中国重汽
SINOTRUK

Sinotruk (Hong Kong) Limited
中國重汽（香港）有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code : 3808

INTERIM REPORT 2018


HOWO
豪沃T5G

CONTENTS

FINANCIAL FIGURES

KEY INTERIM RESULTS FIGURES	2018	2017	Increase/(Decrease)	
				%
Operating results (RMB million)				
Revenue	**33,624**	26,626	6,998	26.3
Gross profit	**6,071**	4,857	1,214	25.0
Operating profit	**3,116**	1,982	1,134	57.2
Profit attributable to owners of the Company	**2,365**	1,400	965	68.9
Profitability and Liquidity				
Gross profit ratio (%)	**18.1**	18.2	(0.1)	(0.5)
Operating profit ratio (%)	**9.3**	7.4	1.9	25.7
Net profit ratio (%)	**7.6**	5.9	1.7	28.8
Current ratio (time)	**1.2**	1.3	(0.1)	(7.7)
Trade receivables turnover (days) (note)	**33.1**	49.8	(16.7)	(33.5)
Trade payables turnover (days)	**155.0**	162.1	(7.1)	(4.4)
Sales volume (units)				
HDTs				
— Domestic	**74,522**	59,680	14,842	24.9
— Export (including affiliated export)	**19,005**	15,112	3,893	25.8
Total	**93,527**	74,792	18,735	25.0
LDTs	**68,848**	54,739	14,109	25.8
Trucks sold under consumer credit	**15,364**	10,508	4,856	46.2
Per share data				
Earnings per share - basic (RMB)	**0.86**	0.51	0.35	68.6
Share information (as at 30 June)				
Number of issued ordinary shares (million)	**2,761**	2,761	—	—
Market capitalisation (RMB million)	**30,075**	13,587	16,488	121.4

Note: The comparative figure of trade receivables turnover is recalculated to conform the current period classification and measurement after the adoption of new accounting standards.

DEFINITIONS

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

"AGM"	the annual general meeting of the Company or any adjournment thereof
"Articles"	the articles of association of the Company, as amended, supplemented, modified or otherwise adopted from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CAAM"	China Association of Automobile Manufacturers
"China" or "PRC"	the People's Republic of China, and for the purpose of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CNHTC" or "Parent Company"	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
"CNHTC Group"	CNHTC and its subsidiaries other than the Group
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"or "Sinotruk"	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the securities of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"ED(s)"	the executive Director(s)
"Euro"	the lawful currency of the European Union
"Executive Committee"	the executive committee of the Company
"FPFPS"	Ferdinand Porsche Familien-Privatstiftung, an Austrian private foundation *(Privatstifung)* (trust), being the beneficiary owner of 25% of the entired issued share capital of the Company plus 1 Share
"FPFPS Group"	FPFPS and its subsidiaries including Volkswagen AG and MAN SE
"Group"	the Company and its subsidiaries
"HDT(s)"	heavy duty truck(s) and medium-heavy duty truck(s)
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

"HoH"	the Period over the six months ended 30 June 2017
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HOWO Auto Finance Company"	山東豪沃汽車金融有限公司 (ShanDong HOWO Auto Finance Co., Ltd.), a company established under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
"INED(s)"	the independent non-executive Director(s)
"Ji'nan Power Company"	中國重汽集團濟南動力有限公司 (Sinotruk Ji'nan Power Co., Ltd.), a company established under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"Ji'nan Truck Company"	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji'nan Truck Co., Ltd.), a joint stock company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
"LDT(s)"	light duty truck(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAN Group"	MAN SE and its subsidiaries
"MAN SE"	MAN SE, a company incorporated under the laws of Germany, being a non-wholly owned subsidiary of FPFPS and the shares of which are listed on the German Stock Exchange in Germany (stock code: ISIN DE0005937007, WKN 593700 and symbol MAN)
"NED(s)"	the non-executive Director(s)
"PBOC"	The Peoples' Bank of China
"Period"	the six months ended 30 June 2018
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) in the share capital of the Company

"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange in the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy and Investment Committee"	the strategy and investment committee of the Company
"Subsidiary"	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and "Subsidiaries" shall be construed accordingly
"USD"	United States dollars, the lawful currency of the United States of America
"Volkswagen AG"	Volkswagen AG, a company incorporated under the laws of Germany, being a non-wholly owned subsidiary of FPFPS and an intermediate holding company of MAN SE and the shares of which are listed on German Stock Exchange (stock code: ISIN DE0007664039, WKN 766403 and symbol VOW3)
"Volkswagen Group"	Volkswagen AG and its subsidiaries, including MAN Group
"%"	per cent

COMPANY INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Wang Bozhi *(Chairman)*
Mr. Cai Dong *(President)*
Mr. Tong Jingen
Mr. Wang Shanpo
Mr. Kong Xiangquan
Mr. Liu Wei
Mr. Liu Peimin

NON-EXECUTIVE DIRECTORS:

Mr. Andreas Hermann Renschler
Mr. Joachim Gerhard Drees

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

EXECUTIVE COMMITTEE

Mr. Wang Bozhi *(Chairman)*
Mr. Cai Dong
Mr. Tong Jingen
Mr. Wang Shanpo
Mr. Kong Xiangquan
Mr. Liu Wei
Mr. Liu Peimin

STRATEGY AND INVESTMENT COMMITTEE

Mr. Wang Bozhi *(Chairman)*
Mr. Cai Dong
Mr. Wang Shanpo
Mr. Zhao Hang

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

HEADQUARTERS

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

REGISTERED OFFICE IN HONG KONG

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

COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

Mr. Tong Jingen
Mr. Kwok Ka Yiu

PRINCIPAL BANKERS

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

LEGAL ADVISERS

HONG KONG

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

Securities Department
PRC: Tel (86) 531 5806 2545
Fax (86) 531 5806 2545
Hong Kong: Tel (852) 3102 3808
Fax (852) 3102 3812
Email: securities@sinotrukhk.com

PUBLIC RELATIONS CONSULTANT

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

THE GROUP

BUSINESS

The Group is one of the leading trucks manufacturers in the PRC which specialises in the research, development and manufacture of HDTs, LDTs 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, chemical, etc.

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

OPERATIONS

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

(I) HEAVY DUTY TRUCKS SEGMENT

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

(II) LIGHT DUTY TRUCKS SEGMENT

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

(III) ENGINES SEGMENT

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

(IV) FINANCE SEGMENT

The finance segment of the Group provides financial services to those parties related to the production and sales of the Group's products and to the CNHTC Group. Financial services include deposits taking, borrowings, commercial notes and bank bills discounting, auto financing services and supply chain financing services. In addition to HOWO Auto Finance Company, it also cooperates with authorized financial institutions to provide auto financing services. It builds up an auto financing services network. At present, it has already set up 22 regional offices and extended its financing services to over 30 provinces, covering most areas in the PRC.

SUBSTANTIAL SHAREHOLDERS

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

TRUCKS MARKET

In the first half of 2018, the national economy maintained stability and achieved steady growth. The shifting of growth momentum was accelerated, domestic demand was increased, and the contribution of the service industry to economic growth continued to increase. In the first half of 2018, China's GDP grew by 6.8% HoH.

The demand for trucks has been driven by the growth of infrastructure construction investment, the construction of major engineering projects, the "Working Plan for Car Delivery Vehicles" (《車輛運輸車治理工作方案》) (i.e. since 1 July 2018, car delivery vehicles that do not meet the requirements for the length and width will be prohibited to run), restrictions in use of China's National III vehicles by various local government, the acceleration of urbanization, etc. As a result, the domestic truck market continued to grow in the first half of 2018, with sales reaching a record high. According to statistics from the CAAM, in the first half of 2018, sales of heavy duty trucks increased by 15.11% HoH to approximately 671,800 units for the Period; sales of light duty trucks increased by 16.15% HoH to approximately 974,900 units for the Period.

LOANS MARKET

In the first half of 2018, the Chinese government continued to implement its prudent and neutral monetary policy. During the Period, the base interest rates for RMB denominated loan with a term of not more one year and RMB denominated loan with a term of over one year but not more than five years maintained at 4.35% and 4.75%, respectively, flat on the same period last year.

REVIEW OF OPERATIONS

The Group has adhered to taking the market and users as the center to optimize product structure, improve product quality, cultivate segment markets, and successfully exceeded various performance indicators. During the Period, the Group's trucks sales volume was 162,375 units, representing an increase of 25.4% HoH; revenue was RMB33,624 million, representing an increase of 26.3% HoH; net profit attributable to shareholders was RMB2,365 million, representing an increase of 68.9% HoH.

HEAVY DUTY TRUCKS SEGMENT

During the Period, HDT sales volume was 93,527 units, representing an increase of 25.0% HoH. Revenue from the HDTs segment increased to RMB26,893 million, representing an increase of 24.2% HoH. The segment profit margin was 4.1%, representing an increase of 0.6 percentage points HoH.

DOMESTIC BUSINESS

Adhering to the business philosophy of "market-oriented, user-centered", the Group improved and upgraded products in response to changes in market conditions and user demands, and achieved good results. The domestic marketing capability has been further improved. During the Period, the Group sold 74,522 HDTs in the PRC, representing an increase of 24.9% HoH.

Benefiting from the concentrated implementation of construction of large-scale infrastructure projects, the demand for construction vehicles in the first half of the year has exploded. The Group's construction vehicle business continued to lead the market, with the sales volume of tipper trucks increasing 73.1% HoH and the sales volume of mixer trucks increasing 92.1% HoH. Under the influence of the gradual recession of large-scale policy dividends (GB1589 and strict anti-overloading policies) and the weaker demand caused by the substantial pre-buying activity in the previous period, the demand in the tractor market declined. Products equipped with MAN technology are well recognised in the markets and have a certain influence in the high-end logistics truck market such as express, hazardous chemicals transportation and high value-added product transportation.

During the Period, the Group's smart trucks and high-end market development made progress, and the I-Generation smart HDT integrated with the five functions of rear-end accidents prevention (防追尾AEBS), preventing rollover (防側翻ESC+EBS), preventing lane departure (防躥道LDWS), preventing sliding (防溜車HSA), and adaptive cruise control (自適應巡航ACC) have been launched and are widely recognized by the market. The delivery of the Euro VI street washing trucks to Hong Kong SAR Government marks a milestone the China brand's Euro VI HDT has achieved sales breakthrough in the Hong Kong market.

During the Period, the Group seized the opportunity of shifting market demand, adjusted our marketing strategy timely to focus on classic vehicles, promoted the set up of ecosystem construction, achieved sales breakthroughs in segment markets, and pushed domestic marketing capabilities to a new level. The Group expanded our "Full Life-cycle Service" ("全生命週期服務") and continued to promote the socialized "Non-stop Services" ("不停車服務"). Accordingly, our brand's influence and reputation continued to improve.

As at 30 June 2018, the Group had a total of 967 HDT dealerships (including 151 4S centers and 94 SINOTRUK-branded dealerships), 1,434 service centers providing high quality after-sales service, and 141 refitting companies to provide truck refitting services to HDTs in the PRC.

INTERNATIONAL BUSINESS

In the first half of 2018, the presence of trade protectionism posed a major challenge to the recovering world economy.

During the Period, the Group's export volume of HDTs (including affiliated exports) was 19,005 units, representing an increase of 25.8% HoH. Export revenue (including affiliated exports) was RMB4,881 million, representing an increase of 20.4% HoH.

During the Period, the Group seized opportunities to expand international market, recording new high export volume. Both Africa and Southeast Asia & Oceania divisions recorded export orders of over 10,000 units, breaking their historical high records. Developments in potential regional markets made new progresses, with batch orders made from Chile and Russia. Seizing the opportunity of rapid development of infrastructure construction in "One Belt, One Road" initiative countries, the Group recorded significant sales growth in Central Asia. The Group maintained the leading position in the HDT export in China.

As at 30 June 2018, the Group had 106 primary distributor sales centers in over 60 countries and regions. Through cooperation with overseas distributors, the Group established 100 service outlets and 107 spare parts and accessory stores.

LIGHT DUTY TRUCKS SEGMENT

During the Period, the sales volume of the Group's LDTs increased by 25.8% HoH to 68,848 units, far exceeding the industry average of 16.2% HoH. Revenue from the LDTs segment increased to RMB5,859 million, representing an increase of 31.3% HoH. The segment profit margin was 3.8%, representing an increase of 1.4 percentage points.

The Ji'nan LDT division promoted complete value chain marketing and services to enhance network operation quality. Adhering to the market–centered strategy, the Ji'nan LDT division explored customer demands by closely studying end users. Project management model was promoted to identify user demands and target population, as well as to set segment market and product positioning, significantly improving the marketing and marketing management capabilities of the Ji'nan LDT division, resulting in breakthrough in sales volume. Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd ("Chengdu Wangpai Company") transformed its marketing model and promoted precise marketing for its distribution network to reach wider range of end users. Chengdu Wangpai Company also launched a "Quality Product" marketing model by market expansion and quality improvement. Sinotruk Fujian Haixi Vehicles Co., Ltd ("Fujian Haixi Company") implemented a market-oriented strategy and enhanced marketing channel management to steadily expand the market for its products. The market competitiveness of the products of Fujian Haixi Company was dramatically improved with the implementation of quality product project and optimization of product mix.

