200
Consideration to non-controlling interests	(7,442)
Gain on a bargain purchase recognised within equity	758

### (b) Effects of changes in ownership interests in subsidiaries without change of control on the equity

	Unaudited Six months ended 30 June 2017
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interests in a subsidiary	758

## 24 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.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### 25 CAPITAL COMMITMENTS

Capital expenditure contracted for at the date of the statement of financial position but not yet incurred was mainly as follows:

	<b>30 June 2017 Unaudited</b>	31 December 2016 Audited
Purchase of property, plant and equipment and intangible assets	<b>495,964</b>	475,336

### 26 RELATED PARTY TRANSACTIONS

The immediate holding company of the Company is Sinotruk (BVI) Limited, a company incorporated in British Virgin Islands. The ultimate holding company of the Company is CNHTC, a state-owned company incorporated in the PRC, and is controlled by the PRC Government.

The Group is an associated company of MAN Finance and Holding S.A., a non-wholly owned subsidiary of Ferdinand Porsche Familien-Privatstiftung. Ferdinand Porsche Familien-Privatstiftung and its subsidiaries is referred as Ferdinand Porsche Group.

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) (“Baotou Xinhongchang”), Sinotruk Panzhuhua Mining Truck Co., Ltd. (中國重汽集團攀枝花礦用車有限公司) (“Panzhuhua Mining Truck”) and Prinx (Cayman) Holdings Limited (浦林(開曼)控股有限公司) together with its subsidiaries (“Prinx Cayman Group”) are associated companies of the Group. Sinotruk (Hong Kong) Hongye Limited (中國重汽(香港)宏業有限公司) (“Hongye”) is a jointly controlled entity of the Group.

The Directors consider that the major related parties are CNHTC Group including its associates and jointly controlled entities, Ferdinand Porsche Group, Baotou Xinhongchang, Panzhuhua Mining Truck, Prinx Cayman Group, Hongye and key management personnel of the Company and CNHTC as well as their close family members, and other PRC government-related entities (“Other State-owned Enterprises”).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 26 RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Significant related party transactions

	Unaudited	
	Six months ended 30 June	
	2017	2016
<b>(i) CNHTC Group</b>		
Sales of trucks	199,003	235,480
Purchases of trucks	962,579	679,183
Sales of spare parts	231,838	138,129
Purchases of spare parts	641,363	312,173
Supply of auxiliary production services	2,657	1,496
Purchases of general services	61,809	38,921
Rental income	6,959	5,382
Rental expenses	10,149	11,033
Purchases of construction and project management services	2,165	10,756
Provision for construction supervision design services	284	2,451
Interest expenses for deposits taking services	2,505	1,970
Interest income from bank bills discounting	—	131
Purchases of property, plant and equipment	101	910
Interest expenses for accepting loan service	792	796
Aggregate of interest income for loan service	20,305	6,960
Purchases of technical services	10,377	8,491
Fee income	153	—
	<b>2,153,039</b>	<b>1,454,262</b>
<b>(ii) Ferdinand Porsche Group</b>		
Sales of spare parts	14,976	18,659
Purchases of spare parts	—	90
	<b>14,976</b>	<b>18,749</b>
<b>(iii) Prinx Cayman Group</b>		
Purchases of spare parts	130,528	—
Sales of spare parts	81,784	—
	<b>212,312</b>	<b>—</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

### 26 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Significant related party transactions (continued)

	Unaudited	
	Six months ended 30 June	
	2017	2016
<b>(iv) Hongye</b>		
Sales of trucks	748,477	169,288
Purchases of spare parts	22,789	1,791
Interest expenses for deposits taking services	80	—
Sales of spare parts	—	9,035
	<b>771,346</b>	<b>180,114</b>
<b>(v) Key management compensation</b>		
Salaries and short-term employee benefits	3,675	3,177
Post-employment benefits	141	213
	<b>3,816</b>	<b>3,390</b>

