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

Interim Report 2008

Every Step Counts for Success

Introduction

Sinotruk (Hong Kong) Limited (the "Company") was incorporated in Hong Kong on 31 January 2007, and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 November 2007. The headquarter and major production base of the Company and its subsidiaries (the "Group") are located in Jinan, the capital of Shandong Province in the PRC. The predecessor to our parent company, China National Heavy Duty Truck Group Company Limited ("CNHTC" or "Parent Company") was the first domestic manufacturer of heavy duty trucks, and built China's first heavy duty truck in 1960. Through years of efforts, the Group has acquired remarkable market network advantages, product advantages, technological advantages and cost advantages, and has established its corporate culture concepts with unique characteristics. The Group markets its products under the brand name "中國重汽" in Chinese and "SINOTRUK" in English. Our brand name was awarded as one of the Top Ten Annual Brands of the PRC by the World Confederation of Productivity Science, and the Group has been recognized as the National Truck Export Base Enterprise by National Development and Reform Commission and Ministry of Commerce of the PRC. The Group endeavours to provide cleaner, safer, more energy saving and more comfortable transportation products to users.

The Group is engaged in the development and production of heavy duty trucks and their key parts and components, including trucks and chassis of over 14 tons, semi-tractor trucks with trailing capacity of over 12 tons, tippers and various specialty truck chassis. Its major products include HOWO, Jin Wangzi, HOKA, Sitaier-King, Sitaier and Huanghe series. The Group's services cover an extensive customer base in the infrastructure, construction, container transportation, logistics, mining, steel and chemical industries.

The Group's development target is to become an internationally renowned and domestically irreplaceable production base for heavy duty trucks. In order to realize the target, the Group insists on the implementation of four major strategies, i.e., internationalization strategy, technologically leading strategy, high quality at low cost strategy and localization strategy, thereby to achieve the internationalization of products, markets, capital, mechanism, brand name and expertise, and to build an internationalized enterprise with the most proprietary innovation capability, core competitiveness and sustainable development.

Contents

Corporate Information

DIRECTORS

Executive Directors:

Ma Chunji (Chairman)
Cai Dong (President)
Wang Haotao (Vice President)
Wei Zhihai (Vice President)
Wang Guangxi (Vice President)
Tong Jingen (Chief economist)
Wang Shanpo (Chief engineer)

Independent Non-executive Directors:

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

165 Yingxiongshan Road
Jinan, Shandong Province
China 250002

COMPANY WEBSITE

www.sinotruk.com

STRATEGY AND INVESTMENT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

Tong Jingen
Kwok Ka Yiu

LEGAL ADVISORS

Hong Kong
Sidley Austin

PRC
DeHeng Law Offices

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISORS

China International Capital Corporation (Hong Kong) Limited
J.P. Morgan Securities (Asia Pacific) Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Jinan Branch, Tianqiao Sub-branch
Bank of China Jinan Branch
Agricultural Bank of China Jinan Branch, Huaiyin Sub-branch
China Construction Bank Jinan Branch, Tianqiao Sub-branch

SHARE REGISTRAR

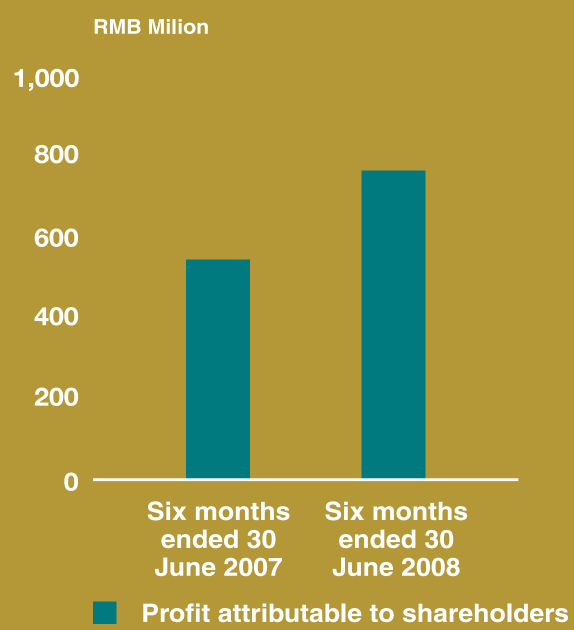
Computershare Hong Kong Investor Services Limited

SHARE INFORMATION

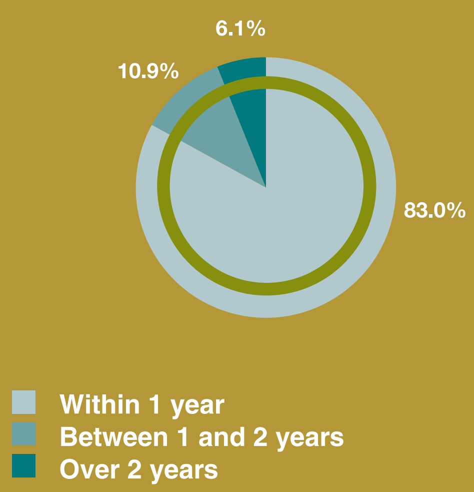
Stock code	3808
Stock name	Sinotruk
Number of issued shares	2,275,199,000 ordinary shares
Board lot size	500 shares
Investors relations	Securities Department Honk Kong: Tel (852) 3102 3808 Fax (852) 3102 3812 China: Tel (86) 531 8866 3808 Fax (86) 531 8558 2545 Email: info@sinotrukhk.com

Financial Summary

	Group Six months ended 30 June 2008 RMB Million	Group Six months ended 30 June 2007 RMB Million
TURNOVER		
Trucks	15,954	10,629
Engines	915	634
Finance	53	11
Others	2	3
	16,924	11,277



Borrowings Maturity



Management Discussion and Analysis

The board (the "Board") of directors (the "Directors") of Sinotruk (Hong Kong) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2008 ("period under review"). The results have been reviewed by PricewaterhouseCoopers, our auditors, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and have been reviewed by the Audit Committee of the Company.

BUSINESS REVIEW

As one of the largest heavy duty truck manufacturers in China, the Group engages in the production of heavy duty trucks together with key parts including engines, cabins, axles and gearboxes. The Group is the most integrated manufacturer with proprietary R&D and production capabilities, and continues to take the role as the leader and pioneer in the heavy duty truck industry in China.

I. INDUSTRIAL ANALYSIS

In 2008, China experienced natural disasters of snow-storms and earthquakes, causing significant impact to the local economy in certain areas. At the same time, the domestic economic growth was turning from rapid to over-heated, and pressure of inflation continued to grow. These have caused the heavy duty truck industry to face various unfavorable factors such as price increase in raw materials such as steel, high standing prices of diesel, slow down in fixed asset investment brought about by tight macro economic control. However, the heavy duty truck market in China still maintained its rapid growth momentum of last year.

II. BUSINESS OF THE GROUP

1. Trucks segment

The Group's sales volume of heavy duty trucks was 67,694 units, representing an increase of 57.2% over the same period last year, which is higher than the industrial level. Of these, 8,498 units were export heavy duty trucks, representing an increase of 46.6% as compared with corresponding period last year. Total turnover of trucks (including parts and components) was RMB16,007 million, representing an increase of 50.4% as compared with corresponding period last year.

2. Engines segment

Sales volume of engines was 71,658 units, of which 15.4% were sold to third parties, representing an increase of 43.0% over the same period last year. Total turnover (including parts and components) was RMB3,851 million, representing an increase of 41.3% as compared with corresponding period last year.

3. Finance segment

Total revenue from financial services was RMB75 million, representing an increase of 17.8% over the same period last year.

FINANCIAL ANALYSIS

Turnover, gross profits and gross profit margin

For the six months ended 30 June 2008, the Group's revenue grew significantly. Its turnover amounted to RMB16,924 million, representing an increase of 50.1% over RMB11,277 million for the same period of last year. The increase was mainly due to the strong growth of sales of trucks. Gross profit amounted to RMB2,433 million, representing an increase of 20.4% over the same period of last year. However, gross profit margin decrease to 14.4% in this period from 17.9% in the same period in 2007, mainly due to factors such as soaring prices of raw materials like steel and upgrading product configuration in the first half of this year.

	Six months ended 30 June					
	2008			2007		
	RMB million					
	Sales to third parties	Inter-segment sales	Subtotal	Sales to third parties	Inter-segment sales	Subtotal
Trucks	15,954	53	16,007	10,629	12	10,641
Engines	915	2,936	3,851	634	2,092	2,726
Finance	53	22	75	11	53	64
Others	2	65	67	3	31	34
Elimination	—	(3,076)	(3,076)	—	(2,188)	(2,188)
Total revenue	16,924	—	16,924	11,277	—	11,277

Distribution costs

During the period, distribution costs of the Group increased to RMB666 million from RMB491 million in the same period of 2007, representing an increase of 35.7%. Percentage of distribution costs to turnover decreased from 4.4% in the same period of 2007 to 3.9% in this period, representing a decrease in unit distribution costs to RMB9,833 from RMB11,392 of the same period last year or a decrease of 13.7%. The decrease was mainly due to significant increase in sales volume together with enhanced management and operational efficiency.