As of 30 June 2018, the Group had a total of 1,777 LDT dealerships (including 37 4S centers and 366 Sinotruk-branded dealerships), 2,012 service centers providing high quality after-sales service, and 40 refitting companies to provide truck refitting services to LDTs in the PRC.

ENGINES SEGMENT

During the Period, the sales volume of the engine segment increased by 10.7% HoH to 103,911 units. Segment revenue increased by 10.4% HoH to RMB8,152 million. External sales accounted for 9.7% of the segment revenue of engines, representing an increase of 2.2 percentage points HoH. The segment margin accounted for 18.1%, representing an increase of 1.9 percentage points HoH. The increase was due to large demand of engines resulting from significant increase in sales of the Group's HDTs and the increase of the ratio of sales of WD engines to all engines which have higher profit margin.

The Group is committed to research and development of engine technologies. The Group benchmarked its engine development with international standards, implemented strict quality controls, expanded the application of MAN engines technology and provided customers with high-tech products that are reliable and fuel-efficient. Aside from supplying engines for the Group's own production, the Group also sold engines to other heavy-duty truck, bus and construction machinery manufacturers.

FINANCE SEGMENT

During the Period, finance segment revenue was RMB694 million, representing an increase of 52.9% HoH, and segment external revenue was RMB456 million, representing an increase of 67.6% HoH. The segment profit margin was 62.7%, representing an increase of 19.1 percentage points HoH. The increase was mainly due to vigorous development of automobile financing and supply chain financing and more income from management of liquid funds as well as the increase of capital base during the Period to reduce the cost of financing.

The Group continued to develop its innovative business model by boosting sales with financing services, and by taking full advantage of national policies and its experienced auto financing services platform. The Group promoted consumer credit services to meet demand for truck financing, along with targeted marketing and emergency repair services to meet market demand so as to significantly boost the Group's truck sales. During the Period, the Group sold 15,364 trucks through its financing services, representing an increase of 46.2% HoH. The Group also actively expanded its profit growth areas, and provided supply chain financing which helped to optimize the allocation of funds and further enhance its profitability.

As at 30 June 2018, the Group has established 22 regional offices and extended its auto financing services business coverage to over 30 provinces, covering most parts of China, and further improved its auto financing services network.

PRINCIPAL RISKS AND SOLUTIONS

The Group continuously improves the risk management system and defines major risks with a risk assessment mechanism and develops corresponding plans to manage principal risks. As the internal and external environment changes, the risks faced by the Group will also change. The Group enhances its risk management control ability by monitoring the changes in these principal risks and timely adjusting the relevant risk management plans.

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

1. Quality Risks:

   During the products and services life cycle, the quality of the products and services designed, produced, sold and provided by the Group shall face uncertainty which may bring negative effects and impact on the competitiveness and reputation of the Group.

   Mitigation Measures:

   - Rigorously implementing a quality improvement system focusing on quality responsibilities, strictly implementing the quality performance assessments, defining key leaders of the business units from design and production departments being the first person responsible for the quality issues;
   - Strengthening quality checking in the manufacturing progress of products and provision for services, and improving the level of online testing;
   - Improving the alert system of the quality of the products and services, establishing a practical and operable after-sales service quality feedback system and contingency plans for quality issues;
   - Strengthening the quality of procurement of spare parts and components, and regularly communicating with suppliers;
   - For quality issues that had significant impact on the Group, or that caused significant economic losses to the Group or its customers, immediately reporting to the relevant person and superior organization in charge according to relevant regulations, formulating quality issues solutions with the relevant business units or customers and thus minimizing the loss of the Group and the customers brought by the quality issues; clarifying the facts through a press conference, announcement or other forms in a timely manner to minimize negative impact on the Group's reputation;
   - Preparing reports for any quality issues according to the time, place, causes, loss and results, penalizing the units causing the quality issues according to relevant regulations and educating them to avoid the re-occurrence; and

- Implementing the Follow up of Quality Issues policy「質量回頭看」to review past quality issues, analyzing the causes from technical aspect and production management level, develop correction and prevention actions plans, and having a third party to carry out supervision and reviewing the follow up of quality issues.

For details of the warranty expenses, please refer to the paragraph headed "DISTRIBUTION COSTS" under "FINANCIAL REVIEW".

2. Foreign Exchange Risks:

Currently, the Group's international trades are transacted in USD or Euro. If there are any significant exchange rate fluctuations of RMB against these currencies, the Group may face the uncertainty not existed when subject to fixed exchange rates. The Group could be exposed to foreign exchange losses leading to a decline in investment income.

Mitigation Measures:

- Selecting a favorable invoicing currency, such as RMB as the settlement currency if conditions permit amid the internationalization process of RMB;
- For high foreign exchange risk business, providing a foreign exchange fluctuation protection mechanism in the sales contracts to safeguard the interests of the customers and the Group;
- Arranging for advance or delayed foreign exchange settlement through reasonable settlement methods;
- Utilizing foreign currency denominated financing to hedge foreign exchange risks associated with currency income receipts; and
- Using financial derivatives to lock in applicable exchange rates and hedge against foreign exchange risks

For the impacts of foreign exchange risks, please refer to the paragraph headed "FINANCIAL MANAGEMENT AND POLICY" under "FINANCIAL REVIEW".

3. Overseas Market Risk:

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

Mitigation Measures:

- Keeping in touch with embassies and consulates in relevant countries where the Group exports products to, as well as Chinese-funded or European and American financial institutions, collecting relevant information through their official and professional channels and collecting information on political situations, social stability and other relevant news for countries where the Group exports through various means, such as newspapers, television, and the Internet;
- Making full use of publications such as "The Handbook of Country Risk" and other risk reports issued by authoritative institutions to improve the Group's knowledge of the political and economic changes and to evaluate product demand; and
- For importing countries experiencing political turmoil, seeking large international banks with high credibility to endorse letters of credit and requiring for export credit insurance.

For the operations of overseas market, please refer to the paragraph headed "INTERNATIONAL BUSINESS" under "HEAVY DUTY TRACKS SEGMENT".

KEY PERFORMANCE INDICATORS

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

Directors focus on the sustainability and continuing development of the Group and interests of the Shareholders. Directors use financial and non-financial measures as benchmarks and assist to make assessments and decisions. Sales volume of HDTs and LDTs as well as revenue show actual operating results and performance. Cash is essential for survival and net cash generated from operating activities provides insight how much cash to be generated from ongoing operating activities. Liabilities to assets ratio shows the management how to balance the use of equity and debts financing when maintaining the Group's liquidity. Capital expenditure ("CAPEX") provides information for medium to long term development of the Group. Profit attributable to owners of the Company provides the return to the Shareholders for the current reporting period.

The following charts and table present these key performance indicators for the six months ended 30 June of the following years:

HDTs sales volume

93,527

25%

LDTs sales volume

68,848

26%

Revenue

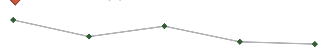
33,624

26%

Net cash generated from operating activities

564

-41%



Liabilities to assets ratio

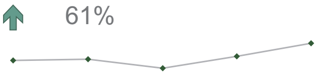
61.0%

3%

CAPEX

565

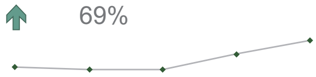
61%



Profit attributable to owners of the Company

2,365

69%



Key performance indicators	2018	2017	2016	2015	2014
HDTs sales volume	93,527	74,792	42,937	43,157	51,130
LDTs sales volume	68,848	54,739	40,111	27,522	27,830
Revenue	33,624	26,626	15,331	14,258	16,746
Net cash generated from operating activities	564	964	3,082	1,716	3,906
Liabilities to assets ratio	61.0%	59.4%	51.6%	54.5%	58.7%
CAPEX	565	350	205	320	306
Profit attributable to owners of the Company	2,365	1,400	243	238	322

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES AND OTHERS

The Group adheres to Producing Quality Products with Integrity and Selling Quality Products to Market「用人品打造精品，用精品奉獻社會」 as the core values of the Group. The Group promotes its safety and corporate social responsibility ideas while learning from advanced upstream and downstream supply chain enterprises, to promote continuous improvement for supply chain enterprises and achieve its social responsibilities in environmental protection, safety and health sectors.

The Group strives to provide its customers with comprehensive services and formulated a Service Manual「親人服務手冊」to establish a service brand 「親人」. The Group established a three-level service system consisting of customer service centers, regional dealers and special service stations, set up a 24-hour 400 service hotline and launched the Smart Sinotruk app 「智慧重汽」to manage customer complaints and feedback. The Group also established the Customer Satisfaction Survey and Analysis Procedure「顧客滿意度調查分析程序」 to conduct annual customer satisfaction surveys and get an in-depth understanding of customer feedback, which are ultimately used in the preparation of the satisfaction survey research and analysis evaluation report.

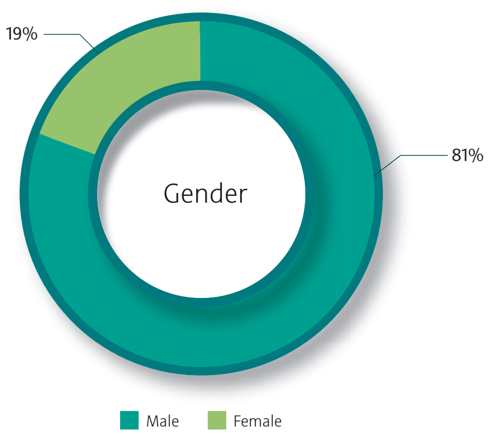
Supply chain is a critical part of our operations. Our suppliers must meet our selection criteria, which include safety, cost and delivery. Our selection criteria of suppliers are also based on their reliability and quality of products, and with whom we can build long-term relationships.

The Group considers its employees as the most valuable asset of the enterprise. The Group provides a complete career path, ensures the safety of employees, and provides trainings to help intertwine employees' personal growth with enterprise development. The Group insists on rewarding based on efforts, and focuses on efficiency and fairness in formulating the Positions, Performances and Wages System「崗位績效工資制度」, which performs as a comprehensive staff remuneration system, providing competitive wages and remuneration to our staff members. The Group formulated Administrative Measures for Reporting and Payment of Social Insurance Premiums「社會保險費申報繳納管理辦法」to make reporting and payments for basic pension insurance, basic medical insurance, unemployment insurance, industrial injury insurance premiums, maternity insurance and other social insurances. In addition, the Group provides free health examination for newly recruited employees, and high-temperature and lunch subsidies for all employees. Also, the Group adopts the Recruitment and Management Methods of Personnel of the Supervisor-grades 《主

管級人員聘任管理辦法》 and nominates supervisor-grade personnel through methods including public recruitment and appointment. The Group also adopts the Implementation of Promotion Management of Non-leadership Positions at Level 8 and above《非領導職務八崗及以上崗位晉升管理實施辦法》, which provides another promotion path for staff who are not in leadership positions.

As at 30 June 2018, the Group had a total of 24,831 employees which are classified by function and gender as follows:

	Number of employees	%
Management team	215	0.87
Technical staff	2,734	11.01
Research and development staff	923	3.72
Production staff	15,377	61.93
Sales staff	1,610	6.48
Marketing staff	217	0.87
Administrative staff	3,755	15.12
Total	24,831	100.00



ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

The Group's global operations require strict compliance with laws, social norms, code of professional ethics and internal regulations. The laws and regulations that have a significant impact on the operations of the Group include but not limited to Company Law of the PRC (《中華人民共和國公司法》), Contract Law of the PRC (《中華人民共和國合同法》), Labor Law of the PRC (《中華人民共和國勞動法》), Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), Product Quality Law of the PRC (《中華人民共和國產品質量法》), Administration Measures on the Manufacture Consistency of Motor Vehicles Manufacturing Enterprise and Products (《車輛生產企業及產品生產一致性監督管理辦法》), Regulations on Recall of Defective Automobile Products (《缺陷汽車產品召回管理條例》), Trademark Law of the PRC (《中華人民共和國商標法》), Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and Production Safety Law of the PRC (《中華人民共和國安全生產法》). At the same time, the Group publishes Regulation Bulletin「法治簡報」on a monthly basis to continue following up on related law and regulation updates. In the manufacturing process of products, engines and other parts and components of vehicles, the Group strictly complies with the requirements stipulated in Product Quality Law of the PRC (《中華人民共和國產品質量法》), Administration Measures on the Manufacture Consistency of Motor Vehicles Manufacturing Enterprise and Products (《車輛生產企業及產品生產一致性監督管理辦法》), Regulations on Recall of Defective Automobile Products (《缺陷汽車產品召回管理條例》), to ensure that the production and sales of automotive products continue to meet mandatory standards and regulatory requirements. The Group controls product quality in a timely manner and actively take corrective and preventive measures so as to safeguard the interests of customers.

