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Sinotruk (Hong Kong) Limited

中國重汽(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3808)

**Announcement of Interim Results
For the Six Months Ended 30 June 2015**

RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2015 together with the comparative figures for the previous period as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 2015	Unaudited 2014
		<hr/>	<hr/>
Turnover	4	14,257,545	16,746,350
Cost of sales		(11,677,417)	(13,971,794)
Gross profit		2,580,128	2,774,556
Distribution costs		(1,140,522)	(1,121,138)
Administrative expenses		(1,195,552)	(1,040,012)
Other gains - net		291,472	85,280
Operating profit	5	535,526	698,686
Finance income		34,015	34,336
Finance costs		(176,196)	(220,237)
Finance costs - net		(142,181)	(185,901)
Share of post-tax profits/ (losses) of associates		946	(2,328)
Profit before income tax		394,291	510,457

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 2015	Unaudited 2014
Profit before income tax		394,291	510,457
Income tax expense	6	(101,772)	(98,459)
Profit for the period		292,519	411,998
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of termination and post-employment benefits		(6,080)	(5,730)
<i>Items that may be reclassified to profit or loss</i>			
(Losses) / gains on currency translation		(347)	2,555
Total comprehensive income for the period		286,092	408,823
Profit attributable to:			
- equity holders of the Company		238,376	321,756
- non-controlling interests		54,143	90,242
		292,519	411,998
Total comprehensive income attributable to:			
- equity holders of the Company		233,428	318,581
- non-controlling interests		52,664	90,242
		286,092	408,823
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
- basic and diluted	7	0.09	0.12

Condensed Consolidated Statement of Financial Position
As at 30 June 2015
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2015	Audited 31 December 2014
		<hr/>	<hr/>
Assets			
Non-current assets			
Land use rights		1,750,140	1,764,228
Property, plant and equipment		11,420,113	11,756,288
Investment properties		188,912	188,974
Intangible assets		556,451	643,289
Goodwill		3,868	3,868
Deferred income tax assets		1,163,985	1,081,522
Investment in associates		9,913	8,967
Investment in jointly controlled entities		61,140	-
Available-for-sale financial assets		152,000	-
Prepayment for long term investment		250,000	-
Trade receivables and other receivables	8	391,281	522,453
		<hr/> 15,947,803	<hr/> 15,969,589
Current assets			
Inventories		8,804,619	6,577,334
Trade receivables, other receivables and other current assets	8	13,788,949	12,833,842
Financial assets at fair value through profit or loss		173,194	111,179
Other current financial assets		200,000	-
Amounts due from related parties		136,051	25,333
Cash and bank balances		7,917,446	8,775,515
		<hr/> 31,020,259	<hr/> 28,323,203
Total assets		<hr/> 46,968,062	<hr/> 44,292,792

Condensed Consolidated Statement of Financial Position (Continued)**As at 30 June 2015****(All amounts in RMB thousands unless otherwise stated)**

	Note	Unaudited 30 June 2015	Audited 31 December 2014
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		16,717,024	16,717,024
Other reserves		(1,282,386)	(1,322,434)
Retained earnings:			
- Proposed final dividends		-	131,110
- Others		3,878,274	3,645,178
		19,312,912	19,170,878
Non-controlling interests		2,074,082	2,075,501
Total equity		21,386,994	21,246,379
Liabilities			
Non-current liabilities			
Borrowings		3,088,496	2,412,465
Deferred income tax liabilities		28,028	28,918
Termination and post-employment benefits		15,120	17,020
Deferred income		225,462	243,246
		3,357,106	2,701,649
Current liabilities			
Trade payables, other payables and other current liabilities	9	18,089,688	14,556,737
Current income tax liabilities		79,465	65,895
Borrowings		3,159,347	4,813,985
Amounts due to related parties		520,661	555,447
Provisions for other liabilities		374,801	352,700
		22,223,962	20,344,764
Total liabilities		25,581,068	23,046,413
Total equity and liabilities		46,968,062	44,292,792
Net current assets		8,796,297	7,978,439
Total assets less current liabilities		24,744,100	23,948,028

Notes to the Condensed Consolidated Interim Financial Information
(All amounts in RMB thousands unless otherwise stated)

1. General information

The Company was incorporated in Hong Kong on 31 January 2007 as a limited liability company and its shares are listed on the Main Board of the Stock Exchange since 2007. The registered office of the Company is situated at Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Group is principally engaged in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks and light duty trucks, buses and related key parts and components including engines, cabins, axles, steel frames and gearbox, and the provision of finance services.