#### (vi) Other Stated-own Enterprises

The Group has transactions with Other State-owned Enterprises including but not limited to sales of products, purchase of raw materials and services, deposits placements and borrowings. The Directors are of the opinion that these transactions are conducted in the ordinary business of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 26 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Balances with related parties

#### Amounts due from related parties

	30 June 2017 Unaudited	31 December 2016 Audited
<b>(i) CNHTC Group</b>		
Loans	450,000	300,000
Trade receivables	145,675	891
Prepayments	10,486	—
Other receivables	1,021	—
	<b>607,182</b>	<b>300,891</b>
<b>(ii) Ferdinand Porsche Group</b>		
Prepayments	—	194
<b>(iii) Prinx Cayman Group</b>		
Trade receivables	4,216	6,099
Prepayments	3,701	—
	<b>7,917</b>	<b>6,099</b>
<b>(iv) Hongye</b>		
Trade receivables	472,175	107,910
Other receivables	5,269	207
	<b>477,444</b>	<b>108,117</b>
	<b>1,092,543</b>	<b>415,301</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

### 26 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Balances with related parties (continued)

The ageing analysis of trade receivables from related parties based on invoice date at respective dates of statement of financial position is as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Less than 3 months	608,161	89,254
3 months to 6 months	13,905	24,866
6 months to 12 months	—	140
1 year to 2 years	—	—
2 years to 3 years	—	640
	<b>622,066</b>	<b>114,900</b>

#### Amounts due to related parties

	30 June 2017 Unaudited	31 December 2016 Audited
<b>(i) CNHTC Group</b>		
Deposits taking	150,704	446,830
Trade payables	55,759	7,877
Borrowings	36,000	36,000
Advances from customers	11,872	15,270
Other payables	6,008	5,760
	<b>260,343</b>	<b>511,737</b>
<b>(ii) Prinx Cayman Group</b>		
Deposits taking	20,089	—
Trade payables	6,116	18,028
Advances from customers	222	—
	<b>26,427</b>	<b>18,028</b>
<b>(iii) Panzihua Mining Truck</b>		
Advances from customers	150	150

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



For the six months ended 30 June 2017  
(All amounts in RMB thousands unless otherwise stated)

## 26 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Balances with related parties (continued)

#### Amounts due to related parties (continued)

	30 June 2017 Unaudited	31 December 2016 Audited
<b>(iv) Hongye</b>		
Other payables	151,936	145,758
Deposit taking	30,858	51,673
Trade payables	5,239	—
	<b>188,033</b>	<b>197,431</b>
	<b>474,953</b>	<b>727,346</b>

The ageing analysis of trade payables to related parties based on invoice date at respective dates of statement of financial position is as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Less than 3 months	66,576	25,566
3 months to 6 months	39	339
6 months to 12 months	499	—
	<b>67,114</b>	<b>25,905</b>

As at 30 June 2017 and 31 December 2016, except for deposits taking, borrowings and loans, amounts due from/to related parties were all unsecured, interest free and due within one year. As at 30 June 2017 and 31 December 2016, deposits taking and borrowings from related parties, and loans to related parties were unsecured, bearing interest at rates mutually agreed and due within one year.

As at 30 June 2017 and 31 December 2016, trade receivables due from related parties were not past due or impaired.

#### Balances with Other State-owned Enterprises

As at 30 June 2017 and 31 December 2016, majority of the Group's bank balances and borrowings are with state-owned banks.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

(All amounts in RMB thousands unless otherwise stated)

### **27 EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION**

In August 2017, the Company and its wholly-owned subsidiary, Sinotruk Ji'nan Power Co., Ltd. completed the capital contribution to Sinotruk Finance Co., Ltd. at approximately RMB530 million and approximately RMB860 million respectively.

On 30 August 2017, the Company's non-wholly owned subsidiary, Shandong HOWO Auto Finance Co. Ltd. had entered a capital increase agreement with the Company, Shandong International Equity Trust Co., Ltd. and CNHTC under which they agreed to inject approximately RMB675 million, approximately RMB304 million and approximately RMB36 million respectively into Shandong HOWO Auto Finance Co., Ltd.





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