In respect of employee management, the Group effectively protects employees' legal rights and interests by complying with the applicable laws and regulations, including Labor Law of the PRC (《中華人民共和國勞動法》), Contract Law of the PRC (《中華人民共和國合同法》) and Implementation Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》).

In respect of environmental protection, the Group strictly observes Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Conserving Energy Law of the PRC (《中華人民共和國節約能源法》), Water Law of the PRC (《中華人民共和國水法》), Prevention and Control of Environmental Noise Pollution Law of the PRC (《中華人民共和國環境噪聲污染防治法》), Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC (《中華人民共和國固體廢棄物污染環境防治法》) and other relevant environmental protection laws and regulations on the national, provincial and municipal levels.

During the Period, as far as the Company is aware, there was no material breaches or non-compliances with applicable laws and regulations by the Group, which had a significant impact on the business and operations of the Group.

During the Period, the Group has complied, in all material respects, with the requirements under the Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code regarding, among others, disclosure of information and corporate governance.

BUSINESS STRATEGIES AND PROSPECTS

Looking forward to the second half of 2018, with regard to the world economy, the global economic recovery has continued since 2017, but the rising international trade protectionism, Sino-US trade frictions and other factors will still bring uncertainty to economic development. In terms of the domestic economy, the GDP growth rate in the first half of the year was 6.8%, and has remained in the range of 6.7%-6.9% for 12 consecutive quarters. On 31 July 2018, the PRC Government analyzed the current economic situation and pointed out that the current economic operation has remained steady, but underwent some negative changes, some new problems and new challenges also emerged, with the external environment having undergone significant changes, therefore, promoting high-quality development will be a tough task. For the HDT industry, the State Council issued the "Three-Year Plan On Defending the Blue Sky" which clarified the timetable for switching to China VI Emission Standard. In January 2019, some cities will implement the China VI Emission Standard in advance. Overall, it is expected that the HDT market will have greater uncertainty in the second half of 2018, the overall demand will fall, and the competition will be more intense. Under this situation, the Group will focus on the following tasks:

1. Seizing the market opportunities, continuing to carry out innovation of marketing models, adjusting product structure in a scientific way, in order to gradually improve the capabilities of expanding in domestic market.

   We will continue to push forward the innovation of marketing and service models, actively explore ways to achieve new breakthroughs in online and offline cooperation between those enterprises on "Internet + Logistics" platforms and the distributors, and vigorously carry out cooperation with "Non-Truck Operator Common Carrier (NTOCC)" enterprises. We will try to seize the opportunities around the replacement of the China III Emission Standard vehicles in the new round of market changes. Relying on the smart heavy truck and intelligent communication platform, the data service will be fully developed to enhance the user experience. We will focus on optimizing product structure, scientifically plan market segments, aim at opportunities brought by the tractor sector which are now transforming in the direction of high-powered economy type, in order to vigorously promote high-powered affordable-luxury tractors. We will seriously conduct the research and development for product seriation, optimization and upgrading of gas vehicles, make greater efforts to promote and market MT13 engines. We will focus our efforts on expanding the LDT product chain, conduct product research and development according to high standards, vigorously carry out R&D for LDTs which meet China VI Emission Standards, and speed up product trial and verification.

2. Making efforts to improve the strategic layout of business internationalization, seizing the opportunity created by the "One Belt, One Road" initiative, deepening the explorations in overseas market, and striving to meet international needs in the new era.

   We will continue to push forward the set up of overseas production bases, reduce export costs, enhance our ability to cover different markets, improve the deployment of overseas after-sales service outlets, guarantee spare parts supply and after-sales technical support and seek to achieve business breakthroughs in Central Asia and South Africa. We will aim at the goal of continuous large-scale sales and long-term market share, strengthen the cultivation and maintenance of the distribution system. We will also create targeted classic truck models and strive to cultivate more markets with sustainability.

3. Implementing the quality improvement plan and continuously strengthening quality system management.

   We will try our best to achieve satisfactory results in all aspects related to the operation of quality management system, continuously improve management measures, ensure the goal of expected improvement is met, and continue to push forward the special rectification plan for premium truck models and assembly parts, so as to improve product quality.

FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period recorded RMB33,624 million, representing an increase of RMB6,998 million or 26.3% HoH. The increase in the revenue is primarily attributable to the respective increase of sales volume of HDTs and LDTs by 25.0% and 25.8% and the optimization of sales mix.

The Group's gross profit for the Period was RMB6,071 million, representing an increase of RMB1,214 million or 25.0% HoH. Gross profit margin for the Period decreased by 0.1 percentage point to 18.1% (gross profit divided by revenue). The decrease in gross profit margin for the Period was mainly due to the increase in materials costs, certain transportation expenses classified as cost of sales, and the changes of sales mix. With the adoption of new accounting standards, transportation costs at the amount of approximately RMB155 million are classified as cost of sales instead of distribution costs during the Period.

DISTRIBUTION COSTS

Distribution costs for the Period was RMB1,715 million, representing an increase of RMB56 million or 3.4% HoH. The increase primarily resulted from the increase in warranty expenses, transportation expenses and employee remuneration. During the Period, distribution costs to sales and service income of trucks and engines ratio was 5.2%, representing a decrease of 1.1%. The decrease in the ratio is mainly due to the increase of warranty expenses and transportation expenses being 2.5% and 0.7% HoH respectively which is lower than the increase of sales and services income of trucks and engines at 25.9% HoH.

Warranty expenses accounted for 1.9% of revenue of trucks and engines for the Period, representing a decrease of 0.4 percentage points. The decrease was mainly due to the improvement of the products quality which resulted in less warranty claims during the Period.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB1,524 million, representing an increase of RMB138 million or 10.0% HoH. The increase was mainly due to increase in research and development costs and employee remuneration. During the Period, administrative expenses to revenue ratio was 4.5%, representing a decrease of 0.7 percentage points. The decrease in the ratio is mainly due to the stringent controls over administrative expenses which resulted in the growth of administrative expense slower when compared to the growth of sales revenue.

OTHER GAINS - NET

Net other gains for the Period was RMB284 million, representing an increase of RMB113 million or 66.1% HoH. The increase was mainly due to the increase in various types of income from wealth management products and gains on disposal of assets classified as held for sale.

FINANCE INCOME/(COSTS) – NET

Net finance income for the Period was RMB2 million while it was net finance costs in last year same period, representing an increase of RMB114 million in net finance increase. The increase was mainly due to the significant reduction of interest costs by RMB50 million in line with the decrease in borrowing scale, increase in interest income from bank deposits by RMB21 million and increase in net foreign exchange gains by RMB40 million.

SHARE OF PROFITS LESS LOSSES OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The net profit of investments accounted for using the equity method for the Period was RMB61 million, representing an increase of profit of RMB41 million. The increase was mainly due to the increase of profit from the group of Prinx (Cayman) Holdings Limited.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB619 million, representing an increase of RMB297 million or 92.2% HoH. The increase was due to the significant increase in profit before income tax.

PROFIT FOR THE PERIOD AND BASIC EARNINGS PER SHARE

Profit for the Period was RMB2,560 million, representing an increase of RMB992 million or 63.3% HoH. During the Period, operating profit ratio (operating profit divided by revenue) was 9.3% (2017: 7.4%) while net profit ratio (profit divided by revenue) was 7.6% (2017: 5.9%). Profit attributable to owners of the Company for the Period was RMB2,365 million, representing an increase of RMB965 million or 68.9% HoH. The basic earnings per share attributable to owners of the Company for the Period was RMB0.86, representing an increase of RMB0.35 or 68.6% HoH.

TRADE AND FINANCING RECEIVABLES

As at 30 June 2018, the trade receivables including related parties trade receivables were RMB6,999 million, compared to the balance as at 31 December 2017, representing an increase of RMB1,873 million or 36.5%. As 30 June 2018, notes acceptance at the amount of RMB4,501 million was not classified as trade receivables under the new financial report standards.

The trade receivables turnover (average trade receivables including related parties trade receivables divided by revenue multiplied by 181 days) for the Period was 33.1 days (2017 calculated under new financial report standards: 49.8 days), representing a decrease of 33.5% HoH and was still within the Group's credit policies which are from three to twelve months to the customers.

As at 30 June 2018, the trade receivables including related parties trade receivables aged not more than twelve months were RMB6,895 million or 98.5% of all trade receivables including related parties trade receivables.

At 30 June 2018, notes receivables received from trading and bills discounting services at the amount of RMB4,503 million (classified as financial assets either at amortised cost or at fair value through other comprehensive income) aged not more than 1 year.

As at 30 June 2018, the financing receivables was RMB9,010 million, compared to the balance as at 31 December 2017, representing an increase of RMB1,925 million or 27.2%. The finance segment of the Group has granted credit period generally from one year to three years. In addition, the auto financing services receivables are secured by the vehicles together with guarantees provided by the dealers and/or relevant parties while suppliers financing receivables are mainly secured by the beneficial owners of these applicants of financing services. The Group reviews the repayment progress of key customers or customers with higher risk of default in repayment on monthly basis and assesses impairment loss by reference to their business, actual repayment information and other assessments.

During the Period, Ji'nan Truck Company had made loss allowance of trade receivables for 2 trade debtors which resulted the decrease in the net profit by the amount of approximately RMB112.8 million.

TRADE PAYABLES

As at 30 June 2018, the trade payables including related parties trade payables were RMB24,688 million, compared to the balance as at 31 December 2017, representing an increase of RMB2,251 million or 10.0%.

The trade payables turnover (average trade payables including related parties trade payables divided by costs of sales of trucks and engines segments multiplied by 181 days) for the Period was 155.0 days (2017: 162.1 days), representing a decrease of 4.4% HoH.

CASH FLOW

Net cash inflow from operating activities for the Period was RMB564 million, compared with net cash inflow in last year same period, representing a decrease of cash inflow by RMB400 million or 41.5% HoH. The net cash inflow from operating activities for the Period decreased because of the increase in payment of income tax.

Net cash inflow generated from investing activities for the Period was RMB1,598 million, compared with cash outflow in last year same period, representing an increase of cash inflow of RMB3,589 million. The increase was mainly due to the receipts of the proceeds from the liquidation of and maturity of large amount of financial products and wealth management products during the Period.

Cash outflow from financing activities for the Period was RMB377 million, compared with the cash inflow in last year same period, representing an increase of cash outflow of RMB2,321 million. During the Period, in addition to the payment of dividends to non-controlling interests, the Group further cut its bank borrowings by RMB205 million while increased its bank borrowing by RMB2,195 million in last year same period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, the Group had cash and cash equivalents of RMB11,656 million and unrestricted bank acceptance notes of RMB4,503 million. Cash and cash equivalents increased and unrestricted bank acceptance notes increased by RMB1,816 million and RMB1,821 million respectively as compared with these balances of the beginning of 2018. The Group's total borrowings (including long-term and short-term borrowings as well as borrowings from the related parties) were about RMB4,021 million as at 30 June 2018. Its gearing ratio (total borrowings divided by total assets) was 6.0% (31 December 2017: 6.6%). As at 30 June 2018, current ratio (total current assets divided by total current liabilities) was 1.2 (31 December 2017: 1.3).

As at 30 June 2018, all borrowings were denominated in RMB (31 December 2017: all in RMB) and most of the borrowings are charged with reference to bank's preferential floating rates and were due within one year. The maturity profile of all borrowings were:

	As at 30 June 2018	As at 31 December 2017
Repayable within one year	**RMB4,021 million**	RMB4,026 million

As at 30 June 2018, owner's consolidated equity of the Company was RMB26,172 million, representing an increase of RMB741 million or 2.9% when compared the balance as at 31 December 2017.

As at 30 June 2018, the Company's market capitalisation was RMB30,075 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD12.92 per Share and at the exchange rate of 1: 0.84310 between HKD and RMB).

As at 30 June 2018, total available credit facilities of the Group from the banks amounted to RMB31,613 million, of which RMB7,002 million had been utilized (31 December 2017: RMB5,400 million); an aggregate amount of RMB888 million (31 December 2017: RMB467 million) of security deposits and restricted bank deposits was pledged to secure various credit facilities. In addition, the finance segment has made mandatory deposits of RMB1,691 million to PBOC for its financial operations. The Group meets its daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, utilization of banking facilities and issuance of bills such as short-term commercial acceptance notes and bank acceptance notes.

SIGNIFICANT INVESTMENTS

Investments in Subsidiaries

During the Period, the Group had completed the capital injection at the amount of RMB957.2 million to HOWO Auto Finance Company and increased its equity interest in HOWO Auto Finance Company from 50% to approximately 82.15%. Details of the capital injection were disclosed in the Company's announcement dated 1 March 2018.

