



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 2014



*“Every Step Counts
for Success”*



CONTENTS

- 2** Highlights
- 3** Definitions
- 5** The Group
- 6** Corporate Information
- 7** Management Discussion and Analysis
- 16** Other Information
- 22** Report on Review of Interim Financial Information
- 23** Condensed Consolidated Statement of Comprehensive Income
- 24** Condensed Consolidated Statement of Financial Position
- 26** Condensed Consolidated Statement of Changes in Equity
- 27** Condensed Consolidated Statement of Cash Flows
- 28** Notes to the Condensed Consolidated Interim Financial Information



Highlights

KEY INTERIM RESULTS FIGURES	2014	2013	Increase/(Decrease)	
				%
Operating results (RMB million)				
Turnover	16,746	14,863	1,883	12.7
Operating profit	696	548	148	27.0
Profit attributable to equity holders of the Company	322	193	129	66.8
Profitability (%)				
Gross profit margin	16.6	16.6	—	—
Operating profit margin	4.2	3.7	0.5	13.5
Net profit margin	2.5	1.8	0.7	38.9
Liquidity				
Current ratio (time)	1.2	1.4	(0.2)	(14.3)
Inventory turnover (days)	108.7	119.7	(11.0)	(9.2)
Trade receivable turnover (days)	155.1	157.0	(1.9)	(1.2)
Trade payable turnover (days)	123.9	114.7	9.2	8.0
Sales volume (units)				
HDTs				
— Domestic	41,624	36,312	5,312	14.6
— Export (including affiliated export)	9,506	10,318	(812)	(7.9)
Total	51,130	46,630	4,500	9.7
LDTs	27,830	24,530	3,300	13.5
Buses	660	520	140	26.9
Per share data				
Earnings per share - basic (RMB)	0.12	0.07	0.05	71.4
Share information (as at 30 June)				
Number of issued ordinary shares (million)	2,761	2,761	—	—
Market capitalisation (RMB million)	8,459	8,357	102	1.2

Definitions

In this interim 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 or otherwise modified from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“Chengdu Wangpai”	Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., a non wholly owned subsidiary of the Company
“China” or “PRC”	the People’s Republic of China, and for the purpose in this interim report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“CNHTC”	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
“CNHTC Group”	CNHTC and its subsidiaries other than the Group
“Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong), which was in operation before the implementation of the New Companies Ordinance
“Company” or “Sinotruk”	Sinotruk (Hong Kong) Limited
“Director(s)”	the director(s) of the Company
“Fujian Haixi”	Sinotruk Fujian Haixi Vehicles Co., Ltd., a non wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HDT(s)”	heavy duty trucks and medium-heavy duty trucks
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ji’nan Truck”	Sinotruk Ji’nan Truck Co., Ltd., a non wholly owned subsidiary of the Company and its shares listed on the Shenzhen Stock Exchange in the PRC

Definitions

“LDT(s)”	light duty trucks
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAN Group”	MAN SE and its subsidiaries
“MAN SE”	MAN SE, a company incorporated under the laws of Germany, the shares of which are listed on the German Stock Exchange in Germany (ISIN DE 0005937007, WKN 593700) and the beneficiary owner of 25% of the entire issued share capital of the Company plus one Share
“New Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014
“Period”	the six months ended 30 June 2014
“PBOC”	The Peoples’ Bank of China
“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s) from time to time
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange in the PRC
“Sinotruk Finance”	Sinotruk Finance Co., Ltd., a non wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) whether incorporated in Hong Kong or elsewhere and “subsidiaries” shall be construed accordingly
“%”	per cent

BUSINESS

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

The Group mainly manufactures trucks and also produces key parts and components such as engines, cabins, axles, steel frames and gearboxes. The Group is a HDT manufacturer which has the independent research and development and production capability in trucks as well as having 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.

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, Sitaier King, Sitaier and Hohans, each of which is further divided into various sub-series to target different sectors of the Group's product market. In addition, the Group engages in truck refitting and manufactures specialty vehicles. The production bases are located at Ji'nan, PRC.

(ii) Light Duty Trucks and Buses Segment

The Group's LDT products mainly include HOWO, Huanghe, Fuluo, and Wangpai "7 series" products, which production bases are located at Ji'nan, Chengdu and Fujian, PRC. The Group's HOWO buses products, which are produced at Ji'nan, PRC, cover diesel bus, natural gas bus, trolley bus and school buses to meet different customer demands.

(iii) Engines Segment

The Group is one of the few HDT manufacturers in China that has the ability to produce HDT 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 key production bases are located at Ji'nan and Hangzhou, PRC.

(iv) Finance Segment

The finance segment of the Group provides financial services related to the members of the Group and the CNHTC Group. Financial services include deposits taking, borrowings, commercial notes and bank bills discounting and provision of vehicle consumer credit. In addition, it cooperates with authorized financial institutions to provide consumer credit. It builds up a vehicle consumer credit network. At present, it has already set up 19 regional offices and extended its consumer credit business to over 20 provinces, covering most areas in the PRC.

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the Company are CNHTC and MAN SE. CNHTC is a PRC state-owned HDT manufacturing enterprise and indirectly holds 51% of the entire issued capital of the Company. MAN SE indirectly holds 25% of the entire issued share capital of the Company plus one Share. The MAN Group is one of Europe's leading manufacturers of commercial vehicles, engines and mechanical engineering equipment with its revenue of approximately Euro 6.7 billion for the six months ended 30 June 2014 and around 52,161 employees worldwide.

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Ma Chunji (*Chairman*)
Cai Dong (*President*)
Wei Zhihai
Wang Haotao
Tong Jingen
Wang Shanpo
Kong Xiangquan
Franz Neundlinger

Non-executive Directors:

Georg Pachta-Reyhofen
Anders Olof Nielsen
Jörg Astalosch

Independent Non-executive Directors:

Lin Zhijun
Ouyang Minggao
Chen Zheng
Lu Bingheng
Yang Weicheng
Huang Shaoan

EXECUTIVE COMMITTEE

Ma Chunji (*Chairman*)
Cai Dong
Wei Zhihai
Wang Haotao
Tong Jingen
Wang Shanpo
Kong Xiangquan
Franz Neundlinger

STRATEGY AND INVESTMENT COMMITTEE

Ma Chunji (*Chairman*)
Cai Dong
Ouyang Minggao
Lu Bingheng
Huang Shaoan
Wang Haotao
Wang Shanpo
Franz Neundlinger

REMUNERATION COMMITTEE

Chen Zheng (*Chairman*)
Lin Zhijun
Yang Weicheng
Wei Zhihai
Tong Jingen

AUDIT COMMITTEE

Lin Zhijun (*Chairman*)
Ouyang Minggao
Chen Zheng

INCENTIVE SCHEME INDEPENDENT BOARD COMMITTEE

Lin Zhijun
Ouyang Minggao
Chen Zheng

HEAD QUARTER

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

REGISTERED OFFICE IN HONG KONG

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

COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

Tong Jingen
Kwok Ka Yiu

PRINCIPAL BANKERS

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

LEGAL ADVISERS

Hong Kong

Sidley Austin

PRC

DeHeng Law Offices

AUDITOR

PricewaterhouseCoopers

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

COMPANY WEBSITE

www.sinotruk.com

SECURITIES CODE

Equity: 3808.hk

INVESTOR RELATIONS

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Management Discussion and Analysis

MARKET OVERVIEW

In the first half of year 2014, the Chinese government continued to restructure China's economy, thereby decelerating the social fixed-asset investment and thus further dragging economic growth. However, sales of HDTs in China market were from high to low during the first half of year 2014 while the overall trend showed a slight increase. According to the statistic figures from China Association of Automobile Manufactures, sales of the HDTs by industry reached 429,000 units, a year-over-year ("YoY") increase of 6.5%. Sales of HDTs in the first quarter this year grew by a quarter-on-quarter ("QoQ") increase of 20.2% – maintaining the momentum of a relatively high growth rate while QoQ sales of HDTs in the second quarter declined. Such decline was mainly due to a high base effect brought by high sales volume resulted from the purchase in advance before the anticipated implementation of China's National IV emission standards in year 2013.

REVIEW OF OPERATIONS

During the Period, the Group optimized its product portfolio and market positioning and has determined its focus on the development of full range of commercial vehicles (HDTs, LDTs and buses), with a primary focus on HDTs. The Group promotes its brand images by implementing brand strategies. Meanwhile, the Group and CNHTC Group have collaboratively expanded their market share by 0.65 percentage points through strengthening its market competitiveness and continuous improvement of product technology and quality. By upgrading its internal management and controlling and reducing various costs, the Group enjoyed improved economic benefits and maintained strong momentum for growth.