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

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34, ‘Interim Financial Reporting’ issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Certain comparative figures have been reclassified to conform to the current period’s presentation. The reclassification had no effect on the reported total assets, liabilities, equity or profit.

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 2014, 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 the expected total annual earnings.
- (b) The following new amendments to standards are mandatory for the first time for the financial year beginning 1 January 2015:

HKAS 19 (Amendment)	“Defined benefits plans”
Annual improvements 2012	“Annual improvements to HKFRSs 2010-2012 cycle”
Annual improvements 2013	“Annual improvements to HKFRSs 2011-2013 cycle”

As at 30 June 2015, 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 will not have material impact on the Group currently.
- (d) New Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Companies Ordinance will come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is assessing the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Companies Ordinance. So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

Notes to the Condensed Consolidated Interim Financial Information (Continued)
(All amounts in RMB thousands unless otherwise stated)

4. Segment information

The segment results for the six months ended 30 June 2015 are as follows:

	Unaudited					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	
External segment revenue						
Sales of goods	11,412,236	1,916,687	375,916	-	-	13,704,839
Provision of financing services	-	-	-	144,837	-	144,837
Rendering of services	386,406	7,839	13,624	-	-	407,869
Total	11,798,642	1,924,526	389,540	144,837	-	14,257,545
Inter-segment revenue	232,852	22,574	3,569,239	74,373	(3,899,038)	-
Segment revenue	12,031,494	1,947,100	3,958,779	219,210	(3,899,038)	14,257,545
Operating profit/(loss) before unallocated expenses	311,266	(61,612)	315,029	79,893	(102,804)	541,772
Unallocated expenses						(6,246)
Operating profit						535,526
Finance costs - net						(142,181)
Share of post-tax profits of associates						946
Profit before income tax						394,291
Income tax expense						(101,772)
Profit for the period						292,519

Notes to the Condensed Consolidated Interim Financial Information (Continued)
(All amounts in RMB thousands unless otherwise stated)

4. Segment information (Continued)

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

	Unaudited					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	
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)	-
Segment 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)	255,076	96,859	(32,591)	707,429
Unallocated expenses						(8,743)
Operating profit						698,686
Finance costs - net						(185,901)
Share of post-tax losses of associates						(2,328)
Profit before income tax						510,457
Income tax expense						(98,459)
Profit for the period						411,998

Notes to the Condensed Consolidated Interim Financial Information (Continued)
(All amounts in RMB thousands unless otherwise stated)

4. Segment information (Continued)

The segment assets and liabilities as at 30 June 2015 are as follows:

	Unaudited					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Segment assets	31,051,319	3,682,806	12,666,667	11,115,650	4,399,125	62,915,567
Elimination						(15,947,505)
Total assets						46,968,062
Segment Liabilities	14,661,943	2,940,011	3,796,734	9,680,929	6,527,194	37,606,811
Elimination						(12,025,743)
Total Liabilities						25,581,068

The segment assets and liabilities as at 31 December 2014 are as follows:

	Audited					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Segment assets	28,521,535	3,237,356	11,657,660	11,385,105	4,614,150	59,415,806
Elimination						(15,123,014)
Total assets						44,292,792
Segment Liabilities	11,766,202	2,718,824	2,776,726	9,993,912	7,361,583	34,617,247
Elimination						(11,570,834)
Total Liabilities						23,046,413

The revenue from external customers in Mainland China and overseas for the six months ended 30 June 2015 is as follows:

	Unaudited 2015	Unaudited 2014
Mainland China	11,134,936	14,774,830
Overseas	3,122,609	1,971,520
Total	14,257,545	16,746,350

Notes to the Condensed Consolidated Interim Financial Information (Continued)
(All amounts in RMB thousands unless otherwise stated)

5. Operating profit

The following items have been charged / (credited) to the operating profit during the six months ended 30 June 2015:

	Unaudited 2015	Unaudited 2014
Employee benefit expenses	1,417,931	1,343,830
Warranty expenses	320,740	403,915
Inventory write-downs	46,659	124,677
Amortisation of land use rights	19,319	16,215
Depreciation of property, plant and equipment	619,004	599,123
Amortisation of intangible assets	87,032	81,503
(Gains) / Losses on disposal of property, plant and equipment	(81,615)	2,029
Foreign exchange gains - net	(51,510)	(5,623)
Government grants	(66,965)	(44,866)
Disposal of scraps	(11,870)	(20,610)

6. Income tax expense

The income tax expense for the six months ended 30 June 2015 is as follows:

	Unaudited 2015	Unaudited 2014
Current income tax		
- Hong Kong profits tax	14,557	4,995
- PRC corporate income tax	170,568	270,091
	185,125	275,086
Deferred income tax	(83,353)	(176,627)
	101,772	98,459

6. Income tax expense (continued)

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% (2014: 16.5%) on their estimated assessable profit. In addition, the Company is determined as a Chinese-resident enterprise and accordingly, is subject to corporate income tax of the PRC, which has been calculated based on the corporate income tax rate of 25% (2014: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit during the six months ended 30 June 2015 at the rates of taxation prevailing in the countries in which the Group operates.

Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engines Co., Ltd. have been recognised as the High New Tech Enterprises since 2014. Sinotruk Ji'nan Fuqiang Power Co., Ltd. has applied the status of the High New Tech Enterprises and such application is under review. According to the tax incentives of the Corporate Income Tax Law of the PRC (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% in 2015 (2014: 15%).

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Chengdu Wangpai and Sinotruk Mianyang Special Vehicles Co., Ltd. are subject to a corporate income tax rate of 15% according to the Western Development tax incentives of the CIT Law (2014: 15%).

Sinotruk Russia Co., Ltd. is subject to a corporate income tax rate of 20% according to Tax Code of the Russian Federation (2014: 20%).

The remaining subsidiaries are subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2014: 25%).

Notes to the Condensed Consolidated Interim Financial Information (Continued)
(All amounts in RMB thousands unless otherwise stated)

7. Earnings per share

Basic

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

	Unaudited	Unaudited
	2015	2014
	<hr/>	<hr/>
Profit attributable to equity holders of the Company	238,376	321,756
Weighted average number of ordinary shares in issue (thousands)	2,760,993	2,760,993
Basic earnings per share (RMB per share)	0.09	0.12
	<hr/> <hr/>	<hr/> <hr/>

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 2015 and 30 June 2014.

Notes to the Condensed Consolidated Interim Financial Information (Continued)
(All amounts in RMB thousands unless otherwise stated)

8. Trade receivables, other receivables and other current assets

	Unaudited 30 June 2015	Audited 31 December 2014
Non-Current		
Accounts receivable	23,437	75,850
Loans and receivables from financing services	373,493	453,404
Less: Provision for impairment of loans and receivables from financing services	(5,649)	(6,801)
Loans and receivables from financing services - net	367,844	446,603
Trade receivables and other receivables	391,281	522,453
Current		
Accounts receivable	8,212,302	7,099,231
Less: Provision for impairment of accounts receivable	(407,962)	(326,445)
Accounts receivable - net	7,804,340	6,772,786
Notes receivable		
- Bank acceptance notes	2,972,932	3,600,291
- Commercial acceptance notes	-	50,230
Notes receivable - total	2,972,932	3,650,521
Trade receivables – net	10,777,272	10,423,307
Loans and receivables from financing services	1,404,818	1,352,304
Less: Provision for impairment of loans and receivables from financing services	(44,812)	(26,082)
Loans and receivables from financing services - net	1,360,006	1,326,222
Other receivables and other current assets (a)	855,393	459,031
Less: Provision for impairment of other receivables	(7,835)	(7,581)
Other receivables and other current assets – net	847,558	451,450
Interest receivables	18,807	44,958
Receivables and other current assets before prepaid items	13,003,643	12,245,937
Prepayments	299,007	237,100
Prepaid taxes other than income tax	432,031	259,758
Prepaid income taxes	54,268	91,047
Trade receivables, other receivables and other current assets - net	13,788,949	12,833,842

Notes to the Condensed Consolidated Interim Financial Information (Continued)
(All amounts in RMB thousands unless otherwise stated)

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

- (a) As at 30 June 2015, the balance of other receivables includes three wealth management products amounting to RMB450,000,000 (31 December 2014: Nil) acquired from banks with both principals and income guaranteed and no provision is provided against these wealth management products.

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

	Unaudited	Audited
	30 June	31 December
	2015	2014
Less than 3 months	7,732,856	7,992,719
3 months to 6 months	1,306,546	1,585,902
6 months to 12 months	881,055	166,756
1 year to 2 years	466,570	391,190
Over 2 years	413,682	362,590
	10,800,709	10,499,157

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

As at 30 June 2015, accounts receivables of the Group of approximately RMB 1,089,755,000 (31 December 2014: approximately RMB 1,266,409,000) are secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 30 June 2015 and 31 December 2014.