External Securities Investments

The Group's securities investments are classified into long-term equity investments for the Group's business operations and short-term securities investment for trading purposes. As at 30 June 2018, the long-term equity investments and short-term equity investments amounted to RMB555 million and RMB123 million respectively, representing 0.8% and 0.2% of the total assets respectively. Long-term equity investments are investments accounted for using the equity method and equity investment in financial assets at fair value through other comprehensive income and profit or loss. Equity investment in financial assets are mainly unlisted equity investment and the amount involved was not material to the Group's assets. Short-term equity investments are used by the Group to manage liquidity and increase income, and mainly consists of listed securities investment in Hong Kong and Shanghai and their fair values kept changing from time to time depending on but not limit to their operation results, economic situations and stock markets sentiments.

Performance and details of investments accounted for using the equity method are disclosed in the section headed "Share of profits less losses of investments accounted for using the equity method".

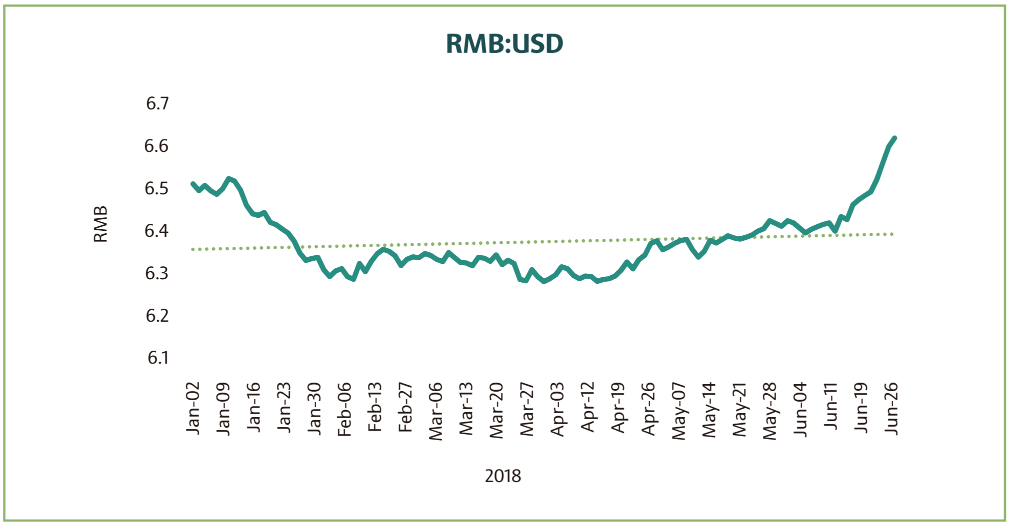
CHARGES ON GROUP ASSETS

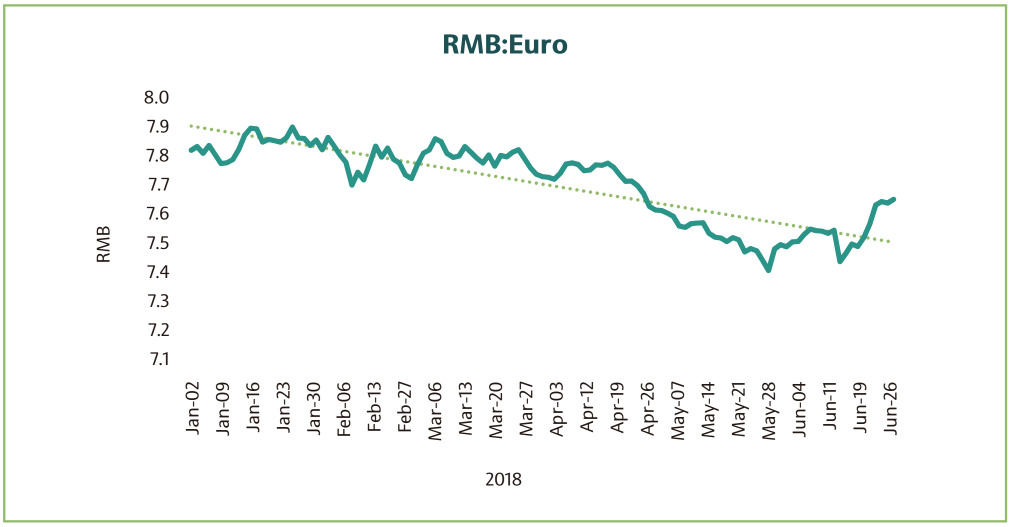
Save as disclosed, as at 30 June 2018, there were no assets of the Group being pledged to secure credit facilities (31 December 2017: Nil).

FINANCIAL MANAGEMENT AND POLICY

The finance department is responsible for the financial risk management of the Group. One of the primary objectives of our financial policies is to manage exchange rate risk. The major foreign exchange risk exposure arises from its exporting and importing activities, business operations outside the PRC as well as the financing activities in Hong Kong. Although the Group does not aim for speculative activities, the Group uses forward contracts to manage the foreign exchange risk and purchases some wealth management products which return are linked with non RMB foreign currencies.

The following tables show the central parity rates of RMB against USD and Euro for the Period in the PRC (source: State Administration of Foreign Exchange, the PRC):





Central parity rates of RMB was depreciated against USD by 1.3% and appreciated against Euro by 1.9% in the PRC when compared these exchanges rates as at 29 December 2017 and 29 June 2018. During the Period, the central parity rates of RMB against USD experienced different trends including the appreciation against USD at the beginning of the Period but depreciation against USD in June 2018 while the central parity rates of RMB against Euro appreciated.

As at 30 June 2018, most of the Group's assets and liabilities were denominated in RMB, except for cash and bank deposits which in total were equivalent to approximately RMB2,195 million, financial assets at fair value through profit or loss of approximately RMB122 million, accounts receivable and other receivable of approximately RMB2,228 million, accounts and other payables of approximately RMB163 million, all of which were denominated in currencies other than RMB.

During the Period, the Group recorded foreign exchange losses at RMB30 million in operating profit but was offset by foreign exchange gains at RMB30 million in finance costs. The potential foreign exchange impacts to the USD and Euro denominated net assets of the Group as at 30 June 2018 are:

	USD denominated net assets	**Euro denominated net assets**
5% strength/ weakness by RMB	Loss/Gain before tax of RMB186 million	Loss/Gain before tax of RMB10 million

GOING CONCERN

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

CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

During the Period, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on the Group's financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB88 million. There was no provision for legal claims as at 30 June 2018.

SUBSEQUENT EVENTS

In August 2018, Ji'nan Power Company and Beijing Changjiu Logistics Co. Ltd. entered into an agreement to set up Shandong Changjiu Sinotruk Logistics Co., Ltd. for the primary purpose of providing the premier delivery services in respect of the Group's products. Ji'nan Power Company and Beijing Changjiu Logistics Co. Ltd. will inject RMB5 million and RMB15 million in cash for 25% and 75% equity of Shandong Changjiu Sinotruk Logistics Co., Ltd. respectively.

DISCLAIMER

Non-GAAP (non generally accepted accounting principles) measures

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

OTHER INFORMATION

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICE

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD

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

As at 30 June 2018, the Board had a total of sixteen Directors comprising eight executive Directors, Mr. Wang Bozhi, 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, Mr. Andreas Hermann Renschler and Mr. Joachim Gerhard Drees and six independent non-executive Directors, Dr. Lin Zhijun, Mr. Chen Zheng, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing. Mr. Wang Bozhi is the chairman of the Board and Mr. Cai Dong is the president of the Company.

On 30 August 2018, due to retirement, Mr. Franz Neundlinger resigned as an ED. Mr. Franz Neundlinger has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders.

EXECUTIVE COMMITTEE

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

As at 30 June 2018, the Executive Committee comprised eight members, namely, Mr. Wang Bozhi, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin and Mr. Franz Neundlinger. Mr. Wang Bozhi is the chairman of the Executive Committee.

STRATEGY AND INVESTMENT COMMITTEE

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

As at 30 June 2018, the Strategy and Investment Committee comprised five members, namely, Mr. Wang Bozhi, Mr. Cai Dong, Mr. Wang Shanpo, Mr. Franz Neundlinger and Mr. Zhao Hang. Mr. Wang Bozhi, Mr. Cai Dong, Mr. Wang Shanpo and Mr. Franz Neundlinger are EDs. Mr. Zhao Hang is an INED. Mr. Wang Bozhi is the chairman of the Strategy and Investment Committee.

REMUNERATION COMMITTEE

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

As at 30 June 2018, the Remuneration Committee comprised six members, namely, Mr. Chen Zheng, Dr. Lin Zhijun, Mr. Yang Weicheng, Mr. Liang Qing, Mr. Tong Jingen and Mr. Liu Wei. Mr. Chen Zheng, Dr. Lin Zhijun, Mr. Yang Weicheng and Mr. Liang Qing are INEDs while Mr. Tong Jingen and Mr. Liu Wei are EDs. Mr. Chen Zheng is the chairman of the Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee is mainly responsible for reviewing and monitoring the financial control, internal control and risk management systems, including reassessment of the financial and accounting policies, review of interim reports, annual reports and financial statements of the Group, review of the risk management and internal control systems, the effectiveness of the internal audit function, etc. In addition, the Audit Committee is responsible for the appointment, re-appointment and removal of external auditor, and for reporting to the Board on the recommendation, review and supervision of the external auditor in respect of its independence and objectivity, the effectiveness of the audit procedures, the formulation of policies on the provision of non-audit services by the external auditor, the handling of any issues related to the resignation of auditor or the removal of such auditor and the communication with the external auditor on auditing matters.

As at 30 June 2018, the Audit Committee comprised three members, namely, Dr. Lin Zhijun, Mr. Chen Zheng and Dr. Wang Dengfeng who are all INEDs. Dr. Lin Zhijun is the chairman of the Audit Committee.

DIVIDENDS

The Board does not propose the declaration of any interim dividends for the six months ended 30 June 2018.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2018 has been reviewed by the Audit Committee and by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by Hong Kong Institute of Certified Public Accountants.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMMUNICATIONS WITH SHAREHOLDERS

The Company considers that active communications with investors are important and provides reports with transparency and clarity in disclosures. Any significant events fall to be disclosed will be published in a timely, accurate and complete manner through the website of the Company and HKExnews, the website of Hong Kong Exchanges and Clearing Limited, so as to safeguard shareholders’ rights of information and participation. Ji’nan Truck Company publishes its announcements in the website of Shenzhen Stock Exchange as required by the regulations. The Company announces the latest financial information of Ji’nan Truck Company from time to time in the website of the Company and HKExnews.

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

The 2018 AGM was successfully held on 27 June 2018 where certain members of the Board and external auditors were present and communicated with the Shareholders.

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

As at 30 June 2018, the directors and chief executives of the Company and their associates (as defined in the Listing Rules) had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

ASSOCIATED CORPORATION

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

Long positions

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of shareholding
Mr. Cai Dong	Family interest	10,000	0.0015%
Mr. Kong Xiangquan	Beneficial interest	30,000	0.0045%

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 30 June 2018, other than the interests of the Directors and chief executives of the Company as disclosed above, the Company has been notified of the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO:

A) THE COMPANY

Long position

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

Notes:

(a) CNHTC holds the entire issued share capital of Sinotruk (BVI) Limited. CNHTC is deemed to have interest in all the Shares held (or deemed to be held) by Sinotruk (BVI) Limited under the SFO.

(b) FPFPS holds 90% interest in Ferdinand Porsche Familien-Holding GmbH. FPFPS is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Porsche Familien-Holding GmbH under the SFO.

(c) Ferdinand Porsche Familien-Holding GmbH holds 73.85% interest in Ferdinand Alexander Porsche GmbH. Ferdinand Porsche Familien-Holding GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Alexander Porsche GmbH under the SFO.

(d) Ferdinand Alexander Porsche GmbH holds 100% interest in Familie Porsche Beteiligung GmbH. Ferdinand Alexander Porsche GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Familie Porsche Beteiligung GmbH under the SFO.

(e) Familie Porsche Beteiligung GmbH holds 51.69% interests in Porsche Automobil Holding SE. Familie Porsche Beteiligung GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Porsche Automobil Holding SE under the SFO.

(f) Porsche Automobil Holding SE holds 50.73% interest in Volkswagen AG. Porsche Automobil Holding SE is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen AG under the SFO.

(g) Volkswagen AG holds 100% interest in Volkswagen Truck & Bus AG. Volkswagen AG is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen Truck & Bus AG under the SFO.

(h) Volkswagen Truck & Bus AG which is formerly known as Volkswagen Truck & Bus GmbH holds 75.28% interest in MAN SE. Volkswagen Truck & Bus AG is deemed to have interest in all the Shares held (or deemed to be held) by MAN SE under the SFO.

(i) MAN SE holds 100% interest in MAN Finance and Holding S.A., which is formerly known as "MAN Finance and Holding S.A.R.L.". MAN SE is deemed to have interest in all the Shares held (or deemed to be held) by MAN Finance and Holding S.A. under the SFO.

(j) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 30 June 2018, Famille Porsche Beteiligung GmbH held a 27.73% interest in the capital of Porsche Automobil Holding SE and had a voting interest of 55.46% in this entity.

(k) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 30 June 2018, Porsche Automobil Holding SE held a 30.80% interest in the capital of Volkswagen AG and had a voting interest of 52.20% in this entity.