HEAVY DUTY TRUCKS SEGMENT

During the Period, the Group's HDTs sales increased to 51,130 units, representing an increase of 9.7% YoY. Revenue increased by 13.2% YoY to RMB14,190 million.

Domestic Business

The Group has strengthened its multi-brand strategy by diversifying its product lines so as to meet the demand from various customers.

Amidst complicated market competition, the Group maintains its competitive advantage in the industry as by utilising the advanced technology from MAN Group to upgrade its production technology, maintaining the high quality of its new products and the stable contribution from its existing products. SITRAK, a high-end HDT brand and the most recent product of the Group's co-operation with MAN Group, gradually gains market recognition with its superior qualities and advanced technology. The T series HDTs have been favored among customers and its sales volume increase steadily. The construction vehicles, specialty vehicles and mining vehicles of the Group have outrageous quality that the Group has fortified its prominent status in the sector. Known for the advanced technology in its natural gas engines and reliable quality, sales volume of the Group's natural gas vehicles kept in market leading position.

During the Period, the Group carried out progressive innovation with its business model, improved its sales structure, and invested more resources into elevating the quality of its marketing network. As at 30 June 2014, the Group's HDTs segment had a total of 1,041 HDTs dealerships, including 270 4S centers and 178 SINOTRUK branded dealerships, 1,493 service centers providing high quality after-sales services, and 145 refitting companies to provide truck refitting services to HDTs. The sales network of a wide range of products of the Group has been improved.

International Business

During the first half of 2014, global economic growth varied in different economies, developed countries gained further growth momentum, while the growth of emerging economies has been slowed down. China's exports growth also slowed down, which was attributable to the rising production costs and deterioration from the trade protectionism environment.

During the Period, performance of the Group's major export markets diverged. Southeast Asia showed steady growth for exports and market performance in Africa was stable, while with impacts of political turmoil, trade protectionism, etc, other regions experienced slumps in export volume by different degrees. During the Period, the Group exported (including affiliated export) 9,506 HDTs, a decrease of 7.9% YoY, and recorded export revenue (including affiliated export) at RMB2,660 million, a decrease of 9.2% YoY.

In view of the complex international market environment, the Group took measures to promote export business by enhancing its international brand image, improving its marketing network and after-sales services, and promoting overseas cooperation.

As at 30 June 2014, the Group had sales centers in more than 30 countries and regions, along with 140 primary distributors and 70 secondary distributors in more than 70 countries and regions. Moreover, the Group's overseas distributors had established 300 service outlets and 290 parts and accessories stores.

LIGHT DUTY TRUCKS AND BUSES SEGMENT

During the Period, the Group's LDTs sales increased 13.5% YoY to 27,830 units. In addition, the Group sold a total of 660 buses, representing an increase of 26.9% YoY. Revenue of the segment increased 13.8% YoY to RMB1,927 million.

During the Period, the light duty truck business made smooth progress. While improving product technology and quality, the Ji'nan LDTs division concentrated on brand development. To gain positive recognition for the HOWO light duty truck series, the division launched innovative marketing strategies and enhanced its services. The Group further promoted sales through its mature vehicles financing model and marketing strategies. In June 2014, the Ji'nan LDTs division received an export order from Algeria for 103 units of LDTs, which marked a new breakthrough in overseas LDTs sales. Based on market needs, Chengdu Wangpai continued its active engagement in product planning and development. Chengdu Wangpai benefitted from its rapid reaction mechanism and a completed full after-sales services system. As a result, both domestic and overseas sales increased.

During the Period, the Group's buses division has run smoothly and kept growth in sales volume. The buses division targets on alternative energy buses, school buses and bus equipped MAN Group's technology. The Group focused on fostering the brand awareness of HOWO buses in the market through actively establishing and perfecting its marketing network. The Group attached crucial importance to the quality management and control in the whole process of bus production, enhanced production techniques, strengthened management of production lines and process, and optimized logistics system for procurement, so as to constantly improve the quality of bus products. Improvements to after-sales services also contributed to the growth of bus sales. Exploring market expansion opportunities, the Group enhanced its efforts in exploring traditional domestic markets and international markets in order to increase in sales in buses.

As at 30 June 2014, the Group's LDTs division had a total of 690 dealerships, including 75 4S centers and 105 SINOTRUK branded dealerships, 1,558 service centers providing high quality after-sales services, and 28 refitting companies that cater to the needs of our LDT customers. For buses division, the Group had a total of 44 bus dealerships and 89 service centers for bus products.

ENGINES SEGMENT

With dedication to innovating engine technology and implementing strict quality control, the Group leveraged its key resources to deliver high-technology products that were both reliable and fuel-efficient. In addition to satisfying the Group's need in truck business, the Group also sells engines to related parties and other manufacturers of HDTs, buses, and construction machinery.

During the Period, the sales volume of engines increased by 10.5% YoY to 65,085 units. Revenue (including components sales and inter-segment sales) increased by 17.3% YoY to RMB4,426 million. External sales accounted for 13.6% of the engines segment's revenue, representing a decrease of 1.5 percentage points from 15.1% during the same period of last year.

The integration of MAN Group's engine technology continued to progress smoothly and on schedule. The prototype production, testing and certification of engines equipped with MAN Group's technologies for HDTs and medium heavy duty trucks were completed. Certain products have been produced in mass. The Group will continue to implement tests and certification of engines on buses, etc so as to further increase the application of MAN Group's engine technology.

TECHNOLOGICAL UPGRADE

During the Period, the capital expenditure of the Group totaled RMB306 million. Major investments and construction projects include: the construction of the national heavy duty automobile engineering technology research center and projects for the purposes to upgrade production techniques and increase quality control standards, and enhance research and development ("R&D") and innovation capabilities.

The Group's Ji'nan LDTs project was successfully completed. Other major investments and construction projects, including HDTs project of Chengdu Wangpai, and LDTs project of Fujian Haixi, continued to progress on schedule which provides solid foundations for technology advancement and product line enrichment.

RESEARCH AND DEVELOPMENT

The Group remains committed to its technology leadership strategy and takes full advantage of its R&D platform for the strengthening of the innovations and technology advancement. By leveraging its R&D capabilities and strengthening cooperation with MAN Group in the development of high quality engines, components and trucks, the Group has enhanced its comprehensive competitiveness.

As at 30 June 2014, the Group and CNHTC Group together participated in the formulation of 70 industry standards for China's HDTs and were granted 2,976 patents, which maintained the leading position in the domestic HDT industry in terms of the number of patents owned.

During the Period, the Group supplied 4,814 different product models that satisfied various customers' needs.

FINANCE SEGMENT

During the Period, the revenue of the Group's finance segment increased to RMB160 million (including inter-segment revenue at RMB26 million), an increase of 23.0% YoY. The increase was primarily due to the increased interest income from the interbank deposits placed and bills discounted income.

During the Period, the Group stressed the importance of developing consumer credit business and took full advantage of government support as it leveraged the Group's developed financing platform. In order to satisfy demand for loans to finance truck purchases and increase its sales, the Group expanded its financing services via provision of consumer credit, finance leases, etc. subject to a prudent credit risk management. As at 30 June 2014, Sinotruk Finance had 19 regional offices and extended its consumer credit business coverage to over 20 provinces, covering most of China. During the Period, the Group sold 2,921 trucks by providing consumer credit, basically flat compared to the same period last year.

SIGNIFICANT INVESTMENTS

In January 2014, Sinotruk (Hong Kong) International Investment Limited had set up a wholly owned subsidiary, Sinotruk (Hong Kong) Capital Holding Limited in order to develop business in Africa.

In March 2014, Sinotruk Ji'nan Power Co., Ltd. and 攀枝花運力汽車部件製造有限公司 (Panzhijia Yunli Vehicles and Auto Parts Manufacturing Co., Ltd.) had set up Sinotruk Panzhijia Mining Truck Co., Ltd with the registered capital at the amount of RMB30 million. Sinotruk Ji'nan Power Co., Ltd. invested RMB9 million at cash for its 30% equity while Panzhijia Yunli Vehicles and Auto Parts Manufacturing Co., Ltd. invested RMB21 million at cash for its 70% equity.