Administrative expenses

Administrative expenses increased to RMB436 million in this period from RMB407 million in the same period of 2007, representing an increase of 7%. Percentage of administrative expenses to turnover decreased to 2.6% in this period from 3.6% in the same period of 2007, representing a decrease in unit administrative expenses to RMB6,435 from RMB9,451 of the same period last year or a decrease of 31.9%. The decrease was mainly due to significant increase in turnover and effective control of administrative expenses.

Finance costs

Net finance costs became an net income of RMB48 million in this period as compared with a net cost of RMB37 million in the same period of 2007, representing an decrease of 229%. This represented a decrease in unit finance costs to -RMB704 from RMB857 of the same period last year or a decrease of 182.1%. The decrease was mainly due to the facts that the Group reduced discounting of its bank acceptance notes, optimised the loan stucture and increased financial incomes as a result of better financial management.

Management Discussion and Analysis

Income tax expense

Income tax expense was RMB333 million, representing a decrease of 21.3% as compared to RMB423 million in the same period of 2007. The effective income tax rate of the Group decreased to 25.7% this period from 37.6% in the same period of 2007. The decrease was mainly due to that the new PRC Corporate Income Tax law has been effective since 1 January 2008 which led to an reduction of income tax rate from 33% to 25%, and the effective tax planning made by the Group.

Net profit

Net profit attributable to equity holders of the Company was RMB768 million in this period, representing an increase of 39.9% as compared with the same period in 2007. Net profit translated into Hong Kong dollars at an exchange rate of 0.87917 (same period last year: 0.97436) amounted to HK$873 million, representing an increase of 55%. Shareholders will receive excessive amount of dividend dominated in HK$ as a result of strong RMB position against HK$.

In general, the Group's turnover increased significantly at a rate higher than the average level of the domestic industry, showing that it is one of the enterprises with the best efficiency.

BUSINESS AND SEGMENT INFORMATION

Trucks segment

During the first half of 2008, the Group, as one of the largest heavy duty truck manufacturers in China, continued to act the role as the leader and pioneer in the product technology and industry development of the heavy duty trucks in China. The Group aims at the target of establishing a long standing and world first class enterprise, and insisted to uphold the corporate value concept of "creating fine products with moral, and contributing to the society with fine products". Under its core corporate concept of "scientific development, rational management, sophisticated operations, and continued efforts for the best", the Group actively coped with the unfavorable impacts caused on sales brought by natural disasters since this year, and the cost pressures on manufacturing enterprises rising from the increased raw material prices such as steel. By firmly capturing the favorable opportunities of industrial development and through enhancement of internal corporate governance, faster development, application of new products and new technologies, and continuous upgrading of product quality, the Group managed to maintain its rapid and steady developing trend and achieved significant growth in revenue as compared with last corresponding period.

In the first half year, by leveraging on its own strong technological development strengths in research and collaborations with international reputable heavy duty truck component development companies, the Group made further in-depth and more outstanding technological enhancements to the product series of its own brands, and obtained significant progress in the domestic heavy duty truck sector. The Group launched new products of 08 model series. The key of its technology breakthrough was the success in the self-developed HW gearbox, which enabled the Group to completely form self-production capability and technically completeness in all key parts including truck body, frames, suspension systems, engines, gearboxes, front and rear axles, and realized technological progress under overall technical unification of the heavy duty trucks, thus becoming one of the manufacturing enterprises to have complete proprietary development, proprietary manufacturing, proprietary application of products in the domestic and overseas heavy duty truck industries. The Group's new 08 model products have realized the complete and unified technology, and the sales rate of new products with high added-values has been further enhanced in the first half year. The profitability brought to users by the advanced technological functions of HOWO and Jin Wangzi has been highly accepted by the market. The brand new generation of heavy duty trucks developed by the Group is now ready for market launch next year. Currently, the Group is able to provide 469 models of products for the choice of different demands of the users, and will continue to develop new products to satisfy market demands in future.

During the first half of 2008, the Group sold 67,694 units of heavy duty trucks, representing an increase of 57.2% over the same period last year. The Group continued to maintain and enhance its advantage in diversified markets of heavy duty truck products, with large capacity tractor trucks, dump trucks and mixer trucks continued to maintain the leading positions in the market.

Management Discussion and Analysis

During the first half of 2008, 59,196 heavy duty trucks were sold by the Group domestically, representing an increase of 58.8% over the corresponding period of last year. The Group will implement the "Establishment of a steel network" as its long-term strategic measures for close cooperation with sales and refitting enterprises, to further strengthen the setup of sales network, after-sales network systems and component systems, and commence with a series of promotions and "Affinity" service activities, so as to expand the scope of marketing service network, and promote the overall enhancement of marketing services. Currently, there are 738 sales agents in China selling our products. Of these, there are 130 4S outlets (independent outlets specialized in selling trucks and spare parts of Sinotruk and provision of after-sales services and collection of market information), and the Group has set up business relationship with 203 refitting enterprises in China. There are also 844 maintenance and repair service stations providing excellent quality after-sales services for our products. The Group has set up a nationwide modern marketing service system with reasonable allocations and operating with high efficiency, providing effective supports and important guarantee for the realization of the Group's sustainable development.

During the first half of 2008, 8,498 heavy duty trucks were exported by the Group, representing an increase of 46.6% over the same period of last year. The Group continued to increase its outreach efforts in exploring overseas markets, expanding export scale and export market, and continued to enhance the grade and technological level of exported products, and further strengthened its brand name establishment and upgraded after-sales service network. Currently, the Group has formed five major overseas markets in the Commonwealth of Independent States (CIS), Middle East, Africa, Southeast Asia, South Africa, and South America, entered into sales agreements with over 20 overseas sales agents, and exporting products to over 50 countries, the Group has set up over 400 marketing service network points overseas.

Engines segment

Among the heavy duty truck manufacturers in China, the Group is one of the few manufacturers to own the production capacity of heavy duty truck engines at the same time. Currently, the engines produced by the Group not only can satisfy the internal needs of the Group, but also can be supplied to third parties. During the first half of 2008, sales of engines have reached 71,658 units, of which 84.6% are engines for internal use. As at the end of the year, the annual production capacity of the Group's Hangzhou engine production base and Zhangqiu engine production base may reach 200,000 units through technical renovations and upgrading.

During May 2008, the EGR WD615 China III diesel engine in which the Group has invested nearly RMB100 million in development, has been tested by the automobile inspection authority in China and confirmed to satisfy China III emission requirements, getting approved for sale by the NDRC and the Ministry of Environmental Protection of the PRC, whereby the Group has become the only truck enterprise to be equipped with electronically controlled EGR engines. The newly developed EGR engines, with its characteristics of outstanding economic effect of fuel and remarkable energy saving, good oil suitability, convenience in repair and maintenance, and significantly reducing the running costs of users, have also had its production costs lower than high pressure common rail engines, and the selling price of trucks equipped with such engines is more competitive. The Group shall take market opportunities by leveraging on the various advantages of EGR engines in respect of costs.

Currently, the Group owns two types of China III engines, including the electronically controlled EGR engines and electronically controlled high pressure common rail engines researched and developed successfully and sold in large volume in 2006, which can satisfy the requirements of different markets and customers.

With the continued development of the technological level in the international heavy duty trucks, the trend of centralized control in the power system of heavy duty trucks (including engine, clutch, gearbox, propeller shaft and braking system) is becoming more and more significant, and the functions, communication and control of various key parts in power system are required to be more compatible. Accordingly, there are more intense relationships between the functions of the gearbox and the truck. The first generation HW gearboxes developed by the Group have all realized self-production. The gearboxes have same advantages as those of international advanced products, full considerations have been made to domestic running environments and actual process level, and have the characteristics of advanced structure, high reliability and good process functions. The product design has the room for expansions to higher level, and has attained the advanced level in the similar products in China. Currently, our self-production capacity has yet unable to fully satisfy the needs for the Company's truck assembly, and some have still to be purchased externally.

Besides production of heavy duty trucks, engines, gearboxes, the Group also produces key parts such as axles, cabins, truck frames and other spare parts for trucks. With the annual increase in the number of the Group's products available in the market, the Group has commenced to industrialize its spare parts, besides satisfying the needs of its own truck assembly, the spare parts are also sold to the public through the Group's spare parts sales department. The Group's original spare parts are available for users at spare parts special centers in various places, which can satisfy the substantial demands for spare parts in truck repair. This can not only guarantee the normal use of the trucks by users, but can also bring new profit growth point to the Group. In the first half year, the Group continued to expedite the construction of spare parts network in China, and currently there are 789 spare parts outlets selling the Group's spare parts.