(l) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 30 June 2018, Volkswagen Truck & Bus AG held a 74.55% interest in the capital of MAN SE and had a voting interest of 75.73% in this entity.

B) MEMBERS OF THE GROUP

Long position

Name of equity holder	Nature of interests	Name of the 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	Sinotruk Fujian Haixi Vehicles Co., Ltd.	20%
Chengdu Dachenggong Mechanics Co., Ltd.	Beneficial owner	Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd.	20%
Suizhou Huawei Investment Holdings Co., Ltd.	Beneficial owner	Sinotruk Hubei Huawei Special Vehicle Co., Ltd.	40%
Kodiak America LLC.	Beneficial owner	Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd.	49%

Save as disclosed above, as at 30 June 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CONSTITUTIONAL DOCUMENTS

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

By order of the Board
Wang Bozhi
Chairman

Beijing, PRC, 31 August 2018

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

pwc

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 32 to 84, 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 2018 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2018

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2018	2017
Revenue	6	**33,623,760**	26,626,150
Cost of sales		**(27,552,881)**	(21,769,504)
Gross profit		**6,070,879**	4,856,646
Distribution costs		**(1,715,171)**	(1,659,370)
Administrative expenses		**(1,523,505)**	(1,386,101)
Other gains – net		**283,831**	170,566
Operating profit	7	**3,116,034**	1,981,741
Finance income		**44,067**	22,653
Finance costs		**(42,505)**	(134,645)
Finance income/(costs) – net		**1,562**	(111,992)
Share of profits less losses of investments accounted for using the equity method	8	**60,905**	19,788
Profit before income tax		**3,178,501**	1,889,537
Income tax expense	9	**(618,931)**	(321,754)
Profit for the period		**2,559,570**	1,567,783
Profit attributable to:			
– Owners of the Company		**2,364,739**	1,400,071
– Non-controlling interests		**194,831**	167,712
		2,559,570	1,567,783
Earnings per share for profit attributable to owners of the Company for the period (expressed in RMB per share) – basic and diluted	10	**0.86**	0.51

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2018	2017
Profit for the period		2,559,570	1,567,783
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		109	(9,680)
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties		–	9,735
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		–	10,138
Share of other comprehensive income of investments accounted for using the equity method		1,472	894
Currency translation differences		(3,224)	(350)
Other comprehensive (loss)/income for the period, net of tax		(1,643)	10,737
Total comprehensive income for the period		2,557,927	1,578,520
Attributable to:			
– Owners of the Company		2,363,020	1,411,659
– Non-controlling interests		194,907	166,861
Total comprehensive income for the period		2,557,927	1,578,520

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

	Note	**Unaudited 30 June 2018**	Audited 31 December 2017
ASSETS			
Non-current assets			
Land use rights	12	**1,631,034**	1,650,123
Property, plant and equipment	12	**9,939,989**	9,937,766
Investment properties	13	**709,576**	709,576
Intangible assets	12	**326,758**	356,827
Goodwill		**3,868**	3,868
Deferred income tax assets		**1,552,998**	1,484,254
Investments accounted for using the equity method	8	**517,481**	477,827
Financial assets at fair value through other comprehensive income	14	**37,925**	—
Financial assets at fair value through profit or loss		**170,623**	—
Available-for-sale financial assets		**—**	205,533
Receivables and other assets	15	**2,365,739**	1,946,712
		17,255,991	16,772,486
Current assets			
Inventories	16	**13,511,566**	13,246,027
Receivables and other assets	15	**14,146,249**	15,150,697
Financial assets at amortised cost	17	**606,621**	—
Financial assets at fair value through other comprehensive income	14	**4,500,617**	—
Financial assets at fair value through profit or loss		**1,666,863**	781,981
Available-for-sale financial assets		**—**	2,340,073
Amounts due from related parties	26(b)	**1,130,881**	352,768
Cash and bank balances	18	**14,242,242**	12,417,389
		49,805,039	44,288,935
Assets classified as held for sale		**—**	121,595
		49,805,039	44,410,530
Total assets		**67,061,030**	61,183,016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited 30 June 2018	Audited 31 December 2017
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	**16,717,024**	16,717,024
Other reserves		**(536,283)**	(576,483)
Retained earnings		**7,313,491**	6,616,922
		23,494,232	22,757,463
Non-controlling interests		**2,677,511**	2,673,248
Total equity		**26,171,743**	25,430,711
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**52,850**	51,398
Termination and post-employment benefit obligations	20	**11,131**	14,233
Deferred income		**353,364**	361,200
		417,345	426,831
Current liabilities			
Trade payables, other payables and other current liabilities	21	**33,033,309**	28,545,935
Current income tax liabilities		**414,376**	395,068
Borrowings	22	**3,985,000**	3,990,000
Amounts due to related parties	26(b)	**1,874,542**	1,416,385
Provisions for other liabilities	23	**1,164,715**	978,086
		40,471,942	35,325,474
Total liabilities		**40,889,287**	35,752,305
Total equity and liabilities		**67,061,030**	61,183,016

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The condensed consolidated interim financial information on pages 32 to 84 were approved by the Board of Directors on 31 August 2018 and were signed on its behalf.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

		Unaudited										
		Attributable to owners of the Company									Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Revaluation reserve	Statutory reserves	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance at 1 January 2017		16,717,024	(3,623,842)	52,414	1,412,826	104,294	1,144,582	21,484	4,083,027	19,911,809	2,427,288	22,339,097
Profit for the period		–	–	–	–	–	–	–	1,400,071	1,400,071	167,712	1,567,783
Other comprehensive income												
Remeasurements of termination and post-employment benefit obligations		–	–	(7,670)	–	–	–	–	–	(7,670)	(2,010)	(9,680)
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property		–	–	9,048	–	–	–	–	–	9,048	687	9,735
Change in value of available-for-sale financial assets		–	–	9,666	–	–	–	–	–	9,666	472	10,138
Share of other comprehensive income of investments accounted for using the equity method		–	–	–	–	–	–	894	–	894	–	894
Currency translation differences		–	–	–	–	–	–	(350)	–	(350)	–	(350)
Total other comprehensive income for the period		–	–	11,044	–	–	–	544	–	11,588	(851)	10,737
Transactions with owners in their capacity as owners												
Dividends of the Company relating to 2016		–	–	–	–	–	–	–	(193,029)	(193,029)	–	(193,029)
Dividends of subsidiaries distributed to non-controlling interests		–	–	–	–	–	–	–	–	–	(62,562)	(62,562)
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	–	3,404	3,404
Changes in ownership interests in a subsidiary without change of control		–	758	–	–	–	–	–	–	758	(8,200)	(7,442)
Total transactions with owners in their capacity as owners		–	758	–	–	–	–	–	(193,029)	(192,271)	(67,358)	(259,629)
Appropriation to reserves		–	–	–	45,688	–	–	–	(45,688)	–	–	–
Balance at 30 June 2017		16,717,024	(3,623,084)	63,458	1,458,514	104,294	1,144,582	22,028	5,244,381	21,131,197	2,526,791	23,657,988

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

		Unaudited										
		Attributable to owners of the Company									Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Revaluation reserve	Statutory reserves	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance at 31 December 2017		16,717,024	(3,623,161)	68,742	1,707,360	104,294	1,144,582	21,700	6,616,922	22,757,463	2,673,248	25,430,711
Changes in accounting policies	3.1	–	–	(27,493)	–	–	–	–	4,602	(22,891)	(3,691)	(26,582)
Balance at 1 January 2018		16,717,024	(3,623,161)	41,249	1,707,360	104,294	1,144,582	21,700	6,621,524	22,734,572	2,669,557	25,404,129
Profit for the period		–	–	–	–	–	–	–	2,364,739	2,364,739	194,831	2,559,570
Other comprehensive income												
Remeasurements of post-employment benefit obligations		–	–	33	–	–	–	–	–	33	76	109
Share of other comprehensive income of investments accounted for using the equity method		–	–	–	–	–	–	1,472	–	1,472	–	1,472
Currency translation differences		–	–	–	–	–	–	(3,224)	–	(3,224)	–	(3,224)
Total other comprehensive loss for the period		–	–	33	–	–	–	(1,752)	–	(1,719)	76	(1,643)
Transactions with owners in their capacity as owners												
Dividends of the Company relating to 2017		–	–	–	–	–	–	–	(1,614,554)	(1,614,554)	–	(1,614,554)
Dividends of subsidiaries distributed to non-controlling interests		–	–	–	–	–	–	–	–	–	(175,759)	(175,759)
Changes in ownership interests in a subsidiary without change of control		–	11,194	–	–	–	–	–	–	11,194	(11,194)	–
Total transactions with owners in their capacity as owners		–	11,194	–	–	–	–	–	(1,614,554)	(1,603,360)	(186,953)	(1,790,313)
Appropriation to reserves		–	–	–	58,218	–	–	–	(58,218)	–	–	–
Balance at 30 June 2018		16,717,024	(3,611,967)	41,282	1,765,578	104,294	1,144,582	19,948	7,313,491	23,494,232	2,677,511	26,171,743

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2018	2017
Cash flows from operating activities			
Cash generated from operations		**1,305,956**	1,392,752
Interest paid		**(76,346)**	(129,917)
Income tax paid		**(665,729)**	(299,135)
Net cash generated from operating activities		**563,881**	963,700
Cash flows from investing activities			
Purchase of property, plant and equipment		**(456,410)**	(221,871)
Proceeds from disposals of property, plant and equipment		**1,461**	1,643
Proceeds from disposals of assets classified as held for sale		**184,682**	—
Purchase of intangible assets		**(29,935)**	(2,266)
Purchase of financial assets at amortised cost (2017: wealth management products with principal and interests guaranteed)		**(1,200,000)**	(1,371,094)
Proceeds from disposal of financial assets at amortised cost (2017: wealth management products with principal and interests guaranteed)		**1,516,595**	502,764
Purchase of financial assets at fair value through profit or loss		**(5,442,636)**	(760,019)
Proceeds from disposal of financial assets at fair value through profit or loss		**6,965,216**	14,383
Dividends received from financial assets at fair value through profit or loss		**264**	—
Interests received from available-for-sale financial assets		**—**	8,713
Purchase of available-for-sale financial assets		**—**	(1,664,500)
Proceeds from sale of available-for-sale financial assets		**—**	1,486,561
Interest received		**36,035**	19,935
Dividends received from an associate		**22,723**	24,765
Net cash outflows for disposal of a subsidary		**—**	(30,199)
Net cash generated from/(used in) investing activities		**1,597,995**	(1,991,185)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2018	2017
Cash flows from financing activities			
Proceeds from borrowings	22	**2,785,000**	9,741,744
Repayments of borrowings	22	**(2,990,000)**	(7,547,031)
Acquisition of non-controlling interests		**–**	(7,442)
Dividends paid to the owners of the Company		**–**	(186,475)
Dividends paid to non-controlling interests of subsidiaries		**(171,724)**	(56,426)
Net cash (used in)/generated from financing activities		**(376,724)**	1,944,370
Net increase in cash and cash equivalents		**1,785,152**	916,885
Cash and cash equivalents at beginning of the period		**9,840,149**	7,171,365
Exchange gains/(losses) on cash and cash equivalents		**30,210**	(10,275)
Cash and cash equivalents at end of the period	18	**11,655,511**	8,077,975

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018
(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 reorganization (the "Reorganisation") of China National Heavy Duty Truck Group Company Limited ("CNHTC"). The address of the Company's registered office is Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is principally engaged in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks and related key parts and components including engines, cabins, axles, steel frames and gearbox, and the provision of finance services.

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

The financial information relating to the year ended 31 December 2017 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards of HKFRSs effective for the financial year ending 31 December 2018.

3.1 New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting the following standards are disclosed Note 3.1(1) and 3.1(3) respectively:

- HKFRS 9 *Financial Instruments*, and
- HKFRS 15 *Revenue from Contracts with Customers*.

The other newly adopted standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position as at 1 January 2018.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as at 1 January 2018 and these comparatives will not be restated.

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

The following tables show the adjustments recognised for each individual line item. The adjustments are explained in more details by standard below.