Loans and receivables from financing services represented loans granted by Sinotruk Finance, a subsidiary of the Company, 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% to 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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)
(All amounts in RMB thousands unless otherwise stated)

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

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

	Unaudited	Audited
	30 June	31 December
	2015	2014
	<hr/>	<hr/>
Less than 3 months	416,595	258,543
3 months to 6 months	257,882	316,913
6 months to 12 months	685,529	750,766
1 year to 2 years	287,245	365,333
Over 2 years	80,599	81,270
	<hr/> 1,727,850 <hr/>	<hr/> 1,772,825 <hr/>

9. Trade payables, other payables and other current liabilities

	Unaudited	Audited
	30 June	31 December
	2015	2014
	<hr/>	<hr/>
Trade and bills payables	13,913,402	10,116,689
Advances from customers	984,253	1,029,313
Accrued expenses	688,585	622,382
Staff welfare and salaries payable	265,138	228,848
Taxes liabilities other than income tax	77,407	217,964
Other payables	2,160,903	2,341,541
	<hr/> 18,089,688 <hr/>	<hr/> 14,556,737 <hr/>

Notes to the Condensed Consolidated Interim Financial Information (Continued)
(All amounts in RMB thousands unless otherwise stated)

9. Trade payables, other payables and other current liabilities (Continued)

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

	Unaudited	Audited
	30 June	31 December
	2015	2014
Less than 3 months	12,351,880	8,294,348
3 months to 6 months	1,514,202	1,683,625
6 months to 12 months	24,798	117,025
1 year to 2 years	10,974	11,953
2 years to 3 years	4,754	6,151
Over 3 years	6,794	3,587
	13,913,402	10,116,689

MARKET OVERVIEW

During the first half of 2015, China's GDP growth gradually went down to 7.0%, shifting from a phase of high growth to a phase of medium-high growth. The growth of consumption, investment and net exports decline in various levels. Fixed asset investment saw an especially sharp decline and became a major drag on the economic growth. As a result of the decelerating economic growth and the advance sales due to the implementation of the China's National IV Emission Standards on 1 January 2015, industry sales of HDTs declined significantly. According to the statistics from the China Association of Automobile Manufacturers, sales of HDTs declined 31.3% year-over-year ("YOY") to approximately 295,000 units during the first half of 2015.

REVIEW OF OPERATIONS

During the Period, the Group's efforts to optimize its product mix, product positioning and production layout were evident. Heavy duty trucks segment of the Group took the lead in the industry upgrade, while the light duty trucks segment expanded rapidly. According to the changes of the economic conditions and market demand, the Group adjusted the development strategy, uplifted the enterprise innovation ability, enhanced the internal controls, improved the development quality, increased the economic benefits and maintained the stable operations.

HEAVY DUTY TRUCKS SEGMENT

During the Period, HDTs sales volume decreased to 43,157 units, representing a decrease of 15.6% YOY and revenue from the HDTs segment was RMB12,031 million, representing a decrease of 15.2% YOY.

Domestic Business

Due to the slowdown in fixed asset investment and the mining industry, market demand for construction vehicles saw a dramatic decline. The sales of tipper trucks, the major product in the Group's construction vehicles, declined significantly but maintained its industry leading position. Faced with the sluggish market, the Group is committed to improving its product mix. With the support of the advanced technology and reliable quality of its highway vehicles, the Group's tractor products saw a sharp increase in its sales volume and proportion to the Group's products, and market shares. Trucks equipped with MAN technology maintained robust growth and drove the Group's overall sales, especially for tractor and cargo trucks. The Group enhanced its product technology and quality to further reinforce its competitive strengths in the complicated market environment. Despite the declining sales caused by the unfavorable industry trends, the combined market share of the Group and CNHTC Group reached 18.37% in the first half of 2015, representing an increase of 2.08 percentage points YOY.

During the Period, the Group pushed through progressive innovations in its business model, improved its sales structure and further improved its distribution network. As at 30 June 2015, the Group had a total of 741 HDTs dealerships, including 128 4S centers and 147 SINOTRUK branded dealerships, 1,611 service centers providing high quality after-sales services, and 148 refitting companies to provide truck refitting services to HDTs. The distribution network for the Group's entire product range was improved.

International Business

During the first half of 2015, the global economic recovery remained sluggish. As overseas market demand remained weak, China's export growth slowed further.

During the Period, the Group's overseas sales remained stable. Exports to Africa and Southeast Asia, which have traditionally been the Group's strong markets, showed significant growth. Major oil producing countries, such as Russia, suffered dramatic economic decline as oil prices fell sharply, leading to a severe contraction in demand of heavy duty trucks. Due to local political turmoil and drastic changes in trade regulations of other export regions, exports to these regions also declined. During the Period, the Group's export volume of HDTs (including affiliated exports) reached 13,529 units, representing an increase of 42.3% YOY. Export revenue (including affiliated exports) was RMB3,830 million, representing an increase of 44.0% YOY.