In recent years, with the continuing rapid increase in the demands for the Group's products, there is a significant shortfall in the Group's production capacity to satisfy market demands during the peak season of sales every year. Although the Group increases its capacity every year, the orders received by the Group in the peak seasons of March and April this year were far more than our expectation. Through the Group achieved new record of monthly production at 15 thousand trucks in March and April this year, such recorded production volume could only satisfy less than 50% of the orders. The loss of substantial orders has affected the enhancement of the Group's market shares in the first half year. While expanding production capacity, the Group will also consider and balance the relationship between the utilization rate after the capacity expansion and industrial development, market demands, so as to not only fulfill the market demands for the Group's products, but can also realize the maximized utilization of the Group's capacity and resources. In order to release the bottleneck of capacity, the Group enhanced the production capacity of the key parts and spare parts processing to support the production of trucks in the peak season next year. On the other hand, the Group enhanced construction of network improvements, and identify domestic refitting enterprises in key districts having the capabilities for partnership, so as to enhance the Group's refitting capability in key districts by various ways of cooperation to push up sales in the surrounding areas. In the first half year, Liuzhou Yunli Special Vehicle Co., Ltd., which the Group newly acquired, has commenced operation. This action will considerably enhance the Group's refitting capability in the south-western region, as well as enhancing the market share of the Group's products in this region. In addition, contracts with other refitting enterprises are still under negotiations.

Finance segment

During the first half of 2008, the Group's external revenue from financial services increased by RMB42 million or 386% from 11 million in the same period of last year, to RMB53 million.

Other segment

The Group's technical center, as a heavy duty truck research and development institution of national level, is in the leading position in terms of new product design and development, research and development of key parts and components, and leads in heavy duty truck research project in the National 863 Project assigned by the China Government.

PROSPECTS AND OUTLOOK

In the first half year, various sectors in the society have indicated worries on the excessive impact of the tight macro control policy on the economy. However, the China Government will adopt measures to prevent significant fluctuations in the economy, and the trend of China's economy maintaining its dynamic and steady development will not change. China's supports to the industry and increased market demands continue to provide strong supports to the growth of the heavy duty truck industry.

We are of the opinion that the implementation of the China III emission standards and the price hike in the whole industry resulting from the rise in raw material prices will have certain impact to the market in the short-term, and it will take time to be digested and absorbed by the market. In July, there was a temporary declination in market demands, while in August there was a trend of improvement, and in the aftermath of natural disasters after September the supply of coal, power, and transportation will still remain tight. With the government's commencement of reconstruction and the slowing down of macro economic control, it is expected that the heavy duty truck market will pick up the upward trend.

In the second half year, the Group will capture favorable opportunities of industrial development to launch the marketing of the Group's China III standard products. Leverage on the advantages of the Group's electronically controlled EGR engines in terms of price and fuel saving, it is believed that the Group's products will set to occupy the leading position in the market.

We shall enhance the production capacity of trucks of the Group through investment in production capacity for the cast, enhanced production capacity of parts and components and technoligical improvement. We shall continue with our technological development of new products, and continue to enhance product quality and functions, so as to maintain the Group's technology leading position and product leading advantage in the domestic heavy duty truck industry.

In view of the present situation of high price of raw materials, the Group will reduce purchase and production cost and enhance the profitability of the enterprise through measures such as central purchase of raw material, exploration of internal potentials together with energy saving and reduced consumption.

We shall promote the implementation of our internationalization strategy, strengthen construction of overseas marketing network, and on the basis of consolidating the traditional markets, continue to explore potential markets, so as to expand exports of the Group's products, and establish the Group's image as an international brand.

While achieving further growth in the Group's production and sales and market shares, we shall put more stress on further enhancement of efficiency of the enterprise and the trends of long-term development, cultivate core competitiveness and sustainable development capabilities of the enterprise, and to lay a solid foundation to build a "Century Sinotruk" brand.

DIVIDENDS

The Board does not propose interim dividends for the six months ended 30 June 2008.

FINANCIAL REVIEW

Liquidity and financial resources

As at the end of the first half of 2008, the Group had cash and cash equivalent of RMB5,953 million and bank acceptance notes of RMB6,491 million, totaling RMB12,444 million. The Group's total banking facilities was RMB13,412 million, of which the Group had drawn RMB6,268 million. The Group's total borrowings as at the end of the period (including long-term and short-term borrowings) were RMB5,418 million while the remainder were notes payables. Gearing ratio was 18.6% (calculated by dividing total borrowings by total assets). 97% of the borrowings were denominated in RMB and the remainings were denominated in Hong Kong and United States dollars. Most of the borrowings borne floating interests which were lower than the standard quoted rates and were repayable within one year.

Cash flow

During the first half of 2008, net cash outflow from operating activities was approximately RMB3,074 million (2007: cash inflow of approximately RMB767 million). The cash outflow from operating activities was mainly due to (i) large amount of bank acceptance notes received on sales, of which RMB6,491 million have not yet matured on 30 June 2008 (31 December 2007: RBM 694 million); (ii) increase in accounts receivable and (ii) payment of income tax. The appreciation of RMB resulted exchange losses on cash and bank overdrafts of approximately RMB130 million (2007: approximately RMB2 million). During the first half of 2008, the Group's net cash outflow was approximately RMB3,994 million (2007: approximately RMB736 million).

Proceeds from the initial public offering in 2007

The Company was successfully listed on the Stock Exchange in 2007. The applications of the proceeds from the initial public offering were as follows:

Planned usage	Planned amount HK$ million	As at 30 June 2008 HK$ million
Expand the engine manufacturing capacity and enhance the technology level of Sinotruk Hangzhou Engine Co., Ltd. in Xiaoshan district of Hangzhou	1,200.0	207.0
Expand the forging capacity and enhancing the technology level at Sinotruk Ji'nan Power Co., Ltd. in Zhangqiu district of Jinan	800.0	495.9
Expand the truck manufacturing capacity and enhance technology level at Sinotruk Ji'nan Truck Co., Ltd.	700.0	404.5
Expand the truck manufacturing capacity at and enhance technology level at Sinotruk Ji'nan Commercial Truck Co., Ltd. in Zhangqiu district of Jinan	600.0	42.2
Research and development	1,232.7	84.3
Domestic and overseas market expansion	1,056.6	109.2
Repay part of the Group's loans	2,897.8	1,926.3
General working capital	943.0	816.9
	9,430.1	4,086.3

Financial management and policy

The Group's finance department is responsible for financial risk management. One of our key financial policies is to manage exchange rate risk. Our financial policy prohibited the Group from participating any speculative activities. By the end of the period under review, except for bank deposits equivalent to RMB1,005 million denominated in foreign currencies and certain foreign currency receivables, most of the Group's assets and liabilities were denominated in RMB.

In order to mitigate exchange rate risk, the Group's policy is to convert Hong Kong dollar assets into RMB assets as soon as possible and hence substantially reduce any potential loss resulting from RMB appreciation. As at 30 June 2008, an aggregate of HK$8,445 million has been remitted to the subsidiaries in China and were converted into RMB. The management continues to convert the remaining amount into RMB. As at the end of the period under review, based on a review and assessment of its foreign exchange exposures, the Group did not make any hedging against foreign exchange risk. During the period under review, the Group recorded exchange losses of not less than RMB128 million from Hong Kong dollar denominated funds raised from initial public offering.

The management believes the continuing appreciation of RMB against other currencies is favourable to its overseas shareholders, as the Company's dividend is mainly dependent on the profits from the subsidiaries operated in PRC. Net profit after minority interest when translated into Hong Kong dollars at an exchange rate of 0.87917 (same period last year: 0.97436) amounted to HK$873 million, representing an increase of 55.0%. The strong RMB position against HK$ will allow excessive dividend payout which is dominated in HK$.

Capital structure

At the end of the first half of 2008, shareholders' fund was approximately RMB12,756 million, representing an increase of approximately RMB853 million or 7.2% (end of last year: RMB11,903 million). As at 30 June 2008, the Company's market capitalization was HK$17,200 million, based on the issued share capital of 2,275,199,000 shares, and a closing price of HK$7.54 per share.

ACQUISITION

During the first half of 2008, the Company increased its investment in Sinotruk Finance Company Limited（中國重汽財務有限公司）("Sinotruk Finance") and acquired equity interest in Liuzhou Yunli Special Vehicle Co, Ltd.（柳州運力專用汽車有限公司）("Liuzhou YunLi") respectively.

The Company had acquired 4.7% equity interest in Sinotruk Finance from its independent shareholders at the consideration of RMB23.2 million. The Company has fully paid such amount. In addition, the Company has paid RMB500 million for subscription of new equity interest in Sinotruk Finance. The additional interest in Sinotruk Finance by subscription of new shares will be calculated based on the audited asset value of Sinotruk Finance as at 31 December 2007. Currently, the acquisition of 4.7% equity interest and the subscription of new shares have been approved by the Banking Regulatory Bureau of Shandong Province, but is subject to the final approval from other related government agents, and the relevant formalities of the share transfer and share subscriptions are under process.