HUMAN RESOURCES

As at 30 June 2014, the Group had 25,165 employees. The Group attaches significant value to human resources, adopts innovative management for human resources and optimizes human resources allocation for greater efficiency. The Group remains committed to nurturing its talent as it works to guarantee the enterprise's sustainable development. The Group placed considerable emphasis on actively developing and cultivating talent in coordination with its initiative to attract highly skilled senior management and technologically proficient human resources. Moreover, the Group continued to improve its performance assessment system and restructured its compensation structure to provide additional incentives to employees. In addition, to the extent necessary to protect the Group's intellectual property rights and other vital competitive interest, qualified employees may enjoy certain retirement and non-compete compensation.

PROSPECTS

In the second half of 2014, although the global economy is expected to experience a moderate recovery, some uncertainties still persist. China's economy still faces various difficulties and challenges as the potential downside risks of economy have not been resolved. It is expected the China government will implement "Micro-stimulus" policy in order to stabilize the economic growth. New investments in new urbanization programs, railways and urban rail networks will bring certain development opportunities to the HDT industry. Under complex and volatile circumstances in both domestic and overseas regions, the Group will adopt the following measures to ensure sustainable corporate development:

1. Continue to adopt brand strategy to elevate the brand image. In pursuit of continual advancement of SINOTRUK's brand image: the Group will assert greater emphasis on marketing of the brand image and utilize high-quality products to enhance the brand image.
2. Continue to promote innovative marketing methods. The Group will place greater emphasis on the optimization of its marketing network. The Group will strengthen the promotion of new products and accelerate the pace of upgrading the existing products with the adoption of MAN Group's technology. Moreover, additional training will be provided in order to cultivate superior skills for staff in product marketing and service. Under the stringent credit risk controls, the Group will implement more innovative sales model backed with financial services support so as to promote sales and enlarge market share.
3. Continue to adopt to the Group's internationalization strategy, with the intention of developing SINOTRUK into a reputable international brand. The Group will further establish and enhance brand image in overseas markets. The Group will comprehensively enhance its international marketing, use innovative marketing models for the international markets, and increase sales by taking full utilization of various financial instruments. The Group will intensify exploration in weak markets while solidifying the traditional markets in order to secure a leading advantage in the international market. The Group will also promote the export of light duty trucks and buses.
4. Continue to implement the strategy of "lean management", thereby improving corporate management level. The Group will launch campaigns to elevate brand quality, implement comprehensive cost efficiency activities, optimize the capital structure, increase productivity and reduce operating costs. The Group will also strengthen risk management capacity so as to cause a sustainable and healthy development of the Group.
5. Continuing to strengthen the co-operation with MAN Group for the market penetration of jointly developed products. Based on the market trends, both the Group and MAN Group will explore and seek co-operation in different areas.

FINANCIAL REVIEW

Turnover, gross profit and gross profit margin

For the six months ended 30 June 2014, the Group's turnover recorded RMB16,746 million, compared with that of year 2013 at RMB14,863 million, representing an increase of RMB1,883 million or 12.7% YoY. The increase in the turnover is primarily attributable to the increase in HDTs sales volume.

Gross profit for the six months ended 30 June 2014 was RMB2,775 million, representing an increase of RMB302 million or 12.2% YoY compared to that of year 2013 of RMB2,473 million. Gross profit margin for the Period remained at 16.6%, same as that of last year. Gross profit increased mainly due to the growth in HDTs sales volume and the result of the costs efficiency exercises taken by the Group to reduce the procurement costs and controllable expenses.

Distribution costs

Distribution costs increased from RMB1,059 million for the six months ended 30 June 2013 to RMB1,121 million for the six months ended 30 June 2014, increased by RMB62 million or 5.9% YoY, the growth rate of distribution costs is lower than that of turnover. During the Period, distribution costs accounted for 6.7% to turnover and compared to the same period of year 2013 of 7.1%, represented a decrease of 0.4 percentage points. The decrease primarily resulted from the reduction in exports and in sea freight.

Administrative expenses

Administrative expenses increased from RMB959 million for the six months ended 30 June 2013 to RMB1,040 million for the six months ended 30 June 2014, increased by RMB81 million or 8.4% YoY. The increase was mainly due to the increase in research and development spending and the growth of salaries and staff benefits.

Other gains - net

There was a decrease in net other gains from RMB94 million for the six months ended 30 June 2013 to RMB83 million for the six months ended 30 June 2014, representing a decrease of RMB11 million or 11.7% YoY. The decrease was mainly due to the reduction in disposal of scraps and other revenues.

Finance costs - net

Net finance cost decreased from RMB190 million for the six months ended 30 June 2013 to RMB186 million for the six months ended 30 June 2014, representing a decrease of RMB4 million or 2.1% YoY. The decrease in net finance cost was due to the reduction of interest expenses as a result of decrease in borrowings scale.

Income tax expense

Income tax expense increased from RMB94 million for the six months ended 30 June 2013 to RMB98 million for the six months ended 30 June 2014, representing an increase of RMB4 million or 4.3% YoY. The increase was due to the 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 earning per share

Profit for the six months ended 30 June 2014 increased by 56.1% YoY to RMB412 million from RMB264 million for the six months ended 30 June 2013. Profit attributable to equity holders of the Company increased by 66.8% YoY to RMB322 million. The basic earnings per share attributable to equity holders of the Company increased from RMB0.07 in the first half of year 2013 to RMB0.12 for the first half of year 2014, representing an increase of RMB0.05 or 71.4% YoY.

Receivables

As at 30 June 2014, the trade receivables were increased from RMB13,878 million as at 31 December 2013 to RMB14,433 million, representing an increase of 4.0%. The trade receivables turnover was 155.1 days, a decrease of 1.2% YoY during the Period and was still within the Group's credit policies which are from three to six months to the customers. As at 30 June 2014, the trade receivables aged not more than six months were RMB12,887 million or 89.3% to net trade receivables while it was 92.7% for the net trade receivables as at 31 December 2013.

As at 30 June 2014, the net financing services receivables increased from RMB1,611 million as at 31 December 2013 to RMB1,642 million, representing a 1.9% increase. The finance segment of the Group has granted credit period from 1 to 3 years. In addition, these financing services receivables are secured by the vehicles together with guarantees provided by the dealers and relevant parties.

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

Cash flow

During the six months ended 30 June 2014, net cash inflow from operating activities was about RMB3,906 million (with considering the amount of bank acceptances notes decreased by RMB210 million, the net cash inflow from operating activities during the Period was RMB3,696 million) and compared with net cash outflow in the same period in 2013 at RMB490 million, there was an increase of cash inflow by RMB4,396 million. It was mainly due to the increase of trade payables and bills payables and faster collection of trade receivables as the changes of cash collection rebate policies.

Net cash outflow from investing activities for the six months ended 30 June 2014 was RMB1,454 million, representing an increase in cash outflow by RMB980 million compared to that of 2013. The increase was mainly due to purchase guaranteed financial products in order to better utilize the fund for the repayment of RMB1,800 million on 1 August 2014.

The cash outflow from financing activities for the six months ended 30 June 2014 was RMB738 million, compared with that of 2013 at RMB857 million, representing a decrease of cash outflow by RMB119 million. It was mainly due the slower speed in reduction of the scale of net borrowings.

Liquidity and financial resources

The Group had cash and cash equivalents of RMB5,721 million and bank acceptance notes of RMB8,465 million as at 30 June 2014. Cash and cash equivalents increased by RMB1,717 million and bank acceptance notes decreased by RMB210 million as compared with those at the beginning of 2014. The Group's total borrowings (including long-term and short-term borrowings and borrowings from the related parties) were about RMB9,345 million as at 30 June 2014. Its gearing ratio (total borrowings divided by total assets) was 18.3% (31 December 2013: 21.5%).

As at 30 June 2014, all borrowings were made in RMB (31 December 2013: all in RMB). Most of the borrowings were charged with reference to banks' preferential floating rates and were due within one year to two years. The current ratio (total current assets divided by total current liabilities) as at 30 June 2014 was 1.2 (31 December 2013: 1.2).

As at 30 June 2014, total available credit facilities of the Group amounted to RMB34,674 million, of which RMB7,791 million had been utilised. An aggregate amount of RMB996 million of the Group's deposits and bank deposits was pledged to secure credit facilities. In addition, Sinotruk Finance has made mandatory deposits of RMB919 million to PBOC for its financial operations. The Group meets the daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, utilization of banking facilities and issue of bills such as short-term commercial acceptance notes and bank acceptance notes.