In view of the complicated international market environment, the Group is committed to taking advantage of the "One Belt and One Road" policy and intensifying its foray into international markets. The Group will continue to establish its international brand image, build and enhance its marketing network, promote new products and technologies, improve its after-sales services and develop its overseas cooperation model to promote the export business.

As at 30 June 2015, the Group had established 177 sales centers of primary distributors in over 70 countries and regions. The Group had also cooperated with overseas distributors to establish 329 service outlets and 330 parts and accessory stores.

LIGHT DUTY TRUCKS AND BUSES SEGMENT

During the Period, the Group's LDTs sales volume decreased 1.1% YOY to 27,522 units. Bus sales were 506 units, representing a decrease of 23.3% YOY. Revenue from the segment increased 1.0% YOY to RMB1,947 million.

During the Period, the LDTs business progressed smoothly. The HOWO light duty truck series gradually gained the market recognition as a result of the Ji'nan LDTs segment's continuous efforts to enhance its brand image and marketing strategies, as well as to

improve product quality and create innovative products that cater to different customer needs. The Group further promoted sales through its mature vehicle financing model and marketing strategies. Responding to the market needs, Chengdu Wangpai continued its active engagement in product planning and development. It established a rapid after-sales response program, ran a market-oriented sale and services program, and increased its efforts to promote new clean energy vehicles. Chengdu Wangpai also comprehensively improved its product quality and diversified its product mix for different regions and customer bases. Fujian Haixi strengthened its product research and development and markets exploration, increase its marketing activities as well as to fully integrate MAN Group's technology.

During the Period, the Group actively engaged in the development of all-electric commercial vehicles and green energy buses. The Group continued to develop and improve its distribution network and gradually improve the product quality of its buses. In order to promote sales, the Group further improved its after-sales services, strengthened its development in traditional regional and overseas markets, and explored new markets.

As at 30 June 2015, the Group had a total of 977 LDTs dealerships, including 76 4S centers and 149 SINOTRUK-branded dealerships, 1,667 service centers providing high quality after-sales services, and 31 refitting companies in the PRC that cater to the needs of our LDTs customers. The Group had a total of 43 bus dealerships and 36 service centers for bus products in the products.

ENGINES SEGMENT

The Group is dedicated to developing innovative new engine technology, implementing strict quality control, and delivering high-technology products that are both reliable and fuel-efficient. In addition to fulfilling the internal demand, the Group also sells engines to related parties and to other manufacturers of HDTs, buses, and construction machinery.

During the Period, the sales volume of engines decreased by 15.9% YOY to 54,705 units and segment revenue decreased by 10.6% YOY to RMB3,959 million. External sales

accounted for 9.8% of the engine segment's revenue, representing a decrease of 3.8 percentage points from 13.6% during the same period of last year.

The localization of MAN Group's engine technology continued to progress smoothly. Engines for heavy duty trucks and medium-heavy duty trucks have begun scaled production. By improving staff training and production techniques for MAN Group's engines and strengthening the production quality control, the compatibility between engines and trucks and the quality and reliability of Chinese-made products have been improved. The Group will continue to implement the testing and certification of engines on buses and other products in order to further expand the application of MAN Group's engine technology.

TECHNOLOGICAL UPGRADE

During the Period, the Group's capital expenditures amounted to RMB320 million. Major investments were made in the construction of a national heavy duty truck engineering technology research center, improvements in production techniques and quality control standards, and the enhancement of research, development and innovation capabilities.

RESEARCH AND DEVELOPMENT

The Group remained committed to its technology-focused strategy. During the Period, the Group took full advantage of its research platforms and increased investment in the research and development to strengthen its innovation capacity. By strengthening the cooperation with the MAN Group in the development of high quality engines, parts and components and trucks, the Group further enhanced its competitive strength. During the Period, the technology center has completed a total of 338 projects, ranging from the development of trucks, key parts and components, conduct of experiments and verification, trial production of vehicles and fine tuning.

As at 30 June 2015, the Group and its parent company had participated in the formulation of 75 industry standards for China's HDTs and were granted with 3,046 patents, securing the largest number of patents in the HDTs industry.

During the Period, the Group offered 2,668 product models that comply with China's National IV or China's National V Emission Standards which cater to various customer needs.