In May 2008, the Company's wholly-owned subsidiary, Sinotruk Jinan Power Co., Ltd. (中國重汽濟南動力有限公司) ("Jinan Power") made capital contribution in Liuzhou YunLi Special Vehicle Co., Ltd. ("Liuzhou YunLi") by cash at RMB49 million. Upon the capital injection, Liuzhou YunLi was held as to 60% by Jinan Power, and as to 40%, the original shareholder of Linzhou YunLi, Liuzhou YunLi Assets Investment Co., Ltd. (柳州運力資產投資有限公司). Liuzhou YunLi was subsequently renamed as Sinotruck Liuzhou YunLi Special Vehicle Co., Ltd.（中國重汽集團柳州運力專用汽車有限公司）.

In addition, Sinotruk (Hong Kong) International Investment Limited（中國重汽（香港）國際資本有限公司）invested HK$350 million and established Jinan Ganghao Development Co., Ltd.（濟南港豪發展有限公司）, a wholly foreign owned enterprise incorporated at Jinan Hi-tech Development Zone, and which will be engaged in investments, trading and mergers and acquisitions based on the needs of the Group's development strategies.

On the other hand, the Group reorganized some domestic subsidiaries, streamlined its structure, and merged Sinotruk Ji'nan Technical Center Co., Ltd.（中國重汽濟南技術中心有限公司）("Technical Center") into Jinan Power. Upon the merger, the legal person status of Technical Center will be cancelled. The merger is subject to approval by the relevant government authorities.

In addition, Sinotruk Factory Design Institute Co., Ltd.（中國重汽設計研究院有限公司）("Design Institute"), a wholly-owned subsidiary of the Company, will acquire and merge Shandong Dadi Construction Supervision Co., Ltd.（山東大地建築監理有限公司）("Dadi Construction"). As the parent company of the Company, China National Heavy Duty Truck Group Co., Ltd. ("Parent Company") and the Design Institute held 40% and 60% equity in the Dadi Construction respectively, such acquisition is required the approval from relevant government agencies. The State-owned Assets Supervision and Administration Commission of Shandong Province has replied and approved the transfer of 40% equity interest of Dadi Construction from the Parent Company to Design Institute. The transfer of such equity interest is at a consideration of approximately RMB1.1 million. The process of the share transfer has completed, while subsequent merging procedures are under process.

GOING CONCERN

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

CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

In 2008, the Group implemented a Group-wide general legal advisor system to strengthen management of litigation and enhance prevention capacity of legal risks, providing a legal protection for the sustainable growth of the Group. In 2008, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on its financial condition and results of operations during the period under review. As at 30 June 2008, the Group estimated that the total amount of all claims was approximately RMB14.1 million. The total provision for legal claims was RMB2.4 million. As the Group has already made full provisions for claims subject to high risk of loss, there was no other material contingent liability with respect to legal claims.

SIGNIFICANT POST BALANCE SHEET EVENTS

After the balance sheet date, the Group had no events that would have material influence on the Company and its subsidiaries.

HUMAN RESOURCES

As at 30 June 2008, the Group had a total of 13,576 employees. With implementation of the "Production, University, Research Institute" project, the Group had cooperated with certain key universities and research institutes, and had established a post-doctorate working station aiming to train high caliber innovative expertise. Employees' remuneration was determined based on the nature of job, personal performance and market trends. Results appraisals were made regularly on the performance of employees, so as to determine their remuneration and discretion bonus.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Board and senior management of the Company aim to maintain a high standard of internal control by enhancing the consistency and transparency of operational and financial management through internal audit and assessable measures. In line with the expectations of the Company's shareholders, the objective is to maintain a high standard of corporate governance, formulate good corporate governance practice to improve accountability and transparency in operations, and strengthen the internal control system from time to time, in line with the expectations of the Company's shareholders. The Company has been in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Group has engaged Protiviti Shanghai Co., Ltd. ("Protiviti Shanghai") as its corporate governance advisor, and appointed China International Capital Corporation (Hong Kong) Limited and J.P. Morgan Securities (Asia Pacific) Limited as the Company's joint compliance advisors. Regular meetings are held currently for periodic review in order to meet the latest practice requirements on corporate governance.

During the first half of 2008, Protiviti Shanghai conducted testings on the Group internal control, and concluded that there has been significant improvements in the designs of the Group's existing internal control system, and the Group is gradually establishing a systematic and upgraded internal control system, so as to achieve continuing enhancement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. After making specific enquiries with all Directors, the Company confirmed that all Directors have complied with the standards required by the Code during the first half of 2008.

EXECUTIVE COMMITTEE

The Board has established an executive committee (the "Executive Committee") comprising of all the executive Directors. The Executvie Committee is responsible for the management and administration of the Company's business, and any matter in the daily course of business of the Company required to be controlled and supervised by the Board pursuant to the provisions under the Article of Association.

STRATEGY AND INVESTMENT COMMITTEE

The Strategy and Investment Committee is mainly responsible for the formulation of medium and long term strategic plans and business development strategies including the studying and recommendation of significant investment financing initiatives and significant capital operations and asset operation projects. The Strategy and Investment Committee is currently comprising 7 members, namely Mr. Ma Chunji, Mr. Cai Dong, Mr. Shao Qihui, Mr. Ouyang Minggao, Mr. Hu Zhenghuan, Mr. Wang Haotao and Mr. Wang Shanpo. Mr. Shao Qihui, Mr. Ouyang Minggao and Mr. Hu Zhenghuan are independent non-executive Directors. Mr. Ma Chunji is the chairman of the committee.

REMUNERATION COMMITTEE

The Remuneration Committee is mainly responsible for the appraisal of the senior management performance and making recommendation on their remuneration including the formulation of performance assessment standards, procedures, major proposals and mechanisms of the assessment systems, rewards and penalties, as well as the stock options incentive schemes. The Remuneration Committee will also supervise the remuneration and other benefits offered by the Company to Directors. The Remuneration Committee is currently comprising 5 members, namely, Mr. Chen Zheng, Mr. Lin Zhijun, Mr. Li Xianyun, Mr. Wei Zhihai and Mr. Tong Jingen. Mr. Chen Zheng, Mr. Lin Zhijun and Mr. Li Xianyun are independent non-executive Directors of the Company. Mr. Chen Zheng is the chairman of the committee.

AUDIT COMMITTEE

The Audit Committee is mainly responsible for reviewing and monitoring the financial control, internal control and risk management systems, including reassessment of the financial and accounting policies, review of annual reports and accounts, interim reports, etc. In addition, the Audit Committee is responsible for the appointment, reappointment 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, approval of the remuneration and terms of engagement of the external auditor, formulation of policies on the provision of non-audit services by the external auditor, the handling of any issues related to the resignation of auditors or the removal of such auditors, and the communication with the external auditor on auditing matters.

The Audit Committee is currently comprising 5 members, namely, Mr. Lin Zhijun, Mr. Ouyang Minggao, Mr. Chen Zheng, Mr. Wang Guangxi and Mr. Tong Jingen. Mr. Lin Zhijun, Mr. Ouyang Minggao and Mr. Chen Zheng are independent non-executive Directors of the Company. Mr. Lin Zhijun is the chairman of the committee.

The Audit Committee shall hold at least four meetings annually. Its purpose is to supervise the completeness of the Group's financial statements, and to consider the nature and scope of internal and external audits. The Audit Committee shall together with the Company's management and external auditors, PricewaterhouseCoopers, review the accounting principles and practices adopted by the Company, and discuss matters relating with the audits and financial aspects, including major financial, operational and compliance controls, and make reviews thereof.

REVIEW OF INTERIM RESULTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the first half of 2008.

COMMUNICATIONS WITH SHAREHOLDERS

The Company considers that active communications with investors are important and provides reports with transparency and clarity in disclosures. The securities department of the Company actively promote investor relations and enhance communications, to ensure that the investors are able to obtain the Company's information on a fair and timely basis and to assist them in making the best investment decisions. In order to cultivate good relationship with shareholders and potential investors, the Company has participated in a number of one-on-one meetings, investors' conferences and roadshows during the period. The Company has organized a number of production base site visits including the visits made by investors, fund managers and analysts to enrich their knowledge on the production operations of the Group through these activities. Investors and the public may access the website of the Company at www.sinotruk.com for the latest information available in respect of the Group including information on the financial conditions and the latest business developments of the Group.