Financial management and policy

The finance department is responsible for financial risk management of the Group. One of our key financial policies is to manage exchange rate risk. Our treasury policy prohibits the Group from participating in any speculative activities. As at 30 June 2014, 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 RMB879 million, accounts receivable of approximately RMB325 million, accounts payable of approximately RMB38 million and amounts due to related parties of approximately RMB174 million, all of which were denominated in currencies other than RMB.

Capital structure

As at 30 June 2014, owner's equity of the Group was RMB21,092 million, representing an increase of RMB280 million or 1.3% when compared with RMB20,812 million at the end of year 2013.

As at 30 June 2014, the Company's market capitalisation was RMB8,459 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD 3.86 per share and at the exchange rate of 0.79375 between HKD and RMB).

DIVIDENDS

The Board does not propose interim dividends for the six months ended 30 June 2014.

GOING CONCERN

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

CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

During the Period, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a materially adverse effect on its financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB36 million. During the Period, the Group did not make any provision for legal claims.

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 deviations which are explained below.

- 1) The Company did not establish a nomination committee. According to article 81 of the Articles, the Board is entitled, from time to time and at any time, to appoint any person to be a Director for filling any vacant directorship or for increasing the number of Directors. In assessing the nominations of new Directors, the Board will consider their relevant experience, professional and educational background, and potential contributions that may be brought to the Company. The Board takes up all functions of nomination committee as required under the Listing Rules.
- 2) Upon the appointment of Mr Franz Neundlinger as an executive Director on 5 December 2013, the Board comprised sixteen members including five independent non-executive Directors (“INEDs”). As a result, the number of INEDs had fallen below one-third of the Board as required under Rule 3.10A of the Listing Rules.

On 27 March 2014, the Company had appointed Dr Huang Shaoan as an INED and, hence, the Board comprised seventeen members including six INEDs. The Company had complied with Rules 3.10A of the Listing Rules by having sufficient number of INEDs but failed to comply with Rule 3.11 of the Listing Rules by having appointed a sufficient number of INEDs within the required time frame.

- 3) All non-executive Directors and four INEDs were unable to attend the annual general meeting of the Company held on 22 May 2014 due to other prior engagements.

Directors’ Securities Transactions

The Company has adopted Appendix 10 “Model Code for Securities Transactions by Directors of Listed Issuers” to the Listing Rules as the code of conduct for securities transactions by the Directors (the “**Model Code**”). After making specific enquires with all Directors by the Company, all Directors have confirmed that they have complied with the standards required by the Model Code for the six months ended 30 June 2014.

Board

The Board is responsible for formulating group policies and business directions, and monitoring internal controls and performances. As at 30 June 2014, the Board had a total of 17 Directors comprising 8 executive Directors, Mr Ma Chunji, Mr Cai Dong, Mr Wei Zhihai, Mr Wang Haotao, Mr Tong Jingen, Mr Wang Shanpo, Mr Kong Xiangquan, Mr Franz Neundlinger; 3 non-executive Directors, Dr Georg Pachta-Reyhofen, Mr Anders Olof Nielsen and Mr Jörg Astalosch; and 6 independent non-executive Directors, Dr Lin Zhijun, Dr Ouyang Minggao, Mr Chen Zheng, Dr Lu Bingheng, Mr Yang Weicheng and Dr Huang Shaoan. Mr Ma Chunji is the chairman of the Board and Mr Cai Dong is the president of the Company.

Remuneration Committee

The Remuneration Committee is mainly responsible for the appraisal of the senior management performance and making recommendation on their remuneration including formulating performance appraisal standards and procedures, mainly commenting proposals of the appraisal mechanisms, rewarding system and penalties as well as staff option schemes. The committee will supervise the remuneration and other benefits offered by the Group to Directors. As at 30 June 2014, the committee comprised 5 members, namely, Mr Chen Zheng, Dr Lin Zhijun, Mr Yang Weicheng, Mr Wei Zhihai and Mr Tong Jingen. Mr Chen Zheng is the chairman of the committee.

Audit Committee

The Audit Committee is mainly responsible for reviewing and monitoring the financial control, internal control systems and risk management systems, including assessment of the financial and accounting policies, review of interim reports, annual reports and accounts, etc. In addition, the committee is responsible for the appointment, re-appointment and removal of external auditor, and for reporting to the Board on the recommendation, assessment and supervision of the external auditor in respect of its independence and objectivity, the effectiveness of the audit procedures, formulation of policies on the provision of non-audit services by the external auditor, the handling of any issues related to the resignation of auditor or the removal of such auditor, and the communication with the external auditor on auditing matters. Since March 2014, the committee performs the Group's corporate government functions including the review of the compliance with the corporate governance and the disclosure in the corporate governance report in the annual report. As at 30 June 2014, the committee comprised 3 members, namely, Dr Lin Zhijun, Dr Ouyang Minggao and Mr Chen Zheng. Dr Lin Zhijun is the chairman of the committee.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CHANGES IN DIRECTORS INFORMATION

Dr Lin Zhijun, an independent non-executive Director, resigned as independent non-executive director of Zhengzhou Coal Mining Machinery Group Company Limited which securities are listed on the Stock Exchange with stock code 0564.hk on 3 April 2014.

Mr Jörg Astalosch, a non-executive Director, has resigned as the chief financial officer of MAN Truck & Bus AG and switched to the supervisory board of MAN Truck & Bus AG with effect from 1 July 2014.

COMMUNICATIONS WITH SHAREHOLDERS

The Company considers that active communications with investors are important and provides reports with transparency and clarity in disclosures. Any significant events fall to be disclosed will be published in a timely, accurate and complete manner through the Company's website and HKExnews, website of Hong Kong Exchanges and Clearing Limited, so as to safeguard shareholders' rights of information and participation. Ji'nan Truck 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 from time to time in the Company's website and HKExnews.

The securities department of the Company is responsible for promoting investor relations actively for increased communications and ensuring that the investors are able to obtain information about the Group on a fair and timely basis to assist them in making the best investment decisions. For cultivating good relationship with shareholders and potential investors, the Company had participated in a number of one-on-one meetings, investors' conferences, road shows and production base site visits during the Period. Analysts and fund managers may enrich their knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company at www.sinotruk.com for the latest information available in respect of the Group including information on the financial conditions and the business developments.

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

As at 30 June 2014, 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 SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO)), or any interests or short positions which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or any interests or short positions which have to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

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

As at 30 June 2014, so far as it is known to the Directors, the persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group was as follows:

A) The Company

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

Notes:

- 1) Sinotruk (BVI) Limited is a company incorporated in the British Virgin Islands whose entire share capital is held by CNHTC. CNHTC is deemed to have an interest in all the Shares held by Sinotruk (BVI) Limited under the SFO.
- 2) MAN Finance and Holding S.A. (formerly known as MAN Finance and Holding S.à.r.l.) is a company incorporated in Luxembourg whose entire issued share capital is held by MAN SE. MAN SE is deemed to have an interest in all the Shares held by MAN Finance and Holding S.A. under the SFO.

B) Members of the Group

Name of equity holder	Capacity	Name of member of the Group	Percentage of equity interest held
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	Fujian Haixi	20%
Chengdu Dachenggong Mechanics Co., Ltd.	Beneficial owner	Chengdu Wangpai	20%
Suizhou Huawei Investment Holdings Co., Ltd.	Beneficial owner	Sinotruk Hubei Huawei Special Vehicles Co., Ltd.	40%

Save as disclosed above, as at 30 June 2014, 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 5% 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.

SPECIFIC PERFORMANCE BY THE CONTROLLING SHAREHOLDER

On 24 October 2012, the Company had entered into a facility agreement (“RMB900 Million Facility Agreement”) with Bank of China (Hong Kong) Limited (“BOCHK”) and other financial institutions for the borrowing of RMB900,000,000 for 24 months (“RMB900 Million Facility”). On 21 February 2014, the Company had entered into a facility agreement (“RMB1 Billion Facility Agreement”) with BOCHK and other financial institutions for the borrowing of RMB1,000,000,000 for 36 months (“RMB1 Billion Facility”). Thereafter RMB900 Million Facility Agreement and RMB1 Billion Facility Agreement are collectively referred to “Facility Agreements” and RMB900 Million Facility and RMB1 Billion Facility are collectively referred to “Facilities”.