FINANCE SEGMENT

During the Period, revenue from the finance segment of the Group was RMB219 million, representing an increase of 36.7% YOY and its external revenue was RMB145 million, representing an increase of 8.2% YOY. The increase in revenue was primarily due to the increase of the inter-segment loans and interbank deposits as well as the expansion of the consumer credit business, resulting the increase in loan interest income and increase in interest income from interbank deposits.

During the Period, the Group took full advantage of favorable national policies and its mature automobile financing service platform to expand the scope of its consumer credit business. The Group promoted automobile financing services such as consumer credit, financial leasing services and various other automobile consumer credit services to meet customer demand for trucks, all of which helped to boost the Group's trucks sales. As at 30 June 2015, Sinotruk Finance had established 19 regional offices and extended its consumer credit business coverage to over 20 provinces, covering most parts of China. This helped to further enhance the Group's automobile consumer credit network. During the Period, the Group sold 2,443 trucks using automobile financing services, representing a decrease of 16.4% YOY.

SIGNIFICANT INVESTMENTS

In April 2015, the Company's indirect wholly-owned subsidiary, Sinotruk (Hong Kong) Capital Holding Limited, and an independent third-party, China-Africa Manufacturing Investment Co., Limited, jointly established Sinotruk (Hong Kong) Hongye Limited and subscribed its 65% equity interest at the amount of US\$19.5 million, and its 35% equity interest at the amount of US\$10.5 million, respectively.

In June 2015, the Company, CNHTC and Shandong International Trust Corporation entered into a capital contribution agreement for the formation of Shandong HOWO Auto Finance Co., Ltd. to participate in the automobile financing business. The Company, CNHTC and Shandong International Trust Corporation will contribute RMB250 million, RMB100 million and RMB150 million and hold 50%, 20% and 30% equity of Shandong HOWO Auto Finance Co., Ltd., respectively. Details of which were disclosed in the Company's announcement dated 9 June 2015.

HUMAN RESOURCES

As at 30 June 2015, the Group had a total of 26,152 employees. The Group matched its corporate development needs to innovate its human resources management methods, proactively attracted senior executives and technical personnel and optimize the allocation of human resources so as to provide further intellectual support and human resources for the Group's continued sustainable development. The Group highly values its human resources including team building and talent development. Through open and fair recruitment, the Group recruited senior management and technical talent and further optimized its human resources structure and quality. Moreover, the Group continued to optimize its performance assessment system for promotion management of the employees, non-leadership staff appraisal system to provide better incentives to the employees. In addition, to the extent necessary to protect the Group's intellectual property rights and other vital competitive interests, qualified employees may enjoy certain retirement and non-compete compensations.

BUSINESS STRATEGIES AND PROSPECTUS

In the second half of 2015, imbalanced growth is expected to continue in the major economies of the world and there are still uncertainties regarding the economic recovery. China's economy is under heavy downward pressure due to complicated changes in both the domestic and overseas environment, as well as the continued transformation of the domestic economy. A series of measures to stabilize economic growth and promote domestic economic development, the "One Belt and One Road," "Internet Plus" and "Made in China 2025" plans are presenting new opportunities and challenges to

enterprises in China. With economic volatility in both the domestic and overseas markets and keen competition, the Group will continue to enhance its competitiveness, adjust its operational strategies in a timely manner, and adopt various measures to ensure sound and robust growth.

1. The Group will develop an innovative sales and marketing strategy, set up new business policies and further optimize domestic marketing network to promote product sales. By fully utilizing the internet information platform, the Group will develop a new marketing and promotion program. The Group will pay greater attention to and improve the quality and effectiveness of the Group's marketing network, consolidate marketing resources and set specific marketing targets and effective marketing strategy to provide complete marketing and sales strategies. The Group will also promote its products based on different brands and different series and launch key products to the market on appropriate timing and market conditions. The Group will enhance the trainings to its sales staff and customer services teams for provision of better sales and after-sales services. The Group will provide innovative financing support and expand its consumer credit business with sound credit risk controls to boost product sales and therefore increase its market shares.
2. The Group will continue to implement its internationalization strategy to further develop international markets and create new advantages. The Group will further promote its brand and increase its brand awareness and influence. The Group will continue to explore overseas markets and strengthen its distribution network, including after-sales services in key markets. The Group will push forward the construction of overseas warehouses for spare parts and KD assembly plants, and strive to localize production and after-sales services. The Group will also strengthen its human resources and sales teams. In addition, the Group will leverage development opportunities in countries and regions along the Silk Road Economic Belt and the Maritime Silk Road. The Group will continue to strengthen its international financing support to increase its exports. The Group will increase its efforts in its traditionally weak markets and reinforce its competitiveness in traditionally strong markets to maintain SINOTRUK's leading global position. The

Group will accelerate the export of HDTs, LDTs and buses.