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

As at 30 June 2008, so far is known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or any interests or short positions which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or any interests or short positions which have to be notified to the Company and the Stock Exchange pursuant to Mode Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

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

As at 30 June 2008, so far as it is known to the Directors, the person (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group was as follows:

Name of shareholder	Capacity	Number of shares in which the shareholder has interests	Percentage of shareholding (%)
Sinotruk (BVI) Limited *(Note)*	Beneficial owner	1,422,480,100	62.52%

Note: *Sinotruk (BVI) Limited is a company incorporated in the British Virgin Islands whose entire share capital is held by CNHTC. CNHTC is deemed to have an interest in all the Shares held by Sinotruk (BVI) Limited under the SFO.*

Save as disclosed above, as at 30 June 2008, so far as it is known to the Directors, there was no other person (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

Beijing China, 27 August 2008

Report On Review of Interim Financial Information

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE BOARD OF DIRECTORS OF SINOTRUK (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 19 to 44, which comprises the condensed consolidated balance sheet of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2008 and the related condensed consolidated income statement, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2008

Condensed Consolidated Balance Sheet

As at 30 June 2008
(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

	Note	30 June 2008 Unaudited	31 December 2007 Audited
ASSETS			
Non-current assets			
Land use rights	4	337,662	319,204
Property, plant and equipment	4	5,140,826	4,187,580
Intangible assets	4	10,322	5,901
Deferred income tax assets		165,663	203,426
Total non-current assets		5,654,473	4,716,111
Current assets			
Inventories		4,366,949	4,247,745
Trade and other receivables	6	10,274,948	2,856,879
Discounted bills	7	562,602	—
Amounts due from related parties	20(b)	260,421	169,645
Restricted cash		2,127,356	2,098,057
Cash and cash equivalents		5,953,278	10,077,093
Total current assets		23,545,554	19,449,419
Total assets		29,200,027	24,165,530
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	8	219,648	219,648
Statutory reserves		219,314	219,314
Capital reserves		8,003,901	8,003,901
Merger reserve		1,045,473	1,045,473
Translation reserve		(2,136)	(4,871)
Retained earnings		2,126,401	1,503,614
		11,612,601	10,987,079
Minority interest		1,143,629	916,228
Total equity		12,756,230	11,903,307

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2008
(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

	Note	30 June 2008 Unaudited	31 December 2007 Audited
LIABILITIES			
Non-current liabilities			
Borrowings	9	920,551	924,427
Deferred income tax liabilities		4,934	—
Termination benefits, post-employment benefits and medical insurance plan	10	70,750	81,550
Total non-current liabilities		996,235	1,005,977
Current liabilities			
Trade and other payables	11	10,590,453	6,579,546
Current income tax liabilities		154,525	41,632
Borrowings	9	4,497,576	4,457,188
Amounts due to related parties	20(b)	41,037	25,254
Provisions for other liabilities	12	163,971	152,626
Total current liabilities		15,447,562	11,256,246
Total liabilities		16,443,797	12,262,223
Total equity and liabilities		29,200,027	24,165,530
Net current assets		8,097,992	8,193,173
Total assets less current liabilities		13,752,465	12,909,284

The notes on pages 24 to 44 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Income Statement

For the six months ended 30 June 2008
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June 2008 Unaudited	2007 Unaudited
Turnover	13	**16,923,804**	11,276,673
Cost of goods sold		**(14,490,895)**	(9,255,997)
Gross profit		**2,432,909**	2,020,676
Distribution costs		**(665,630)**	(490,584)
Administrative expenses		**(435,625)**	(407,017)
Other (losses)/gains - net		**(86,656)**	38,267
Operating profit	14	**1,244,998**	1,161,342
Finance income		**151,275**	54,473
Finance costs		**(103,646)**	(91,405)
Finance income/(costs) – net		**47,629**	(36,932)
Profit before income tax		**1,292,627**	1,124,410
Income tax expense	15	**(332,837)**	(423,338)
Profit for the period		**959,790**	701,072
Attributable to:			
– equity holders of the Company		**767,899**	549,038
– minority interest		**191,891**	152,034
		959,790	701,072
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic & diluted	16	**0.34**	0.37
Dividends paid to equity holders of the Company	17	**(145,112)**	—
Dividends paid to minority interest	17	**—**	(1,346)

The notes on pages 24 to 44 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008
(All amounts in RMB thousands unless otherwise stated)

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Statutory reserves	Capital reserves	Merger reserve	Translation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2008	219,648	219,314	8,003,901	1,045,473	(4,871)	1,503,614	10,987,079	916,228	11,903,307
Profit for the period	—	—	—	—	—	767,899	767,899	191,891	959,790
Exchange differences arising on translation of the financial statements of a subsidiary	—	—	—	—	2,735	—	2,735	(1,106)	1,629
Dividends relating to 2007 (Note 17)	—	—	—	—	—	(145,112)	(145,112)	—	(145,112)
Acquisition of a subsidiary	—	—	—	—	—	—	—	36,616	36,616
Balance at 30 June 2008	219,648	219,314	8,003,901	1,045,473	(2,136)	2,126,401	11,612,601	1,143,629	12,756,230
Balance at 1 January 2007	146,154	67,820	(768,349)	950,723	(1,339)	545,923	940,932	644,101	1,585,033
Profit for the period	—	—	—	—	—	549,038	549,038	152,034	701,072
Appropriation	—	1,926	—	—	—	(1,926)	—	—	—
Exchange differences arising on translation of the financial statements of a subsidiary	—	—	—	—	(1,942)	—	(1,942)	(451)	(2,393)
Change of registered capital of a subsidiary	—	—	(94,750)	94,750	—	—	—	—	—
Dividends relating to 2006 (Note 17)	—	—	—	—	—	—	—	(1,346)	(1,346)
Balance at 30 June 2007	146,154	69,746	(863,099)	1,045,473	(3,281)	1,093,035	1,488,028	794,338	2,282,366

The notes on pages 24 to 44 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008
(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2008 Unaudited	2007 Unaudited
Net cash (used in)/generated from operating activities	**(3,073,902)**	767,211
Net cash used in investing activities	**(748,792)**	(286,012)
Net cash used in financing activities	**(171,609)**	(1,217,265)
Net decrease in cash and cash equivalents	**(3,994,303)**	(736,066)
Cash and cash equivalents at 1 January	**10,077,093**	2,321,902
Effect of foreign exchange rate changes	**(129,512)**	(2,436)
Cash and cash equivalents at 30 June	**5,953,278**	1,583,400

The notes on pages 24 to 44 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Financial Information

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

Sinotruk (Hong Kong) Limited (the "Company") was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation (the "Reorganisation") as detailed in section headed "History, Reorganisation and Corporate Structure" of the global offering prospectus dated 15 November 2007.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is principally engaged in the manufacturing and sales of heavy duty trucks, engines, and the provision of finance services. The address of the Company's registered office is Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

Following completion of the global offering, the Company's shares were listed on the Stock Exchange of Hong Kong Limited on 28 November 2007.

2 BASIS OF PREPARATION

The Group resulting from the Reorganisation referred in Note 1 above is regarded as a continuing entity. Accordingly, the unaudited condensed consolidated interim financial information, including comparative figures, have been prepared on the principle of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as if the current group structure had been in existence throughout the two periods ended 30 June 2007 and 2008 presented.

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

The following new interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions'
- HK(IFRIC) – Int 12, 'Service concession arrangements'
- HK(IFRIC) – Int 14, 'HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (Continued)

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (1)
- HKAS 1 (amendment), 'Presentation of financial statements' (2)
- HKAS 23 (amendment), 'Borrowing costs' (2)
- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements' (2)
- HKFRS 2 (amendment), 'Share-based payment' (2)
- HKFRS 8, 'Operating segments' (2)
- HKFRS 3 (amendment), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures' (3)

Notes:

(1) Effective from the financial year beginning 1 July 2008

(2) Effective from the financial year beginning 1 January 2009

(3) Effective from the financial year beginning 1 July 2009

4 CAPITAL EXPENDITURE

	Land use rights	Property, plant and equipment	Intangible assets
Six months ended 30 June 2008			
Opening carrying amount as at 1 January 2008	319,204	4,187,580	5,901
Additions	414	1,077,334	3,561
Acquisition of a subsidiary (Note 5)	21,563	77,257	1,950
Disposals	—	(23,859)	—
Depreciation and amortisation (Note 14)	(3,519)	(177,486)	(1,090)
Closing carrying amount as at 30 June 2008	337,662	5,140,826	10,322
Six months ended 30 June 2007			
Opening carrying amount as at 1 January 2007	240,087	2,647,734	7,107
Additions	25,070	342,193	149
Disposals	—	(4,024)	—
Depreciation and amortisation (Note 14)	(3,587)	(114,476)	(901)
Closing carrying amount as at 30 June 2007	261,570	2,871,427	6,355

(All amounts in RMB thousands unless otherwise stated)

5 BUSINESS COMBINATIONS

On 31 May 2008, the Group acquired 60% of equity interest in Liuzhou Yunli Special Vehicle Co., Ltd. ("Liuzhou Yunli"), a company that refits and sells heavy duty trucks, for a cash consideration of approximately RMB49,249,000.