Pursuant to the Facility Agreements, 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 Facilities may by notice to the Company (a) cancel the Facilities whereupon such Facilities shall be immediately cancelled; (b) declare that all or part of the loans made or to be made under the Facilities or the principal amount outstanding for the time being of these loans (the “Loans”), together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreements and other documents designated as finance documents under the Facility Agreements by the agent and the Company be immediately due and payable, whereupon such Loans and other amounts shall immediately become due and payable; and/or (c) declare that all or part of the Loans be payable on demand, whereupon such Loans shall immediately become payable on demand by the agent.

By order of the Board
Ma Chunji
Chairman
Ji’nan, PRC, 26 August 2014

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 23 to 52, 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 2014 and the related interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flows statement for the six months 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, 26 August 2014

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Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2014	2013
Turnover	6	16,746,350	14,862,732
Cost of sales		(13,971,794)	(12,390,170)
Gross profit		2,774,556	2,472,562
Distribution costs		(1,121,138)	(1,058,551)
Administrative expenses		(1,040,012)	(959,218)
Other gains – net		82,952	93,706
Operating profit	7	696,358	548,499
Finance income		34,336	48,326
Finance costs		(220,237)	(238,744)
Finance costs – net		(185,901)	(190,418)
Profit before income tax		510,457	358,081
Income tax expense	8	(98,459)	(94,355)
Profit for the period		411,998	263,726
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of termination and post-employment benefits		(5,730)	—
<i>Items that may be reclassified to profit or loss</i>			
Gains/(losses) on currency translation		2,555	(14,704)
Total comprehensive income for the period		408,823	249,022
Profit attributable to:			
– equity holders of the Company		321,756	193,496
– non-controlling interests		90,242	70,230
		411,998	263,726
Total comprehensive income attributable to:			
– equity holders of the Company		318,581	178,792
– non-controlling interests		90,242	70,230
		408,823	249,022
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
– basic and diluted	9	0.12	0.07

The notes on pages 28 to 52 form an integral part of this condensed consolidated interim financial information.

Details of dividends of the Company are set out in Note 10 to this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2014	Audited 31 December 2013
ASSETS			
Non-current assets			
Land use rights	11	1,596,055	1,545,785
Property, plant and equipment	11	12,286,979	12,681,507
Investment properties	12	181,745	180,023
Intangible assets	11	594,128	672,195
Goodwill		3,868	3,868
Deferred income tax assets		1,128,449	952,781
Investment in associates		8,991	2,319
Trade receivables and other receivables	13	484,685	423,897
		16,284,900	16,462,375
Current assets			
Inventories	14	8,891,438	7,803,963
Trade receivables, other receivables and other current assets	13	16,844,450	16,124,932
Financial assets at fair value through profit or loss		114,492	1,236
Held-to-maturity investment		1,206,145	—
Amounts due from related parties	23(b)	137,617	16,512
Cash and bank balances	15	7,646,252	5,288,229
		34,840,394	29,234,872
Total assets		51,125,294	45,697,247
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value	16	—	261,489
Other statutory capital reserves	16	—	16,455,535
Share capital and other statutory capital reserves	16	16,717,024	16,717,024
Other reserves		2,377,999	2,147,112
		19,095,023	18,864,136
Non-controlling interests		1,997,461	1,948,236
Total equity		21,092,484	20,812,372

Condensed Consolidated Statement of Financial Position

As at 30 June 2014
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2014	Audited 31 December 2013
LIABILITIES			
Non-current liabilities			
Borrowings	17	1,020,185	753,400
Deferred income tax liabilities		28,910	29,870
Termination and post-employment benefits	18	19,210	21,470
Deferred income		265,649	294,914
Long-term payable		—	4,920
Amounts due to related parties	23(b)	85,848	85,268
		1,419,802	1,189,842
Current liabilities			
Trade payables, other payables and other current liabilities	19	19,160,023	13,810,802
Current income tax liabilities		137,260	60,353
Borrowings	17	8,289,308	9,019,237
Amounts due to related parties	23(b)	462,125	448,276
Provisions for other liabilities	20	564,292	356,365
		28,613,008	23,695,033
Total liabilities		30,032,810	24,884,875
Total equity and liabilities		51,125,294	45,697,247
Net current assets		6,227,386	5,539,839
Total assets less current liabilities		22,512,286	22,002,214

The notes on pages 28 to 52 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 2014
(All amounts in RMB thousands unless otherwise stated)

	Unaudited											Non-controlling interests	Total equity
	Attributable to equity holders of the Company										Total		
	Share capital	Share premium	Capital redemption reserve	Other capital reserve	Property revaluation reserve	Subsidiaries' statutory reserve	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings			
Balance as at 1 January 2013	261,489	16,444,600	10,935	(3,672,258)	1,053	958,092	104,294	1,144,582	(57,719)	3,454,034	18,649,102	1,806,010	20,455,112
Profit for the period	—	—	—	—	—	—	—	—	—	193,496	193,496	70,230	263,726
Other comprehensive income:													
Losses on currency translation	—	—	—	—	—	—	—	—	(14,704)	—	(14,704)	—	(14,704)
Transactions with owners in their capacity as owners													
Dividends of the Company relating to 2012	—	—	—	—	—	—	—	—	—	(33,034)	(33,034)	—	(33,034)
Dividends of subsidiaries to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(4,557)	(4,557)
Total transactions with owners	—	—	—	—	—	—	—	—	—	(33,034)	(33,034)	(4,557)	(37,591)
Appropriation to reserves	—	—	—	—	—	16,798	—	—	—	(16,798)	—	—	—
Balance as at 30 June 2013	261,489	16,444,600	10,935	(3,672,258)	1,053	974,890	104,294	1,144,582	(72,423)	3,597,698	18,794,860	1,871,683	20,666,543
Balance as at 1 January 2014	261,489	16,444,600	10,935	(3,672,258)	1,053	1,032,916	104,294	1,144,582	(75,628)	3,612,153	18,864,136	1,948,236	20,812,372
Profit for the period	—	—	—	—	—	—	—	—	—	321,756	321,756	90,242	411,998
Other comprehensive income:													
Remeasurements of termination and post-employment benefits	—	—	—	—	—	—	—	—	—	(5,730)	(5,730)	—	(5,730)
Gains on currency translation	—	—	—	—	—	—	—	—	2,555	—	2,555	—	2,555
Total other comprehensive income	—	—	—	—	—	—	—	—	2,555	(5,730)	(3,175)	—	(3,175)
Transactions with owners in their capacity as owners													
Dividends of the Company relating to 2013	—	—	—	—	—	—	—	—	—	(87,694)	(87,694)	—	(87,694)
Dividends of subsidiaries to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(41,017)	(41,017)
Transition to no-par value regime on 3 March 2014	16,455,535	(16,444,600)	(10,935)	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	16,455,535	(16,444,600)	(10,935)	—	—	—	—	—	—	(87,694)	(87,694)	(41,017)	(128,711)
Appropriation to reserves	—	—	—	—	—	21,263	—	—	—	(21,263)	—	—	—
Balance as at 30 June 2014	16,717,024	—	—	(3,672,258)	1,053	1,054,179	104,294	1,144,582	(73,073)	3,819,222	19,095,023	1,997,461	21,092,484

The notes on pages 28 to 52 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2014	2013
Cash flows from operating activities			
Cash generated from/(used in) operations		4,387,679	(154,797)
Interest paid		(279,537)	(214,919)
Income tax paid		(202,254)	(120,149)
Net cash generated from/(used in) operating activities		3,905,888	(489,865)
Cash flows from investing activities			
Prepaid operating lease payments for land use rights		(224)	(1,646)
Purchase of property, plant and equipment		(180,811)	(560,342)
Proceeds from disposals of property, plant and equipment		26,652	21,529
Purchase of intangible assets		(444)	(5,635)
Purchase of financial assets at fair value through profit or loss		(123,021)	—
Acquisition of investment in associates		(9,000)	—
Interest received		20,586	42,188
Purchase of held-to-maturity investment		(1,206,145)	—
Decrease in fixed deposits		18,620	29,900
Net cash used in investing activities		(1,453,787)	(474,006)
Cash flows from financing activities			
Increase in restricted cash		(150,000)	(400)
Proceeds from borrowings		4,931,064	3,842,265
Repayments of borrowings		(5,394,208)	(4,659,726)
Dividends paid to the equity shareholders of the Company		(83,610)	(33,034)
Dividends paid to non-controlling shareholders		(41,221)	(6,092)
Net cash used in financing activities		(737,975)	(856,987)
Net increase/(decrease) in cash and cash equivalents		1,714,126	(1,820,858)
Cash and cash equivalents at beginning of the period		4,004,329	4,974,962
Exchange gains/(losses) on cash		2,136	(1,757)
Cash and cash equivalents at end of the period	15	5,720,591	3,152,347

The notes on pages 28 to 52 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

Sinotruk (Hong Kong) Limited (the “Company”) was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation of China National Heavy Duty Truck Group Company Limited (“CNHTC”). The address of the Company’s registered office is Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

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

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, 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 2013, as described in those annual financial statements.