Statement of financial position	31 December 2017	HKFRS 9	HKFRS 15	**1 January 2018**
ASSETS				
Non-current assets				
Land use rights	1,650,123	—	—	**1,650,123**
Property, plant and equipment	9,937,766	—	—	**9,937,766**
Investment properties	709,576	—	—	**709,576**
Intangible assets	356,827	—	—	**356,827**
Goodwill	3,868	—	—	**3,868**
Deferred income tax assets	1,484,254	—	—	**1,484,254**
Investments accounted for using the equity method	477,827	—	—	**477,827**
Financial assets at fair value through other comprehensive income (“FVOCI”)	—	37,925	—	**37,925**
Financial assets at fair value through profit or loss (“FVPL”)	—	167,608	—	**167,608**
Available-for-sale financial assets (“AFS”)	205,533	(205,533)	—	**—**
Receivables and other assets	1,946,712	—	—	**1,946,712**
	16,772,486	—	—	**16,772,486**

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

Statement of financial position	31 December 2017	HKFRS 9	HKFRS 15	**1 January 2018**
Current assets				
Inventories	13,246,027	—	—	**13,246,027**
Receivables and other assets	15,150,697	(3,611,907)	—	**11,538,790**
Financial assets at amortised cost	—	900,000	—	**900,000**
Financial assets at fair value through other comprehensive income	—	2,685,325	—	**2,685,325**
Financial assets at fair value through profit or loss	781,981	2,340,073	—	**3,122,054**
Available-for-sale financial assets	2,340,073	(2,340,073)	—	**—**
Amounts due from related parties	352,768	—	—	**352,768**
Cash and bank balances	12,417,389	—	—	**12,417,389**
	44,288,935	(26,582)	—	**44,262,353**
Assets classified as held for sale	121,595	—	—	**121,595**
	44,410,530	(26,582)		**44,383,948**
Total assets	61,183,016	(26,582)	—	**61,156,434**
EQUITY				
Equity attributable to owners of the Company				
Share capital	16,717,024	—	—	**16,717,024**
Other reserves	(576,483)	(27,493)	—	**(603,976)**
Retained earnings	6,616,922	4,602	—	**6,621,524**
	22,757,463	(22,891)	—	**22,734,572**
Non-controlling interests	2,673,248	(3,691)	—	**2,669,557**
Total equity	25,430,711	(26,582)	—	**25,404,129**

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

Statement of financial position	31 December 2017	HKFRS 9	HKFRS 15	1 January 2018
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	51,398	—	—	**51,398**
Termination and post-employment benefit obligations	14,233	—	—	**14,233**
Deferred income	361,200	—	—	**361,200**
	426,831	—	—	**426,831**
Current liabilities				
Trade payables, other payables and other current liabilities	28,545,935	—	—	**28,545,935**
Current income tax liabilities	395,068	—	—	**395,068**
Borrowings	3,990,000	—	—	**3,990,000**
Amounts due to related parties	1,416,385	—	—	**1,416,385**
Provisions for other liabilities	978,086	—	—	**978,086**
	35,325,474	—	—	**35,325,474**
Total liabilities	35,752,305	—	—	**35,752,305**
Total equity and liabilities	61,183,016	(26,582)	—	**61,156,434**

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

(1) HKFRS 9 *Financial Instruments* – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3.1(2) below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting. The Group does not have any hedging instrument in the year 2017 and current reporting period.

The total impact of transition to HKFRS 9 on the Group's retained earnings and equity as at 1 January 2018 is as follows:

	Notes	Effect on retained earnings	Effect on revaluation reserve	Effect on non-controlling interests
Opening balance – HKAS 39		6,616,922	68,742	2,673,248
Reclassification:				
Reclassify wealth management products from AFS to FVPL	(a)	27,493	(27,493)	—
		6,644,415	41,249	2,673,248
Adjustment for impairment:				
Increase in provision for impairment of trade receivables	(b)	(22,891)	—	(3,691)
Opening balance - HKFRS 9		6,621,524	41,249	2,669,557

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

(1) HKFRS 9 *Financial Instruments* – Impact of adoption (Continued)

(a) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	Notes	AFS	Receivables and other assets	FVPL	FVOCI	Financial assets at amortised cost
Closing balance 31 December 2017 – HKAS 39		2,545,606	17,097,409	–	–	–
Reclassify wealth management products from AFS to FVPL	(i)	(2,507,681)	–	2,507,681	–	–
Reclassify non-trading equities from AFS to FVOCI	(ii)	(37,925)	–	–	37,925	–
Reclassify wealth management products from other receivables to financial assets at amortised cost	(iii)	–	(900,000)	–	–	900,000
Reclassify note receivables from trade receivables to FVOCI	(iv)	–	(2,685,325)	–	2,685,325	–
Opening balance 1 January 2018 - HKFRS 9		–	13,512,084	2,507,681	2,723,250	900,000

The Group was required to reclassify its financial assets into the appropriate HKFRS 9 categories. The impact of the reclassification on the Group's retained earnings and equity is disclosed in the table above.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

(1) HKFRS 9 *Financial Instruments* – Impact of adoption (Continued)

(a) Classification and measurement (Continued)

(i) Reclassification from AFS to FVPL

Wealth management products with principal and interest non-guaranteed were reclassified from AFS to FVPL (RMB2,507,681,000 as at 1 January 2018). They do not meet the HKFRS 9 criteria for classification at amortised cost because their cash flows do not represent solely payments of principal and interest.

Related fair value gains of these wealth management products of RMB27,493,000 were transferred from the revaluation reserve to retained earnings on 1 January 2018. In the six months to 30 June 2018, the net fair value gains of RMB7,978,000 relating to the remaining products were recognised in profit or loss, along with deferred tax expense of RMB1,693,000.

(ii) Equity investments previously classified as AFS

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of all its non-trading equity investments previously classified as AFS because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with fair value of RMB37,925,000 were reclassified from AFS to FVOCI. As there was no fair value gains or losses, no reclassification from the revaluation reserve to the FVOCI reserve on 1 January 2018 was made.

(iii) Debt investments at amortised cost

Wealth management products with principal and interest guaranteed are held for collection of contractual cash flows, and the cash flows represent solely payments of principal and interests on the principal amount. These products were reclassified from other receivables to financial assets at amortised cost under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

(iv) Debt investments at FVOCI

Notes receivables are held for collecting contractual cash flows and for selling the financial assets. The contractual cash flows of these investments are solely principal and interest. As a result, note receivables with a fair value of RMB2,685,325,000 were reclassified from trade receivables to FVOCI on 1 January 2018.

(v) Other financial assets

Equity securities – held for trading are required to be held as FVPL under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

(1) HKFRS 9 *Financial Instruments* – Impact of adoption (Continued)

(b) Impairment of financial assets

The Group has following financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade and other receivables;
- Financial assets at amortised cost;
- Debt instruments at FVOCI; and
- Loans to related and third parties

The Group was required to revise its impairment methodology under HKFRS 9 for each of these assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table above.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(i) Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses the lifetime expected loss allowance for all trade receivables.

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Loss allowances
At 31 December 2017 – calculated under HKAS 39	803,354
Amounts restated through opening retained earnings	22,891
Amounts restated through opening non-controlling interests	3,691
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	829,936

The loss allowances increased by a further RMB153,161,000 to RMB983,097,000 for trade receivables during the six months to 30 June 2018. The increase would have been RMB47,203,000 lower under the incurred loss model of HKAS 39.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

(1) HKFRS 9 *Financial Instruments* – Impact of adoption (Continued)

(b) Impairment of financial assets (Continued)

(ii) Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The change of the impairment methodology to other receivables has immaterial impacts on the existing amount of loss allowances for other receivables as at 1 January 2018 and hence management has not made adjustments.

(iii) Financial assets at amortised cost

Impairment on wealth management products are measured as 12-month expected credit losses. These wealth management products are acquired from large banks with principal and interests guaranteed. No loss allowance was made as at 1 January 2018 and 31 December 2017.

(iv) Debt investments at FVOCI

Impairment on notes receivables is measured as 12-month expected credit losses. Most of these notes receivables are the bank acceptance notes for which the repayment are guaranteed by large banks. No loss allowance was made as at 1 January 2018 and 31 December 2017.

(v) Loans to related and third parties

The Group applies the HKFRS 9 general approach to providing for expected credit losses for loans to the related and third parties. The Group uses simplified stage classification approach based on the different degree of credit risk to determine the use of 12-month expected credit losses or lifetime expected credit loss to calculate the loss allowance.

Since the difference of loss allowance calculated under the new impairment model with the existing amount of loss allowance was immaterial, management has not made adjustments.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

(2) HKFRS 9 *Financial Instruments* – Accounting policies applied from 1 January 2018

(a) Investments and other financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVOCI or FVPL; and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

(2) HKFRS 9 *Financial Instruments* – Accounting policies applied from 1 January 2018 (Continued)

(a) Investments and other financial assets (Continued)

(ii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

(2) HKFRS 9 *Financial Instruments* – Accounting policies applied from 1 January 2018 (Continued)

(a) Investments and other financial assets (Continued)

(ii) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

(3) HKFRS 15 *Revenue from Contracts with Customers* – Impact of adoption

The Group has adopted HKFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3.1(4) below. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively with the cumulative effect on the date of initial application of HKFRS 15. In summary, the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017	Reclassification	**HKFRS 15 carrying amount 1 January 2018**
Trade payables, other payables and other current liabilities:			
Advances from customers	2,744,023	(2,744,023)	**–**
Contract liabilities (a)	—	2,744,023	**2,744,023**
Amounts due to related parties:			
Advances from customers	14,014	(14,014)	**–**
Contract liabilities (a)	—	14,014	**14,014**

(a) Contract liabilities in relation to the deposits placed by the customers and related parties for securing their purchase orders were previously presented as advances from customers. Both contract liabilities and advances from customers are grouped under the same category of trade payables, other payables and other current liabilities or amounts due to related parties in the statement of financial position.

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (Continued)

(4) HKFRS 15 *Revenue from Contracts with Customers* – Accounting policies

Sale of goods

The Group manufactures and sells a range of heavy duty trucks, medium-heavy trucks, light duty trucks and related key parts and components, including engines, cabins, axles, steel frames and gearboxes in the market.

Dealers

Sales are recognised when control of the products has transferred, being when the products are delivered to the dealers, the dealer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the dealer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the dealer, and either the dealer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

End user customers

The Group also sells its products directly to end user customers. Revenue from the sales of products is recognized when the products are delivered and the Group receives sales and acceptance confirmations from end user customers. The risk of obsolescence and loss are not transferred to the customers until the Group receives these confirmations.

3.2 The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021 or earlier adoption when HKFRS 15 and HKFRS 9 being applied
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3 ACCOUNTING POLICIES (CONTINUED)

3.2 The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group: (Continued)

- HKFRS 16, Leases

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

  The accounting for lessors will not significantly change.

  The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB27,188,000. The Group estimates that approximately 49% of these relate to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

  However, the Group has not yet assessed what other adjustments, if any, are necessary, for example, because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

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 2017 with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of unusual items.

(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no changes 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.

	Unaudited Repayment period			
As at 30 June 2018	**Less than 1 year**	**Between 1 and 2 years**	**More than 2 years**	**Total**
Borrowings	**3,985,000**	**–**	**–**	**3,985,000**
Interests payments on borrowings (a)	**125,334**	**–**	**–**	**125,334**
Trade and other payables	**29,784,914**	**–**	**–**	**29,784,914**
Amounts due to related parties	**1,864,762**	**–**	**–**	**1,864,762**
Interests payments on borrowings from related parties	**729**	**–**	**–**	**729**
	35,760,739	**–**	**–**	**35,760,739**

	Audited Repayment period			
As at 31 December 2017	Less than 1 year	Between 1 and 2 years	More than 2 years	Total
Borrowings	3,990,000	–	–	3,990,000
Interests payments on borrowings (a)	66,947	–	–	66,947
Trade and other payables	25,095,195	–	–	25,095,195
Amounts due to related parties	1,402,371	–	–	1,402,371
Interests payments on borrowings from related parties	1,506	–	–	1,506
	30,556,019	–	–	30,556,019

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

(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

5.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 30 June 2018:

	Unaudited			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss	**122,905**	**1,362,895**	**351,686**	**1,837,486**
Financial assets at fair value through other comprehensive income	**—**	**4,500,617**	**37,925**	**4,538,542**
Total assets	**122,905**	**5,863,512**	**389,611**	**6,376,028**

The following table presents the Group's financial assets that are measured at fair value at 31 December 2017:

	Audited			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	128,306	653,675	—	781,981
Available-for-sale financial assets – Wealth management products	—	—	2,507,681	2,507,681
Total assets	128,306	653,675	2,507,681	3,289,662

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation (continued)

During the six months ended 30 June 2018, 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 2018, except for the reclassification of financial assets under the adoption of new standards of HKFRSs, there were no reclassifications of financial assets, no transfers among different levels and no other changes in valuation techniques.

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

Level 2 financial assets at fair value through profit or loss comprise wealth management products acquired from banks with principal preservation and floating return. The investment principals are RMB1,350 million and interest rates are determined based on the range of foreign exchange rate of AUD/USD, interest rate of USD 3M-LIBOR or price of gold that are quoted in active market.

Level 2 financial assets at fair value through other comprehensive income comprise bank and commercial acceptance notes that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in active markets.

Level 3 financial assets at fair value through profit or loss include wealth management products acquired from trust companies at a principal of RMB322 million with interest rates non-guaranteed. Their fair values are estimated by using a discounted cash flow approach and main inputs used by the Group are estimated yield rates written in contracts by the counterparties.