The acquired business contributed revenues of approximately RMB82,672,000 and net profit of approximately RMB2,991,000 to the Group for the period from acquisition to 30 June 2008. If the acquisition had occurred on 1 January 2008, consolidated revenue and consolidated profit for the six months ended 30 June 2008 would have been approximately RMB17,112,834,000 and RMB953,508,000 respectively.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
– cash paid	49,249
Total purchase consideration	49,249
– fair value of net identifiable assets acquired, attributable to equity holders of the Company	54,923
Gain recognised	(5,674)

The excess of the Group's share of the fair value of Liuzhou Yunli's net identifiable assets, over the purchase consideration is recognised as other gains.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
Cash and cash equivalents	66,839	66,839
Short-term investment	360	367
Property, plant and equipment	75,021	77,257
Land use rights	18,941	21,563
Intangible assets	120	1,950
Inventories	90,095	104,158
Receivables	52,629	58,822
Payables	(176,244)	(176,244)
Employee benefit liabilities, including pensions	(933)	(933)
Borrowings	(59,000)	(59,000)
Net deferred tax assets/(liabilities)	784	(3,241)
Net identifiable assets acquired	68,612	91,538
Inflow of cash to acquire business, net of cash acquired:		
– cash and cash equivalents in subsidiary acquired		66,839
– cash consideration		(49,249)
Cash inflow on acquisition		17,590

(All amounts in RMB thousands unless otherwise stated)

6 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2008	31 December 2007
Accounts receivable	2,669,962	1,542,480
Less: Provision for impairment of accounts receivable	(22,061)	(24,585)
Accounts receivable – net	2,647,901	1,517,895
Notes receivable		
– Bank acceptance notes	6,490,796	694,281
– Commercial acceptance notes	3,600	5,641
Notes receivable – total	6,494,396	699,922
Trade receivables – net	9,142,297	2,217,817
Other receivables	368,145	146,329
Less: Provision for impairment of other receivables	(4,258)	(4,007)
Other receivables – net	363,887	142,322
Prepayments	595,106	265,511
Interest receivables	72,073	37,449
Prepaid taxes other than income tax	101,585	193,780
Trade and other receivables	10,274,948	2,856,879

The credit policy generally requires domestic customers to pay a certain amount of deposits when orders are made and settle full purchase price prior to delivery either in cash or bank notes with a tenture of usually three to six months, which represents the credit term granted to the customers who pay by bank notes. The Group also grants certain customers credit terms of not more than 90 days only when the customers are with good credit history. The majority of the Group's export sales are made through letters of credit.

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

	As at	
	30 June 2008	31 December 2007
Less than 3 months	4,386,215	1,573,357
3 months to 6 months	4,758,619	654,728
6 months to 12 months	16,310	2,843
1 year to 2 years	296	9,139
2 years to 3 years	1,165	612
Over 3 years	1,753	1,723
	9,164,358	2,242,402

(All amounts in RMB thousands unless otherwise stated)

7 DISCOUNTED BILLS

Discounted bills were received by Sinotruk Finance Company Limited ("Sinotruk Finance Company") from certain suppliers of the Group, and were discounted to other financial institutions at an interest rate with reference to the re-discount rates as established by People's Bank of China. Because the other financial institutions had rights of recourse claim on these bills against Sinotruk Finance Company according to the agreements between Sinotruk Finance Company and the other financial institutions, the related discounted bills were not derecognised.

8 SHARE CAPITAL

	Number of Ordinary shares	Share capital
Opening balance at 1 January 2008	**2,275,199,000**	**219,648**
At 30 June 2008	**2,275,199,000**	**219,648**
Opening balance at 1 January 2007	—	—
Incorporation of the Company (i)	1	—
Share subdivision (ii)	9	—
Share issued and allotted on 27 June 2007 (ii)	99,990	10
Share issued and allotted on 30 June 2007 to acquire subsidiaries (iii)	1,499,900,000	146,144
At 30 June 2007	1,500,000,000	146,154

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

(i) The Company was incorporated in Hong Kong on 31 January 2007 as a limited liability company in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

As at the date of incorporation of the Company, the authorised share capital was HK$10,000 divided into 10,000 shares of HK$ 1.00 each, of which one share of HK$1.00 was allotted, issued and credited as fully paid to the subscriber.

On 12 February 2007, the subscriber transferred the one share of HK$ 1.00 each in issue in the Company to Sinotruk BVI Limited ("Sinotruk BVI"), which is wholly owned by China National Heavy Duty Truck Group Company Limited ("CNHTC"), for cash at par.

(ii) On 27 June 2007, (1) every one share of HK$ 1.00 each in share capital of the Company was subdivided into ten shares; and (2) the authorised share capital was increased to HK$ 10,000,000,000 by the creation of an additional 99,999,900,000 shares which rank pari passu with the existing shares.

On 30 June 2007, 99,990 shares were allotted and issued to Sinotruk BVI for cash at par.

(All amounts in RMB thousands unless otherwise stated)

8 SHARE CAPITAL (Continued)

(iii) On 30 June 2007, the Company acquired the entire equity interests in the companies now comprising the Group from Sinotruk BVI through a share swap, and became the holding company of those companies. As at 30 June 2007, 1,499,900,000 ordinary share of HK$ 0.10 (equivalent to approximately RMB146,144,000) was allotted and issued to Sinotruk BVI for the purpose of acquiring the companies.

Cost of investment in subsidiaries in the Company balance sheet is recognised at RMB3,006,299,056 on a deemed cost basis pursuant to the Asset Injection Agreement, dated 2 April 2007, among CNHTC, Sinotruk BVI and the Company, which has been approved by the Shandong provincial counterpart of the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC").

The excess of the cost of investment in subsidiaries over the par value of the shares were credited to the share premium.

9 BORROWINGS

	As at	
	30 June 2008	31 December 2007
Non-current		
Long-term bank borrowings		
– guaranteed (a)	—	320,350
– secured (b)	11,417	11,942
– unsecured	909,134	592,135
	920,551	924,427
Current		
Long-term bank borrowings, current portion		
– secured (b)	397,598	398,015
– unsecured	—	60,000
	397,598	458,015
Short-term bank borrowings		
– guaranteed (a)	40,000	—
– secured (b)	813,457	1,033,173
– unsecured	3,246,521	2,966,000
	4,099,978	3,999,173
	4,497,576	4,457,188
Total borrowings	5,418,127	5,381,615

(All amounts in RMB thousands unless otherwise stated)

9 BORROWINGS (Continued)

(a) As at 30 June 2008, bank borrowings of approximately RMB40,000,000 are guaranteed by Liu Zhou Hua Yun Real Estate Company Limited (2007: Nil). As at 31 December 2007, bank borrowings of approximately RMB320,350,000 are guaranteed by CNHTC.

(b) As at 30 June 2008, bank borrowings of approximately RMB12,690,000 (2007: RMB13,819,000) are secured by certain land use rights carrying at approximately RMB21,586,000 (2007: RMB23,463,000) and property, plant and equipment carrying at approximately RMB1,735,000 (2007: RMB1,875,000). Bank borrowings of approximately RMB1,209,782,000 (2007: RMB1,429,311,000) are secured by certain bank deposits carrying at approximately RMB813,457,000 (2007: RMB496,970,000).

As at 30 June 2008 and 31 December 2007, the Group's borrowings were repayable as follows:

	As at	
	30 June 2008	31 December 2007
Within 1 year	**4,497,576**	4,457,188
Between 1 and 2 years	**590,360**	594,013
Between 2 and 5 years	**325,077**	325,981
Wholly repayable within 5 years	**5,413,013**	5,377,182
Over 5 years	**5,114**	4,433
	5,418,127	5,381,615

Movements in borrowings were analysed as follow:

Six months ended 30 June 2008	
Opening amount as at 1 January 2008	**5,381,615**
Acquisition of a subsidiary (Note 5)	**59,000**
Proceeds from borrowings	**4,010,666**
Repayments of borrowings	**(4,034,266)**
Foreign exchange gain	**1,112**
Closing amount as at 30 June 2008	**5,418,127**
Six months ended 30 June 2007	
Opening amount as at 1 January 2007	8,182,930
Proceeds from borrowings	2,998,802
Repayments of borrowings	(5,396,981)
Closing amount as at 30 June 2007	5,784,751

Interest expenses on borrowings for the six months ended 30 June 2008 were approximately RMB81,350,000 (30 June 2007: RMB53,390,000), out of which approximately RMB14,040,000 (30 June 2007: RMB2,900,000) arising on financing for the construction of plant and equipments were capitalised during the period and were included in "additions" in property, plant and equipment. A capitalisation rate of 5.95% (30 June 2007: 5.86%) was used, representing the borrowing cost of the loan used to finance the project.

(All amounts in RMB thousands unless otherwise stated)

9 BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2008	31 December 2007
Floating rate – expiring within one year	7,143,646	7,108,000

10 TERMINATION BENEFITS, POST-EMPLOYMENT BENEFITS AND MEDICAL INSURANCE PLAN

	As at	
	30 June 2008	31 December 2007
Termination benefits (a)	57,490	67,760
Post-employment benefits (b)	8,860	9,200
Medical insurance plan (c)	4,400	4,590
	70,750	81,550

(a) The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

The termination benefits recognised in the income statement are as follows:

	For the six months ended	
	30 June 2008	30 June 2007
Termination benefits, included in staff costs	1,180	1,190

(b) For employees who formally retired before 1 May 2002, the Group is committed to pay fixed contributions to these employees on a monthly basis. For employees who retired after 1 May 2002, the Group has no further payment obligations. The Group accounts for it by using the accounting basis similar to a defined benefit plan.