- (a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- (b) The following new amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

HKAS 32 (Amendment)	“Financial instruments: presentation’ on asset and liability offsetting”
HKFRS 10, 12 and HKAS 27 (Amendment)	“Consolidation for investment entities”
HKAS 36 (Amendment)	“Impairment of assets’ on recoverable amount disclosures”
HKAS 39 (Amendment)	“Financial instruments: recognition and measurement - novation of derivatives”
HK(IFRIC) - Int 21	“Levies”

As at 30 June 2014, the Group considers these newly effective amendments do not have material impact on the Group’s financial information.

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

(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 2013 with the exception of changes in estimates that are required in determining the provision for income taxes.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

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

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.

	Repayment period			Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	
As at 30 June 2014				
Borrowings	8,289,308	26,700	993,485	9,309,493
Interests payments on borrowings (a)	153,419	42,674	42,223	238,316
Trade and other payables (b)	17,174,737	—	—	17,174,737
Amounts due to related parties	446,930	85,848	—	532,778
	26,064,394	155,222	1,035,708	27,255,324

(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Liquidity risk (continued)

As at 31 December 2013	Repayment period			Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	
Borrowings	9,019,237	726,700	26,700	9,772,637
Interests payments on borrowings (a)	228,454	10,839	148	239,441
Trade and other payables (b)	11,877,930	—	—	11,877,930
Long-term payables	—	4,920	—	4,920
Amounts due to related parties	436,692	85,268	—	521,960
	21,562,313	827,727	26,848	22,416,888

(a) The interest on borrowings is calculated based on borrowings held as at 30 June 2014 and 31 December 2013 respectively without taking into account of future issues. Floating-rate interest is estimated using current interest rate as at 30 June 2014 and 31 December 2013 respectively.

(b) Trade and other payables include trade and bills payables, accrued expenses, tax liabilities other than income tax and other payables as stated in Note 19.

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)

(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value at 30 June 2014.

	Unaudited			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	114,492	—	—	114,492

The following table presents the Group's assets that are measured at fair value at 31 December 2013.

	Audited			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	1,236	—	—	1,236

During the six months ended 30 June 2014, 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 2014, there were no reclassifications of financial assets.

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors (the “Board”) of the Company, while it delegates the executive committee (the “Executive Committee”) comprising all executive directors to execute its decisions. The Executive Committee reviews the Group’s internal reports in order to assess performance and allocate resources. The Executive Committee has determined the operating segments based on these reports.

The Executive Committee considers the operating segments from both a geographic and business perspective. From a geographic perspective, the Executive Committee assesses the revenue from Mainland China and overseas. From a business perspective, the Executive Committee assesses the performance of trucks, engines and finance.

- (i) Heavy duty trucks – Manufacture and sale of heavy duty and medium-heavy duty trucks and related components;
- (ii) Light duty trucks and buses – Manufacture and sale of light duty trucks, buses, 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 to the Group’s members and members of CNHTC and its subsidiaries excluding the Group (“CNHTC Group”).

The Executive Committee assesses the performance of the operating segments based on a measure of revenue and operating profit. This measurement is consistent with that in the annual financial statements.

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.

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June 2014 are as follows:

	Unaudited					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	Total
External segment revenue						
Sales of goods	13,842,517	1,883,391	571,034	—	—	16,296,942
Provision of financing services	—	—	—	133,872	—	133,872
Rendering of services	251,626	32,374	31,536	—	—	315,536
Total	14,094,143	1,915,765	602,570	133,872	—	16,746,350
Inter-segment revenue	95,718	11,689	3,823,701	26,471	(3,957,579)	—
Revenue	14,189,861	1,927,454	4,426,271	160,343	(3,957,579)	16,746,350
Operating profit/(loss) before unallocated expenses	521,746	(133,661)	252,748	96,859	(32,591)	705,101
Unallocated expenses						(8,743)
Operating profit						696,358
Finance costs – net						(185,901)
Profit before income tax						510,457
Income tax expense						(98,459)
Profit for the period						411,998

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (continued)

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

	Unaudited					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	
External segment revenue						
Sales of goods	12,353,571	1,673,011	540,540	—	—	14,567,122
Provision of financing services	—	—	—	107,448	—	107,448
Rendering of services	156,766	3,662	27,734	—	—	188,162
Total	12,510,337	1,676,673	568,274	107,448	—	14,862,732
Inter-segment revenue	25,008	17,764	3,204,231	22,891	(3,269,894)	—
Revenue	12,535,345	1,694,437	3,772,505	130,339	(3,269,894)	14,862,732
Operating profit/(loss) before unallocated expenses	457,356	(102,320)	223,573	88,197	(105,221)	561,585
Unallocated expenses						(13,086)
Operating profit						548,499
Finance costs – net						(190,418)
Profit before income tax						358,081
Income tax expense						(94,355)
Profit for the period						263,726

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 30 June 2014 are as follows:

	As at 30 June 2014					
	Unaudited					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Segment assets	28,557,191	3,451,831	12,692,739	8,049,040	7,230,659	59,981,460
Elimination						(8,856,166)
Total assets						51,125,294
Segment liabilities	12,301,342	2,670,311	3,764,952	6,517,995	9,563,851	34,818,451
Elimination						(4,785,641)
Total liabilities						30,032,810

Reconciled to entity assets and liabilities as follows:

	Assets	Liabilities
Segment assets/liabilities after elimination	43,894,635	20,468,959
Unallocated:		
Deferred tax assets/liabilities	1,128,449	28,910
Current tax assets/liabilities	86,278	137,260
Current borrowings	—	8,289,308
Non-current borrowings	—	1,020,185
Other assets/liabilities of the Company	6,015,932	88,188
Total	51,125,294	30,032,810

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2013 are as follows:

	As at 31 December 2013					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	
Segment assets	27,164,787	3,273,124	11,869,463	5,521,798	6,279,281	54,108,453
Elimination						(8,411,206)
Total assets						<u>45,697,247</u>
Segment liabilities	9,973,869	2,369,783	2,838,884	4,264,243	9,931,230	29,378,009
Elimination						(4,493,134)
Total liabilities						<u>24,884,875</u>

Reconciled to entity assets and liabilities as follows:

	Assets	Liabilities
Segment assets/liabilities after elimination	39,417,966	14,953,645
Unallocated:		
Deferred tax assets/liabilities	952,781	29,870
Current tax assets/liabilities	82,204	60,353
Current borrowings	—	9,019,237
Non-current borrowings	—	753,400
Other assets/liabilities of the Company	5,244,296	68,370
Total	<u>45,697,247</u>	<u>24,884,875</u>

(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	
	2014	2013
Mainland China	14,774,830	13,054,839
Overseas	1,971,520	1,807,893
Total	16,746,350	14,862,732

7 OPERATING PROFIT

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
Employee benefit expenses	1,343,830	1,160,327
Warranty expenses (Note 20)	403,915	344,261
Inventory write-downs	124,677	49,412
Losses/(gains) on disposal of property, plant and equipment	2,029	(4,093)
Amortization of land use rights (Note 11)	16,215	14,437
Depreciation of property, plant and equipment (Note 11)	599,123	439,052
Amortization of intangible assets (Note 11)	81,503	70,389
Foreign exchange (gains)/losses – net	(5,623)	35,395
Government grants	(44,866)	(36,552)
Disposal of scraps	(20,610)	(31,782)

(All amounts in RMB thousands unless otherwise stated)

8 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2014	2013
Current income tax		
– Hong Kong profits tax	4,995	—
– PRC corporate income tax	270,091	159,564
	275,086	159,564
Deferred income tax	(176,627)	(65,209)
	98,459	94,355

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% (2013: 16.5%) on their estimated assessable profit. In addition, the Company is determined as Chinese-resident enterprise and, accordingly, is subject to corporate income tax of the People's Republic of China ("PRC"), which has been calculated based on the corporate income tax rate of 25% (2013: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the six months ended 30 June 2014 at the rates of taxation prevailing in the countries in which the Group operates.