3. The Group will continue to optimize its product mix to consolidate its advantage and market position in the construction vehicles. The Group will fully leverage the advantages of MAN technology to increase the sales of transportation trucks such as tractors and transition focus from increase in sales volume to high quality products sales. The Group will focus on promoting the SINOTRUK brand and increasing its market influence. The Group will also improve its product quality and technology to boost sales of HDTs, LDTs and buses.
4. The Group will continue to carry out “Brand, Quality and Efficiency Year” exercises to strengthen internal controls, reduce costs and improve profitability. The Group will strengthen its risk management capabilities and improve its performance to facilitate healthy and continued growth. The Group will continue to improve its centralized and categorized purchasing, and optimize its supply chain to reduce purchasing costs. Moreover, the Group will take advantages of overseas financing platform to lower the cost of capital, centralization of treasury function locally and aboard and the optimization of its debt structure to reduce operating costs.
5. The Group will continue to strengthen its cooperation with the MAN Group to ensure the smooth launch of new products. Based on the market trends, both the Group and MAN Group will explore and seek co-operation in different areas. It will also look to explore and expand co-operation areas based on market developments.

TURNOVER, GROSS PROFIT AND GROSS PROFIT MARGIN

For the Period, the Group's turnover recorded RMB14,258 million, compared with that of the same period of 2014 at RMB16,746 million, representing a decrease of RMB2,488 million or 14.9% YOY. The decrease in the turnover is primarily attributable to the decrease in HDTs sales volume.

Gross profit for the Period was RMB2,580 million, representing a decrease of RMB195 million or 7.0% YOY compared to that of the same period of 2014 of RMB2,775 million. Gross profit margin for the Period was 18.1%, compared with that of the same period of 2014 at 16.6% representing an increase of 1.5 percentage points. The increase in the gross profit margin was mainly due to 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 RMB1,121 million for the six months ended 30 June 2014 to RMB1,141 million for the Period, representing an increase of RMB20 million or 1.8% YOY. During the Period, distribution costs accounted for 8.0% to turnover and compared to the same period of 2014 at 6.7%, represented an increase of 1.3 percentage points. The increase was primarily resulted from the increase in exports, sea freight, sales promotion expenses, exhibition costs, etc.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from RMB1,040 million for the six months ended 30 June 2014 to RMB1,196 million for the Period, representing an increase of RMB156 million or 15.0% YOY. The increase was mainly due to the increase in the provision for bad debts in accordance with the increase in account receivables of the trade receivables under the Group's prudent provisioning policy and the increase in research and development cost.

OTHER GAINS – NET

There was an increase in net other gains from RMB85 million for the six months ended 30 June 2014 to RMB291 million for the Period, representing an increase of RMB206 million or 242.4% YOY. The increase was mainly due to the gains from disposal of properties, the increase in revenue from financial assets, the increase in market value of financial assets and foreign exchanges gains.

FINANCE COSTS – NET

Net finance cost decreased from RMB186 million for the six months ended 30 June 2014 to RMB142 million for the Period, representing a decrease of RMB44 million or 23.7% 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 RMB98 million for the six months ended 30 June 2014 to RMB102 million for the Period, representing an increase of RMB4 million or 4.1% YOY. Last year's income tax expense was significantly reduced by the recognition of tax losses while the impact of the recognition of the tax losses was small during the Period.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the period decreased from RMB412 million for the six months ended 30 June 2014 to RMB293 million for the Period, representing a decrease of 28.9% YOY. Profit attributable to equity holders of the Company for the Period was RMB238 million, representing a decrease of 26.1% YOY. The basic earnings per share attributable to equity holders of the Company for the Period was RMB0.09, representing a decrease of RMB0.03 or 25.0% YOY compared with that of the same period of 2014 at RMB0.12.

TRADE AND NET FINANCING SERVICE RECEIVABLES

As at 30 June 2015, the trade receivables were increased from RMB10,499 million as at 31 December 2014 to RMB10,801 million, representing an increase of 2.9%. The trade receivables turnover was 137.3 days, a decrease of 11.5% 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 2015, the trade receivables aged not more than six months were RMB9,039 million or 83.7% to net trade receivables while it was 91.2% for the net trade receivables as at 31 December 2014.