The amounts of post-employment benefits recognised in the balance sheet are determined as follows:

	As at	
	30 June 2008	31 December 2007
Present value of benefit plans	8,690	8,870
Unrecognised actuarial gains	170	330
Liability in the balance sheet	8,860	9,200

(All amounts in RMB thousands unless otherwise stated)

10 TERMINATION BENEFITS, POST-EMPLOYMENT BENEFITS AND MEDICAL INSURANCE PLAN (Continued)

The post-employment benefits recognised in the income statement are as follows:

	For the six months ended	
	30 June 2008	30 June 2007
Post-employment benefits	190	160

The movement of post-employment benefits recognised in the balance sheet is as follows:

	For the six months ended	
	30 June 2008	30 June 2007
Beginning of the period	9,200	9,960
Total expenses, included in staff costs as shown above	190	160
Contributions paid	(530)	(540)
End of the period	8,860	9,580

(c) The Group entities operating in Ji'nan City provide post-retirement healthcare benefit to their retirees retiring before 1 March 2006. The entitlement to these benefits is usually conditional on the employee remaining in service up to the pre-defined retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in the income statement over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

The amounts of medical insurance plan recognised in the balance sheet are determined as follows:

	As at	
	30 June 2008	31 December 2007
Present value of benefit plan	4,570	4,700
Unrecognised actuarial losses	(170)	(110)
Liability in the balance sheet	4,400	4,590

The medical insurance plan recognised in the income statement is as follows:

	For the six months ended	
	30 June 2008	30 June 2007
Current service cost	40	30
Interest cost	60	50
Total expenses, included in staff costs	100	80

(All amounts in RMB thousands unless otherwise stated)

10 TERMINATION BENEFITS, POST-EMPLOYMENT BENEFITS AND MEDICAL INSURANCE PLAN (Continued)

The movement of medical insurance plan recognised in the balance sheet is as follows:

	For the six months ended	
	30 June 2008	30 June 2007
Beginning of the period	**4,590**	5,090
Total expenses, included in staff costs as shown above	**100**	80
Contributions paid	**(290)**	(310)
End of the period	**4,400**	4,860

11 TRADE AND OTHER PAYABLES

	As at	
	30 June 2008	31 December 2007
Trade and bills payables	**8,566,131**	5,030,493
Advances from customers	**749,047**	525,625
Staff welfare and salaries payable	**137,418**	139,597
Taxes liabilities other than income tax	**268,407**	22,312
Accrued expenses	**278,029**	219,705
Other payables	**591,421**	641,814
Trade and other payables	**10,590,453**	6,579,546

As at 30 June 2008 and 31 December 2007, the ageing analysis of the trade and bills payables were as follows:

	As at	
	30 June 2008	31 December 2007
Less than 3 months	**7,385,474**	3,891,622
3 months to 6 months	**1,080,430**	1,035,232
6 months to 12 months	**69,086**	64,787
1 year to 2 years	**16,183**	24,416
2 years to 3 years	**8,482**	4,698
Over 3 years	**6,476**	9,738
	8,566,131	5,030,493

(All amounts in RMB thousands unless otherwise stated)

12 PROVISION FOR OTHER LIABILITIES

	Legal claims	Products warranties	Total
Six months ended 30 June 2008			
Opening net book amount at 1 January 2008	2,209	150,417	152,626
Additional provisions	230	196,633	196,863
Utilised during the period	—	(185,518)	(185,518)
Closing net book amount at 30 June 2008	2,439	161,532	163,971
Six months ended 30 June 2007			
Opening net book amount at 1 January 2007	3,857	66,538	70,395
Additional provisions	—	131,696	131,696
Unused amount reversed	—	(45,695)	(45,695)
Closing net book amount at 30 June 2007	3,857	152,539	156,396

13 SEGMENT INFORMATION

The Group's primary reporting format is presented as business segments.

The Group's turnover represents the net value (excluding value-added tax) of trucks and engines sold, and finance and other services provided after allowances for returns and discounts.

The Group is organised into four major business segments according to the nature of products and services provided:

(i) Trucks – Manufacture and sale of trucks;

(ii) Engines – Manufacture and sale of engines;

(iii) Finance – Taking deposits from member companies, facilitating borrowings for member companies, discounting notes of member companies and providing entrusted loan and entrusted investment between member companies; and

(iv) Others – Design and research.

(All amounts in RMB thousands unless otherwise stated)

13 SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2008 are as follows:

	Trucks	Engines	Finance	Others	Elimination	Total
Turnover						
External segment revenue	15,954,401	914,418	53,038	1,947	—	16,923,804
Inter-segment revenue	52,612	2,936,829	21,865	64,686	(3,075,992)	—
Revenue	16,007,013	3,851,247	74,903	66,633	(3,075,992)	16,923,804
Operating profit/(loss) before unallocated corporate expenses	1,074,680	162,185	46,716	(6,335)	105,869	1,383,115
Unallocated corporate expenses						(138,117)
Operating profit						1,244,998
Finance income – net						47,629
Profit before income tax						1,292,627
Income tax expense						(332,837)
Profit for the period						959,790

The segment results for the six months ended 30 June 2007 are as follows:

	Trucks	Engines	Finance	Others	Elimination	Total
Turnover						
External segment revenue	10,629,430	633,726	10,902	2,615	—	11,276,673
Inter-segment revenue	11,887	2,092,457	52,692	30,738	(2,187,774)	—
Revenue	10,641,317	2,726,183	63,594	33,353	(2,187,774)	11,276,673
Operating profit/(loss) before unallocated corporate expenses	963,384	380,251	22,981	(12,210)	(140,531)	1,213,875
Unallocated corporate expenses						(52,533)
Operating profit						1,161,342
Finance costs – net						(36,932)
Profit before income tax						1,124,410
Income tax expense						(423,338)
Profit for the period						701,072

(All amounts in RMB thousands unless otherwise stated)

14 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2008 and 2007:

	For the six months ended	
	30 June 2008	30 June 2007
Inventory write-down	**3,167**	3,646
Loss on disposal of property, plant and equipment	**18,319**	563
Amortisation of land use rights (Note 4)	**3,519**	3,587
Depreciation of property, plant and equipment (Note 4)	**177,486**	114,476
Amortisation of intangible assets (Note 4)	**1,090**	901
Foreign exchange loss/(gain), net	**164,684**	(1,019)

15 INCOME TAX EXPENSE

	For the six months ended	
	30 June 2008	30 June 2007
Current income tax		
– Hong Kong profits tax	**273**	1,170
– PRC enterprise income tax	**293,108**	506,336
	293,381	507,506
Deferred income tax	**39,456**	(84,168)
	332,837	423,338

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%). For the subsidiaries incorporated in the People's Republic of China ("PRC"), the estimated average annual tax rate used for 2008 is 25% (the estimated tax rate for the first-half of 2007 was 33%). This decrease is mainly due to a decrease of 8% in the income tax rate with the effectiveness of the Corporate Income Tax Law of PRC.

(All amounts in RMB thousands unless otherwise stated)

16 EARNINGS PER SHARE

Basic

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

	For the six months ended	
	30 June 2008	30 June 2007
Profit attributable to equity holders of the Company	**767,899**	549,038
Weighted average number of ordinary shares in issue (thousands)	**2,275,199**	1,500,000
Basic earnings per share (RMB per share)	**0.34**	0.37

Diluted

Diluted earnings per share equals basic earnings per share as the Company has no dilutive potential ordinary shares as at 30 June 2007 and 2008.

17 DIVIDENDS

During the six months ended 30 June 2007, one of the Group's non-wholly owned subsidiaries had paid dividends to minority shareholders of approximately RMB1,346,000.

A dividend that related to the year ended 31 December 2007 and that amounts to HK$ 161,539,000 (approximately RMB145,112,000) was paid in June 2008.