Level 3 financial assets at fair value through other comprehensive income include equity investments that are not publicly traded, the Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each date of statement of financial position to determine the fair value of these financial assets. In connection with the investments in shares, the Group adopts a combination of income and market approaches. The income approach adopts a discounted cash flow method to assess the fair value of these financial assets. Under this methodology, fair value is determined by discounting the projected cash flow of the investee company to present worth based on profit and cash flows forecast and other relevant information provided by the investee company. The market approach adopts various sales/income multiples to assess the fair value of these financial assets. Under this methodology, fair value is determined by multiplying various sales/income of the investee company to multipliers with regard to the risks and nature of the business.

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 business 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 segment performance of heavy duty trucks, light duty trucks, engines and finance.

(i) Heavy duty trucks – Manufacture and sale of heavy duty trucks, medium-heavy duty trucks and related components;

(ii) Light duty trucks – Manufacture and sale of light duty trucks and related components;

(iii) Engines – Manufacture and sale of engines and related parts; and

(iv) Finance – Provision for deposits taking, borrowings, notes discounting and entrustment loans to the members of the Group, members of CNHTC and its susidiaries excluding the Group ("CNHTC Group"), auto and supply chain financing services.

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

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

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the consolidated statement of financial position. Segment assets consist primarily of land use rights, investment properties, property, plant and equipment, intangible assets, inventories, receivables and other assets, and operating cash. They exclude income tax assets.

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

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

Sales between segments are carried out on terms mutually agreed amongst these operating segments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2018 are as follows:

	Unaudited					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Elimination	Total
Revenue from external customers						
Sales of goods	26,205,614	5,647,960	773,450	–	–	32,627,024
Provision of financing services	–	–	–	456,407	–	456,407
Rendering of services	522,603	2,476	15,250	–	–	540,329
Total revenue from external customers	26,728,217	5,650,436	788,700	456,407	–	33,623,760
Inter-segment revenue	165,082	208,087	7,363,336	237,795	(7,974,300)	–
Total segment revenue	26,893,299	5,858,523	8,152,036	694,202	(7,974,300)	33,623,760
Operating profit before unallocated expenses	1,095,307	221,913	1,479,066	434,843	(98,907)	3,132,222
Unallocated expenses						(16,188)
Operating profit						3,116,034
Finance income - net						1,562
Share of profits less losses of investments accounted for using the equity method						60,905
Profit before income tax						3,178,501
Income tax expense						(618,931)
Profit for the period						2,559,570

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 30 June 2018 are as follows:

	Unaudited					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	Total
Segment assets	48,207,608	5,856,747	18,374,463	31,638,091	2,050,906	106,127,815
Elimination						(39,066,785)
Total assets						67,061,030
Segment liabilities	31,947,834	3,882,913	7,172,085	25,366,176	5,083,649	73,452,657
Elimination						(32,563,370)
Total liabilities						40,889,287

Reconciled to entity assets and liabilities as at 30 June 2018 as follows:

	Unaudited	
	Assets	Liabilities
Segment assets/liabilities after elimination	65,010,124	35,805,638
Unallocated:		
Deferred tax assets/liabilities	1,552,998	52,850
Current tax assets/liabilities	2,242	414,376
Current borrowings	—	2,985,000
Other assets/liabilities of the Company	495,666	1,631,423
Total	67,061,030	40,889,287

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 31 December 2017 are as follows:

	Audited					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	Total
Segment assets	48,994,733	5,278,752	17,332,626	15,258,637	1,621,239	88,485,987
Elimination						(27,302,971)
Total assets						61,183,016
Segment liabilities	32,817,847	3,349,943	7,117,232	10,196,819	3,644,201	57,126,042
Elimination						(21,373,737)
Total liabilities						35,752,305

Reconciled to entity assets and liabilities as at 31 December 2017 as follows:

	Audited	
	Assets	Liabilities
Segment assets/liabilities after elimination	59,561,777	32,108,104
Unallocated:		
Deferred tax assets/liabilities	1,484,254	51,398
Current tax assets/liabilities	3,428	395,068
Current borrowings	—	3,190,000
Other assets/liabilities of the Company	133,557	7,735
Total	61,183,016	35,752,305

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

	Unaudited Six months ended 30 June	
	2018	2017
Mainland China	**29,901,532**	23,239,807
Overseas	**3,722,228**	3,386,343
Total	**33,623,760**	26,626,150

(All amounts in RMB thousands unless otherwise stated)

7 OPERATING PROFIT

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

	Unaudited Six months ended 30 June	
	2018	2017
Employee benefit expenses	**1,984,146**	1,846,406
Warranty expenses (Note 23)	**615,675**	600,782
Inventory write-downs	**66,473**	85,219
Amortisation of land use rights (Note 12)	**19,089**	20,201
Depreciation of property, plant and equipment (Note 12)	**559,844**	580,174
Amortisation of intangible assets (Note 12)	**30,815**	27,976
Gains on disposal of assets classified as held for sale	**(62,375)**	—
(Gains)/losses on disposal of property, plant and equipment	**(187)**	118
Foreign exchange losses - net	**29,607**	27,518
Gain on disposal of a subsidiary	**—**	(51,553)
Government grants	**(76,858)**	(32,466)
Gains on disposal of scraps	**(20,585)**	(11,819)

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 June 2018 Unaudited	31 December 2017 Audited
Associates (a)	**360,998**	333,675
Joint venture (b)	**156,483**	144,152
	517,481	477,827

The amounts recognised in the interim condensed consolidated statement of profit or loss are as follows:

	Unaudited Six months ended 30 June	
	2018	2017
Associates (a)	**50,645**	9,069
Joint venture (b)	**10,260**	10,719
	60,905	19,788

(All amounts in RMB thousands unless otherwise stated)

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Investments in associates

	Six months ended 30 June	
	2018	2017
At 1 January (Audited)	**333,675**	324,915
Share of profits less losses	**50,645**	9,069
Share of other comprehensive (loss)/income	**(599)**	894
Dividend received	**(22,723)**	(24,765)
At 30 June (Unaudited)	**360,998**	310,113

(b) Investment in a joint venture

	Six months ended 30 June	
	2018	2017
At 1 January (Audited)	**144,152**	141,512
Share of profits less losses	**10,260**	10,719
Share of other comprehensive income	**2,071**	—
At 30 June (Unaudited)	**156,483**	152,231

(All amounts in RMB thousands unless otherwise stated)

9 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2018	2017
Current income tax		
– Hong Kong profits tax	**1,813**	1,002
– PRC corporate income tax	**684,410**	461,781
	686,223	462,783
Deferred income tax	**(67,292)**	(141,029)
	618,931	321,754

The estimated weighted average annual income tax rate expected for the full financial year is 19% (2017: 17%). Taxation on profits has been calculated on the estimated assessable profit during the six months ended 30 June 2018 at the rates of taxation prevailing in the countries/districts in which the Group operates.

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% (2017: 16.5%) on their estimated assessable profit for the year. The Company is determined as a Chinese-resident enterprise and is subject to the corporate income tax rate of 25% (2017: 25%) according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law").

Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprises in 2016. Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engines Co., Ltd. have been recognised as the High New Tech Enterprises in 2017. These companies are subject to a reduced corporate income tax rate of 15% (2017: 15%) according to the tax incentives of the CIT Law for High New Tech Enterprises.

Sinotruk Ji'nan Fuqiang Power Co., Ltd. had been recognised as the High New Tech Enterprises in 2015 for 3 years. In 2018, the company is subject to a corporate income tax rate of 25% (2017: 15%) according to the CIT Law.

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. and Sinotruk Mianyang Special Vehicles Co., Ltd. are subject to a corporate income tax rate of 15% (2017: 15%) according to the Western Development tax incentives of the CIT Law.

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax rate of 20% (2017: 20%) according to Tax Code of the Russian Federation.

Sinotruk South Africa (Pty) Ltd. is subject to a corporate income tax rate of 28% (2017: 28%) according to South Africa Tax Law.

9 INCOME TAX EXPENSE (CONTINUED)

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax rate of 20% (2017: 20%) according to Kazakhstan Tax Law.

The remaining subsidiaries in the PRC are subject to the corporate income tax rate of 25% (2017: 25%) according to the CIT Law.

10 EARNINGS PER SHARE

Basic

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

	Unaudited Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company	**2,364,739**	1,400,071
Weighted average number of ordinary shares in issue (thousands)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**0.86**	0.51

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 2018 and 30 June 2017.

(All amounts in RMB thousands unless otherwise stated)

11 DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2018 (2017: Nil). The final dividend of the Company for the year ended 31 December 2017 was approximately HKD1,932,695,000 or approximately RMB1,614,544,000 (year 2016 final dividend: approximately HKD220,879,000 or approximately RMB193,029,000. The relevant final dividend and the corresponding withholding dividend tax were paid in July and August 2018 respectively.

During the six months ended 30 June 2018, certain Group's non-wholly owned subsidiaries have declared dividends to non-controlling interests amounting to approximately RMB175,759,000 (2017: approximately RMB62,562,000).

12 CAPITAL EXPENDITURES

	Land use rights	Property, plant and equipment	Intangible assets
Six months ended 30 June 2018			
At 1 January 2018 (Audited)	**1,650,123**	**9,937,766**	**356,827**
Additions	**—**	**564,053**	**746**
Disposals	**—**	**(1,986)**	**—**
Depreciation and amortisation (Note 7)	**(19,089)**	**(559,844)**	**(30,815)**
At 30 June 2018 (Unaudited)	**1,631,034**	**9,939,989**	**326,758**
Six months ended 30 June 2017			
At 1 January 2017 (Audited)	1,651,677	10,165,398	350,216
Additions	—	344,068	5,669
Transfers	11,474	(31,584)	—
Disposals	—	(1,761)	—
Depreciation and amortisation (Note 7)	(20,201)	(580,174)	(27,976)
Disposal of a subsidiary	—	(22,327)	(966)
At 30 June 2017 (Unaudited)	1,642,950	9,873,620	326,943

As at 30 June 2018, the Group is in the process of applying certificate of ownership for the buildings with net book amount of approximately RMB187,172,000 (31 December 2017: approximately RMB201,780,000). As at the date of these condensed consolidated interim financial information was approved, the process is still undergoing.

(All amounts in RMB thousands unless otherwise stated)

13 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2018	2017
At 1 January (Audited)	**709,576**	642,561
Transfers	**–**	20,110
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property	**–**	10,611
At 30 June (Unaudited)	**709,576**	673,282

(a) Lease term

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

(b) Fair value hierarchy

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

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

Fair value hierarchy

	Unaudited Fair value measurements as at 30 June 2018		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring fair value measurements:			
– Warehouses	**–**	**–**	**60,487**
– Factories	**–**	**–**	**309,526**
– Office units	**–**	**253,862**	**85,701**
	–	**253,862**	**455,714**

13 INVESTMENT PROPERTIES (CONTINUED)

(b) Fair value hierarchy (continued)

Fair value hierarchy (continued)

	Audited Fair value measurements as at 31 December 2017		
Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements:			
– Warehouses	—	—	60,487
– Factories	—	—	309,526
– Office units	—	253,862	85,701
	—	253,862	455,714

(c) Valuation techniques

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

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

There were no changes in valuation techniques during the period.

(All amounts in RMB thousands unless otherwise stated)

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2018 Unaudited	31 December 2017 Audited
Non-current		
Equity investments	37,925	—
Current		
Debt investments		
– Bank acceptance notes	4,500,117	—
– Commercial acceptance notes	500	—
	4,500,617	—

The Group holds equity investments for long-term strategic investment purpose.

The Group receives acceptance notes from its customers to settle the purchase consideration and intends to use these acceptance notes either to pay off its trade and other payables or to hold until maturity. These acceptance notes are classified as financial assets at fair value through other comprehensive income under HKFRS 15 during the Period while they were classified as note receivables which formed part of trade receivables in 2017. The aging analysis of these acceptance notes based on transaction dates at the respective dates of statement of financial position is as follows:

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	3,156,882	—
3 months to 6 months	1,276,188	—
6 months to 12 months	67,547	—
	4,500,617	—

(All amounts in RMB thousands unless otherwise stated)

15 RECEIVABLES AND OTHER ASSETS

	30 June 2018 Unaudited	31 December 2017 Audited
Non-current		
Financing receivables	2,372,859	1,976,359
Less: Provision for impairment of financing receivables	(36,488)	(29,647)
Financing receivables – net (a)	2,336,371	1,946,712
Prepayments for long term assets	29,368	—
Receivables and other assets – net	2,365,739	1,946,712
Current		
Accounts receivable	7,047,907	5,588,123
Less: Provision for impairment of accounts receivable	(983,097)	(803,354)
Accounts receivable – net	6,064,810	4,784,769
Notes receivable (Note 14)	—	2,685,325
Trade receivables - net (b)	6,064,810	7,470,094
Financing receivables	6,787,977	5,228,935
Less: Provision for impairment of financing receivables	(114,085)	(90,649)
Financing receivables – net (a)	6,673,892	5,138,286
Other receivables and other assets (Note 17(a))	409,615	1,099,044
Less: Provision for impairment of other receivables and other assets	(56,451)	(63,588)
Other receivables and other assets - net	353,164	1,035,456
Interest receivables	47,907	51,504
Receivables and other assets before prepaid items	13,139,773	13,695,340
Prepayments	361,255	442,393
Prepaid taxes other than income tax	642,979	1,009,536
Prepaid income taxes	2,242	3,428
Receivables and other assets - net	14,146,249	15,150,697

(All amounts in RMB thousands unless otherwise stated)

15 RECEIVABLES AND OTHER ASSETS (CONTINUED)

(a) The ageing analysis of net financing receivables based on transaction dates at respective dates of statement of financial position is as follows:

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**3,106,600**	2,321,760
3 months to 6 months	**1,558,153**	1,818,342
6 months to 12 months	**2,936,508**	2,249,046
1 year to 2 years	**1,382,933**	695,361
2 years to 3 years	**26,069**	—
Over 3 years	**—**	489
	9,010,263	7,084,998

Financing receivables include auto financing loans at an interest rate of 4.86% to 18.00% per annum and supply chain loans at an interest rate of 5.22% to 7.80% per annum. Auto financing loans are mainly secured by the vehicle together with guarantees provided by these dealers and/or its relevant parties.