Sinotruk Russia Co., Ltd. is subject to a corporate income tax rate of 20% according to Tax Code of the Russian Federation (2013: 20%).

Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engines Co., Ltd. have been recognised as the High New Tech Enterprises in 2011 and both of them are in progress 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 2012. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

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

The remaining subsidiaries are subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2013: 25%).

(All amounts in RMB thousands unless otherwise stated)

9 EARNINGS PER SHARE

Basic

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company	321,756	193,496
Weighted average number of ordinary shares in issue (thousands)	2,760,993	2,760,993
Basic earnings per share (RMB per share)	0.12	0.07

Diluted

Diluted earnings per share equals basic earnings per share as the Company has no dilutive potential ordinary shares for the six months ended 30 June 2014 and 30 June 2013.

10 DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2014 (2013: Nil). The final dividend of the Company for the year ended 31 December 2013 of approximately HKD 110,440,000 (equivalent to approximately RMB 87,694,000) (2012: approximately HKD 41,415,000 (equivalent to approximately RMB 33,034,000)) was paid in June 2014.

During the six months ended 30 June 2014, certain Group's non-wholly owned subsidiaries have paid dividends to non-controlling shareholders amounting to approximately RMB 41,017,000 (2013: approximately RMB 4,557,000).

(All amounts in RMB thousands unless otherwise stated)

11 CAPITAL EXPENDITURES

	Unaudited		
	Land use rights	Property, plant and equipment	Intangible assets
Six months ended 30 June 2014			
Balance as at 1 January 2014	1,545,785	12,681,507	672,195
Additions	224	305,653	444
Transfers	66,261	(69,253)	2,992
Disposals	—	(31,805)	—
Depreciation and amortisation (Note 7)	(16,215)	(599,123)	(81,503)
Balance as at 30 June 2014	1,596,055	12,286,979	594,128
Six months ended 30 June 2013			
Balance as at 1 January 2013	1,464,106	12,835,865	546,714
Additions	1,646	735,960	4,250
Transfers	45,342	(48,693)	3,351
Disposals	—	(17,436)	—
Depreciation and amortisation (Note 7)	(14,437)	(439,052)	(70,389)
Balance as at 30 June 2013	1,496,657	13,066,644	483,926

As at 30 June 2014, the Group is in the process of applying certificate of ownership for the buildings with net book amount of approximately RMB 125,250,000 (31 December 2013: approximately RMB 119,570,000). As at the date of these condensed consolidated interim financial information were approved, the process is still undergoing.

12 INVESTMENT PROPERTIES

	Unaudited
Six months ended 30 June 2014	
Balance as at 1 January 2014	180,023
Exchange differences	1,722
Balance as at 30 June 2014	181,745
Six months ended 30 June 2013	
Balance as at 1 January 2013	214,754
Exchange differences	(3,788)
Balance as at 30 June 2013	210,966

The investment properties are located in Hong Kong and valued at fair value as at 30 June 2014 and 30 June 2013. The fair values of the investment properties were assessed by the management of the Group with reference to the market value.

(All amounts in RMB thousands unless otherwise stated)

13 TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	30 June 2014 Unaudited	31 December 2013 Audited
Non-Current		
Accounts receivable	91,328	25,018
Loans and receivables from financing services	399,347	404,955
Less: Provision for impairment of loans and receivables from financing services	(5,990)	(6,076)
Loans and receivables from financing services- net	393,357	398,879
Trade receivables and other receivables	484,685	423,897
Current		
Accounts receivable	6,076,950	5,368,913
Less: Provision for impairment of accounts receivable	(251,450)	(227,583)
Accounts receivable – net	5,825,500	5,141,330
Notes receivable		
– Bank acceptance notes	8,465,467	8,675,848
– Commercial acceptance notes	50,210	35,611
Notes receivable – total	8,515,677	8,711,459
Trade receivables – net	14,341,177	13,852,789
Loans and receivables from financing services	1,272,392	1,232,793
Less: Provision for impairment from financing services	(23,681)	(20,584)
Loans and receivables from financing services – net	1,248,711	1,212,209
Other receivables	457,078	371,708
Less: Provision for impairment of other receivables	(5,648)	(4,603)
Other receivables – net	451,430	367,105
Interest receivables	34,516	20,766
Receivables and other current assets before prepaid items	16,075,834	15,452,869
Prepayments	365,471	271,070
Prepaid taxes other than income tax	316,867	318,789
Prepaid income taxes	86,278	82,204
Trade receivables, other receivables and other current assets – net	16,844,450	16,124,932

(All amounts in RMB thousands unless otherwise stated)

13 TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS (continued)

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

	30 June 2014 Unaudited	31 December 2013 Audited
Less than 3 months	8,940,264	7,523,947
3 months to 6 months	3,946,741	5,343,327
6 months to 12 months	679,837	136,570
1 year to 2 years	660,919	828,416
Over 2 years	204,744	45,547
	14,432,505	13,877,807

The credit policy of the Group generally requires customers to pay a certain amount of deposits when orders are made and settle full purchase price prior to delivery either in cash or bank acceptance notes with a tenure of usually three to six months, which represents the credit term granted to the customers who pay by bank acceptance notes. Credit terms in the range within six months are granted to those customers with good payment history.

As at 30 June 2014, trade receivables of approximately RMB560,320,000 (31 December 2013: approximately RMB 1,019,416,000) are secured by certain letters of credit. No provision is provided against these receivables as at 30 June 2014 and 31 December 2013.

Loans and receivables from financing services represented loans granted by Sinotruk Finance Co., Ltd., which is involved in the provision of financing services, to individuals and entities when they purchased commercial vehicles of the Group from dealers at an interest rate of 6%-8.96% per annum. These loans and receivables from financing services were secured by the vehicle together with guarantees provided by these dealers and its relevant parties.

Loans and receivables from financing services – net at respective dates of statement of financial position are due in the following periods:

	30 June 2014 Unaudited	31 December 2013 Audited
Less than 3 months	532,744	400,502
3 months to 6 months	216,640	336,987
6 months to 12 months	499,270	474,720
1 year to 2 years	378,274	387,865
Over 2 years	15,140	11,014
	1,642,068	1,611,088

(All amounts in RMB thousands unless otherwise stated)

14 INVENTORIES

	30 June 2014 Unaudited	31 December 2013 Audited
Raw materials	1,554,613	1,493,336
Work in progress	584,362	629,647
Finished goods – parts and components	931,062	885,215
Finished goods – trucks	6,272,721	5,191,813
	9,342,758	8,200,011
Less: write-down of inventories to net realizable value	(451,320)	(396,048)
	8,891,438	7,803,963

15 CASH AND BANK BALANCES

	30 June 2014 Unaudited	31 December 2013 Audited
Fixed deposits	10,500	29,120
Restricted bank deposits	1,915,161	1,254,780
Cash and cash equivalents	5,720,591	4,004,329
	7,646,252	5,288,229

16 SHARE CAPITAL

	30 June 2014 Unaudited		31 December 2013 Audited	
	Number of shares (thousands)	HKD (thousands)	Number of shares (thousands)	HKD (thousands)
Authorised: (a)				
Ordinary shares of HKD 0.1 each (b)	—	—	100,000,000	10,000,000

(All amounts in RMB thousands unless otherwise stated)

16 SHARE CAPITAL (continued)

Ordinary shares, issued and fully paid:

	Unaudited			
	Number of shares	Share capital	Share premium	Capital redemption reserve
Balance as at 1 January 2014	2,760,993,339	261,489	16,444,600	10,935
Transition to no-par value regime on 3 March 2014 (c)	—	16,455,535	(16,444,600)	(10,935)
Balance as at 30 June 2014	2,760,993,339	16,717,024	—	—
Balance as at 1 January 2013 and at 30 June 2013	2,760,993,339	261,489	16,444,600	10,935

- (a) Under the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“New Companies Ordinance”), which took effect from 3 March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the New Companies Ordinance, the Company’s shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to New Companies Ordinance, on 3 March 2014, any amount standing to the credit of the share premium and capital redemption reserve account have become part of the Company’s share capital.