18 CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

19 CAPITAL COMMITMENTS

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

	As at	
	30 June 2008	31 December 2007
Purchase of property, plant and equipment		
- Contracted but not provided for	**843,965**	531,862

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2008 and 2007, the directors were of the view that the following entities and persons are related parties of the Group:

Name of related party	Nature of relationship
CNHTC（中國重型汽車集團有限公司）	The ultimate parent company
Sinotruk (BVI) Limited（中國重汽（維爾京群島）有限公司）	Parent company
CNHTC Special Vehicle Company（重汽集團專用汽車公司）	Subsidiary of CNHTC
CNHTC Ji'nan Bus Co., Ltd.（重汽集團濟南客車有限責任公司）	Subsidiary of CNHTC
CNHTC Taian Wuyue Special Truck Co., Ltd.（中國重型汽車集團泰安五岳專用汽車有限公司）	Subsidiary of CNHTC
CNHTC Lease Firm（中國重型汽車集團租賃商社）	Subsidiary of CNHTC
CNHTC Sales Company（中國重型汽車銷售公司）	Subsidiary of CNHTC
CNHTC Ji'ning Commercial Truck Co., Ltd.（中國重汽車集團濟寧商用車有限公司）	Subsidiary of CNHTC
CNHTC Ji'nan Investment Co., Ltd.（中國重汽集團濟南投資有限公司）	Subsidiary of CNHTC
CNHTC Real Estates Company（中國重汽集團房地產開發公司）	Subsidiary of CNHTC
Shandong Xin Hai Guarantee Co., Ltd.（山東鑫海擔保有限公司）	One of the senior management of CNHTC is Chairman of Shandong Xin Hai Guarantee Co., Ltd.
CNHTC Ji'nan Realty Management Co., Ltd.（中國重汽集團濟南物業有限公司）	Subsidiary of CNHTC
CNHTC Ji'nan Construction Project Management Co., Ltd.（中國重汽集團濟南工程項目管理有限公司）	Subsidiary of CNHTC
Hangzhou Engine Factory（杭州發動機廠）	Subsidiary of CNHTC
Ji'nan Automobile Test Center（濟南汽車檢測中心）	Subsidiary of CNHTC

(a) Significant related party transactions

(i) Significant transactions with related parties except for other state-owned enterprises

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
Sale of trucks		
CNHTC Special Vehicle Company	135,487	50,053
CNHTC Taian Wuyue Special Truck Co., Ltd.	72,157	2,982
CNHTC Lease Firm	13,059	1,066
CNHTC Ji'nan Investment Co., Ltd.	3,415	2,577
CNHTC Ji'nan Realty Management Co., Ltd.	103	—
	224,221	56,678

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

(i) Significant transactions with related parties except for other state-owned enterprises (Continued)

	For the six months ended	
	30 June 2008	30 June 2007
Sale of spare parts		
CNHTC Ji'ning Commercial Truck Co., Ltd.	464,923	203,088
CNHTC Ji'nan Investment Co., Ltd.	215,876	142,469
CNHTC	2,010	91
CNHTC Ji'nan Construction Project Management Co., Ltd.	1,496	—
Hangzhou Engine Factory	1,066	—
CNHTC Ji'nan Bus Co., Ltd.	416	4,879
CNHTC Taian Wuyue Special Truck Co., Ltd.	56	2,261
CNHTC Special Vehicle Company	—	665
	685,843	353,453

	For the six months ended	
	30 June 2008	30 June 2007
Purchases of trucks		
CNHTC Special Vehicle Company	221,086	80,355
CNHTC Ji'nan Investment Co., Ltd.	147,580	123,812
CNHTC Taian Wuyue Special Truck Co., Ltd.	58,918	30,689
CNHTC Ji'ning Commercial Truck Co., Ltd.	—	1,092
	427,584	235,948

	For the six months ended	
	30 June 2008	30 June 2007
Purchases of spare parts		
CNHTC Ji'nan Bus Co., Ltd.	49,735	26,809
CNHTC Ji'nan Investment Co., Ltd.	33,400	26,013
Hangzhou Engine Factory	3,732	—
CNHTC	2,505	—
CNHTC Ji'nan Construction Project Management Co., Ltd.	779	—
CNHTC Special Vehicle Company	386	66
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	126
	90,537	53,014

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

(i) Significant transactions with related parties except for other state-owned enterprises (Continued)

	For the six months ended	
	30 June 2008	30 June 2007
Sales of services		
CNHTC Special Vehicle Company	953	—
CNHTC Ji'nan Construction Project Management Co., Ltd.	123	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	67	—
CNHTC Ji'ning Commercial Truck Co., Ltd.	49	—
CNHTC Ji'nan Investment Co., Ltd.	32	—
CNHTC Ji'nan Bus Co., Ltd.	14	—
	1,238	—

	For the six months ended	
	30 June 2008	30 June 2007
Purchases of services		
CNHTC	28,502	31,875
CNHTC Ji'nan Realty Management Co., Ltd.	4,837	5,034
Ji'nan Automobile Test Center	1,446	32
CNHTC Ji'nan Investment Co., Ltd.	89	—
CNHTC Ji'nan Bus Co., Ltd.	15	1,424
Hangzhou Engine Factory	—	4,196
	34,889	42,561

	For the six months ended	
	30 June 2008	30 June 2007
Rental income		
Ji'nan Automobile Test Center	315	315
Shandong Xin Hai Guarantee Co., Ltd.	75	75
	390	390

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

(i) Significant transactions with related parties except for other state-owned enterprises (Continued)

	For the six months ended	
	30 June 2008	30 June 2007
Rental expenses		
CNHTC	**7,202**	2,138
Hangzhou Engine Factory	**6,050**	4,433
	13,252	6,571

(ii) Significant transactions with other state-owned enterprises

	For the six months ended	
	30 June 2008	30 June 2007
Sale of trucks	**165,141**	56,361
Purchases of spare parts	**2,482,866**	2,087,676
Purchases of services	**1,633**	1,175
Interest expense on bank borrowings	**81,353**	74,229
Interest income from bank deposits	**151,275**	54,241

These transactions are carried out on normal commercial terms that are consistently applied to all counter parties.

(iii) Key management compensation

	For the six months ended	
	30 June 2008	30 June 2007
Key management compensation		
Directors and supervisors		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,367**	1,997
Senior management		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**574**	206
	2,941	2,203

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

(i) Balances with related parties except for other state-owned enterprises

	As at 30 June 2008	As at 31 December 2007
Trade and other receivables		
Trade receivables due from		
CNHTC Ji'ning Commercial Truck Co., Ltd.	196,124	46,450
CNHTC Ji'nan Investment Co., Ltd.	46,143	34,049
CNHTC Real Estates Company	4,347	—
CNHTC Ji'nan Construction Project Management Co., Ltd.	1,739	—
CNHTC	914	300
CNHTC Special Vehicle Company	258	873
CNHTC Lease Firm	158	—
	249,683	81,672

	As at 30 June 2008	As at 31 December 2007
Other receivables due from		
CNHTC	2,157	63,688
Hangzhou Engine Factory	—	684
Shandong Xin Hai Guarantee Co., Ltd.	75	—
	2,232	64,372

	As at 30 June 2008	As at 31 December 2007
Trade and other payables		
Trade payables due to		
CNHTC Ji'nan Investment Co., Ltd.	20,967	52
CNHTC Special Vehicle Company	7,657	19,154
CNHTC Taian Wuyue Special Truck Co., Ltd.	3,273	1,230
CNHTC Ji'nan Construction Project Management Co., Ltd.	912	—
Ji'nan Automobile Test Center	28	32
CNHTC Ji'nan Bus Co., Ltd.	—	95
	32,837	20,563

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

(i) Balances with related parties except for other state-owned enterprises (Continued)

	As at	
	30 June 2008	31 December 2007
Other payables due to		
Hangzhou Engine Factory	4,317	—
CNHTC Ji'nan Construction Project Management Co., Ltd.	1,300	—
CNHTC	1,237	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	200	1,000
CNHTC Ji'nan Realty Management Co., Ltd.	2	22
Sinotruk BVI	—	1,212
CNHTC Sales Company	—	361
CNHTC Ji'ning Commercial Truck Co., Ltd.	—	49
	7,056	2,644

	As at	
	30 June 2008	31 December 2007
Prepayments		
CNHTC Ji'nan Construction Project Management Co., Ltd.	6,865	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	920	1,357
CNHTC Ji'ning Commercial Truck Co., Ltd.	720	—
CNHTC Special Vehicle Company	1	18,915
CNHTC Ji'nan Investment Co., Ltd.	—	3,329
	8,506	23,601

	As at	
	30 June 2008	31 December 2007
Advances from customers		
CNHTC Taian Wuyue Special Truck Co., Ltd.	1,056	1,361
CNHTC	74	—
CNHTC Lease Firm	10	5
CNHTC Special Vehicle Company	4	651
CNHTC Ji'nan Investment Co., Ltd.	—	30
	1,144	2,047

(All amounts in RMB thousands unless otherwise stated)

20 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

(ii) Balances with other state-owned enterprises

	As at	
	30 June 2008	31 December 2007
Trade receivables	**81,835**	32,455
Other receivables	**75,548**	48,578
Trade payables	**315,732**	131,847
Other payables	**3,360**	2,158
Prepayments	**166,945**	92,582
Advances from customers	**115,309**	16,469
Restricted cash	**2,127,356**	2,098,057
Cash and cash equivalents	**5,952,791**	10,076,797
Borrowings	**5,418,127**	5,361,615

21 APPROVAL ON THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

The consolidated condensed interim financial information was reviewed by the audit committee of the Company and approved by the Board on 27 August 2008.

CNHTC

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SINOTRUK