(b) The ageing analysis of trade receivables - net based on invoice date at respective dates of statement of financial position is as follows:

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**5,156,098**	5,069,670
3 months to 6 months	**485,166**	1,554,192
6 months to 12 months	**319,652**	667,152
1 year to 2 years	**74,099**	117,657
2 years to 3 years	**1,941**	51,684
Over 3 years	**27,854**	9,739
	6,064,810	7,470,094

The sales policy of the Group generally requires its customers to pay a certain amount of deposits when orders of trucks are made and settle outstanding balance either in cash, on credit or by acceptance notes (now being classified as financial assets at fair value through other comprehensive income (Note 14)). A credit term from 3 to 12 months is granted to selected customers based on credit assessment.

As at 30 June 2018, trade receivables of the Group of approximately RMB854,157,000 (31 December 2017: approximately RMB602,731,000) were secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 30 June 2018 and 31 December 2017.

(All amounts in RMB thousands unless otherwise stated)

16 INVENTORIES

	30 June 2018 Unaudited	31 December 2017 Audited
Raw materials	**1,738,776**	1,499,455
Work in progress	**1,023,570**	2,076,683
Finished goods - engines, parts and components	**282,101**	310,888
Finished goods – trucks	**10,917,649**	9,773,917
	13,962,096	13,660,943
Less: write-down of inventories to net realisable value	**(450,530)**	(414,916)
	13,511,566	13,246,027

17 FINANCIAL ASSETS AT AMORTISED COST

	30 June 2018 Unaudited	31 December 2017 Audited
Wealth management products (a)	**603,957**	—
Bills discounted (b)	**2,664**	—
	606,621	—

(a) Wealth management products acquired from banks at the amount of RMB603,957,000 (31 December 2017: RMB900,000,000 and being accounted for as the other receivables) were both principals and interest guaranteed and hence no provision is provided against these wealth management products.

(b) The aging analysis of receivables from bills discounting services based on transaction dates at the respective dates of statement of financial position is as follows:

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**1,872**	—
3 months to 6 months	**—**	—
6 months to 12 months	**792**	—
	2,664	—

(All amounts in RMB thousands unless otherwise stated)

18 CASH AND BANK BALANCES

	30 June 2018 Unaudited	31 December 2017 Audited
Restricted cash	2,586,731	2,577,240
Cash and cash equivalents	11,655,511	9,840,149
	14,242,242	12,417,389

19 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Unaudited	
	Number of shares	Share capital
Balance at 1 January 2018 and at 30 June 2018	2,760,993,339	16,717,024
Balance at 1 January 2017 and at 30 June 2017	2,760,993,339	16,717,024

20 TERMINATION AND POST-EMPLOYMENT BENEFITS

	30 June 2018 Unaudited	31 December 2017 Audited
Termination benefits	4,298	7,095
Post-employment benefits	6,707	6,712
Post-employment medical insurance plan	126	426
	11,131	14,233

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

21 TRADE PAYABLES, OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	30 June 2018 Unaudited	31 December 2017 Audited
Trade and bills payables	**24,211,691**	22,413,165
Contract liabilities	**2,298,846**	—
Advances from customers	**—**	2,744,023
Dividends payables	**1,639,180**	5,689
Accrued expenses	**1,222,502**	848,793
Staff welfare and salaries payable	**722,145**	563,861
Taxes liabilities other than income tax	**227,404**	142,856
Other payables (a)	**2,711,541**	1,827,548
	33,033,309	28,545,935

(a) As at 30 June 2018, other payables include guarantee deposits from dealers for lending to their customers, quality guarantee deposits from suppliers, payable from purchase of property, plant and equipment, etc.

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

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**20,524,761**	20,038,522
3 months to 6 months	**3,508,414**	2,125,755
6 months to 12 months	**83,404**	162,225
1 year to 2 years	**80,794**	66,581
2 years to 3 years	**7,265**	10,624
Over 3 years	**7,053**	9,458
	24,211,691	22,413,165

(All amounts in RMB thousands unless otherwise stated)

22 BORROWINGS

	30 June 2018 Unaudited	31 December 2017 Audited
Current		
Short-term bank borrowings – unsecured	**3,985,000**	3,990,000

Interest expenses on borrowings for the six months ended 30 June 2018 were approximately RMB73,927,000 (2017: approximately RMB123,815,000), out of which approximately RMB1,212,000 (2017: approximately RMB1,414,000) arising on financing for the construction of plant and equipment were capitalised during the period and were included in "additions" in property, plant and equipment. A capitalisation rate of 4.02% per annum (2017: 3.87%) was used, representing the weighted average rate of the borrowing cost of the loans used to finance the projects.

The Group's borrowings are repayable as follows:

	30 June 2018 Unaudited	31 December 2017 Audited
Within 1 year	**3,985,000**	3,990,000

Movements in borrowings are analysed as follow:

	Six months ended 30 June	
	2018	2017
At 1 January (Audited)	**3,990,000**	4,511,787
Proceeds from borrowings	**3,585,000**	9,941,744
Repayments of borrowings	**(3,590,000)**	(7,547,031)
Disposal of a subsidiary	**–**	(1,870,000)
At 30 June (Unaudited)	**3,985,000**	5,036,500

The Group has the following undrawn borrowing facilities:

	30 June 2018 Unaudited	31 December 2017 Audited
Expiring within one year	**2,928,642**	2,781,367

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

23 PROVISIONS FOR OTHER LIABILITIES

Products Warranties	**Six months ended 30 June**	
	2018	2017
At 1 January (Audited)	**978,086**	588,557
Additional provisions (Note 7)	**615,675**	600,782
Utilised during the period	**(429,046)**	(309,112)
At 30 June (Unaudited)	**1,164,715**	880,227

24 CONTINGENT LIABILITIES

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

25 CAPITAL COMMITMENTS

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

	30 June 2018 Unaudited	31 December 2017 Audited
Purchase of property, plant and equipment and intangible assets	**246,220**	397,246

26 RELATED PARTY TRANSACTIONS

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

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

Sinotruk (Hong Kong) Hongye Limited ("Hongye") is a jointly controlled entity of the Group. Prinx (Cayman) Holding Limited and its subsidiaries (referred as "Prinx Cayman Group") and Sinotruk Panzhihua Mining Truck Co., Ltd ("Panzhihua Mining Truck") are associated companies of the Group.

The Directors consider that the major related parties are the CNHTC Group, the FPFPS Group, Hongye, Prinx Cayman Group, 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").

(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions

Financing activities with related parties

(i) CNHTC

	Unaudited			
	Highest balance during six months ended 30 June 2018	**Balance at 30 June 2018**	Highest balance during six months ended 30 June 2017	Balance at 30 June 2017
Assets				
Loans	**150,000**	**150,000**	500,000	450,000
Liabilities				
Deposits taking	**1,398,210**	**1,103,259**	962,519	150,704
Borrowings	**36,000**	**36,000**	36,000	36,000
	1,434,210	**1,139,259**	998,519	186,704

(ii) Hongye

	Unaudited			
	Highest balance during six months ended 30 June 2018	**Balance at 30 June 2018**	Highest balance during six months ended 30 June 2017	Balance at 30 June 2017
Liabilities				
Deposits taking	**108,994**	**93,904**	77,763	30,585

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018
(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (continued)

Trading, servicing and other transactions with related parties

		Unaudited Six months ended 30 June	
		2018	2017
(i)	**CNHTC Group**		
	Sales of trucks	**255,009**	199,003
	Purchases of trucks	**1,410,012**	962,579
	Sales of spare parts	**488,569**	231,838
	Purchases of spare parts	**801,175**	641,363
	Supply of auxiliary production services	**2,050**	2,657
	Purchases of general services	**48,332**	61,809
	Rental income	**8,559**	6,959
	Rental expenses	**8,827**	10,149
	Purchases of construction and project management services	**15,102**	2,165
	Provision for construction supervision and design services	**1,168**	284
	Interest expenses for deposits taking services	**4,528**	2,505
	Purchases of property, plant and equipment	**—**	101
	Interest expenses for accepting loan service	**796**	792
	Aggregate of interest income for loan service	**8,909**	20,305
	Purchases of technology development	**—**	10,377
	Fee income	**293**	153
		3,053,329	2,153,039

(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (continued)

	Unaudited Six months ended 30 June 2018	2017
(ii) FPFPS Group		
Sales of spare parts	**19,540**	14,976
(iii) Prinx Cayman Group		
Purchases of spare parts	**176,473**	130,528
Sales of raw materials	**28,577**	81,784
	205,050	212,312
(iv) Panzhihua Mining Truck		
Sales of trucks	**2,325**	—
(v) Hongye		
Sales of trucks	**793,394**	748,477
Sales of spare parts	**1,118**	—
Interest expenses for deposits taking services	**261**	80
Purchases of spare parts	**—**	22,789
	794,773	771,346
(vi) Key management compensation		
Salaries and other short-term benefits	**4,062**	3,675
Post-employment benefits	**147**	141
	4,209	3,816

(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (continued)

(vii) Other Stated-owned Enterprises

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

(b) Balances with related parties

	30 June 2018 Unaudited	31 December 2017 Audited
Amounts due from related parties		
(i) CNHTC Group		
Trade receivables	319,302	2,197
Loans	150,000	—
Prepayments	38,059	—
Other receivables	590	—
	507,951	2,197
(ii) FPFPS Group		
Prepayments	340	340
(iii) Prinx Cayman Group		
Trade receivables	8,737	1,843
Prepayments	674	—
	9,411	1,843
(iv) Hongye		
Trade receivables	606,163	337,308
Other receivables	7,016	11,080
	613,179	348,388
	1,130,881	352,768

(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (continued)

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

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	904,508	325,056
3 months to 6 months	29,694	16,281
6 months to 12 months	—	—
1 year to 2 years	—	11
	934,202	341,348

	30 June 2018 Unaudited	31 December 2017 Audited
Amounts due to related parties		
(i) CNHTC Group		
Deposits taking	1,103,259	1,138,263
Borrowings	36,000	36,000
Trade payables	437,350	5,684
Other payables	16,878	6,210
Contract liabilities	8,984	—
Advances from customers	—	13,642
	1,602,471	1,199,799
(ii) Prinx Cayman Group		
Trade payables	39,056	17,675
Contract liabilities	222	—
Advances from customers	—	222
	39,278	17,897
(iii) Panzhihua Mining Truck		
Contract liabilities	574	—
Advances from customers	—	150
	574	150
(iv) Hongye		
Other payables	138,315	134,055
Deposit taking	93,904	64,484
	232,219	198,539
	1,874,542	1,416,385

(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (continued)

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

	30 June 2018 Unaudited	31 December 2017 Audited
Less than 3 months	**474,684**	22,709
3 months to 6 months	**373**	—
6 months to 12 months	**1,337**	650
1 year to 2 years	**12**	—
	476,406	23,359

As at 30 June 2018 and 31 December 2017, except for deposits taking, borrowings and loans, amounts due from/to related parties were all unsecured, interest free and due within one year. As at 30 June 2018 and 31 December 2017, deposits taking and borrowings from related parties and loans to related parties were unsecured, bearing interest at rates mutually agreed and due within one year.

As at 30 June 2018 and 31 December 2017, trade receivables due from related parties were not past due or impaired.

Balances with Other State-owned Enterprises

As at 30 June 2018 and 31 December 2017, majority of the Group's bank balances and borrowings are with state-owned banks.

27 EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

In August 2018, Sinotruk Ji'nan Power Co., Ltd., a wholly-owned subsidiary of the Company, and Beijing Changjiu Logistics Co. Ltd. entered into an agreement to set up Shandong Changjiu Sinotruk Logistics Co., Ltd. for the primary purpose to provide the premier delivery services in respect of the Group's products. Sinotruk Ji'nan Power Co., Ltd. and Beijing Changjiu Logistics Co. Ltd. will inject RMB5,000,000 and RMB15,000,000 in cash for 25% and 75% equity of Shandong Changjiu Sinotruk Logistics Co., Ltd. respectively.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