As at 30 June 2015, the net financing services receivables decreased from RMB1,773 million as at 31 December 2014 to RMB1,728 million, representing a decrease of 2.5%. 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

Net cash inflow from operating activities for the period was RMB1,716 million (with considering the amount of bank acceptances notes decreased by RMB627 million, the net cash inflow from operating activities during the Period was RMB1,089 million) and compared with net cash inflow in the same period of 2014 at RMB3,906 million, there was a decrease of cash inflow by RMB2,190 million which was mainly due to the increase of inventories.

Net cash outflow from investing activities for the Period was RMB1,287 million, representing a decrease in cash outflow by RMB167 million compared to that of the same period of 2014. The decrease was mainly due to the decrease in financial products purchased during the Period but such decrease was partially offset by the increase in spending in purchase of property, plant and equipment and the prepayment of long term investment.

The cash outflow from financing activities for the Period was RMB879 million, compared with that of the same period of 2014 at RMB738 million, representing an increase of cash outflow by RMB141 million which was mainly due to the faster speed in reduction of the scale of borrowings.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of RMB5,993 million and bank acceptance notes of RMB2,973 million as at 30 June 2015. Cash and cash equivalents decreased by RMB447 million and bank acceptance notes decreased by RMB627 million as compared with those at the beginning of 2015. As at 30 June 2015, the Group's total borrowings (including long-term and short-term borrowings and borrowings from the related parties) were about RMB6,284 million and its gearing ratio (total borrowings divided by total assets) was 13.4% (31 December 2014: 16.4%).

As at 30 June 2015, all borrowings were made in RMB (31 December 2014: 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 2015 was 1.4 (31 December 2014: 1.4).

As at 30 June 2015, total available credit facilities of the Group amounted to RMB30,064 million, of which RMB5,543 million had been utilised. An aggregate amount of RMB915 million of the Group's deposits and bank deposits was pledged to secure credit facilities. In addition, Sinotruk Finance has made mandatory deposits of RMB1,009 million to PBC 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 2015, 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 RMB522 million, financial assets at fair value through profit or loss of approximately RMB73 million, accounts receivable and other receivable of approximately RMB1,631 million, accounts payable and other payables of approximately RMB107 million and amounts due to related parties of approximately RMB72 million, all of which were denominated in currencies other than RMB.

CAPITAL STRUCTURE

As at 30 June 2015, owner's equity of the Group was RMB21,387 million, representing an increase of RMB141 million or 0.7% when compared with RMB21,246 million at the end of year 2014.

As at 30 June 2015, the Company's market capitalisation was RMB10,190 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD4.68 per share and at the exchange rate of 0.78861 between HKD and RMB).

DIVIDENDS

The Board does not propose the declaration of any interim dividends for the six months ended 30 June 2015.

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 RMB151 million. During the Period, the Group did not make any provision for legal claims.

CORPORATE GOVERNANCE PRACTICE

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

During the Period, the Company has been in compliance with the CG Code, save for the Company did not establish a nomination committee. According to article 80 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.

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 Period.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2015 has been reviewed by the Audit Committee and PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by HKICPA.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DEFINITIONS

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

“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 of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“CNHTC”	中國重型汽車集團有限公司 (China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
“CNHTC Group”	CNHTC and its subsidiaries other than the Group
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014
“Company” or “Sinotruk”	Sinotruk (Hong Kong) Limited
“Director(s)”	the director(s) of the Company

Others

“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 truck(s) and medium-heavy duty truck(s).
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ji’nan Truck”	Sinotruk Ji’nan Truck Co., Ltd., a non-wholly owned subsidiary of the Company and its shares listed on the Shenzhen Stock Exchange in PRC
“LDT(s)”	light duty truck(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAN Group”	MAN SE and its subsidiaries
“MAN SE”	MAN SE, a company incorporated under the laws of Germany, the shares of which are listed on the German Stock Exchange in Frankfurt, Germany (ISIN DE 0005937007, WKN 593700) and the beneficiary owner of 25% of the issued share capital of the Company plus one Share
“Period”	the six months ended 30 June 2015
“PBC”	The Peoples’ Bank of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Sinotruk Finance”	Sinotruk Finance Co., Ltd., a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

Others

“subsidiary”	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and subsidiaries” shall be construed accordingly
“%”	per cent

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

Ji’nan, PRC, 25 August 2015

As at the date of this announcement, the Board consists of the eight executive Directors including Mr. Ma Chunji, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin and Mr. Franz Neundlinger; two non-executive Directors including Dr. Georg Pachta-Reyhofen and Mr. Anders Olof Nielsen; and six independent non-executive Directors including Dr. Lin Zhijun, Dr. Ouyang Minggao, Mr. Chen Zheng, Dr. Lu Bingheng, Mr. Yang Weicheng and Dr. Huang Shaoan.