(All amounts in RMB thousands unless otherwise stated)

17 BORROWINGS

	30 June 2014 Unaudited	31 December 2013 Audited
Non-current		
Long-term bank borrowings – unsecured	1,020,185	753,400
Current		
Long-term bank borrowings, current portion		
– unsecured	2,425,757	2,722,812
RMB bonds – unsecured	1,799,431	1,796,617
	4,225,188	4,519,429
Short-term bank borrowings		
– secured (a)	500,000	—
– unsecured	3,564,120	4,499,808
	4,064,120	4,499,808
	8,289,308	9,019,237
Total borrowings	9,309,493	9,772,637

- (a) As at 30 June 2014, bank borrowings of RMB 500,000,000 (31 December 2013: Nil) were secured by bank acceptance notes and restricted bank deposits.
- (b) Interest expense on borrowings and loans for the six months ended 30 June 2014 is approximately RMB 215,524,000 (2013: approximately RMB 234,176,000).

The Group's borrowings are repayable as follows:

	30 June 2014 Unaudited	31 December 2013 Audited
Within 1 year	8,289,308	9,019,237
Between 1 year and 2 years	26,700	726,700
Between 2 years and 5 years	993,485	26,700
	9,309,493	9,772,637

(All amounts in RMB thousands unless otherwise stated)

17 BORROWINGS (continued)

Movements in borrowings are analyzed as follow:

	Unaudited
Six months ended 30 June 2014	
Balance as at 1 January 2014	9,772,637
Proceeds from borrowings	4,931,064
Repayments of borrowings	(5,394,208)
Balance as at 30 June 2014	9,309,493
Six months ended 30 June 2013	
Balance as at 1 January 2013	11,007,235
Proceeds from borrowings	3,842,265
Repayments of borrowings	(4,659,726)
Balance as at 30 June 2013	<u>10,189,774</u>

Interest expenses on borrowings for the six months ended 30 June 2014 were approximately RMB222,163,000 (2013: approximately RMB262,063,000), out of which approximately RMB6,639,000 (2013: approximately RMB 27,887,000) 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 5.04% per annum (2013: 5.30% per annum) was used, representing the weighted average rate of the borrowing cost of the loans used to finance the projects.

The Group has the following undrawn borrowing facilities:

	30 June 2014 Unaudited	31 December 2013 Audited
Floating rate		
– expiring within one year	3,232,394	2,778,000

(All amounts in RMB thousands unless otherwise stated)

18 TERMINATION AND POST-EMPLOYMENT BENEFITS

	30 June 2014 Unaudited	31 December 2013 Audited
Termination benefits	11,550	13,510
Post-employment benefits	6,390	6,470
Post-employment medical insurance plan	1,270	1,490
	19,210	21,470

19 TRADE PAYABLES, OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	30 June 2014 Unaudited	31 December 2013 Audited
Trade and bills payables	10,682,152	8,346,626
Advances from customers	1,750,870	1,706,698
Accrued expenses	639,949	367,212
Staff welfare and salaries payable	234,416	226,174
Taxes liabilities other than income tax	107,618	83,062
Other payables	5,745,018	3,081,030
	19,160,023	13,810,802

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

	30 June 2014 Unaudited	31 December 2013 Audited
Less than 3 months	8,015,704	4,710,497
3 months to 6 months	2,582,212	3,561,271
6 months to 12 months	66,030	44,450
1 year to 2 years	8,731	25,843
Over 2 years	9,475	4,565
	10,682,152	8,346,626

(All amounts in RMB thousands unless otherwise stated)

20 PROVISIONS FOR OTHER LIABILITIES

	Unaudited
	Products warranties
Six months ended 30 June 2014	
Balance as at 1 January 2014	356,365
Additional provisions (Note 7)	403,915
Utilised during the period	(195,988)
Balance as at 30 June 2014	564,292
Six months ended 30 June 2013	
Balance as at 1 January 2013	304,193
Additional provisions (Note 7)	344,261
Utilised during the period	(281,164)
Balance as at 30 June 2013	367,290

21 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.

22 CAPITAL COMMITMENTS

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

	30 June 2014 Unaudited	31 December 2013 Audited
Purchase of property, plant and equipment and intangible assets		
– Contracted but not provided for	476,433	657,957

(All amounts in RMB thousands unless otherwise stated)

23 RELATED PARTY TRANSACTIONS

The immediate holding company of the Group is Sinotruk (BVI) Limited, a company incorporated in British Virgin Islands. The ultimate holding company of the Group 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 wholly subsidiary of MAN SE. MAN SE and its subsidiaries is referred as MAN 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”) and Sinotruk Panzhihua Mining Truck Co., Ltd. (中國重汽集團攀枝花礦用車有限公司) (“Panzhihua Mining Truck”) are associated companies of the Group.

The directors consider that the major related parties are CNHTC Group, MAN Group, Baotou Xinhongchang, Panzhihua Mining Truck, 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”).

(a) Significant related party transactions

	Unaudited	
	Six months ended 30 June	
	2014	2013
Transactions with related parties		
(i) CNHTC Group		
Sales of trucks	167,934	59,015
Purchases of trucks	652,429	529,553
Sales of spare parts	151,391	199,505
Purchases of spare parts	361,517	293,349
Supply of auxilliary production services	925	807
Purchases of general services	34,885	43,422
Rental income	3,900	3,900
Rental expenses	11,433	11,433
Purchases of construction and project management services	172	12,682
Provision for construction supervision design services	1,419	2,000
Aggregate of interest expenses for deposits taking services	1,456	1,925
Sales of fixed assets	—	2,919
Purchases of fixed assets	239	—
	1,387,700	1,160,510

(All amounts in RMB thousands unless otherwise stated)

23 RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

		Unaudited	
		Six months ended 30 June	
		2014	2013
Transactions with related parties (continued)			
(ii) MAN Group			
	Purchases of spare parts	—	3,028
	Purchases of technology license agreement	—	1,481
		—	4,509
(iii) Baotou Xinhongchang			
	Purchases of trucks	—	15,843
(iv) Key management compensation			
	Short-term employee benefits	3,580	2,754
	Post-employment benefits	141	153
		3,721	2,907

(v) Other Stated-owned Enterprises

The Group has transactions with Other State-owned Enterprises including but not limited to sales of products, purchase of raw material and services, bank deposits placements and borrowings. The directors of the Company are of the opinion that these transactions are conducted in the ordinary business of the Group and no disclosure is presented.

(All amounts in RMB thousands unless otherwise stated)

23 RELATED PARTY TRANSACTIONS (continued)**(b) Balances with related parties**

	30 June 2014 Unaudited	31 December 2013 Audited
Amounts due from related parties		
(i) CNHTC Group		
Trade receivables	88,177	13,788
Prepayments	49,440	2,724
	137,617	16,512
Amounts due to related parties		
Non-current		
(i) MAN Group		
Long-term payables under technology license agreement	85,848	85,268
Current		
(i) CNHTC Group		
Trade payables	3,643	24,488
Other payables	30,913	6,388
Advances from customers	6,095	11,584
Deposits taking	288,231	285,504
Borrowings	36,000	36,000
	364,882	363,964
(ii) MAN Group		
Long-term payables under technology license agreement, current portion	88,143	84,312
(iii) Panzhihua Mining Truck		
Advances from customers	9,100	—
	462,125	448,276

As at 30 June 2014 and 31 December 2013, prepayments to related parties were all unsecured, interest free and due within one year.

(All amounts in RMB thousands unless otherwise stated)

23 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties (continued)

The ageing analysis of trade receivables due from related parties at respective dates of statement of financial position are as follows:

	30 June 2014 Unaudited	31 December 2013 Audited
Less than 3 months	75,254	11,798
3 months to 6 months	10,933	—
1 year to 2 years	1,420	1,420
Over 2 years	570	570
	88,177	13,788

The trade credit policy of the Group to related parties is same as those of other independent customers.

As at 30 June 2014, trade receivables due from related parties were not past due or impaired (31 December 2013: Nil).

As at 30 June 2014 and 31 December 2013, long-term payables to related parties were unsecured, interest free and due within 2 years. As at 30 June 2014 and 31 December 2013, deposits taking from related parties were unsecured, bearing interest at rates mutually agreed and due within one year. As at 30 June 2014 and 31 December 2013, other amounts due to related parties were all unsecured, interest free and due within one year.

The ageing analysis of the trade payables due to related parties at respective dates of statement of financial position are as follows:

	30 June 2014 Unaudited	31 December 2013 Audited
Less than 3 months	1,197	22,042
3 months to 6 months	—	1,780
6 months to 12 months	1,780	—
Over 2 years	666	666
	3,643	24,488

Balances with Other State-owned Enterprises

As at 30 June 2014 and 31 December 2013, majority of the Group's bank balances and borrowings are with state-owned banks.

24 APPROVAL ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved for issue by the Board on 26 August 2014.



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